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, 2008

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, 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
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**1,945,820**	2,107,141
Other income		**25,657**	221,214
Total income		**1,971,477**	2,328,355
Cost of sales and other direct costs		**(367,618)**	(301,840)
Brokerage and commission expenses		**(126,305)**	(161,344)
Selling and marketing expenses		**(30,361)**	(26,747)
Administrative expenses		**(640,216)**	(614,921)
Profit on disposal of subsidiaries		**–**	50,213
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*	**25,423**	196,352
Bad and doubtful debts		**(136,595)**	(110,695)
Other operating expenses		**(213,275)**	(162,480)
Finance costs	*6*	**(104,502)**	(240,845)
Share of results of associates		**357,069**	150,985
Share of results of jointly controlled entities		**71,267**	92,858
Profit before taxation	*7*	**556,105**	1,199,891
Taxation	*8*	**(42,206)**	(98,678)
Profit for the period		**513,899**	1,101,213
Attributable to			
Equity holders of the Company		**322,143**	742,735
Minority interests		**191,756**	358,478
		513,899	1,101,213
Earnings per share	*9*		
Basic		**5.70 HK cents**	13.82 HK cents
Diluted		**5.40 HK cents**	13.22 HK cents

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	**3,776,415**	3,618,200
Property, plant and equipment	**305,244**	287,483
Prepaid land lease payments	**344,234**	341,832
Goodwill	**2,611,613**	2,603,378
Intangible assets	**1,925,593**	2,083,758
Interests in associates	**3,752,805**	3,176,775
Interests in jointly controlled entities	**1,072,012**	998,767
Available-for-sale financial assets	**854,896**	1,366,546
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
	16,413,009	16,054,245
Current assets		
Properties held for sale and other inventories	**478,169**	482,809
Financial assets at fair value through profit or loss	**835,817**	1,187,110
Prepaid land lease payments	**5,990**	5,870
Loans and advances to consumer finance customers due within one year	**2,314,291**	2,145,159
Trade and other receivables	**5,755,943**	5,859,292
Amount due from a fellow subsidiary	**9,763**	–
Amounts due from associates	**58,872**	137,584
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	**1,376,439**	1,742,231
	10,963,078	11,686,629
Current liabilities		
Trade and other payables	**1,869,303**	2,067,778
Financial liabilities at fair value through profit or loss	**75,846**	59,084
Amount due to the ultimate holding company	**3,320**	14,351
Amount due to a fellow subsidiary	**1,792,790**	76,183
Amounts due to associates	**12,924**	12,605
Amount due to a jointly controlled entity	**39,063**	39,063
Tax payable	**199,160**	130,102
Bank and other borrowings due within one year	**1,033,493**	891,364
Loan notes	**–**	69,166
Provisions	**26,106**	74,827
Dividend payable	**169,453**	–
Other liabilities due within one year	**668**	734
	5,222,126	3,435,257
Net current assets	**5,740,952**	8,251,372
Total assets less current liabilities	**22,153,961**	24,305,617

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

	At 30th June, 2008	At 31st December, 2007
	Unaudited	Audited
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**1,130,497**	1,129,258
Share premium and reserves	**9,909,648**	10,018,348
Equity attributable to equity holders of the Company	**11,040,145**	11,147,606
Shares held for employee ownership scheme of a subsidiary	**(29,548)**	–
Employee share-based compensation reserve of a subsidiary	**2,873**	–
Minority interests	**6,897,630**	6,935,204
Total equity	**17,911,100**	18,082,810
Non-current liabilities		
Bank and other borrowings due after one year	**2,554,140**	2,779,592
Bonds	**1,100,000**	2,800,000
Deferred tax liabilities	**584,652**	638,439
Provisions	**4,068**	4,773
Other liabilities due after one year	**1**	3
	4,242,861	6,222,807
	22,153,961	24,305,617

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. SEGMENT INFORMATION

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

	Six months ended 30th June, 2008					
	Investment, broking and finance *HK$'000*	**Consumer finance** *HK$'000*	**Healthcare** *HK$'000*	**Property rental, hotel operations and management services** *HK$'000*	**Sale of properties and property based investments** *HK$'000*	**Total** *HK$'000*
Revenue	**650,687**	**640,817**	**521,275**	**113,873**	**34,180**	**1,960,832**
Less: inter-segment revenue	**(11,290)**	**–**	**–**	**(3,722)**	**–**	**(15,012)**
	639,397	**640,817**	**521,275**	**110,151**	**34,180**	**1,945,820**
Segment results	**221,335**	**139,259**	**25,276**	**83,467**	**13,193**	**482,530**
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						**(104,502)**
Share of results of associates						**357,069**
Share of results of jointly controlled entities	**(1)**	**–**	**–**	**71,268**	**–**	**71,267**
Profit before taxation						**556,105**
Taxation						**(42,206)**
Profit for the period						**513,899**

