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 2004

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, 2004 are as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2004

	Notes	**2004** ***HK$'000***	2003 *HK$'000*
Turnover	*(2)*	**1,910,952**	1,609,482
Other operating income		**44,509**	71,353
Total income		**1,955,461**	1,680,835
Cost of sales		**(269,419)**	(163,525)
Brokerage and commission expenses		**(161,553)**	(99,639)
Selling expenses		**(44,926)**	(35,509)
Administrative expenses		**(439,433)**	(407,315)
Impairment losses reversed (recognised) and revaluation surplus (deficit)	*(4)*	**108,726**	(47,604)
Bad and doubtful debts		**(147,837)**	(230,759)
Other operating expenses		**(112,893)**	(183,640)
Profit from operations	*(5)*	**888,126**	512,844
Other finance costs	*(6)*	**(49,386)**	(61,277)
Amortisation of goodwill		**(7,142)**	(7,142)
Release of negative goodwill		**257,610**	237,923
Amortisation of capital reserve		**17,267**	17,267
Share of results of associates		**266,192**	135,708
Share of results of jointly controlled entities		**23,667**	22,900
Profit before taxation		**1,396,334**	858,223
Taxation	*(7)*	**(221,031)**	(127,518)

Profit after taxation		**1,175,303**	730,705
Minority interests		**(415,338)**	(244,239)
Profit attributable to shareholders		**759,965**	486,466
Dividend		**26,006**	–
Earnings per share:	*(8)*		
Basic		**HK$2.89**	HK$1.53
Diluted		**N/A**	N/A

Notes:

(1) Accounting policies

The accounting policies adopted in the preparation of these financial statements are consistent with those set out in the audited financial statements for the year ended 31st December, 2003.

(2) Turnover

	2004 *HK$'000*	2003 *HK$'000*
Turnover comprises:		
Interest income on loans and advances to consumer finance customers	**790,692**	763,006
Securities broking	**236,854**	185,130
Other interest income	**170,576**	208,615
Property rental, hotel operations and management services	**167,535**	159,338
Income from corporate finance and others	**158,049**	116,576
Income from forex, bullion, commodities and futures	**149,380**	123,962
Securities trading	**146,293**	16,991
Dividend income	**66,790**	19,666
Sales of properties	**24,783**	16,000
Sales of goods	–	198
	1,910,952	1,609,482

(3) Segmental information

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

	2004				
	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	**942,593**	**790,692**	**197,618**	**17,090**	**1,947,993**
Less: inter-segment turnover	**(14,776)**	–	**(5,300)**	**(16,965)**	**(37,041)**
	927,817	**790,692**	**192,318**	**125**	**1,910,952**
Profit from operations	**243,845**	**434,192**	**200,971**	**9,118**	**888,126**
Other finance costs					**(49,386)**
Amortisation of goodwill					**(7,142)**
Release of negative goodwill					**257,610**
Amortisation of capital reserve					**17,267**
Share of results of associates					**266,192**

Share of results of jointly controlled entities	**(3,624)**	–	**27,291**	–	**23,667**
Profit before taxation					**1,396,334**
Taxation					**(221,031)**
Profit after taxation					**1,175,303**

	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

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 reversed (recognised) and revaluation surplus (deficit)

	2004 *HK$'000*	2003 *HK$'000*
Impairment losses reversed (recognised) and revaluation surplus (deficit) comprise:		
Impairment losses reversed (recognised) in respect of:		
Properties held for sale	**22,924**	(22,546)
Properties under development	**3,000**	(12,200)
Non-trading securities	**(16,418)**	(6,713)
	9,506	(41,459)
Surplus (deficit) arising on revaluation of investment properties	**99,220**	(6,145)
	108,726	(47,604)

