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, 2001

The Board of Directors (the "Directors") of Allied Group Limited (the "Company") is pleased to announce that, despite adverse market conditions, the unaudited consolidated results of the Company and its subsidiaries (the "Group"), for the six months ended 30th June, 2001 with the comparative unaudited figures for the corresponding period in 2000 were satisfactory and are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30th June, 2001

	Notes	Six months ended 30th June, 2001 HK$'000	2000 HK$'000
Turnover	(2)	**859,347**	561,598
Other revenue		**64,629**	1,074
Total revenue		**923,976**	562,672
Cost of sales	(3)	**(245,888)**	(148,829)
Brokerage and commission expenses		**(12,140)**	–
Selling expenses		**(1,653)**	(1,037)
Administrative expenses		**(116,794)**	(62,179)
Other operating expenses		**(38,227)**	(46,956)
Profit from operations before provision for bad and doubtful debts		**509,274**	303,671
Provision for bad and doubtful debts		**(82,061)**	(59,623)
Profit from operations	(4)	**427,213**	244,048
Other finance costs	(3)	**(65,606)**	(44,244)
Warrant reserve released on warrants expired during the period		**–**	43,487
Share of results of associates		**60,668**	87,302
Share of results of jointly controlled entities		**26,944**	24,761
Profit before taxation		**449,219**	355,354
Taxation	(5)	**(60,819)**	(57,348)
Profit after taxation		**388,400**	298,006
Minority interests		**(199,091)**	(129,567)
Profit attributable to shareholders		**189,309**	168,439
Dividend		**–**	–
Earnings per share:	(6)		
Basic		**5.5 cents**	5.0 cents
Diluted		**N/A**	4.9 cents

Notes:

(1) Accounting policies

These interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the disclosure requirements set out in the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Also, these statements have been prepared in accordance with the significant accounting policies set out in the Group's audited financial statements for the year ended 31st December, 2000, except for the change in accounting policy as described below.

Several new accounting standards issued by the HKSA have become effective for this financial period. The only Standard that has resulted in a change in accounting policy is SSAP 30 "Business Combinations". In adopting SSAP 30, the Group has elected not to restate goodwill/capital reserve previously eliminated against/credited to reserves. Accordingly goodwill/capital reserve arising on acquisitions prior to 1st January, 2001 continues 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 is determined to be impaired. Capital reserve has been allocated against the non-monetary assets of the subsidiaries, associates or jointly controlled entities acquired and is realised in accordance with 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 amortised over its estimated useful life. 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.

(2) Segmental information

The turnover and contribution to profit from operations by each of the principal activities of the Group are as follows:

	Turnover Six months ended 30th June, 2001 HK$'000	2000 HK$'000	Contribution to profit from operations Six months ended 30th June, 2001 HK$'000	2000 HK$'000
By principal activity:				
Investment, finance and corporate services	**706,365**	513,622	**405,859**	273,330
Sale of properties and property based investments	**82,956**	–	**1,820**	(627)
Property rental and management services	**60,368**	47,337	**19,421**	(28,526)
Hotel operations	**9,223**	–	**220**	–
Other sale of goods	**435**	639	**(107)**	(129)
	859,347	561,598	**427,213**	244,048
Other finance costs			**(65,606)**	(44,244)
Warrant reserve released on warrants expired during the period			**–**	43,487
Share of results of associates			**60,668**	87,302
Share of results of jointly controlled entities			**26,944**	24,761
Profit before taxation			**449,219**	355,354

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

(3) Finance costs

	Six months ended 30th June, 2001 HK$'000	2000 HK$'000
Finance costs included in:		
Cost of sales	**29,179**	18,188
Other finance costs	**65,606**	44,244
Total finance costs	**94,785**	62,432

(4) Profit from operations

	Six months ended 30th June, 2001 HK$'000	2000 HK$'000
Profit from operations has been arrived at after charging:		
Depreciation	**11,492**	5,543
Impairment loss provision for property under development	**–**	32,200
Net realised loss on trading securities	**10,574**	–
Net unrealised loss on trading securities	**–**	6,939
and after crediting:		
Amortisation of capital reserve	**19,955**	–
Amortisation of negative goodwill	**12,875**	–
Interest income	**551,184**	437,162
Profit on dealing in foreign currencies	**1,423**	–
Profit on derivatives	**3,875**	–
Profit on disposal of investment properties	**5,690**	–
Profit on disposal of leasehold land and building	**685**	–
Profit on disposal on non-trading securities	**12,998**	362
Profit on other dealing activities	**116**	–
Net realised profit on trading securities	**–**	11,369
Net unrealised profit on trading securities	**43,202**	–

(5) Taxation

	Six months ended 30th June, 2001 HK$'000	2000 HK$'000
The charge comprises:		
Hong Kong Profits Tax	**45,389**	44,219
Taxation outside Hong Kong	**182**	–
Share of taxation attributable to associates	**13,002**	10,804
Share of taxation attributable to jointly controlled entities	**2,246**	2,325
	60,819	57,348

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

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

There was no significant unprovided deferred taxation for the period.

