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# 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, 2011

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, 2011 with the comparative figures for the corresponding period in 2010 are as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**
*for the six months ended 30th June, 2011*

| | *Notes* | **Six months ended 30th June, 2011 Unaudited** *HK$ Million* | 2010 Unaudited *HK$ Million* (Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | *4 & 5* | **1,991.4** | 1,736.9 |
| Other income | | **78.4** | 176.9 |
| Total income | | **2,069.8** | 1,913.8 |
| Cost of sales and other direct costs | | **(113.3)** | (102.9) |
| Brokerage and commission expenses | | **(104.8)** | (103.3) |
| Selling and marketing expenses | | **(32.7)** | (36.9) |
| Administrative expenses | | **(654.2)** | (544.2) |
| Changes in values of properties | *6* | **637.0** | 378.7 |
| Bad and doubtful debts | | **(41.1)** | (42.2) |
| Other operating expenses | | **(164.0)** | (167.9) |
| Finance costs | *7* | **(19.0)** | (19.2) |
| Share of results of associates | | **232.2** | 194.3 |
| Share of results of jointly controlled entities | | **123.3** | 28.6 |
| Profit before taxation | *8* | **1,933.2** | 1,498.8 |
| Taxation | *9* | **(237.7)** | (173.7) |
| Profit for the period from continuing operations | | **1,695.5** | 1,325.1 |
| **Discontinued operations** | | | |
| (Loss) profit for the period from discontinued operations | *10* | **(1.5)** | 23.1 |
| Profit for the period | | **1,694.0** | 1,348.2 |

**CONDENSED CONSOLIDATED INCOME STATEMENT (Cont'd)**
*for the six months ended 30th June, 2011*

| | Notes | Six months ended 30th June, **2011** **Unaudited** ***HK$ Million*** | 2010 Unaudited *HK$ Million* (Restated) |
|---|---|---|---|
| Attributable to: | | | |
| Owners of the Company | | | |
| Profit for the period from continuing operations | | **910.8** | 670.1 |
| (Loss) profit for the period from discontinued operations | | **(0.7)** | 11.0 |
| | | **910.1** | 681.1 |
| Non-controlling interests | | | |
| Profit for the period from continuing operations | | **784.7** | 655.0 |
| (Loss) profit for the period from discontinued operations | | **(0.8)** | 12.1 |
| | | **783.9** | 667.1 |
| | | **1,694.0** | 1,348.2 |
| **Earnings per share:** | *11* | | |
| From continuing and discontinued operations | | | |
| Basic | | **HK$4.16** | HK$3.29 |
| Diluted | | **HK$4.16** | HK$3.29 |
| From continuing operations | | | |
| Basic | | **HK$4.16** | HK$3.23 |
| Diluted | | **HK$4.16** | HK$3.23 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*for the six months ended 30th June, 2011*

| | Six months ended 30th June, | |
|---|---|---|
| | **2011** | 2010 |
| | **Unaudited** | Unaudited |
| | ***HK$ Million*** | *HK$ Million* |
| Profit for the period | **1,694.0** | 1,348.2 |
| Other comprehensive income (expenses): | | |
| Available-for-sale financial assets | | |
| – Net fair value changes during the period | **(16.8)** | 7.5 |
| – Reclassification adjustment to profit or loss on disposal | **(27.6)** | (25.9) |
| – Deferred tax | **–** | (0.4) |
| | **(44.4)** | (18.8) |
| Exchange differences arising on translation of foreign operations | **47.6** | 12.0 |
| Reclassification adjustment to profit or loss on liquidation of a jointly controlled entity | **(0.2)** | – |
| Reclassification adjustment to profit or loss on liquidation of subsidiaries | **–** | (6.7) |
| Revaluation gain on properties transferred from property, plant and equipment to investment properties | **146.0** | 5.4 |
| Deferred tax arising on revaluation gain on properties transferred from property, plant and equipment to investment properties | **(24.1)** | – |
| Share of other comprehensive income (expenses) of associates | **123.4** | (16.2) |
| Share of other comprehensive income of jointly controlled entities | **0.7** | 0.9 |
| Other comprehensive income (expenses) for the period, net of tax | **249.0** | (23.4) |
| Total comprehensive income for the period | **1,943.0** | 1,324.8 |
| Attributable to: | | |
| Owners of the Company | **1,032.7** | 664.2 |
| Non-controlling interests | **910.3** | 660.6 |
| | **1,943.0** | 1,324.8 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*at 30th June, 2011*