(5) Profit from operations

	2004 *HK$'000*	2003 *HK$'000*
Profit from operations has been arrived at after charging:		
Depreciation		
– owned assets	**29,519**	28,854
– assets under a finance lease	**513**	513
Amortisation of intangible assets	**2,701**	2,780
Loss on dilution of interest in an associate	**4,455**	–
Loss on disposal of subsidiaries	**–**	2,229
Loss on disposal of an associate	**–**	3,088
Loss on disposal of non-trading securities	**–**	753
Provision for interest and legal costs in respect of a litigation *(Remark)*	**2,934**	58,364
and after crediting:		
Write back of loss arising from default of loan agreement with Millennium Touch Limited	**2,847**	26,412
Profit on deemed disposal of a jointly controlled entity	**942**	–
Profit on disposal of partial interest in a subsidiary	**789**	–
Profit on disposal of subsidiaries	**8,647**	–
Profit on disposal of non-trading securities	**2,483**	–

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.

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 in 2003 and interest expense of HK$2,934,000 was paid in 2004.

SHKS has appealed against the Judgement. 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

	2004 *HK$'000*	2003 *HK$'000*
Finance costs included in:		
Cost of sales	**4,081**	3,521
Other finance costs	**49,386**	61,277
Total finance costs	**53,467**	64,798

(7) Taxation

	2004 *HK$'000*	2003 *HK$'000*
The charge comprises:		
Current tax:		
Hong Kong	**116,357**	82,069
Outside Hong Kong	**3,099**	418
	119,456	82,487
Deferred tax:		
Current year	**(4,618)**	(8,764)
Effect of a change in tax rate	–	(1,656)
Taxation attributable to the Company and subsidiaries	**114,838**	72,067
Share of taxation attributable to associates	**42,353**	38,751
Share of deferred taxation attributable to associates	**52,528**	6,724
Share of taxation attributable to jointly controlled entities	**11,312**	9,976
	221,031	127,518

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$759,965,000 (2003: HK$486,466,000) and on the weighted average number of 263,031,343 (2003: 318,947,269) shares in issue during the year 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 announcement.

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

(9) Impact of recently issued accounting standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred as "new HKFRSs"), which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

DIVIDEND AND BOOK CLOSE

The Directors have proposed a final dividend of HK10 cents per share (2003: Nil) payable to shareholders whose names appear on the register of members of the Company on 3rd June, 2005. It should also be noted that the Company continued to repurchase its shares during the year at an aggregate consideration of HK$35.3 million. The effect of these share repurchases in 2003 and 2004 is evident in the results for 2004. Earnings per share rose by 88.9% over 2003, compared to a corresponding increase of only 56.2% in total earnings. The Company will continue to use surplus cash to repurchase its shares for cancellation.

The register of members of the Company will be closed from 30th May, 2005 to 3rd June, 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 27th May, 2005. Subject to approval by the shareholders at the forthcoming annual general meeting of the Company, dividend warrants are expected to be despatched on 4th July, 2005.

FINANCIAL REVIEW

The turnover of the Group for the year 2004 was approximately HK$1,911.0 million, an increase of 18.7% from the previous year due primarily to the increase in income from the Group's financial services divisions.

The Group reported a profit attributable to shareholders for the year of approximately HK$760.0 million, an increase of 56.2% compared to approximately HK$486.5 million for the preceding year. The increase was the result of a stronger performance from the Group's financial services divisions and, following the recovery of the Hong Kong property market, revaluation surpluses and a reversal of impairment losses were available from the Group's Hong Kong property portfolio. All in all, a stronger performance was recorded from all of the Group's core operations.

Additional Interest in Subsidiary

The Group's equity interest in Allied Properties (H.K.) Limited ("Allied Properties") increased from 74.61% to 74.80% at the year end, mainly due to the conversion of 36,189,730 warrants into 36,189,730 shares at a total consideration of HK$90.5 million during the year.

Acquisition of a Subsidiary

During the year, Allied Properties acquired the entire issued share capital of and loans to Gilmore Limited ("Gilmore") for an aggregation consideration of HK$125.4 million. Gilmore is a property holding company and holds the whole of the 22nd Floor, No. 9 Queen's Road Central, Hong Kong.

Acquisition of Additional Interest in Tian An

During the year, Sun Hung Kai exercised warrants to subscribe for 44,000,000 shares and purchased 2,196,000 shares in Tian An China Investments Company Limited ("Tian An") for a total consideration of HK$92.8 million.

