# 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, 2007

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, 2007 with the comparative figures for the corresponding period in 2006 are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT
*for the six months ended 30th June, 2007*

| | | Six months ended 30th June, | |
|---|---|---|---|
| | | **2007** | 2006 |
| | | **Unaudited** | Unaudited |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *4* | **2,125,787** | 1,180,285 |
| Other income | | **220,963** | 87,549 |
| Total income | | **2,346,750** | 1,267,834 |
| Cost of sales and other direct costs | | **(301,898)** | (62,518) |
| Brokerage and commission expenses | | **(161,344)** | (119,144) |
| Selling and marketing expenses | | **(26,747)** | (31,240) |
| Administrative expenses | | **(630,321)** | (314,632) |
| Profit on disposal of subsidiaries | | **62,321** | – |
| Profit on deemed disposal of partial interests in subsidiaries | | **–** | 231,120 |
| Changes in values of properties | *5* | **185,352** | 82,650 |
| Net loss on deemed disposal of partial interests in listed associates | | **–** | (80,784) |
| Impairment loss recognised in respect of an available-for-sale financial asset | | **–** | (58,203) |
| Bad and doubtful debts | | **(110,695)** | (52,875) |
| Other operating expenses | | **(61,266)** | (49,986) |
| Finance costs | *6* | **(138,375)** | (100,155) |
| Share of results of associates | | **163,067** | 71,502 |
| Share of results of jointly controlled entities | | **92,858** | 57,914 |
| Profit before taxation | *7* | **1,419,702** | 841,483 |
| Taxation | *8* | **(135,164)** | (78,841) |
| Profit for the period | | **1,284,538** | 762,642 |

## CONDENSED CONSOLIDATED INCOME STATEMENT (Cont'd)
*for the six months ended 30th June, 2007*

| | | Six months ended 30th June, | |
|---|---|---|---|
| | | **2007** | 2006 |
| | | **Unaudited** | Unaudited |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Attributable to | | | |
| Equity holders of the Company | | **673,568** | 491,801 |
| Minority interests | | **610,970** | 270,841 |
| | | **1,284,538** | 762,642 |
| Earnings per share | *9* | | |
| Basic | | **HK$2.74** | HK$1.96 |
| Diluted | | **HK$2.74** | HK$1.96 |

**CONDENSED CONSOLIDATED BALANCE SHEET**
*at 30th June, 2007*

| | At 30th June, 2007 Unaudited *HK$'000* | At 31st December, 2006 Restated *HK$'000* |
|---|---|---|
| **Non-current assets** | | |
| Investment properties | **3,008,980** | 2,780,300 |
| Property, plant and equipment | **403,393** | 394,219 |
| Prepaid land lease payments | **352,864** | 291,196 |
| Goodwill | **207,577** | 239,247 |
| Intangible assets | **377,455** | 376,330 |
| Interests in associates | **2,726,450** | 2,521,862 |
| Interests in jointly controlled entities | **1,012,278** | 914,092 |
| Available-for-sale financial assets | **1,202,757** | 1,112,921 |
| Statutory deposits | **71,703** | 78,687 |
| Amounts due from associates | **78,000** | 78,000 |
| Loans and advances to consumer finance customers due after one year | **1,335,243** | 1,156,998 |
| Loans and receivables | **5,884** | 33,603 |
| Deferred tax assets | **56,785** | 47,709 |
| | **10,839,369** | 10,025,164 |
| **Current assets** | | |
| Properties held for sale and other inventories | **483,870** | 525,000 |
| Financial assets at fair value through profit or loss | **406,568** | 377,008 |
| Prepaid land lease payments | **6,005** | 4,517 |
| Loans and advances to consumer finance customers due within one year | **1,740,172** | 1,654,167 |
| Accounts receivable, deposits and prepayments | **17,377,817** | 3,753,345 |
| Amounts due from associates | **72,289** | 80,702 |
| Amount due from a jointly controlled entity | **1,197** | 2,185 |
| Tax recoverable | **1,991** | 2,660 |
| Short-term pledged bank deposit | **1,000** | 1,000 |
| Cash and cash equivalents | **1,659,929** | 1,764,313 |
| | **21,750,838** | 8,164,897 |
| **Current liabilities** | | |
| Accounts payable and accrued charges | **2,544,983** | 1,552,676 |
| Financial liabilities at fair value through profit or loss | **30,918** | 1,972 |
| Amounts due to associates | **12,775** | 12,527 |
| Amount due to a jointly controlled entity | **84,063** | 79,063 |
| Tax payable | **179,250** | 83,481 |
| Bank and other borrowings due within one year | **13,591,280** | 1,645,170 |
| Loan notes | **67,867** | – |
| Provisions | **59,496** | 77,840 |
| Dividend payable | **97,873** | – |
| Other liabilities due within one year | **12,756** | 861 |
| | **16,681,261** | 3,453,590 |
| **Net current assets** | **5,069,577** | 4,711,307 |
| **Total assets less current liabilities** | **15,908,946** | 14,736,471 |

**CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)**
*at 30th June, 2007*

| | At 30th June, 2007 Unaudited *HK$'000* | At 31st December, 2006 Restated *HK$'000* |
|---|---|---|
| **Capital and reserves** | | |
| Share capital | **488,613** | 494,033 |
| Reserves | **7,384,347** | 6,791,381 |
| **Equity attributable to equity holders of the Company** | **7,872,960** | 7,285,414 |
| **Equity component of convertible bonds of a subsidiary** | **1,946** | 3,487 |
| **Minority interests** | **6,620,128** | 6,132,218 |
| **Total equity** | **14,495,034** | 13,421,119 |
| **Non-current liabilities** | | |
| Bank and other borrowings due after one year | **1,080,206** | 919,151 |
| Loan notes | **45,010** | 110,650 |
| Convertible bonds | **17,238** | 34,384 |
| Deferred tax liabilities | **270,439** | 249,979 |
| Provisions | **391** | 1,180 |
| Other liabilities due after one year | **628** | 8 |
| | **1,413,912** | 1,315,352 |
| | **15,908,946** | 14,736,471 |

*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 values.

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, 2006.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("New HKFRSs") issued by HKICPA, which are effective for the accounting period beginning on 1st January, 2007. The adoption of these New HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

*Potential impact arising on the new accounting standards not yet effective*

The Group has not early applied the following Hong Kong Financial Reporting Standard ("HKFRS"), HKAS and Interpretation that have been issued but are not yet effective and are pertinent to the operations of the Group. The Directors of the Company ("Directors") anticipate that the application of this HKFRS, HKAS and Interpretation will have no material impact on the results and the financial position of the Group.

| | |
|---|---|
| HKFRS 8 | Operating Segments[1] |
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HK(IFRIC)-Int 11 | HKFRS 2: Group and Treasury Share Transactions[2] |

1 Effective for annual periods beginning on or after 1st January, 2009.
2 Effective for annual periods beginning on or after 1st March, 2007.

## 3. RESTATEMENT OF 2006 COMPARATIVES

The Group acquired the Quality HealthCare Asia Limited group ("Acquisition") during the second half of 2006. When preparing the consolidated financial statements for the year ended 31st December, 2006, the management was in the process of performing the valuations on the net assets acquired in the Acquisition. Thus, the net assets acquired and goodwill arising from the Acquisition as shown in the 2006 consolidated financial statements could only be determined provisionally.

The valuations of the net assets were completed in the first half of 2007 which has resulted in adjustments to the net assets acquired and goodwill arising from the Acquisition, including additional amortisation of intangible assets (see note 7). As a result, the comparative figures in the consolidated balance sheet for the current period are restated as if the adjustments had been recognised on the date of the acquisition. The effects of the restatements are analysed as follows:

| | **As reported on 31st December, 2006** | **Adjustments** | **As restated on 31st December, 2006** |
|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Goodwill | 295,581 | (56,334) | 239,247 |
| Intangible assets | 29,630 | 346,700 | 376,330 |
| Deferred tax liabilities | (189,306) | (60,673) | (249,979) |
| Reserves | 6,746,774 | 44,607 | 6,791,381 |
| Minority interests | 5,947,132 | 185,086 | 6,132,218 |

Certain other comparative figures have been reclassified to conform to current period's presentation and to be consistent with the presentation in 2006 annual financial statements.