| | Notes | At 30th June, 2011 Unaudited *HK$ Million* | At 31st December, 2010 Audited *HK$ Million* |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **5,545.3** | 4,762.4 |
| Property, plant and equipment | | **620.9** | 668.9 |
| Prepaid land lease payments | | **10.0** | 10.0 |
| Goodwill | | **125.7** | 125.7 |
| Intangible assets | | **116.6** | 111.3 |
| Interests in associates | | **5,624.9** | 5,293.1 |
| Interests in jointly controlled entities | | **1,344.5** | 1,221.6 |
| Available-for-sale financial assets | | **742.7** | 918.6 |
| Statutory deposits | | **108.0** | 50.8 |
| Amounts due from associates | | **56.2** | 56.1 |
| Loans and advances to consumer finance customers due after one year | | **2,674.9** | 2,291.9 |
| Deposits and other receivables | | **94.9** | 33.4 |
| Deferred tax assets | | **91.5** | 94.1 |
| Financial assets at fair value through profit or loss | | **200.1** | – |
| | | **17,356.2** | 15,637.9 |
| **Current assets** | | | |
| Properties held for sale and other inventories | | **440.6** | 412.8 |
| Financial assets at fair value through profit or loss | | **1,747.3** | 1,727.1 |
| Prepaid land lease payments | | **0.4** | 0.4 |
| Loans and advances to consumer finance customers due within one year | | **3,842.5** | 3,172.6 |
| Trade and other receivables | *13* | **7,567.6** | 6,745.5 |
| Amounts due from associates | | **197.4** | 58.5 |
| Amount due from a jointly controlled entity | | **2.2** | 7.7 |
| Tax recoverable | | **1.9** | 1.5 |
| Short-term pledged bank deposits and bank balances | | **121.5** | 101.0 |
| Cash, deposits and cash equivalents | | **4,848.5** | 4,546.0 |
| | | **18,769.9** | 16,773.1 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**
*at 30th June, 2011*

| | Notes | At 30th June, 2011 Unaudited HK$ Million | At 31st December, 2010 Audited HK$ Million |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | *14* | **1,559.2** | 1,473.0 |
| Financial liabilities at fair value through profit or loss | | **22.6** | 75.0 |
| Amounts due to associates | | **14.4** | 14.1 |
| Amounts due to jointly controlled entities | | **0.1** | 0.1 |
| Tax payable | | **192.4** | 107.8 |
| Bank and other borrowings due within one year | | **3,575.1** | 2,898.2 |
| Mandatory convertible notes | | **32.7** | 32.6 |
| Provisions | | **44.7** | 74.8 |
| Dividend payable | | **124.4** | – |
| | | **5,565.6** | 4,675.6 |
| **Net current assets** | | **13,204.3** | 12,097.5 |
| **Total assets less current liabilities** | | **30,560.5** | 27,735.4 |
| **Capital and reserves** | | | |
| Share capital | | **414.7** | 414.7 |
| Share premium and reserves | | **12,528.7** | 11,626.6 |
| **Equity attributable to owners of the Company** | | **12,943.4** | 12,041.3 |
| Equity elements of mandatory convertible notes and warrants | | **1,616.5** | 1,616.5 |
| Shares held for employee ownership scheme | | **(17.7)** | (23.7) |
| Employee share-based compensation reserve | | **4.5** | 10.6 |
| Share of net assets of subsidiaries | | **11,589.8** | 10,918.9 |
| **Non-controlling interests** | | **13,193.1** | 12,522.3 |
| **Total equity** | | **26,136.5** | 24,563.6 |
| **Non-current liabilities** | | | |
| Bonds | | **538.7** | – |
| Bank and other borrowings due after one year | | **3,312.7** | 2,690.4 |
| Amount due to an associate | | **48.2** | 47.1 |
| Mandatory convertible notes | | **31.5** | 45.9 |
| Deferred tax liabilities | | **479.5** | 375.5 |
| Provisions | | **13.4** | 12.9 |
| | | **4,424.0** | 3,171.8 |
| | | **30,560.5** | 27,735.4 |

*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 on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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.

A number of new and revised Standards and Interpretations are effective for the financial year beginning on 1st January, 2011. The adoption of the new and revised Standards and Interpretations has had no material effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods. Except as mentioned in note 3 below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31st December, 2010.

3. **RESTATEMENT OF COMPARATIVES**

In prior years, the net profit ("Net Profit") and net loss ("Net Loss") on financial assets and liabilities at fair value through profit or loss were classified under revenue. In the current period, the directors of the Company have determined that Net Profit and Net Loss are classified under other income and other operating expenses respectively. Accordingly, the comparatives of the condensed consolidated income statement are restated: – Net Profit of HK$82.5 million and Net Loss of HK$124.9 million were reclassified from revenue to other income and other operating expenses respectively.

As described in more detail in note 10, in the second half of 2010, subsidiaries engaged in medical, nursing agency, physiotherapy, dental and other services ("Discontinued Medical Service Business") were disposed and the operations of provision of Discontinued Medical Service Business which represented a substantial portion of the operations under the segment of "Healthcare" in the previous year were discontinued. The operation remaining in the Healthcare segment is the provision of elderly care services. Accordingly, the segment is redesignated as "Elderly care services" for the purpose of segmental information.

Certain comparative figures for 2010 have been adjusted to conform with the current presentation described above.