Financial Resources, Liquidity and Capital Structure

An ordinary resolution for approving the consolidation of every ten shares of HK$0.20 each into one consolidated share of HK$2.00 each of the Company was duly passed at an extraordinary general meeting of the Company held on 22nd July, 2004.

At 31st December, 2004, the net assets of the Group amounted to HK$4,949.4 million, representing an increase of HK$793.5 million or approximately 19.1% from 2003. The Group maintained a strong cash and bank balance position and had cash and bank balances of approximately HK$767.0 million as at 31st December, 2004 (2003: HK$764.6 million). The Group's bank and other borrowings, together with loan notes, totalling HK$2,232.7 million (2003: HK$2,422.2 million) of which the portion due on demand or within one year decreased to HK$890.6 million (2003: HK$1,110.3 million) and the remaining long-term portion slightly increased to HK$1,342.1 million (2003: HK$1,311.9 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 2.06 times (2003: 1.79 times). The Group's gearing ratio (net bank and other borrowings together with loan notes/net assets) decreased to 29.6% (2003: 39.9%).

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

The bank borrowings of the Group were 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 2003.

Contingent Liabilities

(a) At 31st December, 2004, the Group had guarantees as follows:

	2004	2003
	HK$'000	*HK$'000*
Guarantees for banking facilities granted to an investee company	**7,000**	6,989
Indemnities on banking guarantees made available to a clearing house and regulatory body	**5,540**	4,540
Indemnities on letter of credit issued by a bank for a loan to a client	–	67,556
Other guarantees	**3,184**	913
	15,724	79,998

(b) On 4th February, 2004, Sun Tai Cheung Credits Limited ("STCC") and Sun Hung Kai Investment Services Limited ("SHKIS"), both indirect wholly-owned subsidiaries of Sun Hung Kai, 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 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 believe that the claim is not soundly based and have applied to have the claim struck-out. The proceedings have been stayed until further order by the Court. While a provision has been made for legal costs, at this stage, the management is of the view that it is not appropriate for any other provision to be made with respect to this action.

(c) By the Judgment of the High Court of Hong Kong on 1st April, 2004 ("Judgment") in HCA 3191/1999 between NWDC and Stapleton Development Limited ("Stapleton") against SHKS, SHKS was ordered to pay NWDC the sum of HK$105,534,018 together with interest on the principal sum of HK$80,117,653 at judgment rate from 16th December, 1998 until payment, pursuant to the terms of an oral agreement which the Court found ("Oral Agreement"). As at 17th June, 2004, the date when the Judgment sum was to be paid, the Judgment amounted to HK$150,115,682 (being HK$105,534,018 plus interest of HK$44,581,664). SHKS has paid the Judgment amounts. SHKS has filed an appeal against the Judgment both as to liability and quantum ("Appeal") to the Court of Appeal. The Appeal has been set down for hearing commencing 7th June, 2005. The decision of the Court of Appeal is likely to be delivered some months after the Appeal.

Since the handing down of the Judgment, NWDC has written to SHKS demanding payment of three further amounts for what it asserts as pro-rata shareholders' contributions advanced by NWDC on behalf of SHKS ("New Claims"):

(i) on 1st March, 2000 in the sum of HK$27,234,754;

(ii) on 2nd January, 2001 in the sum of HK$7,697,418 (Sun Hung Kai understands that a further writ was issued by NWDC in April 2004, naming SHKS as defendant, and claiming the aforesaid two amounts as well as interest thereon from March 2000 and January 2001 respectively ("Further Writ"). The Further Writ has not been served on SHKS); and

(iii) on 1st June, 2004 in the sum of HK$2,565,839 in respect of a bank loan by Great Union Properties Sdn. Bhd. ("GUP") (A provision has been made with respect to this claim in the accounts of SHKS).

