ALLIED PROPERTIES (H.K.) LIMITED
（聯合地產（香港）有限公司）

(Incorporated in Hong Kong with limited liability)

(Stock Code: 56)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

The Board of Directors ("Board") of Allied Properties (H.K.) Limited ("Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30th June, 2006 with the comparative figures for the corresponding period in 2005 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30th June, 2006

		Six months ended 30th June,	
		2006	2005
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Revenue	*(3)*	**1,061,309**	546,795
Other income		**99,643**	26,282
Total income		**1,160,952**	573,077
Cost of sales		**(396,040)**	(101,102)
Brokerage and commission expenses		**(114,469)**	(70,611)
Selling and marketing expenses		**(577)**	(405)
Administrative expenses		**(224,124)**	(162,789)
Profit on deemed disposal of partial interests in a listed subsidiary	*(4)*	**216,461**	–
Changes in values of properties	*(5)*	**96,618**	357,416
Net loss on deemed disposal of listed associates	*(6)*	**(80,784)**	–
Impairment loss recognised in respect of an available-for-sale financial asset	*(7)*	**(58,203)**	–
Bad and doubtful debts written back (provided)		**6,178**	(6,687)
Other operating expenses		**(64,820)**	(64,851)
Finance costs		**(98,609)**	(38,033)
Share of results of associates		**71,502**	82,238
Share of results of jointly controlled entities		**57,914**	58,116
Profit before taxation	*(8)*	**571,999**	626,369
Taxation	*(9)*	**(32,359)**	(44,062)
Profit for the period		**539,640**	582,307
Attributable to			
Equity holders of the Company		**498,299**	532,825
Minority interests		**41,341**	49,482
		539,640	582,307
Earnings per share	*(10)*		
Basic		**HK$0.93**	HK$0.99
Diluted		**HK$0.93**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
at 30th June, 2006

	At 30th June, 2006 Unaudited *HK$'000*	At 31st December, 2005 Audited *HK$'000*
Non-current assets		
Investment properties	**2,777,507**	2,784,100
Property, plant and equipment	**318,162**	209,419
Prepaid land lease payments	**285,323**	287,367
Intangible assets	**20,670**	22,586
Interests in associates	**2,757,168**	2,710,057
Interests in jointly controlled entities	**923,814**	866,394
Available-for-sale financial assets	**1,445,239**	993,139
Statutory deposits	**88,436**	32,831
Loans and receivables	**84,142**	202,306
Deferred tax assets	**4,959**	4,143
	8,705,420	8,112,342
Current assets		
Properties held for sale and other inventories	**502,412**	520,950
Financial assets at fair value through profit or loss	**328,875**	179,204
Prepaid land lease payments	**4,310**	4,420
Accounts receivable, deposits and prepayments	**2,634,170**	2,612,044
Amount due from a fellow subsidiary	**150**	–
Amounts due from associates	**11,610**	7,384
Amount due from a jointly controlled entity	**1,126**	2,159
Tax recoverable	**3,663**	3,842
Short-term pledged bank deposit	**1,000**	972
Bank deposits, bank balances and cash	**1,752,255**	481,196
	5,239,571	3,812,171
Current liabilities		
Accounts payable and accrued charges	**1,332,238**	1,031,946
Financial liabilities at fair value through profit or loss	**327**	17,756
Amount due to the ultimate holding company	**9,214**	8,183
Amounts due to associates	**72,523**	62,828
Amount due to a jointly controlled entity	**109,062**	81,063
Tax payable	**30,982**	13,489
Bank borrowings due within one year	**1,379,722**	950,233
Other liabilities due within one year	**41,390**	33,366
	2,975,458	2,198,864
Net current assets	**2,264,113**	1,613,307
Total assets less current liabilities	**10,969,533**	9,725,649
Capital and reserves		
Share capital	**1,074,303**	1,074,303
Reserves	**6,717,958**	5,996,232
Equity attributable to equity holders of the Company	**7,792,261**	7,070,535
Minority interests	**2,456,668**	1,481,741
Total equity	**10,248,929**	8,552,276
Non-current liabilities		
Bank borrowings due after one year	**414,647**	875,763
Loan notes	**65,437**	64,252
Deferred tax liabilities	**237,334**	230,615
Other liabilities due after one year	**3,186**	2,743
	720,604	1,173,373
	10,969,533	9,725,649

Notes:

(1) Basis of preparation

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

(2) Significant accounting policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2005.

