

ALLIED GROUP LIMITED

(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE. 2002

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, 2002 with the unaudited comparative figures for the corresponding period in 2001 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

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		Six months ended 30th June, 2002 2001		
	Notes	HK\$'000	HK\$'000	
Turnover Other income	(3)	903,255 9,335	859,347 31,799	
Total income		912,590	891,146	
Cost of sales Brokerage and commission expenses Selling expenses Administrative expenses Bad and doubtful debts Other operating expenses	(4)	(138,019) (42,639) (40,679) (181,075) (292,377) (49,008)	(221,475) (12,140) (26,066) (116,794) (82,061) (28,574)	
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	(5) (4)	168,793 (40,463) (3,571) 59,369 10,206 52,314 18,551	404,036 (65,606) (645) 13,520 10,302 60,668 26,944	
Profit before taxation Taxation	(6)	265,199 (38,293)	449,219 (60,819)	
Profit after taxation Minority interests		226,906 (93,723)	388,400 (199,091)	
Profit attributable to shareholders		133,183	189,309	
Dividend				
Earnings per share Basic	(7)	3.9 cents	5.5 cents	
Diluted		N/A	N/A	

Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 (Revised) "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and 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").

Significant accounting policies

The accounting policies adopted in these condensed interim consolidated financial statement are consistent with those set out in the Group's audited financial statements for the yea ended 31st December, 2001, except that the Group has changed certain of its accounting policies following its adoption of the following revised or new SSAPs which became effective policies tollowing its un-r.

for the current accounting period:

SSAP 1 (Revised) : Presentation of financial statements SSAP 11 (Revised) : Foreign currency translation SSAP 15 (Revised) : Cash flow statements SSAP 34 : Employee benefits

Statement of changes in equity In accordance with the SSAP 1 (Revised), the requirement for presenting a statement of recognised gains and losses has changed to presenting a statement of changes in equity. The condensed consolidated statement of changes in equity for the current period has been presented accordingly.

Foreign currency translation

The main revision to SSAP 11 (Revised) is that in preparing the consolidation of financial statements, the income statements of the Group's operations outside Hong Kong have to be translated at the average rates for the period rather than at the exchange rates ruling on the balance sheet date. This change in accounting policy has not had any material effect on the results for the current and prior accounting periods.

Cash plow statement Under SSAP 15 (Revised), cash flows are classified by operating, investing and financing activities. In addition, the amount presented for cash and cash equivalents has been amended to exclude short-term bank loans which are financing in nature. The condensed consolidated cash flow statement has been presented in accordance with this revised SSAP.

omparative figures have been reclassified to conform with the revised presentation arising om the adoption of the above revised or new SSAPs.

Segmental information

	Investment, broking and finance HK\$'000	Six me Consumer finance HK\$'000	Property development and investment HK\$'000	Corporate and other operations HK\$'000	Total HK\$'000
Turnover Less: inter-segment turnover	341,613 (5,566)	467,404	101,722 (2,576)	19,049 (18,391)	929,788 (26,533)
	336,047	467,404	99,146	658	903,255
Profit from operations Other finance costs Amortisation of goodwill Release of negative goodwill Amortisation of capital reserve Share of results of associates	87,988	58,183	18,775	3,847	168,793 (40,463) (3,571) 59,369 10,206 52,314
Share of results of jointly controlled entities	-	-	18,551		18,551
Profit before taxation Taxation				_	265,199 (38,293)
Profit after taxation				=	226,906

Six months ended 30th June, 2001 224,259 482,722 157,153 152,547 859,347 Profit from operations Other finance costs Amortisation of goodwill Release of negative goodwil Amortisation of capital rese Share of results of associate Share of results of jointly co 26 916 Profit before taxation Profit after taxation 388,400

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.

Finance costs

	Six months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000
	1110 000	11110 000
Finance costs included in: Cost of sales	15,214	29,179
Other finance costs	40,463	65,606
Total finance costs	55,677	94,785

	2002 HK\$'000	2001 HK\$'000
	HK\$ 000	HK\$ 000
Profit from operations has been arrived at after charging	ng:	
Depreciation	20,213	11,492
Amortisation of intangible assets	299	17
Net realised loss on trading securities	582	10,574
Net unrealised loss on trading securities	6,513	-
Realised loss on derivates	482	_
Impairment losses of non-trading securities	4,760	-
and after crediting:		
Interest income	622,359	551,184
Profit on dealing in foreign currencies	4,922	1,423
Profit on other dealing activities	159	116
Unrealised profit on derivatives	81	1,069
Profit on disposal of associates	3,534	-
Profit on disposal of investment properties	_	5,690
Profit on disposal of land and building	_	685
Profit on disposal of non-trading securities	-	12,998
Realised profit on derivatives	-	2,806
Net unrealised profit on trading securities		43,202

		Six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000	
The charge comprises:			
Hong Kong Profits Tax	23,006	45,389	
Taxation outside Hong Kong	576	182	
Deferred taxation	121	-	
Share of taxation attributable to associates	(531)	11,955	
Share of deferred taxation attributable to associates	12,703	1,047	
Share of taxation attributable to jointly controlled entities	2,418	2,246	
	38,293	60,819	

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

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

There was no significant unprovided deferred tax for the period.

The calculation of the basic earnings per share is based on the profit attributable to shareholders of H&S133,183,000 (2001: HKS189,309,000) and on the weighted average number of 3,409,866,308 (2001: 3,431,080,231) shares in issue during the period.

No diluted earnings per share has been presented for the current and corresponding periods because the Company has no dilutive potential ordinary shares during both periods.