## 4. SEGMENT INFORMATION

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

| | **Six months ended 30th June, 2007** | | | | | |
|---|---|---|---|---|---|---|
| | **Investment, broking and finance** | **Consumer finance** | **Healthcare** | **Property development and investment** | **Corporate and other operations** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Revenue | **1,045,415** | **537,135** | **465,804** | **97,625** | **120,721** | **2,266,700** |
| Less: inter-segment revenue | **(23,438)** | **–** | **–** | **(4,365)** | **(113,110)** | **(140,913)** |
| | **1,021,977** | **537,135** | **465,804** | **93,260** | **7,611** | **2,125,787** |
| Segment results | **741,723** | **297,777** | **37,194** | **232,114** | **(6,656)** | **1,302,152** |
| Finance costs | | | | | | **(138,375)** |
| Share of results of associates | | | | | | **163,067** |
| Share of results of jointly controlled entities | **730** | **–** | **78** | **92,050** | **–** | **92,858** |
| Profit before taxation | | | | | | **1,419,702** |
| Taxation | | | | | | **(135,164)** |
| Profit for the period | | | | | | **1,284,538** |

| | Six months ended 30th June, 2006 | | | | |
|---|---|---|---|---|---|
| | Investment, broking and finance | Consumer finance | Property development and investment | Corporate and other operations | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | 649,677 | 485,877 | 88,974 | 8,201 | 1,232,729 |
| Less: inter-segment revenue | (42,192) | – | (4,227) | (6,025) | (52,444) |
| | 607,485 | 485,877 | 84,747 | 2,176 | 1,180,285 |
| Segment results | 267,700 | 285,396 | 117,376 | (8,586) | 661,886 |
| Profit on deemed disposal of partial interests in subsidiaries | | | | | 231,120 |
| Net loss on deemed disposal of partial interests in listed associates | | | | | (80,784) |
| Finance costs | | | | | (100,155) |
| Share of results of associates | | | | | 71,502 |
| Share of results of jointly controlled entities | (18) | – | 57,932 | – | 57,914 |
| Profit before taxation | | | | | 841,483 |
| Taxation | | | | | (78,841) |
| Profit for the period | | | | | 762,642 |

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.

## 5. CHANGES IN VALUES OF PROPERTIES

| | **Six months ended 30th June,** | |
|---|---|---|
| | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* |
| Changes in values of properties comprise: | | |
| Increase in fair value of investment properties | **174,264** | 99,703 |
| Reversal (recognition) of impairment loss of properties held for sale | **10,668** | (18,700) |
| Reversal of impairment loss of hotel property | **420** | 1,647 |
| | **185,352** | 82,650 |

## 6. FINANCE COSTS

| | Six months ended 30th June, 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Total finance costs included in: | | |
| Cost of sales and other direct costs | **22,104** | 23,835 |
| Finance costs | **138,375** | 100,155 |
| | **160,479** | 123,990 |

## 7. PROFIT BEFORE TAXATION

| | Six months ended 30th June, 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Profit before taxation has been arrived at after charging: | | |
| Amortisation of intangible assets | **11,071** | 1,946 |
| Amortisation of prepaid land lease payments | **2,482** | 2,224 |
| Depreciation | **22,496** | 16,241 |
| Loss on disposal of partial interests in a subsidiary | **–** | 261 |
| Loss on partial redemption of convertible bonds | **510** | – |
| Net unrealised loss on derivatives | **22,178** | – |
| Net loss on disposal of property, plant and equipment | **286** | – |
| and after crediting: | | |
| Dividend income from listed investments | **14,982** | 10,062 |
| Dividend income from unlisted investments | **116** | 3,332 |
| Excess of net fair value over consideration arising from acquisition of an associate (included in other income) | **242** | 9,011 |
| Interest income | **800,448** | 622,741 |
| Net profit on dealing in leveraged foreign currencies | **6,888** | 4,131 |
| Net profit on disposal of available-for-sale financial assets (included in other income) | **208,315** | 68,706 |
| Net profit on disposal of property, plant and equipment | **–** | 207 |
| Net profit on other dealing activities | **7,813** | 17,725 |
| Net realised profit on derivatives | **42,142** | 9,508 |
| Net realised profit on financial assets at fair value through profit or loss | **47,743** | 13,523 |
| Net unrealised profit on derivatives | **–** | 6,406 |
| Net unrealised profit on financial assets at fair value through profit or loss | **49,735** | 6,845 |
| Share of profit from discontinued operations of listed associates (included in share of results of associates) | **60,616** | 2,512 |