(6) Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK$189,309,000 (2000: HK$168,439,000) and on the weighted average number of 3,431,080,231 (2000: 3,380,604,152) shares in issue during the period.

No diluted earnings per share has been presented for the current period because the Company has no outstanding options or warrants.

Diluted earnings per share for the corresponding period in 2000 was calculated based on the profit attributable to shareholders of HK$168,439,000 and 3,426,083,263 shares, which was the weighted average number of 3,380,604,152 shares in issue during the period plus the weighted average number of 45,479,111 shares deemed to be issued at no consideration if all the outstanding warrants had been exercised.

(7) Comparative figures

In the current period, the Group's interest in Allied Kajima Limited 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 new accounting standards. Prior year amounts have been reclassified in order to reflect a consistent presentation.

HIGHLIGHTS

- The Group reported a profit attributable to shareholders for the period of approximately HK$189.3 million, increasing by 12.4% compared to the corresponding period of last year of approximately HK$168.4 million. The increase in shareholdings in Sun Hung Kai & Co. Limited ("Sun Hung Kai") and Allied Properties (H.K.) Limited ("Allied Properties") during the period has significantly contributed to the increase in profit attributable to shareholders.

- United Asia Finance Limited ("UAF") recorded modest growth in its loan portfolio and profit contribution, which is particularly satisfactory, considering general market conditions. UAF opened two new branches during the period, increasing the total number of branches to 28. Exceeding expectations, SHK Finance Limited achieved double-digit growth in loan business and profit, with the total number of branches increasing to 13.

- Sun Hung Kai, Allied Properties' listed subsidiary since May 2001, reported a 25.7% decrease in profit. This was largely due to the absence of the exceptional profit enjoyed last year from the sale of its stake in Lippo Capital Limited. If this profit was excluded from last year's results, then on a strictly comparative basis, Sun Hung Kai's profit attributable to shareholders would increase by 166%, compared to the corresponding period in 2000. Overall, Sun Hung Kai benefited from reduced interest expenses in the period under review as well as a better performance from its term lending business.

- Allied Properties reported an increase of 30.7% in profit attributable to shareholders for the period. The increase in its shareholding in Sun Hung Kai during the period has significantly contributed to this increase. Except for St. George Apartments on Waterloo Road, which is expected to be marketed later this year, Allied Properties' core properties are completed and are enjoying good occupancy rates. A rights issue raising approximately HK$363 million was successfully completed by Allied Properties during June 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 175% increase in profit due to the robust property market in the P.R.C. The acquisition by Tian An of a controlling stake in Interform Ceramics Technologies Limited, a building materials provider, was completed in May 2001 and is expected to complement Tian An's core property operations.

- The Directors do not recommend the declaration of an interim 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 38.1 million shares during the period. The Group's shareholding in Allied Properties also increased from 61.43% at the beginning of this year to the present level of 66.02%.

FINANCIAL REVIEW

Financial Resources, Liquidity and Capital Structure

The Group's capital expenditure and investments for the period 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 30th June, 2001, the net assets of the Group amounted to HK$4,466.4 million, representing an increase of HK$153.7 million or approximately 3.6% from that of 31st December, 2000. The Group's short-term bank deposits, bank balances and cash were HK$685.1 million (At 31st December, 2000: HK$283.4 million). The Group's bank loans, overdrafts and other borrowings were HK$3,255.9 million (At 31st December, 2000: HK$2,364.7 million) of which the portion due on demand or within one year was HK$2,419.4 million (At 31st December, 2000: HK$1,456.8 million), and the remaining long term portion was HK$836.5 million (At 31st December, 2000: HK$907.9 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 1.83 times (At 31st December, 2000: 1.75 times) The Group's gearing ratio (net bank and other borrowings/net assets) was 57.6% (At 31st December, 2000: 48.3%).

Risk of Foreign Exchange Fluctuation

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 and have no significant exposure to foreign exchange fluctuations.

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.

Acquisition of Additional Interest in Sun Hung Kai

During the period under review, Allied Properties acquired a further 4.97% interest in Sun Hung Kai, an associate of the Group, through the market at a cost of HK$108.1 million. Allied Properties' interest in Sun Hung Kai increased from approximately 47.31% to approximately 52.28% at the period 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 share of Sun Hung Kai's results up to 30th April, 2001 is included in the Group's financial statements on the equity accounting basis.