Comparative figures (8)

Certain comparative figures have been reclassified to conform with the current period's presentation.

HIGHLIGHTS

- The Group reported a profit attributable to shareholders for the period of approximately HK\$133.2 million, decreasing by 29.6% compared to approximately HK\$189.3 million for the corresponding period of last year.
- The continuing downturn in the Hong Kong economy leading to increases in personal bankruptcies during the period has adversely affected the profit of United Asia Finance Limited, as well as similarly impacting the performance of SHK Finance Limited.
- Sun Hung Kai & Co. Limited ("Sun Hung Kai"), the Group's listed subsidiary, reported a 32.8% decrease in profit. Notwithstanding the difficult environment, Sun Hung Kai's securities brokerage division continued to expand its distribution capacity, targeting clients through asset gathering exercises and flexible margin financing programs. With its strong client base and product diversity, Sun Hung Kai has improved its market share during these difficult

- Allied Properties (H.K.) Limited ("Allied Properties") reported a decrease of 1.3% in profit attributable to its shareholders for the period. In addition to retaining its diversified portfolio of mainly investment properties in Hong Kong, it commenced marketing for sale its St. George Apartments on Waterloo Road around the middle of the year and the response was satisfactory. Piling for phase two of Ibis North Point, the hotel at Java Road has been completed.
- The overall performance of Tian An China Investments Company Limited, a 43.27% owned listed associate of Sun Hung Kai, in the first half of this year was satisfactory. In line with the strong economic growth in the mainland P.R.C. during the period, its property market maintained the favourable momentum of last year.
- The Directors do not recommend the declaration of an interim dividend (2001: Nil). It should be noted however that the Group took advantage of the relatively low share prices compared to the net asset values of Allied Properties' shares and increased its shareholding in Allied Properties during the period from 67.74% to 69.25%. It is further noted that the Group has, subsequent to the period end increased its shareholding in Allied Properties to the present level of 71.96%.

FINANCIAL REVIEW

Financial Resources, Liquidity and Capital Structure

At 30th June, 2002, the net assets of the Group amounted to HK\$4,409.2 million, representing an increase of HK\$135.1 million or approximately 3.2% from that of 31st December, 2001. The Group's short-term bank deposits, bank balances and cash amounted to HK\$603.5 million (at 31st December, 2001: HK\$655.8 million). The Group's bank loans, overdrafts and other borrowings totalled HK\$2,397.9 million (at 31st December, 2001: HK\$3,216.5 million) of which the portion due on demand or within one year was HK\$1,235.1 million (at 31st December, 2001: HK\$2,338.4 million), and the remaining long-term portion was HK\$1,162.8 million (at 31st December, 2001: HK\$878.1 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 2.36 times (at 31st December, 2001: 1.89 times) The Group's gearing ratio (net bank and other borrowings/ net assets) was 40.7% (at 31st December, 2001: 59.9%). The decrease in gearing ratio was mainly due to repayment of bank loans funded by the Group's net cash inflow generated from operating activities.

Most of the bank and other borrowings of the Group were denominated in Hong Kong dollars and were subject to floating interest rate.

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 2001.

Contingent Liabilities

During the period, a guarantee amounting to HK\$215.0 million at 31st December, 2001 which was provided to banks in respect of credit facilities utilised by a whollyowned subsidiary of a jointly controlled entity was released.

On 9th September, 2002, Sun Hung Kai Investment Services Limited ("SHKIS"), an indirectly wholly-owned subsidiary of Sun Hung Kai, was served with a Writ attaching a Statement of Claim by Shenzhen Building Materials Group Co. Limited, a Shenzhen P.R.C.-registered company, claiming the return of certain shares in Shenzhen International Holdings Limited (worth approximately HK\$37 million) together with interest, costs and damages. The actions taken by SHKIS were based on considered advice from reputable legal counsel, which advice was strictly followed in its implementation. The claim will be strenuously defended and at this stage the management takes the view that no contingency arises for which a provision is required to be made.

Apart from the above, there were no material changes in the contingent liabilities of the Group at 30th June, 2002 compared to the position at 31st December, 2001 as disclosed in the Company's annual report for 2001.

Pledge of Assets

At 30th June, 2002, certain of the Group's investment properties, hotel property, land and buildings, properties under development and properties held for sale with an aggregate carrying value of HK\$3,396.4 million (at 31st December, 2001: HK\$3,364.0 million), consumer loan portfolio, bank balances and deposits of HK\$188.6 million (at 31st December, 2001: HK\$488.5 million), listed investments belonging to the Group and margin clients with a carrying value of HK\$1,537.0 million (at 31st December, 2001: HK\$3,798.9 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\$3,703.3 million (at 31st December, 2001: HK\$3,695.8 million) were pledged to secure loans and general banking facilities to the extent of HK\$4,674.4 million (at 31st December, 2001: HK\$3,703.7 million) granted to the Group. Facilities amounting to HK\$2,207.7 million (at 31st December, 2001: HK\$2,962.4 million) were utilised at 30th June, 2002.

The total number of staff of the Group at 30th June, 2002, was 1,836 (at 31st December, 2001: 1,816). 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 outlook for the Hong Kong economy for the remainder of 2002 is likely to remain uncertain. Accordingly, the Group will continue to adopt a cautious and conservative approach for the foreseeable future.

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. 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 HKSA as well as obtaining reports from management. The Audit Committee has not undertaken detailed independent audit checks. detailed independent audit checks

DISCLOSURE OF DETAILED FINANCIAL INFORMATION

The information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules 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, 2002