4. **REVENUE**

| | **Six months ended 30th June,** | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$ Million*** | *HK$ Million* |
| | | (Restated) |
| Continuing operations | **1,991.4** | 1,736.9 |
| Discontinued operations | **–** | 512.3 |
| | **1,991.4** | 2,249.2 |

## 5. SEGMENTAL INFORMATION

Analysis of the Group's revenue and results from continuing operations by reportable and operating segments is as follows:

| | **Six months ended 30th June, 2011** | | | | | |
|---|---|---|---|---|---|---|
| | **Investment, broking and finance** *HK$ Million* | **Consumer finance** *HK$ Million* | **Elderly care services** *HK$ Million* | **Property development and investment** *HK$ Million* | **Corporate and other operations** *HK$ Million* | **Total** *HK$ Million* |
| Segment revenue | **819.4** | **961.9** | **64.5** | **149.2** | **29.7** | **2,024.7** |
| Less: inter-segment revenue | **(3.0)** | **–** | **–** | **(8.9)** | **(21.4)** | **(33.3)** |
| Segment revenue from external customers from continuing operations | **816.4** | **961.9** | **64.5** | **140.3** | **8.3** | **1,991.4** |
| Segment results | **472.0** | **538.4** | **3.0** | **606.6** | **(23.3)** | **1,596.7** |
| Finance costs | | | | | | **(19.0)** |
| Share of results of associates | | | | | | **232.2** |
| Share of results of jointly controlled entities | **1.1** | **–** | **–** | **122.2** | **–** | **123.3** |
| Profit before taxation | | | | | | **1,933.2** |
| Taxation | | | | | | **(237.7)** |
| Profit for the period from continuing operations | | | | | | **1,695.5** |

| | Six months ended 30th June, 2010 (Restated) | | | | | |
|---|---|---|---|---|---|---|
| | Investment, broking and finance *HK$ Million* | Consumer finance *HK$ Million* | Elderly care services *HK$ Million* | Property development and investment *HK$ Million* | Corporate and other operations *HK$ Million* | Total *HK$ Million* |
| Segment revenue | 762.9 | 787.7 | 53.8 | 153.2 | 33.1 | 1,790.7 |
| Less: inter-segment revenue | (6.2) | – | – | (21.6) | (26.0) | (53.8) |
| Segment revenue from external customers from continuing operations | 756.7 | 787.7 | 53.8 | 131.6 | 7.1 | 1,736.9 |
| Segment results | 349.8 | 490.4 | (2.4) | 455.4 | 1.9 | 1,295.1 |
| Finance costs | | | | | | (19.2) |
| Share of results of associates | | | | | | 194.3 |
| Share of results of jointly controlled entities | 2.9 | – | – | 25.7 | – | 28.6 |
| Profit before taxation | | | | | | 1,498.8 |
| Taxation | | | | | | (173.7) |
| Profit for the period from continuing operations | | | | | | 1,325.1 |

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

## 6. CHANGES IN VALUES OF PROPERTIES

| | Six months ended 30th June, | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$ Million*** | *HK$ Million* |
| **Continuing operations** | | |
| Changes in values of properties comprise: | | |
| Net increase in fair value of investment properties | **601.7** | 330.0 |
| Impairment loss reversed for properties held for sale | **27.7** | 51.5 |
| Impairment loss reversed (recognised) for hotel property | **7.6** | (2.8) |
| | **637.0** | 378.7 |

## 7. FINANCE COSTS

| | Six months ended 30th June, | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$ Million*** | *HK$ Million* |
| **Continuing operations** | | |
| Total finance costs included in: | | |
| Cost of sales and other direct costs | **43.9** | 19.8 |
| Finance costs | **19.0** | 19.2 |
| | **62.9** | 39.0 |

## 8. PROFIT BEFORE TAXATION

| | Six months ended 30th June, | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$ Million*** | *HK$ Million* |
| Profit before taxation from continuing operations has been arrived at after charging: | | |
| Amortisation of intangible assets | **11.5** | 5.5 |
| Amortisation of prepaid land lease payments | **0.2** | 0.2 |
| Depreciation | **30.7** | 24.7 |
| Impairment loss for amounts due from associates | **–** | 0.3 |
| Impairment loss for interest in an associate | **10.7** | – |
| Impairment loss included in bad and doubtful debts | | |
| – Loans and advances to consumer finance customers | **124.3** | 142.0 |
| – Trade and other receivables | **4.6** | – |
| Net realised and unrealised loss on financial assets and liabilities at fair value through profit or loss – securities (included in other operating expenses) | **77.1** | 117.6 |
| Net realised and unrealised loss on unlisted investment funds (included in other operating expenses) | **21.5** | 7.3 |
| and after crediting: | | |
| Dividend income from listed equity securities | **11.7** | 13.8 |
| Dividend income from unlisted equity securities | **12.6** | 4.3 |
| Gain on disposal of a subsidiary | **–** | 29.3 |
| Gain on liquidation of subsidiaries | **–** | 3.7 |
| Interest income (included in revenue) | **1,329.2** | 1,033.8 |
| Net profit on dealing in leveraged foreign currencies (included in other income) | **–** | 0.5 |
| Net profit on other dealing activities (included in other income) | **1.3** | 1.7 |
| Net realised and unrealised profit on financial assets and liabilities at fair value through profit or loss – derivatives (included in other income) | **11.5** | 80.3 |
| Net realised profit on disposal of available-for-sale financial assets and held-to-maturity investments (included in other income) | **31.2** | 43.7 |
| Reversal of impairment loss included in bad and doubtful debts | | |
| – Loans and advances to consumer finance customers | **47.7** | 78.0 |
| – Trade and other receivables | **–** | 1.6 |

