

(Incorporated in Hong Kong with limited liability)

# **ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2001**

The Board of Directors ("Directors") of Allied Group Limited ("Company") annou that the audited consolidated results of the Company and its subsidiaries ("Group"), for the year ended 31st December, 2001 are as follows:

CONSOLIDATED INCOME STATEMENT FOR	THE YEAR	ENDED 31ST DECH	MBER, 2001
	Notes	2001 HK\$'000	2000 HK\$'000
Turnover Other revenue	(2)	1,743,774 38,121	1,267,520 7,755
Total revenue		1,781,895	1,275,275
Cost of sales Brokerage and commission expenses Selling expenses		(326,541) (33,273) (71,870)	(343,446) - (50,090)
Administrative expenses Impairment losses and revaluation deficits Bad and doubtful debts	(4)	(308,274) (344,018) (373,280)	(124,340) (585,923) (135,905)
Other operating expenses		(76,419)	(113,223)
Profit (loss) from operations	(5)	248,220	(77,652)
Other finance costs Release of goodwill and negative goodwill Amortisation of capital reserve Warrant reserve released on warrants	(6)	(111,391) 63,460 20,417	(100,891)
expired during the year Share of results of associates Share of results of jointly controlled entities		123,505 51,213	43,487 88,099 63,368
Profit before taxation Taxation	(7)	395,424 (95,366)	16,411 (96,058)
Profit (loss) after taxation Minority interests		300,058 (196,621)	(79,647) (39,527)
Profit (loss) attributable to shareholders		103,437	(119,174)
Dividend			
Earnings (loss) per share: Basic	(8)	3.0 cents	(3.5) cents
Diluted		N/A	N/A

### on of new and revised Statements of Standard Acco Practice

the current year, the Group has adopted, for the first time, the following new ndard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Acco and revised Statements of

SSAP 9 (Revised)		Events after the balance sheet date
SSAP 10 (Revised)		Accounting for investments in associates
SSAP 14 (Revised)		Leases
SSAP 17 (Revised)		Property, plant and equipment
SSAP 21 (Revised)		Accounting for interests in joint ventures
SSAP 26		Segment reporting
SSAP 28		Provisions, contingent liabilities and contingent assets
SSAP 29		Intangible assets
SSAP 30		Business combinations
SSAP 31		Impairment of assets
SSAP 32		Consolidated financial statements and accounting for investment
Adoption of these \$	SAP	's has led to a number of changes in the Group's accounting pol

: Consolidated financial statements and accounting for investments in subsidiaries Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation. The adoption of these SSAPs has resulted in the following major changes to the Group's accounting policies that have affected the reporting for the current and prior years. Goodwill and negative goodwell

Gooduill and negative gooduill In adopting SSAP 30, the Group has elected not to restate goodwill/capital reserve previously eliminate against/credited to reserves. Accordingly goodwill and capital reserve arising on acquisitions prior to Is January, 2001 continue to be held in reserves. Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill determined to be impaired. Capital reserve has been allocated against the non-monetary assets of the subsidiaries, associates or jointly controlled entity or at such time as the goodwill on the realisation of those underlying assets. Where it has not been practicable to allocate the capital reserve to the underlying assets with any reasonable accuracy, the reserve is released on a systematic basis over a period not exceeding five years. On disposal of a subsidiary, associate or jointly controlled entity, any previously unrealised capital reserve is included in the calculation of the profit or loss on disposal. Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amorised over its estimated useful life of five years. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from non-current assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Currently, negative goodwill will be released to the income statement over a period of five years.

or in the current year, the Group has changed its basis of identification of reportable segments to that required by SSAP 26. Comparative information has been restated on a consistent basis.

Leases The adoption of SSAP 14 (Revised) has not had any material effect on the results for the current or prior years. Disclosures for all of the Group's leasing arrangements however have been modified so as to comply with the requirement of SSAP 14 (Revised). Interests in jointly controlled entities

interests in joining convioued entities During the year, the Group's interest in Allied Kajima Limited ("Allied Kajima") has been reclassified as an interest in a jointly controlled entity instead of interest in an associate as in the past, following a review to comply with revised accounting standards. Accordingly, the prior year amounts of HK548,24000 in respect of share of results of associates and HKS1,669,000 in respect of share of taxation attributable to associates have been reclassified to the corresponding items related to jointly controlled entities.

