ALLIED GROUP LIMITED
（聯合集團有限公司）

(Incorporated in Hong Kong with limited liability)

(Stock Code: 373)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2003

The Board of Directors ("Directors") of Allied Group Limited ("Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended 31st December, 2003 are as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2003

	Notes	2003 HK$'000	2002 HK$'000
			Restated
Turnover	(2)	**1,609,482**	1,812,277
Other operating income		**71,353**	29,100
Total income		**1,680,835**	1,841,377
Cost of sales		**(163,525)**	(325,394)
Brokerage and commission expenses		**(99,639)**	(77,702)
Selling expenses		**(35,509)**	(70,477)
Administrative expenses		**(407,315)**	(375,428)
Impairment losses and revaluation deficits	(4)	**(47,604)**	(574,354)
Bad and doubtful debts		**(230,759)**	(506,115)
Other operating expenses		**(183,640)**	(122,684)
Profit (loss) from operations	(5)	**512,844**	(210,777)
Other finance costs	(6)	**(61,277)**	(72,183)
Amortisation of goodwill		**(7,142)**	(7,142)
Release of negative goodwill		**237,923**	136,899
Amortisation of capital reserve		**17,267**	17,267
Share of results of associates		**135,708**	117,473
Share of results of jointly controlled entities		**22,900**	(22,730)
Profit (loss) before taxation		**858,223**	(41,193)
Taxation	(7)	**(127,518)**	(82,972)
Profit (loss) after taxation		**730,705**	(124,165)
Minority interests		**(244,239)**	(45,430)
Profit (loss) attributable to shareholders		**486,466**	(169,595)
Dividend		**–**	–
Earnings (loss) per share:	(8)		
Basic		**15.3 cents**	(5.0 cents)
Diluted		**N/A**	N/A

Notes:

(1) Adoption of Revised Statement of Standard Accounting Practice

In the current year, the Group has adopted, for the first time, the Statement of Standard Accounting Practice No. 12 (Revised) "Income taxes" ("SSAP 12 (Revised)") issued by the Hong Kong Society of Accountants. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has been applied retrospectively. Comparative amounts for prior years have been restated accordingly.

As a result of this change in policy, the accumulated profits and reserves at 1st January, 2003 have been decreased by HK$96,993,000 (at 1st January, 2002: HK$72,046,000) and increased by HK$10,002,000 (at 1st January, 2002: decrease of HK$561,000) respectively. The adoption of SSAP 12 (Revised) has increased the loss for the year ended 31st December, 2002 by HK$24,947,000.

(2) Turnover

	2003 HK$'000	2002 HK$'000
Turnover comprises:		
Interest income on loans and advances to consumer finance customers	**763,006**	892,742
Other interest income	**208,615**	302,368
Securities broking	**185,130**	122,749
Property rental, hotel operations and management services	**159,338**	150,400
Income from forex, bullion, commodities and futures	**123,962**	79,145
Income from corporate finance and others	**116,576**	58,496
Dividend income	**19,666**	24,565
Securities trading	**16,991**	67,578
Sales of properties	**16,000**	112,883
Sales of goods	**198**	1,351
	1,609,482	1,812,277

(3) Segmental information

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

2003

	Investment, broking and finance HK$'000	Consumer finance HK$'000	Property development and investment HK$'000	Corporate and other operations HK$'000	Total HK$'000
Turnover	**684,693**	**763,322**	**182,198**	**32,468**	**1,662,681**
Less: inter-segment turnover	**(15,322)**	**–**	**(6,860)**	**(31,017)**	**(53,199)**
	669,371	**763,322**	**175,338**	**1,451**	**1,609,482**
Profit from operations	**152,977**	**328,309**	**7,765**	**23,793**	**512,844**
Other finance costs					**(61,277)**
Amortisation of goodwill					**(7,142)**
Release of negative goodwill					**237,923**
Amortisation of capital reserve					**17,267**
Share of results of associates					**135,708**
Share of results of jointly controlled entities	**–**	**–**	**22,900**	**–**	**22,900**
Profit before taxation					**858,223**
Taxation					**(127,518)**
Profit after taxation					**730,705**

2002

	Investment, broking and finance HK$'000	Consumer finance HK$'000	Property development and investment HK$'000	Corporate and other operations HK$'000	Total HK$'000
Turnover	665,405	892,742	268,868	43,284	1,870,299
Less: inter-segment turnover	(10,985)	–	(5,585)	(41,452)	(58,022)
	654,420	892,742	263,283	1,832	1,812,277
Profit (loss) from operations	128,162	189,243	(531,806)	3,624	(210,777)
Other finance costs					(72,183)
Amortisation of goodwill					(7,142)
Release of negative goodwill					136,899
Amortisation of capital reserve					17,267
Share of results of associates					117,473
Share of results of jointly controlled entities	–	–	(22,730)	–	(22,730)
Loss before taxation					(41,193)
Taxation					(82,972)
Loss after taxation					(124,165)

During the year, 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.

