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, 2004

The Board of Directors ("Directors") 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, 2004 with the unaudited comparative figures for the corresponding period in 2003 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

· ·		Six months end 2004	ed 30th June, 2003
	Notes	HK\$'000	HK\$'000 (Restated)
Turnover Other operating income	(3)	952,164 26,744	764,609 25,713
Total income		978,908	790,322
Cost of sales Brokerage and commission expenses	(4)	(95,542) (98,324)	(88,483) (33,972)
Selling expenses Administrative expenses		(23,123) (214,464)	(18,460) (192,632)
Impairment losses and revaluation deficits Bad and doubtful debts Other operating expenses	(5)	(690) (79,107) (62,800)	(56,124) (166,267) (64,630)
Profit from operations Other finance costs Amortisation of goodwill Release of negative goodwill Amortisation of capital reserve Share of results of associates Share of results of jointly controlled entities	(6) (4)	404,858 (28,709) (3,570) 129,256 8,633 96,538 24,648	169,754 (29,064) (3,570) 113,898 8,634 33,961 (1,424)
Profit before taxation Taxation	(7)	631,654 (94,201)	292,189 (42,002)
Profit after taxation Minority interests		537,453 (191,663)	250,187 (93,435)
Profit attributable to shareholders		345,790	156,752
Dividend			_
Earnings per share Basic	(8)	HK\$1.3	HK\$0.46
Diluted		N/A	N/A

(1) Basis of preparati

(4) Finance costs

Notes

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Significant accounting policies (2)

The accounting policies adopted in the condensed financial statements are consistent with those set out in the Group's audited financial statements for the year ended 31st December, 2003.

Segmental information (3)

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

	Six months ended 30th June, 2004				
	Investment, broking and finance <i>HKS'000</i>	Consumer finance <i>HK\$'000</i>	Property development and investment HK\$'000	Corporate and other operations <i>HKS'000</i>	Total HK\$'000
Turnover	496,784	378,946	85,279	14,540	975,549
Less: inter-segment turnover	(5,425)	-	(3,430)	(14,530)	(23,385
	491,359	378,946	81,849	10	952,164
Profit from operations	151,048	205,635	31,429	16,746	404,858
Other finance costs					(28,709)
Amortisation of goodwill Release of negative goodwill					(3,570 129,256
Amortisation of capital reserve					8,633
Share of results of associates					96,538
Share of results of jointly controlled entities	(895)	-	25,543		24,648
Profit before taxation					631,654
Taxation					(94,201
Profit after taxation					537,453
		Six mo	nths ended 30th Ju	ne, 2003 =	
			Property		

	Investment, broking and finance HK\$'000	Consumer finance HK\$'000	development and investment HK\$'000	Corporate and other operations HK\$'000	Total HK\$ '000
Turnover Less: inter-segment turnover	286,553 (5,248)	389,500	95,592 (2,630)	15,401 (14,559)	787,046 (22,437)
	281,305	389,500	92,962	842	764,609
Profit (loss) from operations Other finance costs Amortisation of goodwill Release of negative goodwill Amortisation of capital reserve Share of results of associates Share of results of jointly controlled entities	66,710	138,001	(34,746)	(211)	169,754 (29,064) (3,570) 113,898 8,634 33,961 (1,424)
Profit before taxation Taxation				-	292,189 (42,002)
Profit after taxation					250,187

During the period under review, less than 10% of the operations of the Group in terms of both turnover and results of operations were carried on outside Hong Kong. Accordingly, no geographical segmental information is shown.