2001

2001

### (2) Turnover

	HK\$'000	HK\$'000
Interest income on loans and advances to consumer finance customers	1,010,406	839,083
Other interest income	223,087	75,253
Property rental and management services	123,745	116,786
Sales of properties and property based investments	98,760	97,953
Securities trading	80,230	136,476
Securities broking	77,635	-
Dividend income	49,412	260
Income from forex, bullion, commodities and futures	39,195	-
Hotel operating income	19.452	-
Income from corporate finance and others	20,594	57
Sales of goods	1,258	1,652

#### Segmental information (3) alysis of the Group's segmental information is as follows

Turnover Less: inter-segment turnover	Investment and finance <i>HK\$'000</i> 523,737 (39,085)	Consumer finance HK\$'000 1,010,406	Property development and investment <i>HK\$</i> '000 242,994 (1,037)	Corporate and other operations <i>HK\$'000</i> 50,547 (43,788)	Total HK\$'000 1,827,684 (83,910]
	484,652	1,010,406	241,957	6,759	1,743,774
Profit (loss) from operations Other finance costs Release of goodwill and negative goodwill Amortisation of capital reserve Share of results of associates Share of results of jointly controlled entities	130,859	382,627	(284,045)	18,779	248,220 (111,391) 63,460 20,417 123,505 51,213
Profit before taxation					395,424
			2000		
Turnover	Investment and finance HK\$'000 228,807	Consumer finance HK\$'000 839,083	Property development and investment HK\$'000 215,587	Corporate and other operations <i>HK\$'000</i> 38,168	Total HK\$'000 1,321,645
Less: inter-segment turnover	(21,864)		(848)	(31,413)	(54,125
	206,943	839,083	214,739	6,755	1,267,520
(Loss) profit from operations Other finance costs Warrant reserve released on warrants expired during the year Share of results of associates	(44,781)	495,688	(555,478)	26,919	(77,652 (100,891 43,487 88,099
Share of results of jointly controlled entities	-	-	63,368	-	63,368
Profit before taxation					16,411

tring the year, less than 10% of the operations of the Group in terms of both turnover and contribution to ofit from operations were carried on outside Hong Kong. Accordingly, no geographical segmental omation is shown. Impairment losses and revaluation deficits (4)

	2001 HK\$'000	2000 HK\$'000
Impairment losses and revaluation deficits comprise:		
Impairment loss in respect of: Properties under development for sale Non-trading securities Properties held for sale Properties under development	81,000 11,482 500	313,796 25,461 11,022 71,931
Deficits on revaluation of investment properties and hotel property	92,982 251,036 344,018	422,210 163,713 585,923
Profit (loss) from operations		
	2001 HK\$'000	2000 HK\$'000
Profit (loss) from operations has been arrived at after charging: Depreciation and after crediting:	30,342	12,037
Profit on disposal of investment properties	7,690	19,984
Finance costs	2001 HK\$'000	2000 HK\$'000
Finance costs included in: Cost of sales Other finance costs	55,465 111,391	49,084 100,891
Total finance costs	166,856	149,975
Taxation	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax: Current year Overprovision in previous years	74,311 (2,534)	84,000 (199)
	71,777	83,801
Taxation outside Hong Kong Deferred taxation Share of taxation attributable to associates Share of taxation attributable to jointly controlled entities	295 1,275 17,895 <u>4,124</u>	3 9,248 3,006
	95,366	96,058

Hong Kong Profits Tax is calculated at the rate of 16% on the estimated assessable profits derived from Hong

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

There was no significant unprovided deferred tax for the year.

### (8) Earnings (loss) per share

(5)

(6)

(7)

The calculation of the basic earnings (loss) per share is based on the profit attributable to shareholders of HK\$103,437,000 (2000: Socs of HK\$119,174,000) and on the weighted average number of 3,421,373,908 (2000: 3,422,307,459) shares in issue during the year.

Diluted earnings per share for the year is not shown as the Company has no dilutive potential ordinary shares during the year. No diluted loss per share for the year 2000 is presented as the warrants and share options have no dilutive effect for that year.

Comparative figures

In the current year, the Group's interest in Allied Kajima has been reclassified as an interest in a jointly controlled entity instead of interest in an associate as in the past, following a review to comply with revised accounting standards. Prior year amounts have been reclassified in order to reflect a consistent presentation.