The outcome of the Appeal as well as other issues will be relevant to the determination of whether SHKS is liable to pay the New Claims which NWDC asserts are due under the Oral Agreement. Accordingly, the management takes the view that the New Claims are a contingent liability, and that while a provision has been made for legal costs, it is considered that it is not presently appropriate for any other provision to be made with respect to the Appeal or the Further Writ or for impairment of the value of its interest in the Kuala Lumpur hotels project pursuant to the Judgment. This decision has been taken because it is considered that the current circumstances of the nature and value of the interests existing under the Judgment and the uncertainty of the Appeal result in a situation where it is not possible to decide with any degree of accuracy as to what the final position may be. On the one hand if SHKS is completely successful in its Appeal then it may be entitled to recovery of monies already paid. On the other hand if it is not totally successful or only partially successful then it may be possible that further provision for impairment of the value of its final interests in the Kuala Lumpur hotels project may be required. The extent of such provision is not presently capable of determination as the holding company of the hotel namely GUP has not provided a current valuation of the project and SHKS has not had sufficient access to the detailed books and records of GUP to reach a supportable view as to value. The matter will be further reviewed after a decision in our Appeal has been handed down.

Material Litigation Update

(a) On 28th February, 2005, by order of the Hong Kong High Court, the claim by Shenzhen Building Materials Group Co. Limited against SHKIS was dismissed with costs to SHKIS.

(b) An update on the litigation between NWDC and Stapleton against SHKS is set out in paragraph (c) of the "Contingent Liabilities" section above.

(c) 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 ("B.V.I.") seeking an order that SFHL be wound up by reason of its failure to pay debts owing to the Petitioners. The B.V.I. proceedings were stayed by order of the B.V.I. court. The Petitioners have appealed that decision but have agreed not to pursue the appeal during the stay of 200/2004.

(d) 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 case remains at an early stage.

(e) SHKIS filed a notice of action on 8th June, 2004 in Canada naming as defendants Sung Chun ("Sung"), Song Lei ("Song") and the Bank of Montreal claiming from Sung and Song reimbursement for funds totalling US$1,300,000 transferred by them in addition to costs, and against the Bank of Montreal for an injunction freezing the subject funds or alternatively for payment of the funds into court. SHKIS discontinued the action in respect of the Bank of Montreal, and agreed to a dismissal of the action against Song. The funds are currently in the custody of the Superior Court of Justice. On 31st March, 2005, the Court granted summary judgment to SHKIS in the amount of Canadian currency sufficient to purchase HK$10,533,000 plus prejudgment and postjudgment interest thereon.

(f) SHKIS filed a writ on 23rd July, 2004 in Hong Kong naming as defendants Sellon Enterprises Limited ("Sellon"), Sung and Song and seeking a declaration that Sellon holds property wholly or in part on trust for SHKIS.

Pledge of Assets

At 31st December, 2004, 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$2,982.1 million (2003: HK$2,792.0 million), listed investments belonging to the Group and margin clients with a carrying value of HK$1,074.4 million (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$3,177.9 million (2003: HK$3,935.3 million) were pledged to secure loans and general banking facilities to the extent of HK$3,554.1 million (2003: HK$3,777.5 million) granted to the Group. Facilities amounting to HK$1,726.1 million (2003: HK$1,964.9 million) were utilised at 31st December, 2004.

At 31st December, 2004, a bank deposit of HK$1.2 million (2003: HK$1.5 million) was pledged to secure a bank guarantee amounting to HK$2.0 million (2003: HK$2.0 million).

OPERATIONAL REVIEW

Financial Services

Consumer finance

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

UAF's loan portfolio grew substantially during the year. 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.

At 31st December, 2004, UAF maintained 28 branches, with a number of branches being relocated to better locations during the year in order to improve overall customer traffic and operating efficiency.

In view of the recovery of the Hong Kong economy, UAF will seek to expand its branch network and introduce new financial products to further improve its profit contributions.

Broking and finance

Sun Hung Kai achieved a profit attributable to its shareholders of HK$384.8 million, representing a 59.1% increase from the previous year.

Sun Hung Kai's broking commission income exceeded that of the previous year. Its experienced sales staff with their extensive client network capitalised on the buoyant stock market to expand its market share during the year. The income stream derived by Sun Hung Kai as a liquidity provider of derivative warrants and equity linked notes to warrant issuers continued to be strong.

