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## 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 2020

The board of directors (“Board”) of Allied Group Limited (“Company”) announces that the audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31st December, 2020 are as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31ST DECEMBER, 2020

	Notes	2020 HK\$ Million	2019 HK\$ Million
Revenue	(2)		
Interest income		4,115.0	4,404.9
Other revenue		729.6	873.8
		<b>4,844.6</b>	<b>5,278.7</b>
Other income		120.5	428.4
Total income		<b>4,965.1</b>	<b>5,707.1</b>
Cost of sales and other direct costs		(528.0)	(623.1)
Brokerage and commission expenses		(47.2)	(43.9)
Selling and marketing expenses		(119.9)	(147.3)
Administrative expenses		(1,596.7)	(1,521.8)
Changes in values of properties	(4)	(218.7)	132.7
Net gain on financial assets and liabilities at fair value through profit or loss	(5)	2,697.9	1,841.2
Net exchange gain		69.0	78.6
Net impairment losses on financial instruments	(6)	(1,088.8)	(1,064.0)
Other operating expenses		(150.7)	(251.8)
Finance costs	(7)	(542.5)	(481.9)
Share of results of associates		618.1	1,006.5
Share of results of joint ventures		(115.1)	93.5
Profit before taxation	(8)	<b>3,942.5</b>	<b>4,725.8</b>
Taxation	(9)	(286.2)	(241.8)
Profit for the year		<b>3,656.3</b>	<b>4,484.0</b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2020**

	<i>Note</i>	<b>2020</b> <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Attributable to:			
Owners of the Company		<b>2,037.1</b>	2,530.7
Non-controlling interests		<b>1,619.2</b>	1,953.3
		<b>3,656.3</b>	4,484.0
		<i>HK\$</i>	<i>HK\$</i> (Restated)
<b>Earnings per share</b>	<i>(10)</i>		
Basic		<b>0.58</b>	0.72
Diluted		<b>0.58</b>	0.72

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31ST DECEMBER, 2020*

	<b>2020</b>	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Profit for the year	<u><b>3,656.3</b></u>	<u>4,484.0</u>
Other comprehensive income (expenses):		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income	<b>(4.7)</b>	0.6
Gain on revaluation of properties	<b>24.8</b>	–
Share of other comprehensive income (expenses) of associates	<b>541.7</b>	(323.3)
Share of other comprehensive expenses of joint ventures	<u><b>(0.8)</b></u>	<u>(0.8)</u>
	<u><b>561.0</b></u>	<u>(323.5)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investments in financial assets at fair value through other comprehensive income		
– Net fair value changes during the year	<b>(0.8)</b>	2.2
– Reclassification adjustment for realisation upon disposal/redemption	<u><b>(0.4)</b></u>	<u>0.3</u>
	<u><b>(1.2)</b></u>	<u>2.5</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (Cont'd)**  
*FOR THE YEAR ENDED 31ST DECEMBER, 2020*