## 9. TAXATION

| | Six months ended 30th June, 2011 *HK$ Million* | 2010 *HK$ Million* |
|---|---|---|
| The income tax charged from continuing operations comprises: | | |
| Current tax | | |
| Hong Kong | **121.9** | 123.5 |
| Other jurisdictions | **22.9** | 10.7 |
| | **144.8** | 134.2 |
| Under provision in prior years | **10.2** | 0.3 |
| | **155.0** | 134.5 |
| Deferred tax | | |
| Current period | **82.7** | 39.2 |
| | **237.7** | 173.7 |

Hong Kong Profits Tax is calculated at the rate of 16.5% of the estimated assessable profits for both reported periods.

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

## 10. DISCONTINUED OPERATIONS

On 8th October, 2010, Allied Overseas Limited ("AOL"), an indirect non wholly-owned subsidiary of the Company, and Cautious Base Limited, a direct wholly-owned subsidiary of AOL, entered into a share sale agreement ("Share Sale Agreement") with Altai Investments Limited and RHC Holding Private Limited (collectively known as the "Purchaser") and had agreed to sell 100% of the issued share capital of the companies ("Disposal Group") engaged in the Discontinued Medical Service Business previously included in the healthcare segment of the Group to the Purchaser. Further details are set out in the Company's circular dated 8th November, 2010. The disposal of the Discontinued Medical Service Business was completed on 30th November, 2010.

Profit for the period ended 30th June, 2010 from discontinued operations include the following:

| | *HK$ Million* |
|---|---|
| Amortisation of intangible assets | 8.3 |
| Depreciation | 9.3 |

## 11. EARNINGS PER SHARE

**From continuing and discontinued operations**

The calculation of basic and diluted earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

| | Six months ended 30th June, | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$ Million*** | *HK$ Million* |
| **Earnings** | | |
| Profit attributable to owners of the Company | **910.1** | 681.1 |
| Adjustments to profit in respect of ordinary shares that will be issued upon the conversion of the mandatory convertible notes of a subsidiary | **(47.4)** | – |
| Earnings for the purpose of basic and diluted earnings per share | **862.7** | 681.1 |
| | ***Million shares*** | *Million shares* |
| **Number of shares** | | |
| Weighted average number of shares in issue for the purpose of basic and diluted earnings per share | **207.3** | 207.3 |

**From continuing operations**

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

| | Six months ended 30th June, | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$ Million*** | *HK$ Million* |
| **Earnings** | | |
| Profit attributable to owners of the Company | **910.8** | 670.1 |
| Adjustments to profit in respect of ordinary shares that will be issued upon the conversion of the mandatory convertible notes of a subsidiary | **(47.4)** | – |
| Earnings for the purpose of basic and diluted earnings per share | **863.4** | 670.1 |
| | ***Million shares*** | *Million shares* |
| **Number of shares** | | |
| Weighted average number of shares in issue for the purpose of basic and diluted earnings per share | **207.3** | 207.3 |

**From discontinued operations**

Basic loss per share from discontinued operations is HK$0.003 per share (2010: earnings per share of HK$0.05) is calculated based on the loss attributable to owners of the Company from discontinued operations of HK$0.7 million (2010: profit of HK$11.0 million) and the weighted average number of 207.3 million (2010: 207.3 million) shares in issue during the period. Diluted (loss) earnings per share from discontinued operations for both periods were the same as the basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding.

## 12. DIVIDEND

| | Six months ended 30th June, | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$ Million*** | *HK$ Million* |
| Ordinary shares: | | |
| Interim dividend declared after the end of the reporting period of HK15 cents per share (2010: HK15 cents per share) | **31.1** | 31.1 |

The amount of the interim dividend for the six months ended 30th June, 2011 has been calculated by reference to 207,334,060 shares in issue at 26th August, 2011.

The Company did not pay any dividend during the current and prior period. The final dividend of 2010 was paid in July 2011.