	Six months ended 30th June, 2007					
	Investment, broking and finance	Consumer finance	Healthcare	Property rental, hotel operations and management services	Sale of properties and property based investments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1,021,480	537,135	465,804	97,625	–	2,122,044
Less: inter-segment revenue	(11,966)	–	–	(2,937)	–	(14,903)
	1,009,514	537,135	465,804	94,688	–	2,107,141
Segment results	727,525	195,298	37,194	228,710	8,166	1,196,893
Finance costs						(240,845)
Share of results of associates						150,985
Share of results of jointly controlled entities	730	–	78	92,050	–	92,858
Profit before taxation						1,199,891
Taxation						(98,678)
Profit for the period						1,101,213

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	**17,238**	185,264
Reversal of impairment loss of properties held for sale	**9,579**	10,668
Impairment loss (recognised) reversed for hotel property	**(1,394)**	420
	25,423	196,352

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**	22,049
Finance costs	**104,502**	240,845
	134,148	262,894

7. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**113,957**	105,335
Amortisation of prepaid land lease payments	**2,973**	2,343
Depreciation	**26,240**	21,813
Loss on disposal of associates	**28**	–
Loss on partial redemption of convertible bonds	**–**	7,110
Net loss on disposal of property, plant and equipment	**437**	286
Net realised and unrealised loss on unlisted investment funds	**64,183**	–
Net unrealised loss on financial assets at fair value through profit or loss – derivatives	**25,798**	22,178
Net unrealised loss on financial assets at fair value through profit or loss – equity securities	**96,197**	–
and after crediting:		
Dividend income from listed equity securities	**22,675**	13,998
Dividend income from unlisted equity securities	**3,816**	116
Discount on acquisition of an associate (included in other income)	**1,237**	242
Interest income	**868,133**	791,597
Net profit on dealing in leveraged foreign currencies	**1,180**	6,888
Net profit on disposal of available-for-sale financial assets (included in other income)	**–**	208,315
Net profit on other dealing activities	**6,975**	7,813
Net realised and unrealised profit on unlisted investment funds	**–**	33,798
Net realised profit on financial assets at fair value through profit or loss – derivatives	**59,232**	42,142
Net realised profit on financial assets at fair value through profit or loss – equity securities	**21,712**	44,774
Net unrealised profit on financial assets at fair value through profit or loss – equity securities	**–**	12,246
Profit on deemed acquisition of associates (included in other income)	**134**	–
Profit on deemed disposal of a subsidiary	**390**	–
Profit on disposal of properties held for sale	**5,072**	–
Share of profit from discontinued operations of a listed associate (included in share of results of associates)	**–**	57,136

8. TAXATION

	Six months ended 30th June, **2008** *HK$'000*	2007 *HK$'000*
The income tax charge comprises:		
Current tax:		
Hong Kong	**103,476**	110,319
Other jurisdictions	**562**	784
	104,038	111,103
Under (over) provision in prior years	**3,780**	(424)
	107,818	110,679
Deferred tax:		
Current period	**(34,920)**	(12,001)
Change of tax rates	**(30,692)**	–
	(65,612)	(12,001)
	42,206	98,678

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 basic and diluted earnings per share attributable to the equity holders of the Company is based on the following:

	Six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to equity holders of the Company)	**322,143**	742,735
Effect of dilutive potential ordinary shares:		
Adjustment to earnings in respect of the effect of dilutive potential ordinary shares arising from convertible bonds of the Company	**–**	16,000
Earnings for the purposes of diluted earnings per share	**322,143**	758,735
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,649,029**	5,373,028
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	366,610
Warrants	**316,104**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,965,133**	5,739,638

10. DIVIDEND

The Board does not recommend the declaration of an interim dividend (2007: Nil).

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 does not recommend the declaration of an interim dividend (2007: Nil). Accordingly, there will be no closure of the register of members of the Company.

FINANCIAL REVIEW

Results

The revenue of the Group for the period decreased by 7.7% to HK$1,945.8 million (2007: HK$2,107.1 million). 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 approximately HK$322.1 million (2007: HK$742.7 million), a decrease of HK$420.6 million. Earnings per share amounted to HK5.70 cents (2007: HK13.82 cents).