## 8. TAXATION

| | Six months ended 30th June, 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| The income tax charge comprises: | | |
| Current tax: | | |
| Hong Kong | **125,935** | 75,803 |
| Outside Hong Kong | **721** | 553 |
| | **126,656** | 76,356 |
| Deferred tax | **8,508** | 2,485 |
| | **135,164** | 78,841 |

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

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

## 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, 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purpose of basic earnings per share (profit for the period attributable to equity holders of the Company) | **673,568** | 491,801 |
| Effect of dilutive potential ordinary shares: | | |
| Adjustment to earnings in respect of the effect of dilutive potential ordinary shares arising from warrants of a subsidiary | **–** | (30) |
| Adjustment to the share of results of associates based on dilution of their earnings per share | **–** | (673) |
| Earnings for the purpose of diluted earnings per share | **673,568** | 491,098 |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | **246,018** | 251,200 |

**10. DIVIDEND**

| | Six months ended 30th June, | |
|---|---|---|
| | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* |
| Ordinary shares: | | |
| Interim dividend declared after the balance sheet date of HK15 cents per share (2006: HK10 cents per share) | **36,646** | 24,944 |

The amount of the interim dividend for the six months ended 30th June, 2007 has been calculated by reference to 244,306,423 shares in issue at 14th September, 2007.

During the period under review, the Company did not pay any dividend. For the corresponding period in 2006, the Company paid a dividend of HK$37,637,000, representing HK15 cents per share, being final dividend of 2005.

## INTERIM DIVIDEND AND BOOK CLOSE

The Board is pleased to declare an interim dividend of HK15 cents per share (2006: HK10 cents) payable to the shareholders whose names appear on the register of members of the Company on Friday, 26th October, 2007. It should also be noted that the Company continued to repurchase its shares during the period at an aggregate consideration of approximately HK$58.1 million. Accordingly, both net asset value per share and earnings per share have been enhanced.

The register of members will be closed from Monday, 22nd October, 2007 to Friday, 26th October, 2007, both days inclusive, during which period no transfer of shares 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 Thursday, 18th October, 2007. Dividend warrants are expected to be despatched on Friday, 2nd November, 2007.

## FINANCIAL REVIEW

### Results

The revenue of the Group was HK$2,125.8 million, an increase of 80.1% compared with the corresponding period of 2006. The increase in revenue was largely due to:

– stronger performances from the Group's core financial services divisions; and

– consolidation of Quality HealthCare Asia Limited ("QHA"), which became a subsidiary from October 2006.

The profit attributable to the equity holders of the Company for the period was HK$673.6 million (2006: HK$491.8 million), an increase of HK$181.8 million. Earnings per share amounted to HK$2.74 (2006: HK$1.96).

The increase in profit was largely due to:

– increased contributions from the Group's financial services division; and

– higher fair value gain on the investment properties of the Group.

**Financial Resources, Liquidity and Capital Structure**

At 30th June, 2007, the equity attributable to the equity holders of the Company amounted to HK$7,873.0 million, representing an increase of HK$587.5 million or approximately 8.1% from that of 31st December, 2006. The Group's short-term bank deposits, treasury bills, bank balances and cash amounted to HK$1,660.9 million (at 31st December, 2006: HK$1,765.3 million). The Group's bank loans and other borrowings, together with loan notes and convertible bonds, totalling HK$14,801.6 million (at 31st December, 2006: HK$2,709.4 million) of which the portion due on demand or within one year (mainly utilised to support margin loan, IPO and consumer financing) was HK$13,659.1 million (at 31st December, 2006: HK$1,645.2 million), and the remaining long-term portion was HK$1,142.5 million (at 31st December, 2006: HK$1,064.2 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 1.3 times (at 31st December, 2006: 2.36 times) as a result of the rapid growth of IPO financing to clients and the increase in the Group's short-term bank borrowings during the period under review. The Group's gearing ratio (net bank and other borrowings together with loan notes and convertible bonds/equity attributable to the equity holders of the Company) was 166.9% (at 31st December, 2006: 13.0%). The increase in short-term bank borrowings was mainly due to the significant increase of IPO financing to clients.

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

During the period, the Company repurchased a total of 2,710,000 of its own shares at an aggregate consideration, including transaction costs, of approximately HK$58.3 million.