## 13. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of trade and other receivables based on the date of invoice/contract note at the reporting date:

| | **At 30th June, 2011** | At 31st December, 2010 |
|---|---|---|
| | ***HK$ Million*** | *HK$ Million* |
| Less than 31 days | **1,174.8** | 1,131.1 |
| 31 to 60 days | **12.9** | 17.7 |
| 61 to 90 days | **12.9** | 5.8 |
| Over 90 days | **27.5** | 160.6 |
| | **1,228.1** | 1,315.2 |
| Margin loans and other receivables (before impairment) | **6,498.7** | 5,593.7 |
| Allowances for impairment | **(159.2)** | (163.4) |
| | **7,567.6** | 6,745.5 |

## 14. TRADE AND OTHER PAYABLES

The following is an aged analysis of the trade and other payables based on the date of invoice/contract note at the reporting date:

| | At 30th June, 2011 *HK$ Million* | At 31st December, 2010 *HK$ Million* |
|---|---|---|
| Trade payables: | | |
| Less than 31 days | **1,261.9** | 1,165.7 |
| 31 to 60 days | **9.4** | 14.9 |
| 61 to 90 days | **9.9** | 7.6 |
| Over 90 days | **30.3** | 22.0 |
| | **1,311.5** | 1,210.2 |
| Accruals and other payables on demand | **247.7** | 262.8 |
| | **1,559.2** | 1,473.0 |

# INTERIM DIVIDEND

The Board has declared an interim dividend of HK15 cents per share for the six months ended 30th June, 2011 (2010: HK15 cents per share) payable to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Friday, 14th October, 2011. 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.

# CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 12th October, 2011 to Friday, 14th October, 2011 (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 Tuesday, 11th October, 2011. Dividend warrants are expected to be despatched to the Shareholders by post on or around Friday, 21st October, 2011.

## FINANCIAL REVIEW

### Financial Results

The revenue of the Group for the period was HK$1,991.4 million (2010: HK$1,736.9 million for continuing operations), an increase of 14.7%.

The profit attributable to the owners of the Company for the period was HK$910.1 million (2010: HK$681.1 million), an increase of HK$229.0 million. Earnings per share amounted to HK$4.16 (2010: HK$3.29).

The increase in profit was primarily due to:

- an increased contribution from the Group's investment, broking and finance division and consumer finance division; and

- the fair value gain on revaluation of the investment properties of the Group was higher.

### Financial Resources, Liquidity and Capital Structure

At 30th June, 2011, the equity attributable to owners of the Company amounted to HK$12,943.4 million, representing an increase of HK$902.1 million or approximately 7.5% from that of 31st December, 2010. The Group's short-term bank deposits, treasury bills, bank balances and cash amounted to HK$4,970.0 million (at 31st December, 2010: HK$4,647.0 million). The Group's bank and other borrowings totalling HK$6,887.8 million (at 31st December, 2010: HK$5,588.6 million) of which the portion due on demand or within one year was HK$3,575.1 million (at 31st December, 2010: HK$2,898.2 million), and the remaining long-term portion was HK$3,312.7 million (at 31st December, 2010 : HK$2,690.4 million). Accrued effective interest of mandatory convertible notes ("MCN") of HK$64.2 million (at 31st December, 2010 : HK$78.5 million) was classified as financial liabilities. During the period, United Asia Finance Limited ("UAF"), the consumer finance subsidiary of Sun Hung Kai & Co. Limited ("Sun Hung Kai") issued Renminbi denominated bonds to third parties with maturity period of 3-year and carrying value of HK$538.7 million at the end of the reporting period. The liquidity of the Group as evidenced by the current ratio (current assets/ current liabilities) was 3.37 times (at 31st December, 2010: 3.59 times). The Group's gearing ratio (net bank and other borrowings, financial liabilities portion of MCN and bonds/equity attributable to owners of the Company) was 19.5% (at 31st December, 2010 : 8.5%).

| | At 30th June, 2011 *HK$ Million* | At 31st December, 2010 *HK$ Million* |
|---|---|---|
| Bank loans and overdrafts are repayable as follows: | | |
| On demand or within one year | **2,407.5** | 1,648.8 |
| More than one year but not exceeding two years | **2,643.0** | 522.6 |
| More than two years but not exceeding five years | **669.7** | 2,167.8 |
| Bank loans with a repayment on demand clause are repayable as follows: | | |
| Within one year | **761.1** | 851.3 |
| More than one year but not exceeding two years | **38.6** | 41.8 |
| More than two years but not exceeding five years | **188.5** | 180.5 |
| | **6,708.4** | 5,412.8 |
| Other borrowings repayable on demand or within one year | **8.4** | 8.3 |
| Other borrowings with a repayment on demand clause are repayable as follows : | | |
| Within one year | **146.9** | 143.9 |
| More than one year but not exceeding two years | **24.1** | 23.6 |
| More than two years but not exceeding five years | **–** | – |
| | **179.4** | 175.8 |
| | **6,887.8** | 5,588.6 |

Financial liabilities portion of MCN being the accrued effective interest at the end of the reporting period:

| | At 30th June, 2011 *HK$ Million* | At 31st December, 2010 *HK$ Million* |
|---|---|---|
| Current portion | **32.7** | 32.6 |
| Non-current portion | **31.5** | 45.9 |
| | **64.2** | 78.5 |

Other than the MCN and bonds, most of the bank and other borrowings of the Group are charged at floating interest rates. There are no known seasonal factors in the Group's borrowing profile.