Contingent Liabilities

At 30th June, 2001, the Group had contingent liabilities as follows:

(a) The Group had guarantees given to banks of HK$230 million (At 31st December, 2000: HK$245 million) in respect of credit facilities utilised by a subsidiary of an unlisted 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$5.2 million (At 31st December, 2000: Nil), of which no facilities were utilised (At 31st December, 2000: Nil).

(c) Sun Hung Kai Forex Limited ("SHK Forex") and Sun Hung Kai Bullion Company Limited ("SHK Bullion"), wholly-owned subsidiaries of Sun Hung Kai, entered into agreements with SHK Leveraged Forex & Gold Fund Limited (the "Fund"), an open-ended mutual fund corporation authorised by the Securities and Futures Commission in Hong Kong trading in leveraged foreign exchange and bullion contracts. Under the agreements, SHK Forex and SHK Bullion have agreed to limit the claim against the Fund arising from transactions entered into by SHK Forex and SHK Bullion as the principal brokers and counterparties of the Fund to the amount recoverable from the assets of the Fund. No provision has to be made in respect of these agreements for the period (At 31st December, 2000: Nil).

(d) 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 million paid by SHKSL to NWD as restitution of monies received by NWD in relation to a project in Kuala Lumpur, Malaysia.

NWD and its wholly-owned subsidiary, namely, Stapleton Developments Limited, issued proceedings against SHKSL, claiming, inter alia, the specific performance of SHKSL's alleged 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 in interest accrued.

Legal costs are recorded in the income statement as incurred. In the opinion of the management, no material contingency on legal costs will arise from these proceedings and accordingly no further provision is presently required.

Pledge of Assets

At 30th June, 2001, certain of the Group's investment properties, hotel property, leasehold land and building, property under development, properties under development for sale and properties held for sale with an aggregate carrying value of HK$3,506.5 million (At 31st December, 2000: HK$3,542.8 million), consumer loan portfolio and bank balance of HK$551.0 million (At 31st December, 2000: HK$551.0 million), listed investments with a carrying value of HK$54.2 million (At 31st December, 2000: Nil), listed investments belonging to margin clients with a carrying value of HK$2,463.4 million (At 31st December, 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$3,732.9 million (At 31st December, 2000: HK$3,485.4 million) were pledged to secure loans and general banking facilities to the extent of HK$4,852.3 million (At 31st December, 2000: HK$2,696.7 million) granted to the Group. Facilities amounting to HK$3,085.3 million (At 31st December, 2000: HK$2,310.7 million) were utilised at 30th June, 2001. At 30th June, 2001, certain of the Group's bank deposits of HK$1.0 million (At 31st December, 2000 HK$0.7 million) were pledged to secure banking facilities amounting to HK$1.0 million (At 31st December, 2000: HK$0.7 million).

Employees

The total number of staff of the Group at 30th June, 2001 was 1,834 (At 31st December, 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

The slowing of the U.S. economy, which has affected other economies as well as the economic growth of Hong Kong this year, remains a concern. This, and the associated uncertainty, is believed to be a principal reason why the successive interest rate reductions in Hong Kong since the beginning of the year have not yet produced the originally anticipated stimulation to the local economy and property market. The extraordinary and tragic events which have recently occurred in the U.S.A., and for which the Group wishes to express its sympathy and sorrow to the victims of the tragedy, will almost certainly also affect the U.S. economy, and this coupled with the current concerns facing Hong Kong means that we will face challenging times ahead. Hong Kong has faced situations of this type before, and with determination and caution will negotiate them successfully again.

INDEPENDENT FINANCIAL REVIEW

At the request of the Directors, the Group's external auditors have carried out a review of the unaudited interim financial report for the six months ended 30th June, 2001 in accordance with the Statement of Auditing Standards No. 700 issued by the HKSA. The audit committee of the Company (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. In carrying out this review, the Audit Committee has relied on the review of the Group's external auditors as well as obtaining reports from management. The Audit Committee has not undertaken 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.

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 purchases	Number of shares purchased	Purchase consideration per share Highest HK$	Lowest HK$	Aggregate consideration paid HK$
January 2001	2,300,000	0.475	0.440	1,053,510
February 2001	4,040,000	0.510	0.455	2,006,220
March 2001	25,526,000	0.510	0.490	12,761,300
April 2001	2,372,000	0.430	0.370	934,340
May 2001	3,252,000	0.480	0.420	1,440,840
June 2001	600,000	0.485	0.450	278,000

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 six months ended 30th June, 2001.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

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

Hong Kong, 13th September, 2001