In the current period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter referred to as the "new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group for the current or prior accounting periods are prepared and presented.

Potential impact arising on the new accounting standards not yet effective

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

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st March, 2006.
[3] Effective for annual periods beginning on or after 1st May, 2006.
[4] Effective for annual periods beginning on or after 1st June, 2006.

(3) Segmental information

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

	Six months ended 30th June, 2006			
	Investment, broking and finance *HK$'000*	**Property rental, hotel operations and management services** *HK$'000*	**Sale of properties and property based investments** *HK$'000*	**Total** *HK$'000*
Revenue	**986,034**	**88,974**	**–**	**1,075,008**
Less: inter-segment revenue	**(10,900)**	**(2,799)**	**–**	**(13,699)**
	975,134	**86,175**	**–**	**1,061,309**
Segment results	**273,899**	**152,307**	**(20,691)**	**405,515**
Profit on deemed disposal of partial interests in a listed subsidiary				**216,461**
Net loss on deemed disposal of listed associates				**(80,784)**
Finance costs				**(98,609)**
Share of results of associates				**71,502**
Share of results of jointly controlled entities	**(18)**	**57,932**	**–**	**57,914**
Profit before taxation				**571,999**
Taxation				**(32,359)**
Profit for the period				**539,640**

	Six months ended 30th June, 2005			
	Investment, broking and finance *HK$'000* (Restated)	Property rental, hotel operations and management services *HK$'000* (Restated)	Sale of properties and property based investments *HK$'000* (Restated)	Total *HK$'000* (Restated)
Revenue	468,583	86,344	–	554,927
Less: inter-segment revenue	(6,682)	(1,450)	–	(8,132)
	461,901	84,894	–	546,795
Segment results	130,237	370,867	22,944	524,048
Finance costs				(38,033)
Share of results of associates				82,238
Share of results of jointly controlled entities	2	58,114	–	58,116
Profit before taxation				626,369
Taxation				(44,062)
Profit for the period				582,307

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) Profit on deemed disposal of partial interests in a listed subsidiary

The Company, through its 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 & Co. Limited ("Sun Hung Kai"), a listed subsidiary, 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 before the 1st Share Placing and after the top-up subscription were 74.99% and 62.54% respectively. The total profit arising from the deemed disposal of partial interest in Sun Hung Kai arising from the placing and top-up subscription of 248,000,000 shares of Sun Hung Kai was estimated to be approximately HK$300,847,000. The profit on deemed disposal attributable to the top-up effect of the 1st Share Placing, amounting to HK$216,461,000, was recognised in the income statement for the current period accordingly.

(5) Changes in values of properties

	Six months ended 30th June,	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Changes in values of properties comprise:		
Increase in fair value of investment properties	**113,671**	327,638
(Write-down) reversal of write-down of properties held for sale	**(18,700)**	24,925
Reversal of impairment loss of hotel property	**1,647**	4,853
	96,618	357,416

(6) Net loss on deemed disposal of listed associates

	Six months ended 30th June,	
	2006	2005
	HK$'000	*HK$'000*
Net loss on deemed disposal of 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	**67,905**	–
– Share placing and top-up subscription of shares of the listed associate in April 2006	**12,965**	–
(b) Exercise of warrants and share options by another listed associate	**(86)**	–
	80,784	–

(7) Impairment loss recognised in respect of an available-for-sale financial asset

It represents the impairment loss of HK$58,203,000 (2005: Nil) provided by the Group relating to the Group's 12.5% interest in a Kuala Lumpur hotels project after the Court of Final Appeal delivered its decision, dismissing the Group's final appeal. The details of the litigation have been disclosed in the contingent liabilities of the 2005 annual report of the Company.