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

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.

During the period, 619,877 warrants were converted into 6,198,770 ordinary shares at a subscription price of HK$1.00 per share. Accordingly, 79,333,662 warrants were outstanding at 30th June, 2008. Exercise in full of the outstanding warrants would result in the issue of 793,336,620 additional shares of HK$0.2 each with an aggregate subscription value of approximately HK$793.3 million.

At 30th June, 2008, the Group's net borrowings amounted to HK$4,959.4 million (at 31st December, 2007: HK$4,676.9 million), representing bank and other borrowings, loan notes, short-term loan due to a fellow subsidiary and bonds due to a fellow subsidiary totalling HK$6,457.6 million (at 31st December, 2007: HK$6,540.1 million) less bank deposits, bank balances, treasury bills and cash of HK$1,498.2 million (at 31st December, 2007: HK$1,863.2 million) and the Group had equity attributable to equity holders of the Company of HK$11,040.1 million (at 31st December, 2007: HK$11,147.6 million). Accordingly, the Group's gearing ratio of net borrowings to equity attributable to equity holders of the Company was 44.9% (at 31st December, 2007: 42.0%).

	At 30th June, 2008 *HK$'000*	At 31st December, 2007 *HK$'000*
Bank borrowings of the Group are repayable as follows:		
Within one year or on demand	**967,653**	871,641
More than one year but not exceeding two years	**529,864**	721,872
More than two years but not exceeding five years	**1,984,076**	1,998,510
More than five years	**40,200**	59,210
	3,521,793	3,651,233
Other borrowings due within one year	**65,840**	19,723
Short-term loan due to a fellow subsidiary	**1,770,000**	–
Loan notes repayable within one year	**–**	69,166
Bonds held by a fellow subsidiary repayable within five years	**1,100,000**	2,800,000
	6,457,633	6,540,122

At 30th June, 2008, the current ratio (current assets/current liabilities) of the Group was 2.1 times (at 31st December, 2007: 3.4 times).

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

Acquisition and Disposal

On 26th June, 2008, Famestep Investments Limited ("Famestep"), a direct wholly-owned subsidiary of the Company, 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 Group Limited ("Allied Group") and Sun Hung Kai and the circulars dated 4th June, 2008 issued by the Company, Allied Group 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 exposures to foreign exchange risks from those previously 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 *HK$'000*	At 31st December, 2007 *HK$'000*
Indemnities on banking guarantees made available to a clearing house and regulatory body	**5,540**	5,540
Other guarantees	**3,000**	1,400
	8,540	6,940

(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 report, 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, a wholly-owned subsidiary of Sun Hung Kai, 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$4,611.7 million (at 31st December, 2007: HK$4,560.4 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 a listed subsidiary with a carrying value of HK$1,255.7 million (at 31st December, 2007: HK$1,489.9 million) were pledged to secure loans and general banking facilities to the extent of HK$3,881.6 million (at 31st December, 2007: HK$3,874.2 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

Properties

Hong Kong

The Group's 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 and occupancy rate as a result of the continuing strong tourism industry in Hong Kong.

Allied Kajima Limited, 50% indirectly owned by the Group 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 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 Tian An's 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.

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 the 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.

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.

Overseas

Pursuant to its previously announced intention to diversify its investments both geographically and into other industries, the Group recently acquired a 49.37% interest in Eurogold Limited ("Eurogold"), a company listed on the Australian Securities Exchange, through a sub-underwriting of a Eurogold rights issue. This acquisition together with an earlier investment of a stake in Tanami Gold NL ("Tanami"), another company listed on the Australian Securities Exchange, provides the Group with a speculative interest in the mineral resources industry in Australia. The Group has also provided Tanami with certain interim funding assistance for its Coyote gold project.

Employees

The total number of staff of the Group at 30th June, 2008 was 3,464 (at 31st December, 2007: 3,396). 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 the increasing global inflationary pressures continue to pose challenges for the global and local economies. We expect that the global economic outlook will continue to 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 (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 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 (the "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 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, 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 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, 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 Properties (H.K.) Limited
Arthur George Dew
Chairman

Hong Kong, 17th September, 2008

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Patrick Lee Seng Wei (Chief Executive) and Li Chi Kong being the Executive Directors, Messrs. Arthur George Dew (Chairman), Henry Lai Hin Wing and Steven Lee Siu Chung being the Non-Executive Directors and Messrs. John Douglas Mackie, Steven Samuel Zoellner and Alan Stephen Jones being the Independent Non-Executive Directors.