**Acquisition and Disposal**

On 31st May, 2007, Onspeed Investments Limited (an indirectly non wholly-owned subsidiary of Sun Hung Kai & Co. Limited ("Sun Hung Kai"), held through its interest in United Asia Finance Limited ("UAF")) completed its disposal of the entire issued share capital of Island New Finance Limited ("INFL") and the assignment of a loan for an aggregate consideration of approximately HK$248.9 million.

As of the completion date of the above disposal, INFL was beneficially interested in approximately 74.999% of the issued capital of The Hong Kong Building and Loan Agency Limited.

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

## Risk of Foreign Exchange Fluctuation

There have been no significant changes in the exposure to foreign exchange risks from those outlined in the Company's annual report for 2006.

## Contingent Liabilities

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

| | **At 30th June, 2007** *HK$'000* | At 31st December, 2006 *HK$'000* |
|---|---|---|
| Indemnities on banking guarantees made available to a clearing house and regulatory body | **5,540** | 5,540 |
| Other guarantees | **1,400** | 12,098 |
| | **6,940** | 17,638 |

(b) In June 2006, Sun Hung Kai received notice of a 2001 order made by the Hubei Province Higher Peoples Court in China freezing US$3 million of funds (or assets of equivalent value) of Sun Hung Kai Securities Limited ("SHKS"), a wholly-owned subsidiary of Sun Hung Kai, pursuant to which SHKS's shares in Chang Zhou Power Development Company Limited in China ("Chang Zhou Shares") (worth US$3 million) were frozen. SHKS had sold all of its beneficial interests in the Chang Zhou Shares in 1998. Sun Hung Kai continues to investigate the matter.

## Litigation

(a) On 10th July 2006, the Court of Final Appeal upheld the judgment (as amended by the Court of Appeal) of the Hong Kong Court of First Instance of 1st April, 2004, that SHKS holds a 12.5% interest in a 50/50 joint venture entered into between New World Development Company Limited ("NWDC") and IGB Corporation Berhad to purchase land and build two international hotels plus a 200-units service apartment 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 to ensure that the legal interest of the issued shares of GUP which Stapleton Developments Limited holds on trust for SHKS be transferred to SHKS and 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) Details of the case regarding Chang Zhou Power Development Company Limited are set out in paragraph (b) of the "Contingent Liabilities" section above.

**Pledge of Assets**

At 30th June, 2007, 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$4,077.1 million (at 31st December, 2006: HK$3,819.9 million), listed investments belonging to the Group and margin clients with market values of HK$2,513.3 million (at 31st December, 2006: HK$142.1 million) and HK$1,958.8 million (at 31st December, 2006: HK$1,164.1 million) respectively together with certain securities in respect of listed subsidiaries held by the Company and its subsidiaries, the carrying value of which in their respective accounts totalling HK$3,668.9 million (at 31st December, 2006: HK$3,845.2 million) were pledged to secure loans and general banking facilities to the extent of HK$3,370.2 million (at 31st December, 2006: HK$3,275.6 million) granted to the Group. Facilities amounting to HK$2,347.1 million (at 31st December, 2006: HK$1,556.0 million) were utilised at 30th June, 2007.

At 30th June, 2007, a bank deposit of HK$1.0 million (at 31st December, 2006: HK$1.0 million) was pledged to secure a bank guarantee amounting to HK$2.0 million (at 31st December, 2006: HK$2.0 million).

**Events after the Balance Sheet Date**

(a) On 7th June, 2007, Bright Clear Limited, an indirectly wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Sun Hung Kai and two subsidiaries of Sun Hung Kai (collectively "Vendors") to acquire from the Vendors in aggregate 379,291,800 shares in Yu Ming Investments Limited ("Yu Ming"), representing approximately 22.428% of the then issued share capital of Yu Ming at an aggregate consideration of approximately HK$166.9 million. The transaction was completed on 31st August, 2007. Details of the transaction were contained in the joint announcement dated 11th June, 2007 made by the Company, Allied Properties (H.K.) Limited ("Allied Properties") and Sun Hung Kai and the circulars dated 3rd July, 2007 issued by Allied Properties and Sun Hung Kai respectively.