(8) Profit before taxation

	Six months ended 30th June, 2006 HK$'000	2005 HK$'000 (Restated)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**1,946**	1,686
Amortisation of prepaid land lease payments	**2,154**	2,192
Depreciation	**10,726**	12,416
Net unrealised loss on derivatives	**–**	1,358
Net unrealised loss on financial assets at fair value through profit or loss	**–**	1,780
and after crediting:		
Dividend income from investments in listed equity securities	**8,952**	8,543
Dividend income from investments in unlisted equity securities	**3,332**	17,733
Excess of net fair value over consideration arising from acquisition of an associate (included in other income)	**9,011**	–
Interest income	**139,304**	74,019
Net profit on dealing in leveraged foreign currencies	**4,131**	2,817
Net profit on disposal of available-for-sale financial assets (included in other income)	**68,604**	2,951
Net profit on other dealing activities	**17,725**	2,306
Net realised profit on derivatives	**9,508**	10,635
Net realised profit on financial assets at fair value through profit or loss	**11,271**	1,970
Net unrealised profit on derivatives (included in other income)	**6,406**	–
Net unrealised profit on financial assets at fair value through profit or loss (included in other income)	**7,405**	–
Refund of interest expenses in respect of litigation related to Kuala Lumpur hotels project pursuant to Court of Appeal Judgment	**–**	14,011

(9) Taxation

	Six months ended 30th June, 2006 HK$'000	2005 HK$'000 (Restated)
The charge comprises:		
Current tax:		
Hong Kong	**25,795**	12,282
Outside Hong Kong	**553**	209
	26,348	12,491
Deferred tax	**6,011**	31,571
	32,359	44,062

Hong Kong Profits Tax is calculated at the rate of 17.5% on the estimated assessable profits for both periods.

Taxation outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

(10) 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:

	Six months ended 30th June, 2006 HK$'000	2005 HK$'000 (Restated)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the period attributable to equity holders of the Company)	**498,299**	532,825
Effect of dilutive potential ordinary shares:		
Adjustments to earnings in respect of the effect of dilutive potential ordinary shares arising from warrants of a subsidiary	**(41)**	–
Adjustments to the share of results of associates based on dilution of their earnings per share	**(898)**	–
Earnings for the purposes of diluted earnings per share	**497,360**	532,825

	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic and diluted earnings per share	**537,152**	537,152

(11) Dividend

The Board does not recommend the declaration of an interim dividend (2005: Nil).

During the six months ended 30th June, 2006 and 2005, the Company paid dividends of HK$53,715,000 and HK$26,858,000, representing HK10 cents per share and HK5 cents per share, in respect of the final dividends of 2005 and 2004 respectively.

(12) Comparative figures

After the preparation of the Group's interim report for the six months ended 30th June, 2005, the Group subsequently amended the prior period adjustments for the adoption of new Hong Kong Financial Reporting Standards issued by the HKICPA that are effective for accounting period beginning on or after 1st January, 2005 in the preparation of the annual report for the year ended 31st December, 2005.

As a result, the Group changed the presentation of certain items in the 2005 annual report from that adopted as at 30th June, 2005.

Accordingly, the presentation of the comparative information in respect of the six months ended 30th June, 2005 which appears in these interim financial statements has been changed from the information published in the 2005 interim report.

The June 2005 comparative figures of certain items in the income statement have been restated where relevant and to conform to the method of computation of the current period as follows:

	As reported on 30th June, 2005 *HK$'000*	**Restatement and reclassification** *HK$'000*	**As restated** *HK$'000*
Changes in value of properties	358,385	(969)	357,416
Other operating expenses	(59,763)	(5,088)	(64,851)
Finance costs	(30,427)	(7,606)	(38,033)
Share of results of associates	79,972	2,266	82,238
Taxation	(44,427)	365	(44,062)
Profit for the period	593,339	(11,032)	582,307
Attributable to			
Equity holders of the Company	541,276	(8,451)	532,825
Minority interests	52,063	(2,581)	49,482
	593,339	(11,032)	582,307
Basic earnings per share (HK$)	1.01	(0.02)	0.99

INTERIM DIVIDEND

The Board does not recommend the declaration of an interim dividend (2005: Nil).