# HIGHLIGHTS

(9)

- The turnover of the Group for the year 2001 was approximately HK\$1,743.8 million, which was an increase of 37.6% compared with the year 2000, primarily due to the consolidation of the turnover of Sun Hung Kai & Co. Limited ("Sun Hung Kai"), which became a listed subsidiary of the Group in May 2001.
- The Group reported a profit attributable to shareholders for the year of approximately HK\$103.4 million, an increase of 186.8% compared to the corresponding loss in the previous year of approximately HK\$119.2 million. If the impairment losses and revaluation deficits of HK\$332.5 million relating to Hong Kong properties Hcl4 by Allied Properties (HcL5) Limited ("Allied Properties") and subsidiaries had not arisen in 2001, the Group's profit for the year would have been even stronger with profit attributable to shareholders at HK\$328.7 million.
- The profit performance of United Asia Finance Limited ("UAF") was affected by the downtum in the economy of Hong Kong and the major increase in personal bankruptcies, particularly during the second half of the year. Accordingly, additional bad debt write-offs were required. Nevertheless, UAF opened three new branches during the year, increasing the total number of branches to 29. SHK Finance Limited was similarly affected by the economy in terms of profit but achieved double-digit growth in loan business, with the total number of branches increasing to 14.
- Sun Hung Kai, which was previously an associate but is now a subsidiary of Allied Properties, reported a 76.2% increase in profit. It benefited from an improved performance of its securities dealing and term lending businesses, contributions from its associates and reduced interest expenses.
- Allied Properties reported an improvement of 54.8% in loss attributable to its shareholders for the year mainly due to lower impairment losses and revaluation deficits relating to properties charged to the income statement and the increase in its shareholding in Sun Hung Kai during the year. Allied Properties' core properties are completed and are enjoying satisfactory occupancy rates. In respect of St. George Apartments on Waterloo Road, preparations are underway for marketing and the occupation permit for these apartments has recently been obtained. A rights issue raising approximately HK\$363 million was successfully completed by Allied Properties during line 2001.
- Tian An China Investments Company Limited ("Tian An"), the listed associate of Sun Hung Kai and an established P.R.C. property developer and investor with a substantial P.R.C. residential landbank, reported a 51.3% increase in profit. The acquisition by Tian An in May 2001 of a controlling stake in Interform Ceramics Technologies Limited, which has been renamed as Shanghai Allied Cement Limited, a building materials provider, is expected to complement Tian An's core property operations. property operations
- The Directors do not recommend the payment of a final dividend (2000: Nil). It should be noted however that the Company took advantage of the Company's relatively low share prices as well as that of Allied Properties' shares compared to their respective net asset values and accordingly repurchased a total of approximately 43.8 million shares during the year. The Group's shareholding in Allied Properties also increased from 61.43% to 67.74% during 2001.

# FINANCIAL REVIEW

## Acquisition of Interests in Subsidiaries and Associates

During the year, Allied Properties acquired a further 4.98% interest in Sun Hung Kai through the market at a cost of HK\$108.4 million. Allied Properties' interest in Sun Hung Kai increased from approximately 47.31% to approximately 52.29% at year end. Accordingly, Sun Hung Kai was reclassified as a subsidiary of Allied Properties and its results, assets and liabilities were consolidated in the Group's financial statements. The Group's financial statements on the equity accounting basis.

During the year, the Group acquired three indirect wholly-owned subsidiaries of a jointly controlled entity for an aggregate consideration of HK\$62.6 million

At 30th June, 2001, Sun Hung Kai reclassified its 8.83% interest in Tian An from trading securities to interest in associates. At 28th December, 2001, a 21.36% interest in Yu Ming Investments Limited (inclusive of 3.6% interest acquired during the year) was also reclassified by Sun Hung Kai from other investments to interest in associates

# Financial Resources, Liquidity and Capital Structure

The Group's capital expenditure and investments for the year were primarily funded by net cash inflow from operating activities, loans and advances from banks and net proceeds from rights issue of a subsidiary.

At 31st December, 2001, the net assets of the Group was HK\$4,274.0 million, representing a decrease of HK\$38.6 million or approximately 0.9% from that of 2000. The Group's short term bank deposits, bank balances and cash were increased from HK\$283.4 million at 31st December, 2000 to HK\$65.8 million in 2001. The Group's bank loans, overdrafts and other borrowings were increased to HK\$3,216.5 million (2000: HK\$2,364.7 million) of which the portion due on demand or within one year was increased to HK\$2,338.4 million (2000: HK\$1,456.8 million), and the remaining long term gortion was decreased to HK\$2,700 million). Was increased to HK\$2,558.4 million (2000: HK\$1,450.8 million), and the remaining long term portion was decreased to HK\$878.1 million (2000: HK\$907.9 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 1.89 times, which was improved from 1.75 times of the previous year. The Group's gearing ratio (net bank and other borrowings and long term debts/net assets) was increased to 59.9% (2000: 48.3%).