(b) On 13th August, 2007, Allied Properties announced that all outstanding convertible bonds would be redeemed on 31st August, 2007. The redemption monies, together with accrued interest amounting to HK$274.5 million is expected to be payable within 7 business days after bondholders surrender their convertible bond certificates at the share registrar of Allied Properties from 10th September, 2007 to 21st September, 2007 (both days inclusive).

**OPERATIONAL REVIEW**

**Financial Services**

*Broking and finance*

Sun Hung Kai, the Group's broking arm, recorded a profit attributable to its equity holders of HK$747.1 million (2006: HK$178.0 million). Profit for the period was stated after non-cash amortisation charges for intangible assets, principally arising from the acquisition of UAF by Sun Hung Kai, of HK$105.3 million. It is worthwhile noting that pursuant to the application of the current accounting standards, such amortisation charges have not affected Sun Hung Kai's profit contributions to the Group because the profit on the sale of UAF was not taken up in the consolidated financial statements of the Group.

The turnover and commission income of the securities broking division increased substantially as a result of increased initial public offerings ("IPO") activity, foreign and domestic inflows of funds in anticipation of the potential effects generated by QDII (Qualified Domestic Institutional Investor) arrangements and continued speculation over appreciation of the renminbi. Substantial growth was recorded across key measurement indexes in terms of turnover, new accounts opened and client assets under custody.

The trading volume of Hang Seng Index Futures and Options grew strongly following the robust performance of the local market, compensating for the more subdued turnover in precious metals and overseas commodities.

IPO financing and margin lending revenues increased significantly in the first half of 2007. The term lending activity was also solid and continued to make a satisfactory contribution to profit.

The corporate finance division successfully sponsored an IPO and acted as financial adviser in various corporate exercises of several local listed companies. The division also completed secondary placements and rights issues for a number of listed companies, with a particular focus on the strengthening resources sector.

The assets under management by the hedge fund division amounted to approximately US$760 million as at 30th June, 2007. A branch was recently established in Singapore to improve the service capability for South East Asian investors.

*Consumer finance*

UAF, the Group's consumer finance arm, achieved satisfactory growth in its loan portfolio during the first half of 2007 with loan interest income up by more than 10% compared to the same period of last year. It continued to expand its branch network by opening three new branches in Causeway Bay, Tsimshatsui East and Chai Wan during the period. It also marked a significant milestone, opening its first branch in Shenzhen recently. UAF now has 39 branches (2006: 36 branches) in Hong Kong and a branch in Mainland PRC, and will continue to seek further locations both in Hong Kong and the Mainland to enable it to provide greater customer coverage.

**Properties**

*Hong Kong*

Allied Properties reported a profit attributable to its equity holders of HK$742.7 million (2006: HK$498.3 million).

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

Allied Kajima Limited, 50% indirectly owned by Allied Properties and holding properties including Allied Kajima Building, Novotel Century Hong Kong hotel and the Sofitel Philippine Plaza Hotel, contributed a higher profit than that of the corresponding period in 2006, principally due to the higher fair value gain from the investment properties.

*Mainland PRC*

Turnover (including continuing and discontinued operations) of Tian An China Investments Company Limited ("Tian An"), a listed associate of Sun Hung Kai, for the period ended 30th June, 2007 was HK$436.9 million (2006: HK$363.2 million), an increase of 20% compared to the corresponding period of last year. Profit attributable to equity holders of Tian An (including continuing and discontinued operations) was HK$335.7 million (2006: HK$141.3 million), representing a 138% increase over the corresponding period of last year.

As mentioned in its 2006 annual report, Tian An, in order to maximise its investment return on Shanghai Allied Cement Limited ("SAC"), took advantage of the buoyant Hong Kong share market and placed out its entire interest in SAC. The disposal generated a profit of HK$136.4 million and net proceeds of HK$276.5 million.

Consequent to the strong PRC property market, Tian An recorded sales of total gross floor area ("GFA") of 40,100 $m^2$ in the first half of 2007, compared to 32,800 $m^2$ for the same period last year. A total GFA of approximately 49,800 $m^2$ (2006: 40,300 $m^2$) of residential/commercial properties was completed during the first half of 2007, representing an increase of 24% over the corresponding period of last year. As at 30th June, 2007, a total GFA of approximately 335,130 $m^2$ (2006: 298,700 $m^2$) was under construction, representing a 12% increase from the corresponding date of last year.