FINANCIAL REVIEW

Results

The profit attributable to the equity holders of the Company for the period was approximately HK$498.3 million (2005: HK$532.8 million, as restated). Earnings per share amounted to HK$0.93 (2005: HK$0.99, as restated).

Revenue for the period increased by 94.1% to HK$1,061.3 million (2005: HK$546.8 million). The increase was mainly due to the increase in the commission income of the securities broking and dealing activities of Sun Hung Kai as retail broking activities continued to benefit from the buoyant market in the first half year of 2006. The gain in value of the investment property portfolio of the Group was HK$113.7 million (2005: HK$327.6 million, as restated). During the period, the Group announced a two part placing and top-up subscription of 248,000,000 shares of Sun Hung Kai at HK$7.0 per share. The 1st placing, representing 169,000,000 shares of Sun Hung Kai, was completed in May 2006 while the 2nd placing of 79,000,000 shares of Sun Hung Kai and the subscription of 248,000,000 new shares of Sun Hung Kai were completed in August 2006. A profit on the deemed disposal of partial interest in Sun Hung Kai arising from the placing and top-up subscription, amounting to HK$216.5 million, was recognised on a proportional basis. A listed associate of the Group, Tian An China Investments Company Limited ("Tian An"), also undertook similar placing to a number of institutional investors and top-up subscription during the period under review. A loss on the deemed disposal of a partial interest in the listed associate amounting to HK$13.0 million was consequently recognised. The exercise of warrants of Tian An by Wachovia Investment Holdings, LLC ("Wachovia") also resulted in a loss on deemed disposal of HK$67.9 million.

Financial Resources, Liquidity and Capital Structure

The Group is principally financed by cash inflow from operating activities and banking facilities granted by the banks. The banking facilities of the Group are reviewed from time to time and new banking facilities will be obtained or renewed to meet the funding requirements for capital commitments, investments and operations of the Group.

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

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. The condition of the issue of the bonus warrants was fulfilled on 29th May, 2006 and 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$10.00 per share, subject to adjustment, at any time from 7th June, 2006 to 6th June, 2009 (both days inclusive). During the period, there were no conversions of the warrants. 107,430,380 warrants were outstanding at 30th June, 2006.

At 30th June, 2006, the current ratio (current assets/current liabilities) of the Group was 1.76 times, which increased slightly from the 1.73 times applicable at the end of 2005.

At 30th June, 2006, the Group's net borrowings amounted to HK$106.5 million (at 31st December, 2005: HK$1,408.0 million), representing bank borrowings and loan notes of HK$1,859.8 million (at 31st December, 2005: HK$1,890.2 million) less bank deposits, bank balances and cash of HK$1,753.3 million (at 31st December, 2005: HK$482.2 million) and the Group had equity attributable to equity holders of the Company of HK$7,792.3 million (at 31st December, 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 1.37% (at 31st December, 2005: 19.9%).

	At 30th June, 2006 HK$'000	At 31st December, 2005 HK$'000
Bank borrowings of the Group are repayable as follows:		
Within one year or on demand	**1,379,722**	950,233
More than one year but not exceeding two years	**162,508**	606,939
More than two years but not exceeding five years	**242,619**	211,214
More than five years	**9,520**	57,610
	1,794,369	1,825,996
Loan notes repayable within five years	**65,437**	64,252
	1,859,806	1,890,248

Most of the bank borrowings of the Group are charged at floating interest rates.

Acquisition and Disposal

There were no material acquisitions or disposals of subsidiaries, associates and jointly controlled entities during the period.

Risk of Foreign Exchange Fluctuation

There have been no significant changes in the exposures to foreign exchange risks from those previously outlined in the Company's annual report for 2005.