	Six months ended 30th June,		
	2004		
Total finance costs included in :	HK\$'000	HK\$'000	
Cost of sales	1,377	2,010	
Other finance costs	28,709	29,064	
	30,086	31,074	

(5)	Impairment losses and revaluation deficits	Six months end 2004	ed 30th June, 2003
		HK\$'000	HK\$'000
	Impairment losses and revaluation deficits comprise:		
	Impairment losses recognised in respect of:		
	Properties held for sale	-	12,325
	Properties under development	-	805
	Non-trading securities	690	1,389
		690	14,519
	Deficits arising on revaluation of investment properties	_	41,605
		690	56,124
(6)	Profit from operations		
(0)	rone nom operations	Six months end	ed 30th June.
		2004	2003
		HK\$'000	HK\$'000
	Profit from operations has been arrived at after charging: Depreciation	13.743	15,351
	Net unrealised loss on trading securities	7,388	594
	Loss on dilution of interest in an associate	4,138	-
	Amortisation of intangible assets	1,180	583
	Loss on disposal of an associate	-	3,088
	Loss on disposal of non-trading securities	-	1,348
	Net realised loss on trading securities	-	16
	and after crediting:		
	Interest income	461,510	471,625
	Dividend income from investments in listed securities Dividend income from investments in unlisted securities	29,927 29,540	7,389 8,545
	Profit on dealing in foreign currencies	13,630	5,953
	Net realised profit on derivatives	6,709	3,160
	Profit on other dealing activities	4,149	3,010
	Profit on disposal of non-trading securities	3,421	-
	Write-back of loss arising from default of loan agreement with Millennium Touch Limited	773	19,332
	Net realised profit on trading securities	204	19,552
	Unrealised profit on derivatives	3	-
(7)	Taxation	Six months end	J 2046 June
		2004	2003
		HK\$'000	HK\$'000
	The charge comprises:		
	Current tax:		
	Hong Kong	58,738	31,476
	Outside Hong Kong	2,741	3,039
		61,479	34,515
	Deferred tax	(2,387)	(2,460)
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	Taxation attributable to the Company and subsidiaries	59,092	32,055
	Share of taxation attributable to associates Share of deferred taxation attributable to associates	11,733	6,018 287
	Share of taxation attributable to jointly controlled entities	17,440 5,936	3,642
	, and a second sec		
		94,201	42,002

Hong Kong Profits Tax is calculated at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits derived from Hong Kong.

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

(8) Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$345,790,000 (2003: HK\$156,752,000 as restated) and on the weighted average number of 265,291,853 (2003: 340,986,630) shares in issue during the period as adjusted for the effect of the share consolidation detailed under the heading of "Financial Resources, Liquidity and Capital Structure" in the section of "Financial Review" of this

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

Comparative figures

(9)

A listed associate of the Group subsequently adjusted the prior year adjustment for the adoption of SSAP 12 (Revised) "Income Taxes" after the preparation of its interim report for the six months ended 30th June, 2003. As a result, the comparatives of the condensed financial statements have been restated to take into account the effect of the Group's share of the adjustment. A reconciliation of the total equity at 1st January, 2003 is set out below. In addition, the profit for the six months ended 30th June, 2003 is reduced by HK\$7,270,000.

	1110 000
Total equity at 1st January, 2003 – As originally stated in last interim report	4,022,402
- Effect of revised prior year adjustment	(33,109)
 Audited amount as reported in the annual report for the year ended 31st December, 2003 	3,989,293

INTERIM DIVIDEND

The Directors do not recommend the declaration of an interim dividend (2003: Nil). However, it should be noted that the Company continued to repurchase its shares during the period as detailed in the section on "Purchase, Sale or Redemption of Shares" below. The periou as detailed in the section on "Purchase, Sale or Redemption of Shares" below. The effect of share repurchases, in particular the completion of the general offer to repurchase 750,000,000 shares in September 2003, is already evident in the interim results for 2004. Earnings per share rose by 183% over 2003, compared to a corresponding increase of only 121% in total earnings. The Company will continue to use surplus cash to repurchase its shares for cancellation.

FINANCIAL REVIEW

The Group reported a profit attributable to shareholders for the period of approximately HK\$345.8 million, an increase of 121% compared to approximately HK\$156.8 million for the corresponding period of last year. The increase was the result of a stronger performance from the Group's financial services businesses and following the recovery in the property market, it was not appropriate for further provisions to be made against the Group's Hong Kong property portfolio.