(4) Impairment losses and revaluation deficits

	2003 HK$'000	2002 HK$'000
Impairment losses and revaluation deficits comprise:		
Impairment losses recognised in respect of:		
Properties held for sale	**22,546**	104,000
Properties under development	**12,200**	17,100
Non-trading securities	**6,713**	12,306
	41,459	133,406
Deficits arising on revaluation of investment properties	**6,145**	440,948
	47,604	574,354

(5) Profit (loss) from operations

	2003 HK$'000	2002 HK$'000
Profit (loss) from operations has been arrived at after charging:		
Depreciation		
– owned assets	**28,854**	37,583
– assets under a finance lease	**513**	470
Amortisation of intangible assets	**2,780**	1,366
Loss on disposal of subsidiaries	**2,229**	–
Loss on disposal of an associate	**3,088**	–
Loss on disposal of non-trading securities	**753**	–
Loss arising from default of loan agreement with Millennium Touch Limited	**–**	10,110
Provision for interest and legal cost in respect of a litigation *(Remark)*	**58,364**	–
and after crediting:		
Write-back of loss arising from default of loan agreement with Millennium Touch Limited	**26,412**	–
Profit on disposal of associates	**–**	3,725
Profit on disposal of subsidiaries	**–**	2,020
Profit on disposal of non-trading securities	**–**	1,123

Remark:

On 1st April, 2004, the High Court of Hong Kong awarded a judgment ("Judgment") in favour of New World Development Company Limited ("NWDC") against Sun Hung Kai Securities Limited ("SHKS"), a wholly-owned subsidiary of Sun Hung Kai & Co. Limited ("Sun Hung Kai"), following legal proceedings regarding a joint venture in respect of land and two hotels in Kuala Lumpur, Malaysia. The Judgment was for a principal amount of HK$80,117,653 together with interest of HK$25,416,366 and interest at judgment rate from 16th December, 1998 until payment, and costs (together estimated by Sun Hung Kai to be in the region of HK$159,000,000).

SHKS has since year 2000 booked as "Investments" an amount of approximately HK$118,000,000 including payments already made to NWDC in a total sum of HK$35,319,000. Additionally, a provision of approximately HK$18,700,000 for interest was made in 2000. A further provision of HK$58,364,000 has been made in these accounts in respect of interest and legal costs.

SHKS is currently seeking legal advice as to the Judgment and, subject to legal advice, intends to appeal against the Judgment.

Sun Hung Kai's present understanding of the Judgment is that SHKS now has an effective 12.5% interest, including its share of shareholders' loans, in a completed project in Kuala Lumpur consisting of two first class hotels with around 1,000 rooms, and a convention and retail complex presently known as "The Renaissance Kuala Lumpur Hotel".

(6) Finance costs

	2003 HK$'000	2002 HK$'000
Finance costs included in:		
Cost of sales	**3,521**	21,126
Other finance costs	**61,277**	72,183
Total finance costs	**64,798**	93,309

(7) Taxation

	2003 HK$'000	2002 HK$'000
The charge comprises:		
Current tax:		
Hong Kong	**82,069**	41,127
Outside Hong Kong	**418**	219
	82,487	41,346
Deferred tax:		
Current year	**(8,764)**	6,020
Effect of change in tax rate	**(1,656)**	–
Taxation attributable to the Company and subsidiaries	**72,067**	47,366
Share of taxation attributable to associates	**38,751**	22,710
Share of deferred taxation attributable to associates	**6,724**	9,490
Share of taxation attributable to jointly controlled entities	**9,976**	3,406
	127,518	82,972

Hong Kong Profits Tax is calculated at the rate of 17.5% (2002: 16%) on the estimated assessable profits derived from Hong Kong.

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

(8) Earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the profit attributable to shareholders of HK$486,466,000 (2002: loss of HK$169,595,000 as restated) and on the weighted average number of 3,189,472,692 (2002: 3,409,866,308) shares in issue during the year.

Diluted earnings (loss) per share is not presented as the Company had no dilutive potential ordinary shares during both years.