	<b>2020</b>	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
<i>(Cont'd)</i>		
Exchange differences arising on translation of foreign operations	<b>315.9</b>	(119.2)
Share of other comprehensive income of associates	<b>101.1</b>	3.9
Share of other comprehensive income (expenses) of joint ventures	<b>24.2</b>	(1.1)
	<u><b>440.0</b></u>	<u>(113.9)</u>
Other comprehensive income (expenses) for the year, net of tax	<u><b>1,001.0</b></u>	<u>(437.4)</u>
Total comprehensive income for the year	<u><b>4,657.3</b></u>	<u>4,046.6</u>
Attributable to:		
Owners of the Company	<b>2,708.8</b>	2,256.9
Non-controlling interests	<b>1,948.5</b>	1,789.7
	<u><b>4,657.3</b></u>	<u>4,046.6</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AT 31ST DECEMBER, 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
<b>Non-current assets</b>			
Investment properties		<b>9,789.1</b>	9,972.7
Property, plant and equipment		<b>1,223.7</b>	1,071.2
Right-of-use assets		<b>292.7</b>	212.3
Net investments in finance lease		<b>1.4</b>	6.2
Goodwill		<b>132.9</b>	132.9
Intangible assets		<b>43.7</b>	32.5
Interests in associates		<b>13,820.5</b>	13,738.9
Interests in joint ventures		<b>3,661.8</b>	3,753.6
Financial assets at fair value through other comprehensive income		<b>209.3</b>	363.5
Amounts due from associates		<b>320.4</b>	284.7
Loans and advances to consumer finance customers	<i>(12)</i>	<b>3,088.9</b>	2,770.5
Mortgage loans	<i>(13)</i>	<b>1,192.9</b>	1,270.7
Deferred tax assets		<b>794.9</b>	788.7
Financial assets at fair value through profit or loss		<b>9,504.6</b>	8,020.0
Term loans	<i>(14)</i>	<b>554.5</b>	84.0
Trade receivables, prepayments and other receivables	<i>(15)</i>	<b>17.3</b>	39.8
		<b>44,648.6</b>	42,542.2
<b>Current assets</b>			
Other inventories		<b>0.1</b>	0.2
Financial assets at fair value through profit or loss		<b>5,426.7</b>	5,151.6
Loans and advances to consumer finance customers	<i>(12)</i>	<b>7,474.8</b>	7,643.0
Mortgage loans	<i>(13)</i>	<b>1,820.8</b>	2,356.2
Term loans	<i>(14)</i>	<b>1,756.6</b>	2,812.9
Trade receivables, prepayments and other receivables	<i>(15)</i>	<b>496.7</b>	571.7
Amounts due from brokers		<b>399.3</b>	462.1
Amounts due from associates		<b>245.8</b>	242.1
Amounts due from joint ventures		<b>5.4</b>	8.8
Financial assets at fair value through other comprehensive income		<b>147.0</b>	8.0
Tax recoverable		<b>5.2</b>	4.4
Tax reserve certificates		<b>7.1</b>	7.1
Short-term pledged bank deposits and bank balances		<b>–</b>	33.2
Bank deposits		<b>12.3</b>	68.1
Cash and cash equivalents		<b>7,890.3</b>	6,931.6
		<b>25,688.1</b>	26,301.0

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**  
**AT 31ST DECEMBER, 2020**

	<i>Notes</i>	<b>2020</b> <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	(16)	<b>698.4</b>	477.4
Financial assets sold under repurchase agreements		–	386.2
Financial liabilities at fair value through profit or loss		<b>172.8</b>	715.8
Amounts due to associates		<b>5.8</b>	5.7
Amounts due to joint ventures		<b>0.1</b>	40.1
Tax payable		<b>149.8</b>	368.1
Bank and other borrowings due within one year		<b>9,374.8</b>	6,695.2
Notes/paper payable		<b>2,010.0</b>	566.4
Lease liabilities		<b>107.9</b>	136.5
Provisions		<b>261.8</b>	154.7
		<u><b>12,781.4</b></u>	<u>9,546.1</u>
<b>Net current assets</b>		<u><b>12,906.7</b></u>	<u>16,754.9</u>
<b>Total assets less current liabilities</b>		<u><b>57,555.3</b></u>	<u>59,297.1</u>
<b>Capital and reserves</b>			
Share capital	(17)	<b>2,221.7</b>	2,221.7
Reserves	(18)	<b>34,797.7</b>	25,884.5
<b>Equity attributable to owners of the Company</b>		<u><b>37,019.4</b></u>	<u>28,106.2</u>
Shares held for employee ownership scheme		<b>(18.8)</b>	(22.5)
Employee share-based compensation reserve		<b>9.0</b>	8.3
Share of net assets of subsidiaries		<b>11,955.8</b>	20,698.0
<b>Non-controlling interests</b>		<u><b>11,946.0</b></u>	<u>20,683.8</u>
<b>Total equity</b>		<u><b>48,965.4</b></u>	<u>48,790.0</u>
<b>Non-current liabilities</b>			
Bank and other borrowings due after one year		<b>2,514.1</b>	2,632.2
Notes/paper payable		<b>5,741.1</b>	7,635.1
Lease liabilities		<b>175.2</b>	77.1
Deferred tax liabilities		<b>157.0</b>	157.8
Provisions		<b>2.5</b>	4.9
		<u><b>8,589.9</b></u>	<u>10,507.1</u>
		<u><b>57,555.3</b></u>	<u>59,297.1</u>