SHK Online achieved significant growth during 2004. Continuing efforts to diversify its products, such as the new e-Option platform for locally listed HSI Options and additional e-Futures products should further provide growth momentum for the division.

In addition to the successful completion of the secondary placement of shares of two listed companies, the Corporate Finance division was involved in the placement of B shares of a PRC company which is listed on the Shenzhen Stock Exchange and a number of underwriting exercises for IPO issues.

Sun Hung Kai's margin loan book increased during the year. Net revenues were strongly positive through the substantial use of its shareholders' funds in a low interest rate environment.

With the continuing weakness in the U.S. dollar in 2004, Sun Hung Kai's foreign exchange volumes reflected a decline in investor interest. However, interest in commodities and precious metals increased significantly. Sun Hung Kai's business from Hang Seng Index Futures also rose substantially this year.

The Wealth Management division experienced strong growth in 2004. The "assets under management" and revenue almost doubled compared with 2003. For the Alternative Investments division, the second half of 2004 remained challenging because of the difficult environment in global financial markets. Nevertheless, all the funds experienced positive growth.

Despite the difficult environment, Sun Hung Kai's Insurance division performed well in 2004 and achieved slight profit growth compared to the preceding year. To meet the challenges ahead, the division continues to strengthen marketing activities, focus on the development of specialty products and markets, and pursue quality business partners and opportunities in the P.R.C.

After significant transformation of its business structure, management, compliance and control system following its acquisition by Sun Hung Kai in mid 2003, Shun Loong group is now positioning itself for growth with a range of marketing and promotional initiatives planned for Hong Kong and PRC.

Sun Hung Kai International Bank [Brunei] Limited was officially opened in February 2004. The bank plans to develop international banking business including deposit taking from non-residents, extending credits, arranging money collections and transmissions, foreign exchange, issuance of guarantees as well as offering investment banking and other banking services.

Properties

Hong Kong

Allied Properties recorded a profit of approximately HK$668.5 million, representing a 115.0% increase from its profit of approximately HK$311.0 million in the year 2003. The stronger performance of Allied Properties was largely due to revaluation surpluses and a reversal of impairment losses previously charged to the income statements following the recovery in the property market. Allied Properties' rental income also increased moderately during the year under review. Important contributors of rental income included St. George Apartments, China Online Centre, Century Court and Allied Cargo Centre. Allied Properties will take advantage of the buoyant property market to review its Hong Kong rental property portfolio with a view to maximising yields.

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 15.9% increase in profit compared to the previous year.

Phase two of Ibis North Point was completed after the issuance of the occupation permit in December 2004. With this new 275-room hotel on Java Road fully operational, Allied Properties' recurrent income is expected to increase further.

Following the completion of Ibis, all of Allied Properties' development projects in Hong Kong have been completed. Allied Properties will continue to assess opportunities for appropriate property investments should they arise. In this regard, Allied Properties purchased the whole of the 22nd floor, No.9 Queen's Road Central in late 2004.

Mainland PRC

Although total sales of gross floor area attributable to Tian An, a 48.6% owned listed associate of Sun Hung Kai, during the year under review decreased to 225,000 square metres from 291,000 square metres, profit attributable to its shareholders amounted to HK$200.6 million for the year, representing a significant growth of 95.9% compared to the previous year. The sharp improvement in the results for the year was mainly attributable to stronger contributions from property sales and the focus by Tian An on products of higher profit margin.

In the longer term, Tian An hopes to improve its performance by adoption of the following policies, namely:- (a) retaining developed commercial properties with long-term capital appreciation potential for rental yield thereby providing a stable recurrent income base, (b) disposing of inventories of properties and land in non-core cities and concentrating on the development of its very substantial land bank in the major cities of the PRC, and (c) continuing to streamline its management and cost structure.