HIGHLIGHTS

- The turnover of the Group for the year 2003 was approximately HK$1,609.5 million, a decrease of 11.2% from the previous year due primarily to the reduction in interest income and sale of properties, partially offset by an increase in income from other financial services.
- The Group reported a profit attributable to shareholders for the year of approximately HK$486.5 million (2002: loss of approximately HK$169.6 million). The increase in profit was mainly due to the major reduction in impairment losses and revaluation deficits arising from the revaluation of the Hong Kong properties held by Allied Properties (H.K.) Limited ("Allied Properties"), lower bad debt expenses of United Asia Finance Limited ("UAF")'s consumer finance business and the remarkable performance of Sun Hung Kai. All in all, a stronger performance was recorded from all the Group's core operations.
- After the acquisition in January 2003 of the remaining 50% stake in SHK Finance Limited ("SHK Finance"), the entire SHK Finance operation, including its branch network and clientele, was merged with that of UAF to reduce costs and improve the overall operational efficiency. Although the consumer finance market was affected by the outbreak of Severe Acute Respiratory Syndrome ("SARS") in the first half of the year, the profit contribution from UAF increased during the year due to a lower bad debt charge as well as the implementation of cost-cutting measures. As at 31st December, 2003, UAF had 28 branches.
- Sun Hung Kai recorded profit attributable to its shareholders of approximately HK$241.9 million, an increase of 31.5% compared to the previous year. However, having completed its own share repurchase exercise, the increase in its earnings per share was actually 53.3%. Continuing efforts to diversify its products and service range enabled Sun Hung Kai to capitalise on the market rebound. The performance of Sun Hung Kai also benefited from lower provisioning for doubtful debts, resulting from the improved capital market and stringent credit control, together with the write-back of some provisions from past years. The acquisition of Shun Loong Holdings Limited ("Shun Loong") in June 2003 was a strategic move to further enhance Sun Hung Kai's competitiveness as a dominant financial services provider in Hong Kong.
- Allied Properties reported a turnaround from a loss of approximately HK$400.9 million in the year 2002 to a profit attributable to its shareholders of approximately HK$311.0 million for the year largely due to a reduction in impairment losses and revaluation deficits relating to Hong Kong properties charged to the income statement. Allied Properties' rental income also increased during the year under review mainly due to the contribution from St. George Apartments. Other important contributors of rental income included China Online Centre and Century Court, which achieved rentals for the year as a whole similar to 2002, despite difficulties caused by SARS in the first half. Construction of the superstructure for phase two of Ibis North Point, the hotel in Java Road, has been completed. It is anticipated that this hotel extension will be operational before the end of this year. The properties of Allied Kajima group, which is 50% indirectly owned by Allied Properties, including Allied Kajima Building, Novotel Century Hong Kong hotel and the Westin Philippine Plaza Hotel, together contributed a satisfactory profit compared to the previous year.
- Properties sold in the PRC contributed significantly to the satisfactory performance of Tian An China Investments Company Limited ("Tian An") (a listed associate 48.17% owned by Sun Hung Kai), with an increase in its net profit of 17.7% to approximately HK$102.4 million. It is expected that with the booming PRC economy, Tian An's current development projects together with its significant landbank should substantially benefit the group in the future.
- The Directors do not recommend the payment of a final dividend (2002: Nil). It should however be noted that the Company recently completed the general offer to repurchase 750,000,000 shares, details of which are shown in the section on "Financial Review" below. The share repurchase has increased the net asset value per share for the remaining shareholders and will have a pronounced effect on the earnings per share in 2004 and subsequent years.

FINANCIAL REVIEW

Additional Interest in Sun Hung Kai

Allied Properties' equity interest in Sun Hung Kai increased from 61.67% to 74.95% at the year end mainly resulting from the completion of repurchase by Sun Hung Kai of its own shares as announced by Sun Hung Kai on 27th February, 2003.

Acquisition of a Subsidiary

During the year, Sun Hung Kai acquired the entire issued share capital of Shun Loong for a consideration of HK$36.5 million subject to adjustments as detailed in an announcement of Sun Hung Kai dated 25th June, 2003. Shun Loong provides a full range of traditional and online brokerage services through its subsidiaries.

Financial Resources, Liquidity and Capital Structure

In September 2003, the general offer to repurchase up to 750,000,000 shares of the Company was completed. As a result, the Company repurchased 750,000,000 shares, resulting in the reduction of HK$150.0 million and HK$225.0 million in the share capital account and the distributable reserve account respectively and the transfer of HK$150.0 million from the distributable reserve account to the capital redemption reserve account. The consideration of the general offer totalling HK$375.0 million was settled by HK$112.5 million in cash and HK$262.5 million in the form of loan notes ("Loan Notes"). The Loan Notes bear interest at 2.25% per annum and are due on 15th August, 2008.

Also during the year, loan notes with principal amount of HK$255.2 million were issued by Sun Hung Kai as part of the consideration for repurchase of its own shares. The loan notes issued by Sun Hung Kai bear interest at 4% per annum and are due on 7th March, 2008.

Loan notes totalling HK$123.6 million and HK$23.6 million were purchased and cancelled by the Company and Sun Hung Kai respectively during the year.