Financial Resources, Liquidity and Capital Structure

At 30th June, 2004, the net assets of the Group amounted to HK\$4,478.0 million, representing an increase of HK\$322.1 million or approximately 7.8% from that of 31st December, 2003. The Group's short-term bank deposits, bank balances and cash amounted to HK\$792.8 million (at 31st December, 2003: HK\$764.6 million). The Group's bank loans and other borrowings, together with loan notes, totalled HK\$2,188.6 million (at 31st December, 2003: HK\$764.6 million). The Group's bank loans and other borrowings, together with loan notes, totalled HK\$2,188.6 million (at 31st December, 2003: HK\$74.1,0 million), and the remaining long-term portion was HK\$1,169.1 million (at 31st December, 2003: HK\$1,110.3 million), and the remaining long-term portion was HK\$1,169.1 million (at 31st December, 2003: HK\$1,276 (at 31st December, 2003: 39.9%). During the period, the Group's net repayment of bank loans and other borrowings were primarily funded by the net cash inflow from operating activities and investing activities. At 30th June, 2004, the net assets of the Group amounted to HK\$4,478.0 million activities

Most of the bank and other borrowings of the Group are subject to floating interest rate

Subsequent to the period end, an ordinary resolution for approving the consolidation of every ten shares of HK\$0.2 each into one consolidated share of HK\$2 each of the Company was duly passed at an extraordinary general meeting of the Company held on 22nd July, 2004. Immediately after the share consolidation became effective on 23rd July, 2004, the total number of shares in issue was 263,146,830 with an aggregate nominal value of HK\$526,293,660.

Risk of Foreign Exchange Fluctuation

There have been no significant changes in the exposures to foreign exchange risks from those outlined in the Company's annual report for 2003.

Acquisition and Disposal

There were no material acquisitions and disposals of subsidiaries, associates and jointly

controlled entities during the period. **Contingent Liabilities**

(a) At 30th June, 2004, the Group had guarantees as follows

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	At 30th June, 2004 <i>HK\$'000</i>	At 31st December, 2003 <i>HK\$'000</i>
Guarantee for banking facility granted to an investee company	7,020	6,989
Indemnities on banking guarantees made available to a clearing house and regulatory body	4,540	4,540
Indemnities on a letter of credit issued by a bank for a loan to a client Other guarantees	2,265	67,556 913

13,825

79,998

(b) On 9th September, 2002, Sun Hung Kai Investment Services Limited ("SHKIS"), an indirect wholly-owned subsidiary of Sun Hung Kai & Co. Limited ("Sun Hung Kai"), was served with a writ attaching a statement of claim by Shenzhen Building Materials Group Co. Limited, a company registered in Shenzhen, the People's Republic of China ("PRC"), claiming the return of certain shares in Shenzhen International Holdings Limited (worth HK\$38,031,000 at 30th June, 2004) together with interest, costs and damages. The actions taken by SHKIS in regard to the shares were based on considered advice from reputable legal counsel, which advice was strictly followed in its implementation. The case remains at an early stage with interlocutory matters still being dealt with. The plaintiffs have taken few steps to progress their action. Notwithstanding, the case is being strenuously defended and at this stage the management takes the view that while a provision has been made for legal costs, it is not appropriate for any other provision to be made with respect to this action.
(c) On 4th February 2004 Sun Tai Cheung Credits Limited ("STCC") an indirect wholly-