Notes:

**(1) Basis of preparation**

**Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are mandatorily effective for the current year**

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2020 for the preparation on consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**Disclosure in accordance with section 436 of the Hong Kong Companies Ordinance**

The financial information relating to the financial years ended 31st December, 2020 and 2019 included in this announcement of annual results does not constitute the Company’s statutory annual financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2019 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31st December, 2020 in due course. The Company’s auditor has reported on those financial statements for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

(2) Revenue

	2020 <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Revenue comprises:		
Contracts with customers		
Hotel operations	20.1	54.0
Management services	252.3	296.1
Advisory and service income, commission income and others	49.1	147.4
Elderly care services	113.6	107.1
	<u>435.1</u>	<u>604.6</u>
Interest income on loans and advances to consumer finance customers	3,309.6	3,480.7
Interest income received from term loans and others	805.4	924.2
Property rental	230.0	229.7
Dividend income	59.0	37.9
Distribution from perpetual securities	5.5	1.6
	<u>4,409.5</u>	<u>4,674.1</u>
	<u>4,844.6</u>	<u>5,278.7</u>

Revenue from contracts with customers are included in the segment revenue as follows:

	2020					Total <i>HK\$ Million</i>
	<i>Investment and finance HK\$ Million</i>	<i>Consumer finance HK\$ Million</i>	<i>Property development and investment HK\$ Million</i>	<i>Property management and elderly care services HK\$ Million</i>	<i>Corporate and other operations HK\$ Million</i>	
Hotel operations	-	-	20.1	-	-	20.1
Management services	-	-	6.8	192.6	52.9	252.3
Advisory and service income, commission income and others	30.7	18.4	-	-	-	49.1
Elderly care services	-	-	-	113.6	-	113.6
Revenue from contracts with customers	<u>30.7</u>	<u>18.4</u>	<u>26.9</u>	<u>306.2</u>	<u>52.9</u>	<u>435.1</u>
	2019					Total <i>HK\$ Million</i>
	<i>Investment and finance HK\$ Million</i>	<i>Consumer finance HK\$ Million</i>	<i>Property development and investment HK\$ Million</i>	<i>Property management and elderly care services HK\$ Million</i>	<i>Corporate and other operations HK\$ Million</i>	
Hotel operations	-	-	54.0	-	-	54.0
Management services	0.4	-	10.3	231.2	54.2	296.1
Advisory and service income, commission income and others	126.9	20.5	-	-	-	147.4
Elderly care services	-	-	-	107.1	-	107.1
Revenue from contracts with customers	<u>127.3</u>	<u>20.5</u>	<u>64.3</u>	<u>338.3</u>	<u>54.2</u>	<u>604.6</u>

### (3) Segmental information

The operating business organised and managed in each segment represents a strategic business unit that offers different products and services for the purpose of resource allocation and assessment of segment performance by the Executive Directors of the Company.

Analysis of the Group's revenue and results is as follows:

	2020					Total HK\$ Million
	Investment and finance HK\$ Million	Consumer finance HK\$ Million	Property development and investment HK\$ Million	Property management and elderly care services HK\$ Million	Corporate and other operations HK\$ Million	
Segment revenue	923.8	3,331.0	247.1	309.9	141.5	4,953.3
Less: inter-segment revenue	(4.1)	–	(18.3)	(2.8)	(83.5)	(108.7)
Segment revenue from external customers	<u>919.7</u>	<u>3,331.0</u>	<u>228.8</u>	<u>307.1</u>	<u>58.0</u>	<u>4,844.6</u>
Segment results	2,669.0	1,238.5	58.0	46.3	(26.6)	3,985.2
Impairment loss on interest in an associate						(3.2)
Finance costs						(542.5)
Share of results of associates						618.1
Share of results of joint ventures	(0.2)	–	(114.9)	–	–	(115.1)
Profit before taxation						3,942.5
Taxation						(286.2)
Profit for the year						<u>3,656.3</u>
	2019					Total HK\$ Million
	Investment and finance HK\$ Million	Consumer finance HK\$ Million	Property development and investment HK\$ Million	Property management and elderly care services HK\$ Million	Corporate and other operations HK\$ Million	
Segment revenue	1,109.5	3,504.7	287.2	342.1	132.1	5,375.6
Less: inter-segment revenue	(3.2)	–	(18.5)	(3.0)	(72.2)	(96.9)
Segment revenue from external customers	<u>1,106.3</u>	<u>3,504.7</u>	<u>268.7</u>	<u>339.1</u>	<u>59.9</u>	<u>5,278.7</u>
Segment results	2,632.4	1,276.0	334.5	32.6	(31.9)	4,243.6
Impairment loss on interest in an associate						(135.9)
Finance costs						(481.9)
Share of results of associates						1,006.5
Share of results of joint ventures	1.9	–	91.6	–	–	93.5
Profit before taxation						4,725.8
Taxation						(241.8)
Profit for the year						<u>4,484.0</u>

The geographical information of revenue is disclosed as follows:

	<b>2020</b>	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue from external customers by location of operations		
Hong Kong	<b>4,084.6</b>	4,396.7
Mainland China	<b>753.0</b>	878.3
Others	<b>7.0</b>	3.7
	<u><b>4,844.6</b></u>	<u>5,278.7</u>

No revenue arising from transactions with a single external customer amounted to 10% or more of the Group's revenue for the year.

**(4) Changes in values of properties**

	<b>2020</b>	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Changes in values of properties comprise:		
Net (decrease) increase in fair value of investment properties	<b>(219.6)</b>	134.4
Impairment loss reversed (recognised) for hotel property	<b>0.9</b>	(1.7)
	<u><b>(218.7)</b></u>	<u>132.7</u>

The reversal and recognition of impairment loss was based on the lower of cost and value in use for hotel property. The value in use was determined based on independent professional valuations at 31st December, 2020.

**(5) Net gain on financial assets and liabilities at fair value through profit or loss**

The following is an analysis of the net gain on financial assets and liabilities at fair value through profit or loss ("FVTPL"):

	<b>2020</b>	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Net realised and unrealised (loss) gain on financial assets and liabilities		
Held for trading	<b>(22.7)</b>	648.2
Financial assets at FVTPL	<b>2,720.6</b>	1,193.0
	<u><b>2,697.9</b></u>	<u>1,841.2</u>

(6) **Net impairment losses on financial instruments**

	<b>2020</b> <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Net impairment losses	<b>991.1</b>	999.2
Recoveries of amounts previously written off	<b>(221.7)</b>	(195.1)
	<b>769.4</b>	804.1
Mortgage loans		
Net impairment losses	<b>25.7</b>	12.0
Term loans		
Net impairment losses	<b>334.4</b>	197.3
Amounts due from associates		
Net impairment losses	<b>2.1</b>	0.4
Trade and other receivables		
Net (reversal) recognition of impairment losses	<b>(42.4)</b>	48.6
Recoveries of amounts previously written off	<b>(0.3)</b>	(0.3)
	<b>(42.7)</b>	48.3
Financial assets at fair value through other comprehensive income		
Net (reversal) recognition of impairment losses	<b>(0.1)</b>	1.9
	<b>1,088.8</b>	1,064.0

(7) **Finance costs**

	<b>2020</b> <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Total finance costs included in:		
Cost of sales and other direct costs	<b>271.5</b>	304.5
Finance costs	<b>542.5</b>	481.9
	<b>814.0</b>	786.4