Contingent Liabilities

(a) At 30th June, 2006, the Group had guarantees as follows:

	At 30th June, 2006 HK$'000	At 31st December, 2005 HK$'000
Indemnities on banking guarantees made available to a clearing house and regulatory body	**5,540**	5,540
Other guarantees	**8,152**	7,084
	13,692	12,624

(b) On 4th February, 2004, Sun Tai Cheung Credits Limited ("STCC") and Sun Hung Kai Investment Services Limited ("SHKIS"), both indirect wholly-owned subsidiaries of Sun Hung Kai, were served with a writ attaching statement of claim ("200/2004") by Shanghai Finance Holdings Limited ("SFHL"), claming, inter alia, that the sale of shares in Shun Loong Holdings Limited ("SLHL") ("Shun Loong Shares") by STCC as assignee to SHKIS (for a consideration of HK$36,500,000 subject to additional amounts in a total sum not exceeding HK$15,700,000 which might have been payable one year from the date of completion under certain conditions) pursuant to a sale and purchase agreement dated 25th June, 2003 be set aside, or alternatively, against STCC for damages and an account as to the amount received by STCC in respect of the Shun Loong Shares. The writ is being vigorously defended. STCC and SHKIS were properly advised at all times during the transaction and believe that the claim is not soundly based and have applied to have the claim struck-out. The proceedings have been stayed until further order by the court.

(c) 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 of Sun Hung Kai Securities Limited ("SHKS") (or assets of equivalent value), a direct wholly-owned subsidiary of Sun Hung Kai, pursuant to which SHKS's shares in Chang Zhou Power Development Company Limited in China ("Shares") (worth US$3 million) were subsequently frozen. SHKS had sold the Shares in 1998. Pursuant to a further agreement in 2001, SHKS received indemnities and waivers as to any potential liability. Sun Hung Kai will further investigate the matter but at this stage it does not consider that it is appropriate to make any provision in the circumstances. It will make a final decision once its investigation has been completed.

Litigation

(a) By the Judgment of High Court on 1st April, 2004 ("Judgment") in HCA 3191/1999 between New World Development Company Limited ("NWDC") and Stapleton Developments Limited ("SDL") against SHKS, 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 is seeking legal advice as to the effect of the Final Appeal Judgment on 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 has 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 has not been served on SHKS. The management has taken the view that it is prudent to now make a provision for payment of those not already provided for in previous years. Accordingly, further provisions of HK$34,932,171.94 for principal and approximately HK$9,294,000 for interest have been made and the principal amounts added to the loans already existing.

(b) 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 stayed by order of the B.V.I. court. The Petitioners have appealed that decision but have agreed not to pursue the appeal during the stay of 200/2004.

(c) Sun Hung Kai, STCC and SHKIS filed a writ on 7th February, 2004 (230/2004) naming as defendants Shanghai Land Holdings Limited, Stephen Liu Yiu Keung, Yeo Boon Ann, The Standard Newspapers Publishing Limited and Hong Kong Economic Times Limited and claiming damages for libel, injunctive relief, interest and costs. The case remains at an early stage.

(d) An update on the litigation between SFHL against STCC and SHKIS (200/2004) is set out in paragraph (b) of the "Contingent Liabilities" section above.

(e) Details of the case regarding Chang Zhou Power Development Company Limited are set out in paragraph (c) of the "Contingent Liabilities" section above.

Pledge of Assets

At 30th June, 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$3,781.7 million (at 31st December, 2005: HK$3,699.4 million), listed investments belonging to the Group and margin clients with carrying value of HK$1,378.2 million (at 31st December, 2005: HK$1,387.7 million) together with certain securities in respect of a listed subsidiary with a cost of HK$902.9 million (at 31st December, 2005: HK$902.9 million) were pledged to secure loans and general banking facilities to the extent of HK$3,056.7 million (at 31st December, 2005: HK$3,098.8 million) granted to the Group. Facilities amounting to HK$1,709.4 million (at 31st December, 2005: HK$1,792.9 million) were utilised at 30th June, 2006.