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.

**Material Acquisition and Disposal**

On 24th May, 2011, Allied Overseas Limited ("AOL") and its wholly-owned subsidiary, New Able Holdings Limited ("New Able") entered into an acquisition agreement ("Acquisition Agreement") with Besford International Limited ("Vendor") and COL Capital Limited. According to the Acquisition Agreement, New Able has agreed to acquire 100% of the issued share capital of Rise Cheer Investments Limited ("Rise Cheer") and Taskwell Limited ("Taskwell") from the Vendor and all the shareholder's loans owed by Rise Cheer and Taskwell to the Vendor ("Acquisition") at a total consideration of approximately HK$1,330.7 million. The sole asset of Rise Cheer and Taskwell is 1,900,939,562 ordinary shares of APAC Resources Limited ("APAC") in aggregate, representing approximately 27.71% equity interest in the issued share capital of APAC. On 24th May, 2011, the initial deposit of approximately HK$66.5 million, by way of cheque, has been paid upon signing of the Acquisition Agreement as partial payment of the consideration.

The ordinary resolution approving the Acquisition was duly passed by the shareholders of AOL at the special general meeting of AOL held on 16th August, 2011. Completion of the Acquisition is still subject to the fulfilment of certain conditions pursuant to the Acquisition Agreement. It is presently expected that upon completion of the Acquisition, APAC will be classified and accounted for by AOL as an investment in associate. Further details of the Acquisition are set out in the circular of AOL dated 28th July, 2011.

Apart from the above, there were no material acquisitions or disposals of subsidiaries, associated companies or jointly controlled entities during the period.

**Risk of Foreign Exchange Fluctuation**

The Group is required to maintain foreign currency exposure to cater for its recurring operating activities and present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. However, the Group will closely monitor this risk exposure as required.

**Contingent Liabilities**

(a) At the end of the reporting period, the Group had guarantees as follows:

| | **At 30th June, 2011** *HK$ Million* | At 31st December, 2010 *HK$ Million* |
|---|---|---|
| Guarantees for banking facilities granted to a jointly controlled entity | **550.6** | 1,661.0 |
| Indemnities on banking guarantees made available to a clearing house and regulatory body | **4.5** | 4.5 |
| Other guarantees | **3.0** | 3.0 |
| | **558.1** | 1,668.5 |

(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 million 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 then 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 million was frozen further to the 2001 Order. SHKS 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 million 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 (being the nominee of GBA) 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. On 24th February, 2010 the Court of Appeal struck out the claims of GBA and LPI, and awarded costs of the appeal and the strike out application as against GBA and LPI to SHKS. Subsequently, GBA, LPI and Walton sought to amend their claims which was opposed by SHKS and is pending a determination by the court. 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 the Intermediate People's Court of Wuhan City, Hubei Province ("IPC") (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 the end of 2007, together with related costs and expenses. Judgment was awarded by IPC in favour of Tian An and SHKS on 16th July, 2009 which judgment was being appealed against by Ms. Cheung. On 24th November, 2010, the Higher People's Court of Hubei Province (湖北省高級人民法院) ordered that the case be remitted back to the IPC for retrial. The retrial shall take place on a date to be fixed. 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.

(c) AOL entered into a share sale agreement dated 8th October, 2010 ("Share Sale Agreement") in relation to the disposal ("Disposal") of subsidiaries operating the medical and associated health services businesses ("Disposal Group"). The Disposal was completed on 30th November, 2010. Pursuant to the Share Sale Agreement, the purchaser of the Disposal Group has given back to back indemnity to AOL against all securities, guarantees or indemnities given by or binding upon AOL in respect of any liability of the Disposal Group, accordingly the purchaser of the Disposal Group shall indemnify AOL against all amounts paid by AOL after completion of the Disposal pursuant to any securities, guarantees and indemnities already given by AOL. At 30th June, 2011, AOL has an outstanding guarantee in favour of a third party in connection with a medical contract entered into by a company within the Disposal Group. The annual value of this medical contract amounts to approximately HK$42.2 million in 2010. The guarantee has not been released as at 30th June, 2011.

(d) Pursuant to the Share Sale Agreement, AOL has given certain warranties and indemnities to the purchaser of the Disposal Group which the purchaser may rely on for any breaches by AOL. AOL has signed a tax deed to indemnify the purchaser for tax liabilities of the Disposal Group prior to completion which have not been provided for in the closing account of the Disposal Group upon completion of the Disposal as at 30th November, 2010. The valid period for the claims under the tax deed shall be seven years from completion. In respect of most other claims against other general customary warranties and indemnities in the Share Sale Agreement, valid period for such claim is within twelve months from completion of the Disposal.