Investments

Quality HealthCare Asia Limited ("QHA")

QHA, a 33.01% owned listed associate of Sun Hung Kai, is Hong Kong's largest listed healthcare company. It provides care for its private and corporate contract patients through a network of more than 560 Western and Chinese medical centres, and 44 dental and physiotherapy centres. In 2004, its network recorded more than 1.9 million healthcare visits. QHA operates eight elderly care homes and Hong Kong's longest-established international nursing service. QHA was awarded "Superbrands Hong Kong 2004" by an independent Superbrands Council during the year in recognition of its well respected brand name.

QHA continued to deliver a substantial improvement in its operating profit, with its turnover in 2004 exceeding HK$780 million. The encouraging results of QHA are a positive reflection of QHA's determination to focus on the consolidation and development of its core businesses.

QHA will continue to develop its specialist medical network and its relationship with private hospitals. It is well positioned to be one of the participants in the public-private partnership initiative to improve the healthcare industry in Hong Kong and also to support the government in any initiatives it may wish to pursue in both reducing costs and providing improved quality of service.

QHA's confidence in its future is reflected in a share repurchase offer which has recently been completed with 21,667,288 shares, representing 10% of its outstanding shares, repurchased and cancelled.

Yu Ming Investments Limited ("Yu Ming")

Yu Ming, a 22.43% owned listed associate of Sun Hung Kai, reported a profit of HK$39.4 million for the year 2004. At 31st December, 2004, the major investments of Yu Ming included a 37.5% venture in AsiaWorld-Expo, being a 66,000 square metre exhibition centre located at the Hong Kong International Airport, Argyle Centre Shopping Mall in Mongkok, a bond portfolio amounting to HK$195 million and an investment in a Hong Kong based airline. Argyle Centre and the bond portfolio provided the bulk of recurrent income of Yu Ming in 2004. The AsiaWorld-Expo is scheduled to open in January 2006 and its bookings are well into 2008.

Shanghai Allied Cement Limited ("SAC")

For the year ended 31st December, 2004, SAC reported a net profit of HK$10.4 million, representing a decrease of 79.2% as compared to the year before. The decrease in profit resulted from:- (a) the rising cost of raw materials, including coal, which is one of the major cost components of cement production, (b) with the Mainland government's austerity measures taking effect, the demand, and consequently prices, for cement in Mainland China have been falling, and (c) the construction of the new plant in Shandong with a daily clinker production capacity of 2,500 tonnes per day has been utilising substantial financial resources.

SAC's management is cautiously optimistic on the long-term prospects of the cement industry in the PRC and hopes to take advantage of the present competitive environment to improve efficiency and its cost structure so as to be in an improved position to take advantage of any significant upturn of the cement market.

Employees

The total number of staff of the Group at 31st December, 2004 was 2,180 (2003: 2,150). Total staff costs, including Directors' emoluments, amounted to HK$341.9 million (2003: HK$299.8 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 recovering Hong Kong economy is encouraging for the future performance of the Group. With deflation reversed and employment rate improving, the Board expects that the economy and the real estate market in Hong Kong should perform well in the near future. The Hong Kong tourist market is expected to improve with the planned opening of the Hong Kong Disneyland in September 2005. Nevertheless, recent upward price fluctuations of crude oil and the rising trend of interest rates are serious factors creating uncertainty for the future economic outlook. The management will make every effort to deliver a satisfactory set of results for 2005 and maximise returns for all shareholders.

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

In order to ensure compliance with the new Code on Corporate Governance Practices as contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and to align the Company's Articles of Association with the current practices under the Listing Rules, it is proposed that certain amendments be made to the Company's Articles of Association. A special resolution to give effect to the proposed amendments to the Company's Articles of Association will be proposed at the forthcoming annual general meeting of the Company. Particulars of the proposed amendments will be set out in a circular to be despatched to the shareholders of the Company and in the notice of the aforementioned annual general meeting to be published in due course.

DISCLOSURE OF DETAILED FINANCIAL INFORMATION

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules 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 arrangement, 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, 14th April, 2005

As at the date of this announcement, the Board of 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 Macwhinnie (Non-Executive Chairman), Messrs. Wong Po Yan, David Craig Bartlett and John Douglas Mackie being the Independent Non-Executive Directors.