At 30th June, 2006, a bank deposit of HK$1.0 million (at 31st December, 2005: HK$1.0 million) was pledged to secure a bank guarantee amounting to HK$2.0 million (at 31st December, 2005: HK$2.0 million).

OPERATIONAL REVIEW

Properties

Hong Kong

The Group's recurrent income from its investment property portfolio continued to increase, benefiting from the favourable local property market. Allied Cargo Centre, China Online Centre as well as Park Place achieved higher rental income, reflecting the benefits from positive rental reversion. The hotel operating income from Ibis North Point continued to improve with the buoyant Hong Kong tourism industry.

Allied Kajima Limited, 50% indirectly owned by the Group and the owner of various properties including Allied Kajima Building, Novotel Century Hong Kong hotel and the Philippine Plaza Hotel, contributed a profit similar to that of 2005. This is because the Novotel hotel is undertaking an extensive renovation programme of all its rooms which is scheduled to be completed around the middle of next year.

Mainland PRC

Tian An, a listed associate of Sun Hung Kai, recorded a profit attributable to its equity holders of HK$141.3 million, representing a 94% increase over the corresponding period of last year. Turnover decreased by 13% to HK$363.2 million. This is in line with Tian An's stated policy of maximising profit margins from development properties, retaining selected properties which have high capital growth potential for recurring income, and disposing of non-core properties or projects. To this end, Tian An disposed of a jointly controlled entity holding a piece of land in Shanghai and the resulting gain was the main reason for the increase in profit for the period.

Financial Services

Sun Hung Kai, a major listed subsidiary of the Group, recorded a profit attributable to its equity holders of HK$178.0 million (2005: HK$192.6 million, as restated). While the profit attributable to its equity holders is lower than that of 2005, it is important to note that the profit from the normal course of business improved significantly to HK$275.0 million from HK$130.4 million, an increase of 110.9%.

The decrease in profit attributable to equity holders of Sun Hung Kai was caused by two non-recurring charges. The first was a deemed loss of HK$80.8 million arising from the requisite accounting treatment of the carrying value of Sun Hung Kai's investment in Tian An arising from the conversion by Wachovia of 78,800,000 warrants in Tian An at a price of HK$2.75 each and a placement to institutional investors and top-up subscription of 175,000,000 Tian An shares at a price of HK$5.1 per share. We believe, however, that the consequent cash injection into Tian An has in fact strengthened its balance sheet and its capacity to pursue its development projects and thus enhanced the long term value of the Group's investment in Tian An. The other non-recurring charge to Sun Hung Kai's results arises from an impairment provision of HK$58.2 million to the carrying value of its interest in the Kuala Lumpur hotel joint venture with NWDC pursuant to the final decision of the Hong Kong Court of Final Appeal. Further details of these provisions or losses are contained in notes 6 and 7 to the condensed consolidated financial statements.

The turnover and commission income of the securities broking division increased substantially with the buoyant market conditions. Fee income associated with underwriting and placement activities also improved for the period. The number of new accounts grew with the significant investor interest in IPOs.

Precious metals markets were extremely volatile during the period and their respective broking income compensated for the decline in activity experienced by the leveraged forex and commodities operations.

The corporate finance division successfully sponsored two IPOs on the main board and one IPO on the GEM board of the Stock Exchange and was actively involved in a number of underwriting exercises for IPOs. The division will continue to focus on IPO projects for medium-sized enterprises in both Hong Kong and Mainland China and the financial advisory and placing services for listed companies in Hong Kong.

The entire shareholding interest of Allied Group Limited ("Allied Group"), the listed parent of the Company, in United Asia Finance Limited, comprising the entire issued share capital of UAF Holdings Limited together with the assignment of the related shareholder's loan, has been acquired by Sun Hung Kai for an aggregate consideration of HK$4,328 million. This transaction was completed on 24th August, 2006. This strategic group reorganisation of Allied Group will rationalise the group structure and consolidate the loan and financial services businesses of Allied Group into Sun Hung Kai, which is expected to achieve ongoing operational economies. It will also enhance Sun Hung Kai's ability to provide a wide range of finance products and other related services.