**Material Litigation Update**

(a) On 14th October, 2008, a writ of summons was issued by Sun Hung Kai Investment Services Limited ("SHKIS"), a wholly-owned subsidiary of Sun Hung Kai, in the High Court of Hong Kong against Quality Prince Limited, Allglobe Holdings Limited, the Personal Representative of the Estate of Lam Sai Wing, Chan Yam Fai Jane ("Ms. Chan") and Ng Yee Mei ("Ms. Ng"), seeking recovery of (a) the sum of HK$50,932,876.64; (b) interest; (c) legal costs; and (d) further and/or other relief. Having sold collateral for the partial recovery of amounts owing, SHKIS filed a Statement of Claim in the High Court of Hong Kong on 24th October, 2008 claiming (a) the sum of HK$36,030,376.64; (b) interest; (c) legal costs; and (d) further and/or other relief. Summary judgment against all the defendants was granted by Master C Chan on 25th May, 2009, but judgment with respect to Ms. Chan and Ms. Ng only was overturned on appeal by the judgment of Suffiad J dated 7th August, 2009. SHKIS' appeal of that judgment to the Court of Appeal was heard on 6th May, 2010, and was dismissed. The trial will be heard on a date to be fixed.

(b) 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 the end of the reporting period, certain of the Group's investment properties, hotel property, land and buildings and properties held for sale with an aggregate carrying value of HK$5,940.0 million (at 31st December, 2010: HK$5,378.2 million), bank deposits and bank balances of HK$120.0 million (at 31st December, 2010: HK$99.5 million), listed investments belonging to the Group with fair values of HK$215.7 million (at 31st December, 2010: HK$40.5 million), listed investments belonging to margin clients with fair values of HK$2,247.5 million* (at 31st December, 2010: HK$1,941.5 million) and debt securities, including the related embedded option, with carrying value of HK$ Nil (at 31st December, 2010: HK$107.2 million) together with certain securities in respect of a listed subsidiary with a carrying value of HK$1,507.7 million (at 31st December, 2010: HK$1,506.5 million) were pledged to secure loans and general banking facilities to the extent of HK$3,845.5 million (at 31st December, 2010: HK$3,993.9 million) granted to the Group. Facilities amounting to HK$2,640.7 million (at 31st December, 2010: HK$2,164.6 million) were utilised at the end of the reporting period.

At the end of the reporting period, a bank deposit of HK$1.5 million (at 31st December, 2010: HK$1.5 million) was pledged to secure a guarantee facility issued to third parties by a bank to the extent of HK$2.0 million (at 31st December, 2010: HK$2.0 million).

* *Based on the agreement terms, the Group is able to repledge clients' securities for margin financing arrangement with other financial institutions under governance of the Securities and Futures Ordinance.*

**Events after The Reporting Period**

(a) On 25th August, 2011, Sun Hung Kai announced the conversion by Asia Financial Services Company Limited of all of its outstanding mandatory convertible notes with an aggregate principal amount of HK$1,708.0 million into shares of Sun Hung Kai at a conversion price of HK$5.0 per share. Accordingly, 341.6 million new ordinary shares of Sun Hung Kai ("Conversion Shares") are expected to be issued on or before 5th September, 2011. Upon the allotment of the Conversion Shares, the Group's shareholding in Sun Hung Kai, held through Allied Properties (H.K.) Limited ("Allied Properties"), will decrease from approximately 62.75% to approximately 52.63%. Further details of the conversion of mandatory convertible notes are set out in the announcement of Sun Hung Kai dated 25th August, 2011 and the Company's joint announcement with Allied Properties dated 26th August, 2011.

(b) In October 2010, AOL and its direct wholly-owned subsidiary, Cautious Base Limited ("Holdco") entered into the Share Sale Agreement with Altai Investments Limited and RHC Holding Private Limited (collectively "Purchaser"). According to the Share Sale Agreement, AOL and Holdco have agreed to sell 100% of the issued share capital of the Disposal Group companies to the Purchaser for the consideration of transaction, payable on the closing date for an amount in cash equal to aggregate sum of (i) HK$1,521 million; (ii) the base working capital (i.e. HK$20 million) and (iii) the estimated working capital adjustment (i.e. a deduction of approximately HK$0.6 million from the base working capital) (collectively being "Consideration Amount"), subject to the working capital adjustment. Further details of the Disposal are set out in the Company's circular dated 8th November, 2010.

    On 13th July, 2011, the closing statement in relation to the Share Sale Agreement ("Closing Statement") was issued and the working capital of the Disposal Group at closing date was agreed to be approximately HK$35.8 million. Pursuant to the working capital confirmed in the Closing Statement, the consideration receivable was adjusted to approximately HK$16.4 million as at 30th June, 2011. This amount has been subsequently received by AOL following the period end date.

## OPERATIONAL REVIEW

### Financial Services

*Broking and finance*

- Sun Hung Kai, the Group's broking and finance arm, recorded a profit attributable to its owners of HK$601.3 million (2010: HK$492.1 million).

- Wealth Management & Brokerage, Consumer Finance and Principal Investments continued to perform well during the period whilst the results of Capital Markets (formerly classified as Corporate Finance) and Asset Management were affected by unrealised mark-to-market losses on positions resulting from underwriting activities and investments in affiliated funds respectively.