- On 4th February, 2004, Sun Tai Cheung Credits Limited ("STCC"), an indirect wholly-owned subsidiary of Sun Hung Kai, and SHKIS were served with a writ attaching a statement of claim ("200/2004") by Shanghai Finance Holdings Limited ("SFHL"), claiming, inter alia, that the sale of the shares in Shun Loong Holdings Limited ("SLHL") ("Shun Loong Shares") by STCC as assignee to SHKIS (for a consideration of HK\$36,500,000 subject to additional amounts of HK\$15,700,000 which may be of HK\$35,500,000 subject to additional amounts of HK\$15,700,000 which may be payable one year from the date of completion under certain conditions) pursuant to a sale and purchase agreement dated 25th June, 2003 be set aside, or alternatively, against STCC for damages and the amount received by STCC in respect of the Shun Loong Shares. The writ is being vigorously defended. STCC and SHKIS were properly advised at all times during the transaction and firmly believe that there is no basis to the claim and have applied to have the claim struck-out. The strike-out hearing is presently scheduled to be heard on 28th October, 2004. While a provision has been made for legal costs, at this stage the management takes the view that it is not appropriate for any other provision to be made with respect to this action.
- The Group understands that a further writ was issued by New World Development Company Limited ("New World") in April 2004, naming Sun Hung Kai Securities (d) Company Enhance (New World) in Apin 2004, hanning Sun Hung Kai, as defendant, and claiming ("SHKS"), a wholly-owned subsidiary of Sun Hung Kai, as defendant, and claiming the sums of HK\$27,237,490 and HK\$7,697,418 and interest thereon from March 2000 and January 2001 respectively. The writ has not been served on SHKS. If served, it will be vigorously defended. While a provision has been made for legal costs, at this stage the management takes the view that it is not appropriate for any other provision to be made with respect to this action.

Material Litigation Update

- Shun Loong Finance Limited and SLHL (together the "Petitioners"), both wholly-owned subsidiaries of Sun Hung Kai, filed a winding-up petition on 19th February, 2004 in the British Virgin Islands ("BVI") seeking an order that SFHL be wound up by reason of its failure to pay debts owing to the Petitioners. BVI proceedings are presently stayed pending the outcome of 200/2004, the Hong Kong proceedings mentioned above. (a) proceedings me
- Sun Hung Kai, STCC and SHKIS filed a writ on 7th February, 2004 (230/2004) naming as defendants Shanghai Land Holdings Limited, Stephen Liu Yiu Keung, Yeo Boon Ann, The Standard Newspapers Publishing Limited and Hong Kong Economic Times Limited and claiming damages for libel, injunctive relief, interest and costs. The (b) case remains at an early stage.
- An appeal has been lodged by SHKS against the judgment delivered by the Hong Kong High Court in favour of New World on 1st April, 2004. The appeal is based on considered advice from senior legal counsel and is likely to be heard in July 2005. (c)

Pledge of Assets

HK\$'000

At 30th June, 2004, certain of the Group's investment properties, land and buildings, At your sure, 2004, certain of the Oroup s investment properties, land an aggregate carrying value of HK\$2,790.5 million (at 31st December, 2003; HK\$2,792.0 million), listed investments belonging to the Group and margin clients with a carrying value of HK\$992.6 million (at 31st December, 2003; HK\$792.5 million) together with certain securities in respect of listed subsidiaries held by the Company and its subsidiaries, the net book value of which in their respective accounts totalling HK\$3,165.1 million (at 31st December, 2003; HK\$3,935.3 million) were pledged to secure loans and general banking facilities to the extent of HK\$3,588.5 million (at 31st December, 2003: HK\$3,777.5 million) granted to the Group. Facilities amounting to HK\$1,658.3 million (at 31st December, 2003: HK\$1,964.9 million) were utilised at 30th June, 2004.

At 30th June, 2004, a bank deposit of HK\$1.4 million (at 31st December, 2003: HK\$1.5 million) was pledged to secure a bank guarantee amounting to HK\$2.0 million (at 31st December, 2003: HK\$2.0 million).