(8) Profit before taxation

	2020 <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets – computer software	1.9	1.9
Depreciation of property, plant and equipment	75.4	72.5
Depreciation of right-of-use assets	141.7	113.5
Impairment loss on interest in an associate (included in other operating expenses)*	3.2	135.9
Net loss on disposal/write-off of property, plant and equipment	0.6	0.8
and after crediting:		
Dividend income from listed equity securities	50.4	32.9
Dividend income from unlisted equity securities	8.6	5.0
Realised gain on disposal/redemption of financial assets at fair value through other comprehensive income (included in other income)	1.8	–
Gain on disposal of an investment property (included in other income)	–	1.6
Gain on disposal of subsidiaries (included in other income)**	1.2	388.8
Government grants on Employment Support Scheme (included in other income)***	64.0	–
Other government grants in the People’s Republic of China (“PRC”) (included in other income)***	20.9	–

\* Sun Hung Kai & Co. Limited (“SHK”) disposed of 70% interest in its wholly-owned subsidiary Sun Hung Kai Financial Group Limited (“SHKFGL”) in June 2015 and classified the remaining 30% equity interest as an associate up to 16th November, 2020. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. As part of the disposal, the Group was awarded a put right on the 30% equity interest of SHKFGL. This put right recorded a valuation gain during the period of HK\$70.3 million (2019: HK\$267.0 million) classified under net gain on financial assets and liabilities at FVTPL. An impairment loss on interest in SHKFGL of HK\$3.2 million (2019: HK\$135.9 million) was recognised for the year.

On 17th November, 2020, SHK exercised the put option on SHKFGL at the consideration of HK\$1,257.1 million cash and HK\$1,156.0 million SHKFGL preference shares and retained no ordinary shares in SHKFGL at 31st December, 2020. Upon completing the transaction, SHKFGL ceased to be an associate. The transaction has resulted in the recognition of no gain in profit or loss, calculated as follows:

	17th November, 2020 <i>HK\$ Million</i>
Consideration received	2,413.1
Less: carrying amount of the 30% investment on the date of loss of significant influence	(955.8)
Less: carrying amount of unlisted put right for shares in SHKFGL	(1,457.3)
	<hr/>
Gain on disposal	–
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration	1,257.1
	<hr/>

\*\* Included in the gain on disposal of subsidiaries of HK\$388.8 million in 2019 was a gain of HK\$388.6 million from the disposal of an indirect wholly-owned subsidiary of the Company, Yu Ming Investment Management Limited (“Yu Ming”) and the details of which were set out below.

On 25th July, 2019, Fine Era Limited, an indirect wholly-owned subsidiary of the Company, completed the disposal of Yu Ming. The details of Yu Ming at the date of disposal were as follows:

	<i>HK\$ Million</i>
<b>Consideration received:</b>	
Total consideration received	400.0
<b>Analysis of assets and liabilities over which control was lost:</b>	
Net assets disposed of	
Property, plant and equipment	0.5
Goodwill	1.2
Financial assets at FVTPL	0.7
Trade receivables, prepayments and other receivables	12.6
Tax recoverable	0.3
Cash and cash equivalents	12.8
Trade payables, other payables and accruals	(1.5)
Contract liabilities	(15.2)
	11.4
<b>Gain on disposal of a subsidiary:</b>	
Consideration received	400.0
Net assets disposed of	(11.4)
	388.6
<b>Net cash inflow arising on disposal:</b>	
Cash consideration	400.0
Less: Cash and cash equivalents disposal of	(12.8)
	387.2

\*\*\* During the current year, the Group recognised government grants in respect of COVID-19 related subsidies of HK\$64.0 million which relates to Employment Support Scheme provided by the Hong Kong government and HK\$20.9 million which mainly relates to social security contributions subsidised by the PRC government. There were no unfulfilled conditions and other contingencies attached to these grants.

**(9) Taxation**

	<b>2020</b> <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
The income tax charged (credited) comprises:		
Current tax		
Hong Kong	<b>242.9</b>	268.9
PRC and other jurisdictions	<b>13.1</b>	73.9
	<b>256.0</b>	342.8
Under (over) provision in prior years	<b>2.8</b>	(0.5)
	<b>258.8</b>	342.3
Deferred tax		
Current year	<b>27.4</b>	(100.5)
	<b>286.2</b>	241.8

Hong Kong Profits Tax is calculated at the rate of 16.5% of the estimated assessable profits for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at the rate of 25% for both years.

Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

**(10) Earnings per share**

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	<b>2020</b> <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	<b>2,037.1</b>	2,530.7
Adjustments to profit in respect of impact of contingently issuable shares under the employee ownership scheme of a subsidiary	<b>(1.5)</b>	(1.5)
Earnings for the purpose of diluted earnings per share	<b>2,035.6</b>	2,529.2
	<b>Million shares</b>	<i>Million shares</i>
<u>Number of shares</u>		
Weighted average number of shares in issue for the purpose of basic and diluted earnings per share	<b>3,515.1</b>	3,515.1

The weighted average number of shares in issue for the year ended 31st December, 2019 has been adjusted for the effect of the share subdivision which was effective on 7th September, 2020. Details of the share subdivision are set out in note 17.

**(11) Dividend**

	<b>2020</b> <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Dividend paid and declared		
Interim dividend paid of HK0.75 cents* (2019: HK0.75 cents*) per share	<b>26.4</b>	26.4
Second interim dividend (in lieu of a final dividend) of HK11.75 cents per share declared subsequent to the end of the reporting period (2019: second interim dividend (in lieu of a final dividend) of HK11.75 cents* per share)	<b>413.0</b>	413.0
	<b>439.4</b>	439.4
Dividend recognised as distribution during the year		
2019 second interim dividend (in lieu of a final dividend) of HK11.75 cents* (2019: 2018 second interim dividend (in lieu of a final dividend) of HK11.75 cents*) per share	<b>413.0</b>	413.0
2020 interim dividend of HK0.75 cents* (2019: HK0.75 cents*) per share	<b>26.4</b>	26.4
	<b>439.4</b>	439.4

Subsequent to the end of the reporting period, the second interim dividend (in lieu of a final dividend) of HK11.75 cents (2019: HK11.75 cents\*) per share in respect of the financial year ended 31st December, 2020 has been declared by the Board.

\* The respective dividend per share has been adjusted for the effect of the share subdivision which was effective on 7th September, 2020. Details of the share subdivision are set out in note 17.

**(12) Loans and advances to consumer finance customers**

	<b>2020</b> <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Hong Kong	<b>8,318.0</b>	8,576.2
Mainland China	<b>3,000.0</b>	2,545.1
Less: impairment allowance	<b>(754.3)</b>	(707.8)
	<b>10,563.7</b>	10,413.5
Analysed for reporting purposes as:		
Non-current assets	<b>3,088.9</b>	2,770.5
Current assets	<b>7,474.8</b>	7,643.0
	<b>10,563.7</b>	10,413.5

The following is an aging analysis for the loans and advances to consumer finance customers that are past due at the end of the reporting date.

	<b>2020</b> <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Less than 31 days past due	<b>491.4</b>	582.9
31 to 60 days	<b>36.0</b>	55.6
61 to 90 days	<b>23.6</b>	20.9
91 to 180 days	<b>10.2</b>	148.4
Over 180 days	<b>293.9</b>	61.4
	<b>855.1</b>	869.2

**(13) Mortgage loans**

	<b>2020</b> <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Mortgage loans		
Hong Kong	<b>3,061.1</b>	3,648.6
Less: impairment allowance	<b>(47.4)</b>	(21.7)
	<b>3,013.7</b>	3,626.9
Analysed for reporting purposes as:		
Non-current assets	<b>1,192.9</b>	1,270.7
Current assets	<b>1,820.8</b>	2,356.2
	<b>3,013.7</b>	3,626.9

The following is an aging analysis for the mortgage loans that are past due at the end of the reporting date.