During the year, the Group has refinanced a number of short term bank loans to longer term loans and with decreases of interest margins, although the consolidation of Sun Hung Kai has led to an overall increase of short term borrowings. Most of the bank borrowings of the Group are charged at floating rates.

# Risk of Foreign Exchange Fluctuation

The Group's foreign exchange risk primarily arises in connection with the Group's The Group's foreign exchange risk primarily arises in connection with the Group's finance business from currency exposures originating from its leveraged foreign exchange business or purchases on behalf of clients of foreign securities. Foreign exchange risk is managed and monitored by the relevant department under the limits approved by the management. In relation to the leveraged foreign exchange activity, the Group's position is that of a market-maker and accordingly the Group's risk is primarily a derivative foreign exchange risk for a client who does not or cannot meet margin calls following any period of substantial currency turbulence. The Group's lending operations and borrowings are primarily carried out in local currency.

Other than the finance business, the Group's other operating activities are mainly denominated in Hong Kong dollars. Accordingly, the Group has no other significant exposure to foreign exchange fluctuations.

## Contingent Liabilities

At 31st December, 2001, the Group had contingent liabilities as follows:

- The Group had guarantees of HK\$215.0 million (2000: HK\$245.0 million) given (a) to banks in respect of credit facilities utilised by a subsidiary of a jointly controlled entity.
- (b) Guarantees of the Group in respect of indemnities on banking guarantees made available to a clearing house and regulatory body and others were HK\$5.3 million (2000: Nil).
- Sun Hung Kai Securities Limited ("SHKSL"), a wholly-owned subsidiary of Sun Hung Kai, issued proceedings against New World Development Company Limited ("NWD") on 22nd December, 1998, claiming, inter alia, the repayment of approximately HK\$35.3 million paid by SHKSL to NWD as restitution of monies received by NWD in relation to a hotel project in Kuala Lumpur, Malaysia. (c)

NWD and its wholly-owned subsidiary, namely, Stapleton Developments Limited, subsequently issued proceedings against SHKSL, claiming, inter alia, the specific performance of SHKSL's commitment with them in respect of the development project to provide funding of approximately HK\$115.9 million, of which HK\$18.7 million represents interest accrued. A trial date, originally set for April 2002 was vacated at NWD's request, and a new date is to be set.

Legal costs are recorded in the income statement as incurred

## Pledge of Assets

Predge of Assets At 31st December, 2001, certain of the Group's investment properties, hotel property, leasehold land and buildings, properties under development, properties under development for sale and properties held for sale with an aggregate carrying value of HK\$3,364.0 million (2000: HK\$3,542.8 million), consumer loan portfolio, bank balances and deposits of HK\$488.5 million (2000: HK\$55.16 million), listed investment belonging to margin clients with a carrying value of HK\$3,798.9 million (2000: Nil) 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\$3,695.8 million (2000: HK\$3,485.4 million) were pledged to secure loans and general banking facilities to the extent of HK\$4,9807 million (2000: HK\$2,560.7 million) granted to the Group. Facilities amounting to HK\$2,962.4 million (2000: HK\$2,310.7 million) were utilised at 31st December, 2001.

### Employees

The total number of staff of the Group at 31st December, 2001 was 1,816 (2000: 1,361), the increase being mainly due to the consolidation of Sun Hung Kai. 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

Although there have been some optimistic signs in respect of the U.S. economy, we intend to take a cautious and conservative approach in relation to the future.

# DISCLOSURE OF DETAILED FINANCIAL INFORMATION

The information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") will be published on the website of the Stock Exchange in due cours

# PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company made the following purchases of its own shares on the Stock Exchange

Month of purchases	Number of shares	Purchase conside	Aggregate consideration	
in 2001	purchased	Highest HK\$	Lowest HK\$	paid HK\$
January	2,300,000	0.475	0.440	1,053,510
February	4,040,000	0.510	0.455	2,006,220
March	25,526,000	0.510	0.490	12,761,300
April	2,372,000	0.430	0.370	934,340
May	3,252,000	0.480	0.420	1,440,840
June	600,000	0.485	0.450	278,000
July	2,050,000	0.440	0.420	892,840
August	818,000	0.435	0.430	354,500
September	840,000	0.395	0.365	310,300
October	2,000,000	0.400	0.400	800,000

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 year

## Hong Kong, 11th April, 2002