Subsequent Events

Apart from the share consolidation as detailed under the heading of "Financial Resources uidity and Capital Structure" in the section of "Financial Review" above, there as foll

- On 19th May, 2004, Tailwind Consultants Limited ("Vendor"), a wholly-owned subsidiary of Sun Hung Kai, entered into a conditional agreement with Asia Coast Investments Limited ("Purchaser"), a wholly-owned subsidiary of Tian An China Investments Company Limited ("Tian An") in respect of the sale of the Vendor's 17.29% equity interest in CBI Investment Limited for a consideration of HK\$28,000,000 (a) to the Purchaser. Under the terms of the agreement, the consideration is to be settled by HK\$3,000,000 cash and a HK\$25,000,000 promissory note issued by Tian An. The agreement was completed on 5th August, 2004 and resulted in a loss of HK\$715,000.
- On 27th August, 2004, Sun Hung Kai repurchased its loan notes with a face value of HK\$100,000,000 for a consideration of HK\$98,500,000 that resulted in a profit of HK\$1,500,000

OPERATIONAL REVIEW

Financial Services

Consumer finance

The profit contribution from United Asia Finance Limited ("UAF") increased substantially in the first half of 2004, with bad debt charges decreasing significantly in line with the lower number of personal bankruptcies.

UAF's to a portfolio grew substantially during the period. This was due to:- (a) aggressive advertising and promotional campaigns, and (b) the acquisition from a credit card operator of its credit card loan portfolio together with the related customer database, which acquisition enabled UAF to substantially increase its customer base and provided opportunities for cross-selling of its products and services.

UAF relocated a number of branches to better locations in order to improve overall customer traffic and operating efficiency.

Broking and finance

Sun Hung Kai recorded a profit attributable to its shareholders of HK\$202.9 million, representing an increase of 133% compared with the same period of last year.

The turnover and brokerage income of Sun Hung Kai's securities broking division enjoyed strong growth in line with the buoyant stock market conditions. New account openings increased significantly during the period, benefiting from a surge in capital-raising and corporate activities. Sun Hung Kai participated in 42 issues including new share offerings, sub-underwritings and placements of equities for clients.

The income stream derived by Sun Hung Kai as a liquidity provider of derivative warrants and equity linked instruments to derivative issuers increased by more than 60% compared with the previous half year. Income from institutional and corporate clients also increased considerably, compensating for the lower income earned through the provision of third party execution services to non-exchange participants.

Sun Hung Kai has been able to maintain a similar level of outstanding loans on its margin finance book to that experienced in the corresponding 2003 period.

SHK Online began 2004 with strong momentum, establishing a new record in January for monthly net profit. New accounts and turnover continued to grow throughout the first quarter, while the second quarter was somewhat quieter. As a whole, the number of accounts increased by 22% during the first half of 2004. The recent launch of SHK Online's US trading facility, provided through Pershing LLC, together with additional products planned for the eFutures channel, is expected to provide impetus for future growth.

Properties

Hong Kong

Allied Properties (H.K.) Limited ("Allied Properties") reported a 262% increase in profit attributable to its shareholders to HK\$251.1 million. This can be attributed to the followings:- (a) With a rising property market, there was no need for further provisions against Allied Properties' Hong Kong property portfolio, and (b) Allied Properties' continuing efforts to reduce operating costs and interest costs as well as to maximise its recurrent rental income. Allied Properties' property portfolio continued to produce stable and satisfactory recurring income for the Group. Major income contributors included Novotel Century Hong Kong hotel, Allied Kajima Building, China Online Centre and St. George Apartments.

Phase two of Ibis North Point is nearing completion and is anticipated to be fully operational before the end of this year. When this 275room hotel on Java Road is completed, Allied Properties' recurrent income is expected to increase further.

Following the completion of Ibis, all of Allied Properties' development projects in Hong Kong will have been completed. Allied Properties will continue to assess opportunities for appropriate property investments should they arise.

Mainland PRC

Although total sales of gross floor area attributable to Tian An, a 48.16% owned listed associate of Sun Hung Kai, during the period under review decreased to 120,100 sq. m. from 146,920 sq. m., profit attributable to its shareholders amounted to HK\$52.3 million for the period, representing a significant growth of 297% compared to the corresponding period of last year. The sharp improvement in the results for the period was mainly attributable to stronger contributions from property sales and the focus by Tian An on products of higher profit margin.