Tian An will continue to implement its stated objectives of:– (1) continuing to dispose of non-core assets, (2) increasing recurrent income, (3) maximising development profits, (4) increasing its landbank in major cities, (5) streamlining operating processes, and (6) continuing to strengthen the professional management team.

**Investments**

*QHA*

For the six months ended 30th June, 2007, QHA, a listed subsidiary of Sun Hung Kai since October 2006, reported a total turnover of HK$460.9 million, an increase of 4.8%, compared to HK$439.6 million for the same period last year. Profit attributable to equity holders of QHA was HK$31.9 million, a marginal increase of 0.4%, compared to HK$31.8 million in the comparative period in the prior year.

Expenditure on planned network infrastructure expansion and upgrading together with increasing rental and wage costs has narrowed the operating margin resulting in a relatively small increase in net profit.

Further expansion of QHA's medical network was achieved in the reporting period including the addition of a new centre in the New Territories as well as extensive renovation and expansion of two prime integrated medical centres in Kowloon and one on the Hong Kong Island side. QHA has also expanded its affiliated network in Hong Kong and Macau in order to provide more extensive coverage for its clients. This initiative will be continued throughout the second half of 2007 and into 2008.

*Yu Ming*

Yu Ming reported a profit attributable to its equity holders of HK$53.9 million (2006: HK$21.5 million). At 30th June, 2007, the major investments of Yu Ming were in AsiaWorld-Expo, retail properties in Mongkok and Causeway Bay and a portfolio of listed shares. It is noted that subsequent to the period end, Yu Ming has entered into sale and purchase agreements to dispose of its interest in AsiaWorld-Expo and its property portfolio. Completion of the agreements is expected in September and December 2007 respectively. Yu Ming has also raised HK$214 million through a placement of new shares in July 2007. Yu Ming plans to utilise the surplus cash generated to explore new opportunities that are expected to generate better returns for its shareholders.

**Employees**

The total number of staff of the Group at 30th June, 2007, was 3,169 (at 31st December, 2006: 3,157). 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 Group is optimistic in respect of economic growth of Mainland China and believes that the local economy is well positioned to benefit from the progressive liberalisation of Mainland China's economic policies. Whilst the Group continues to develop its core financial services and property investment and development businesses in Hong Kong and Mainland China, the Group will also seek investment opportunities throughout South East Asia and in other industries, where the Group believes it can add value.

However, the Group will remain vigilant in respect of challenges arising from any additional austerity measures to tighten the fast growing Mainland China economy and uncertainties regarding the US subprime mortgage problems that may produce volatility in the stock markets and affect the economy of Hong Kong.

The Board will strive to develop and improve the performance of the Group's underlying businesses for the benefit of all shareholders.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2007, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

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

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

The terms of reference of the remuneration committee ("Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.3 except that the Remuneration Committee should review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Directors and senior management under the code provision).

The terms of reference of the audit committee ("Audit Committee") adopted by the Company are in compliance with the code provision C.3.3 except that the Audit Committee (i) should recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has discharged its duty to have an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the coordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

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, 2006. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

| Month of purchase | Number of shares purchased | Purchase consideration per share Highest | Purchase consideration per share Lowest | Aggregate consideration paid |
|---|---|---|---|---|
| | | *HK$* | *HK$* | *HK$* |
| January 2007 | 70,000 | 20.00 | 19.60 | 1,391,200 |
| February 2007 | 16,000 | 19.90 | 19.20 | 314,200 |
| March 2007 | 348,000 | 20.00 | 19.00 | 6,793,800 |
| April 2007 | 1,900,000 | 22.00 | 20.40 | 40,814,800 |
| June 2007 | 376,000 | 24.00 | 23.05 | 8,827,100 |

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2007.

## 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, 2007. 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 announcement of the listed associates, as well as obtaining reports from management. The Audit Committee has not undertaken detailed independent audit checks.

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

Hong Kong, 14th September, 2007

*As at the date of this announcement, the Board comprises Messrs. Lee Seng Hui (Chief Executive), Edwin Lo King Yau and Mak Pak Hung being the Executive Directors, Mr. Arthur George Dew (Chairman) and Ms. Lee Su Hwei being the Non-Executive Directors, and Messrs. Wong Po Yan, David Craig Bartlett, John Douglas Mackie and Alan Stephen Jones being the Independent Non-Executive Directors.*