- In February 2011, Sun Hung Kai formed a strategic alliance with EK Immigration Consulting Limited, a market leader in immigration consulting, to service investors applying for the Hong Kong Capital Investment Entrant Scheme ("CIES'). Progress has been satisfactory on CIES client acquisition.

- In May, SHK MasterChoice Discretionary Portfolio Management Services was launched and became available exclusively to Sun Hung Kai Financial customers. It is managed by SHK Fund Management Limited, with Look's Asset Management Limited appointed as the investment adviser and aims at the growing class of high net worth investors demanding discretionary portfolio management services.

*Consumer finance*

- UAF performed satisfactorily in the first half of 2011, continuing to deliver another record interim profit, mainly driven by strong growth in the China loans business.

- Growth in mainland China loan businesses accelerated during the period with the gross principal balance exceeding the HK$1 billion mark at the end of the period.

- UAF extended business operations to Yunnan province and Dalian in March 2011. The branch network in mainland China at the end of the reporting period expanded to 40 outlets, consisting of 33 in Shenzhen, two in Shenyang, and one each in Chongqing, Tianjin, Chengdu, Kunming and Dalian.

- UAF's local businesses continued to progress well. Gross principal loan balances in Hong Kong recorded satisfactory growth of 15% during the period. UAF had a total of 45 branches in Hong Kong at the end of the reporting period.

- To fund the rapid expansion of UAF on the mainland, UAF has established a US$3 billion Medium Term Note programme and in April 2011 issued a RMB500 million three-year bond under this programme at an interest rate of 4% per annum. The funding is targeted to match UAF's RMB funding needs for the anticipated loan growth in China.

**Properties**

*Hong Kong*

- Allied Properties reported a profit attributable to its owners of HK$1,281.5 million (2010: HK$883.2 million).

- The net gain in the value of Allied Properties' property portfolio was HK$665.0 million during the period, higher than the corresponding period of last year.

- Allied Properties continued to record increases in rental income from its Hong Kong property portfolio, benefiting from the strong rental market during the period.

- The hotel division of Allied Properties continued to report an improved result with increases in both occupancies and average room rates.

*Mainland China*

- The profit attributable to the owners of Tian An was HK$564.6 million (2010: HK$541.1 million).

- Tian An continued to dispose of non-core assets and will continue to devote significant efforts to its cyberpark investments.

- By the end of the 2011 half year, Tian An had a total attributable GFA of approximately 620,300 $m^2$ under construction.

- The sales from production and trading of cement and related products by the operations in Shandong and Shanghai contributed a segmental profit of HK$43.6 million to Tian An's profit.

**Investments**

*AOL*

- The results for the period from continuing operations attributable to the owners of AOL turned from a loss of HK$2.9 million in 2010 to a profit of HK$3.3 million in 2011 mainly due to increase in bank interest income. As a result of the disposal of its medical and associated health services businesses in late 2010, the profit for the period attributable to owners of AOL decreased from HK$28.4 million in 2010 to HK$1.8 million in 2011.

- The acquisition of 27.71% equity interest in APAC has been approved by shareholders of AOL. Completion of the acquisition is still subject to the fulfilment of certain conditions pursuant to the Acquisition Agreement.

*SHK HONG KONG INDUSTRIES LIMITED ("SHK HK IND")*

- SHK HK IND reported a net loss attributable to its owners of HK$5.9 million as compared to a net profit of HK$17.2 million in 2010. Income for the period comprised mainly interest income from bonds and dividend income from equity and fund investments.

- In the first half of 2011, SHK HK IND reduced its long-term position significantly in bonds trading mid-single digit yield to hedge against a possible rise in interest rates in the United States.

- SHK HK IND's major investments included listed equities, bonds and investment funds.

**Employees**

The total number of staff of the Group at 30th June, 2011, was 4,169 (at 31st December, 2010: 4,078). 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 recent downgrade of US credit ratings and the concerns regarding the Euro Zone debt problems have brought uncertainty to the world economy. The Group will closely monitor stock market fluctuations and the impact on the Group's financial services businesses.

In both Hong Kong and mainland China, the respective governments have implemented various measures to control increases in the residential property prices. Such measures have dampened sentiment in the short term but the Group remains confident of the longer term prospects for the property markets in both Hong Kong and on the mainland.

The Board will continue to prudently implement its stated strategies for the benefit of the Group and all its shareholders.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2011, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong King Limited, except for certain deviations which are summarised below:

### Code Provisions B.1.3 and C.3.3

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

The terms of reference of the remuneration committee ("Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.3 except that the Remuneration Committee shall review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Executive 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 Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31st December, 2010. 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.

## 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, 2011. 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 Hong Kong Institute of Certified Public Accountants, and on the interim results announcements of the listed associates, as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2011.

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

Hong Kong, 26th August, 2011

*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 and Alan Stephen Jones being the Independent Non-Executive Directors.*