Although the austerity measures taken by the PRC government to reduce speculative growth are expected to inevitably affect Tian An's immediate earnings growth, Tian An is confident, with its streamlined structure, in its pursuit of its long-term growth strategy into the second half of 2004, and beyond.

Investments

Quality HealthCare Asia Limited ("QHA")

QHA, a 29.71% associate of Sun Hung Kai, has been successful in delivering a significantly improved profit performance for the first six months of 2004. This result has been achieved through a combination of sustained effort by both its frontline healthcare professionals and the back-office team and has been driven by management's focus on core business and effective cost control. Cashflows strengthened over the period, resulting in lower financing charges.

QHA continues to support the government in its public-private partnership initiatives in the healthcare sector, and looks forward to further collaboration on programmes for the benefit of the Hong Kong community.

Yu Ming Investments Limited ("Yu Ming")

During the period, the major investments of Yu Ming were in international bonds, the Argyle Centre shopping mall in Mongkok, and the International Exhibition Centre ("IEC") at the Hong Kong International Airport.

The high-yield bond portfolio of Yu Ming continues to provide reliable income to Yu Ming. As the property market improved throughout the period, Yu Ming also sold some retail shops in the Argyle Centre. For the IEC property, significant bookings were secured from both local and overseas exhibition organisers well in advance of its scheduled opening in 2006.

Shanghai Allied Cement Limited ("SAC")

The profit attributable to shareholders for the first half of 2004 of SAC was HK\$13.5 million, representing an increase of 2.7% as compared with the same period last year. The increase was mainly due to the continued growth of the domestic economy and implementation of cost control measures. It is anticipated by SAC that its new Shandong plant will commence production in late 2004 and should enable it to progress towards its target cement production capacity of 3,000,000 tonnes per annum.

Employees

The total number of staff of the Group at 30th June, 2004, was 2,214 (at 31st December, 2003: 2,150). The Group reviews remuneration packages from time to time and normally annually. Besides salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme.

BUSINESS OUTLOOK

The recovering Hong Kong economy is encouraging for the future performance of the Group. With deflation subsiding and the employment rate improving, the Board expects that the economy and the real estate market in Hong Kong should perform well in the near future. Nevertheless, recent upward price fluctuations of crude oil and the rising trend of interest rates are cautionary factors impacting on the future economic outlook. The management will make every effort to deliver a satisfactory performance by the Group for the full year and to maximise returns for all shareholders.

CORPORATE GOVERNANCE

The audit committee of the Company ("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, 2004. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Statement of Auditing Standards 700 issued by the HKICPA, and on the interim results announcements of the listed associates, as well as obtaining reports from management. The Audit Committee has not undertaken detailed independent audit checks.

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:

	Number of shares	Purchase consideration per share		Aggregate consideration	
Month of purchases	purchased	Highest HK\$	Lowest HK\$	paid HK\$	
April 2004 May 2004	3,918,000 8,846,000	0.68 0.67	0.64 0.58	2,610,100 5,731,600	
June 2004	9,054,000	0.67	0.62	5,838,460	

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, 2004.

DISCLOSURE OF DETAILED FINANCIAL INFORMATION

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules on the Stock Exchange in force prior to 31st March, 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1st July, 2004 under the transitional arrangements, will be published on the website of the Stock Exchange in due course.

By Order of the Board Allied Group Limited Sir Gordon Macwhinnie Chairman

Hong Kong, 16th September, 2004

As at the date of this announcement, the Directors of the Company comprises Messrs. Lee Seng Hui (Chief Executive) and Edwin Lo King Yau being the Executive Directors, Ms. Lee Su Hwei and Mr. Arthur George Dew being the Non-Executive Directors, Sir Gordon Mawhinnie (Non-Executive Chairman), Messrs. Wong Po Yan, David Craig Bartlett and John Douglas Mackie being the Independent Non-Executive Directors.