Investments

Quality HealthCare Asia Limited ("QHA")

QHA, a listed associate of Sun Hung Kai, reported a turnover of HK$439.6 million, an increase of 9.1%, compared to HK$403.0 million for the same period last year. Profit attributable to equity holders of QHA was HK$31.8 million, an increase of 37%, compared to HK$23.2 million of the corresponding period. The results were driven by an increase in the number of corporate contracts and enrolment, increased insurance enrolment and improved operational efficiencies.

Sun Hung Kai entered into an option agreement dated 3rd April, 2006 (as amended by a supplemental letter dated 18th May, 2006) with CLSA Capital Limited to acquire an additional 34,156,666 shares and warrants leading to the subscription of 7,056,232 shares of QHA for a consideration of HK$11.1 million. The exercise price is HK$2.925 per option share. This reflects the Group's confidence in the growth potential of QHA.

Yu Ming Investments Limited ("Yu Ming")

Yu Ming, a 22.43% owned listed associate of Sun Hung Kai, reported a profit attributable to its shareholders of HK$21.5 million. This represented a decrease of HK$166.8 million from HK$188.3 million of the same period of last year, mainly due to the absence of gain from property revaluations.

As at 30th June, 2006, the major investments of Yu Ming were in AsiaWorld-Expo, Argyle Centre (retail shops in Mongkok), Timeplus (the new shopping mall in Causeway Bay), Ginza Plaza (retail shops in Mongkok), Grand China Air Co., Ltd. (the investment holding company in CR Airways and Hainan Airlines), Oriental Cashmere Limited (a cashmere manufacturer in the PRC), high-yield bonds and equity securities.

Shanghai Allied Cement Limited ("SAC")

SAC, a listed subsidiary of Tian An, reported a loss attributable to its shareholders of HK$1.3 million. The turnover of, and the contribution from, its cement business and slag powder business, showed marked improvement when compared to the corresponding period of previous year. Barring unforeseen circumstances, it is expected that SAC should report an improved performance for the full year.

Employees

The total number of staff of the Group at 30th June, 2006 was 1,605 (at 31st December, 2005: 1,662). The Group reviews remuneration packages from time to time and normally annually. Besides salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme.

BUSINESS OUTLOOK

The global economy is generally positive in spite of the increasing concerns about fluctuating oil prices and unsettled political disputes in the Middle-East. It is expected that the recent adjustment and control policies imposed by the Mainland Government will see some consequential adjustment in the China real estate market in the coming year. In the longer term, Mainland China's economic performance remains promising and continues to have a positive effect on the local economy.

The Board believes that the Group's financial services and property investment and development businesses both in Hong Kong and Mainland China are sound and the Board will strive to develop and improve these underlying businesses for the benefit of all shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2006, the Company has applied the principles of, and complied with, the code provisions of the Code on Corporate Governance Practices (the "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 (the "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 (the "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.

The reasons for the above deviations are set out in the section "Corporate Governance Report" contained in the Company's annual report for the financial year ended 31st December, 2005. 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.

On 30th December, 2005, Sir Gordon Macwhinnie retired as the Non-Executive Chairman and an Independent Non-Executive Director of the Company. Thereafter, the post of the Chairman has been left vacant as the Board is still seeking a suitable person to act as the Chairman.

The annual review of internal controls in respect of the code provision C.2.1 of the CG Code will be reported upon in the forthcoming corporate governance report to be contained in the Company's annual report for the financial year ending 31st December, 2006.

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 six months ended 30th June, 2006.

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, 2006. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Statement of Auditing Standards 700 issued by the HKICPA, and on the interim results announcements of the listed associates, as well as obtaining reports from management. The Audit Committee has not undertaken detailed independent audit checks.

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

Hong Kong, 14th September, 2006

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. 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.