At 31st December, 2003, the net assets of the Group amounted to HK$4,155.9 million, representing an increase of HK$166.6 million or approximately 4.2% from 2002. The Group maintained a strong cash and bank balance position and had cash and bank balances of approximately HK$764.6 million as at 31st December, 2003 (2002: HK$620.5 million). Finance costs decreased from HK$93.3 million in 2002 to HK$64.8 million in 2003 as a result of reduction of bank loans being utilised during the year and decrease of interest rates when compared to the year 2002. The Group's bank and other borrowings, together with the abovementioned loan notes, totalled HK$2,422.2 million (2002: HK$1,919.0 million) of which the portion due on demand or within one year slightly increased to HK$1,110.3 million (2002: HK$957.0 million) and the remaining long-term portion increased to HK$1,311.9 million (2002: HK$962.0 million), which is mainly due to the issues of loan notes during the year. The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 1.79 times (2002: 2.52 times). The Group's gearing ratio (net bank and other borrowings together with loan notes/net assets) increased to 39.9% (2002: 32.6%).

The Group's capital expenditure, investments, net repayments of bank and other borrowings and repurchases of shares and loan notes were primarily funded by net cash inflow from operating activities.

The bank borrowings of the Group are charged at floating interest rates.

Risk of Foreign Exchange Fluctuation

There have been no significant changes in the exposures to foreign exchange risks from those previously outlined in the Company's annual report for 2002.

Contingent Liabilities

(a) At 31st December, 2003, the Group had guarantees as follows:

	2003 HK$'000	2002 HK$'000
Guarantees for banking and loan facilities granted to an investee company	**6,989**	7,020
Indemnities on banking guarantees made available to a clearing house and regulatory body	**4,540**	4,540
Indemnities on letter of credit issued by a bank for a loan to a client	**67,556**	–
Other guarantees	**913**	1,734
	79,998	13,294

(b) On 9th September, 2002, Sun Hung Kai Investment Services Limited ("SHKIS"), an indirect 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 HK$40,567,000 at 31st December, 2003) 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 is being strenuously defended and at this stage the management takes the view that no contingency arises for which a provision is required to be made. The case is at an early stage with interlocutory matters only being dealt with. The plaintiffs have taken very few actions to progress their writ.

(c) On 4th February, 2004, Sun Tai Cheung Credits Limited ("STCC"), also an indirect wholly-owned subsidiary of Sun Hung Kai, and SHKIS were served with a writ attaching a statement of claim by Shanghai Finance Holdings Limited, claiming, inter alia, an Order that the sale of the shares in Shun Loong ("Shun Loong Shares") by STCC as assignee to SHKIS (at a consideration of HK$36,500,000 subject to additional amounts in a sum 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, as against STCC, damages and an account as to the money obtained 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 there is no basis to the claim. Legal costs will be recorded in the income statement as incurred.

Pledge of Assets

At 31st December, 2003, certain of the Group's investment properties, land and buildings, properties under development and properties held for sale with an aggregate carrying value of HK$2,792.0 million (2002: HK$2,790.1 million), listed investments belonging to the Group and margin clients with a carrying value of HK$792.5 million (2002: HK$761.4 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$3,935.3 million (2002: HK$3,805.0 million) were pledged to secure loans and general banking facilities to the extent of HK$3,777.5 million (2002: HK$4,226.2 million) granted to the Group. Facilities amounting to HK$1,964.9 million (2002: HK$1,774.0 million) were utilised at 31st December, 2003.

At 31st December, 2003, a bank deposit of HK$1.5 million (2002: HK$1.0 million) was pledged to secure a bank guarantee amounting to HK$2.0 million (2002: HK$1.0 million).

Employees

The total number of staff of the Group at 31st December, 2003 was 2,150 (2002: 2,002). Total staff costs, including Directors' emoluments, amounted to HK$299.8 million (2002: HK$285.3 million). 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 management believes that, benefiting from the robust economic growth of Mainland China and better global economic prospects, the local economy should continue its current upswing. CEPA, the Individual Visit Scheme and commencement of restricted Renminbi banking services in Hong Kong all provide important impetus to our economic growth in the coming years. With the recent buoyancy of the real estate and stock markets, our established investment strategies and focus are expected to sustain the Group's growth in terms of property and financial services income. It is envisaged that all the core operations of the Group will continue to perform within our expectations and contribute to a stronger performance for 2004. However, the fiscal budget deficit, the high unemployment rate and the potential for a rise in interest rates are factors which should be closely observed. The management will continue to monitor these and other relevant factors as well as the market situation with a view to maintaining a stable and satisfactory return for the Group.

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 course.

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

Hong Kong, 15th April, 2004

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Lee Seng Hui 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 Macwhinnie, Messrs. Wong Po Yan, David Craig Bartlett and John Douglas Mackie, being the independent non-executive Directors.