	<b>2020</b> <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Less than 31 days past due	<b>66.7</b>	148.8
31 to 60 days	<b>26.6</b>	32.0
61 to 90 days	<b>11.5</b>	4.0
91 to 180 days	<b>160.4</b>	–
Over 180 days	<b>459.0</b>	143.8
	<b>724.2</b>	328.6

**(14) Term loans**

	<b>2020</b>	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Secured term loans	<b>2,764.0</b>	2,953.9
Unsecured term loans	<b>246.0</b>	307.5
	<hr/>	<hr/>
	<b>3,010.0</b>	3,261.4
Less: impairment allowance	<b>(698.9)</b>	(364.5)
	<hr/>	<hr/>
	<b>2,311.1</b>	2,896.9
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Non-current assets	<b>554.5</b>	84.0
Current assets	<b>1,756.6</b>	2,812.9
	<hr/>	<hr/>
	<b>2,311.1</b>	2,896.9
	<hr/>	<hr/>

The Group considers a loan to be secured when there is collateral or credit enhancement in place. The main types of collateral and credit enhancement obtained includes share charges over unlisted and listed equity securities, personal guarantees, assignment of rights and charges over properties.

No aging analysis is disclosed for term loan financing, as, in the opinion of the management, the aging analysis does not give additional value in the view of the nature of the term loan financing business.

**(15) Trade receivables, prepayments and other receivables**

The following is an aging analysis of trade and other receivables based on the date of invoice/contract note at the reporting date:

	<b>2020</b>	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Less than 31 days	<b>277.0</b>	305.5
31 to 60 days	<b>15.0</b>	16.2
61 to 90 days	<b>6.1</b>	11.8
91 to 180 days	<b>4.3</b>	9.0
Over 180 days	<b>3.6</b>	2.4
	<hr/>	<hr/>
	<b>306.0</b>	344.9
Trade and other receivables without aging	<b>170.3</b>	207.2
Less: impairment allowances	<b>(6.4)</b>	(48.8)
	<hr/>	<hr/>
	<b>469.9</b>	503.3
Trade and other receivables at amortised cost	<b>44.1</b>	108.2
Prepayments	<hr/>	<hr/>
	<b>514.0</b>	611.5
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Non-current assets	<b>17.3</b>	39.8
Current assets	<b>496.7</b>	571.7
	<hr/>	<hr/>
	<b>514.0</b>	611.5
	<hr/>	<hr/>

**(16) Trade payables, other payables and accruals**

The following is an aging analysis of the trade payables, other payables and accruals based on the date of invoice/contract note at the reporting date:

	<b>2020</b>	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Less than 31 days/repayable on demand	<b>230.2</b>	130.8
31 to 60 days	<b>4.2</b>	6.9
61 to 90 days	<b>2.0</b>	5.6
91 to 180 days	–	0.7
Over 180 days	<b>0.8</b>	0.8
	<b>237.2</b>	144.8
Accrued staff costs, other accrued expenses and other payables without aging	<b>461.2</b>	332.6
	<b>698.4</b>	477.4

**(17) Share capital**

	<b>Number of shares</b>	<b>Value</b>
		<i>HK\$ Million</i>
Issued and fully paid:		
At 1st January, 2019 and 31st December, 2019	175,754,118	2,221.7
Subdivision of shares	3,339,328,242	–
<b>At 31st December, 2020</b>	<b>3,515,082,360</b>	<b>2,221.7</b>

**Subdivision of shares**

On 3rd September, 2020, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company pursuant to which every one (1) share of the Company was subdivided into twenty (20) subdivided shares with effect from 7th September, 2020.

**(18) Reserves**

	<b>2020</b>	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Property revaluation reserve	<b>260.6</b>	245.0
Investment revaluation reserve	<b>(180.9)</b>	(133.6)
Translation reserve	<b>275.7</b>	(432.9)
Non-distributable reserve	<b>55.2</b>	55.2
Capital and other reserves	<b>17.7</b>	30.8
Accumulated profits	<b>33,956.4</b>	25,707.0
Dividend reserve	<b>413.0</b>	413.0
	<b>34,797.7</b>	25,884.5

**(19) Events after the reporting date**

**Proposed privatisation (“Proposed Privatisation”) of SHK Hong Kong Industries Limited (“SHK IND”)**

A joint announcement dated 18th December, 2020 was made by the Company, SHK IND and Bright Clear Limited (“Bright Clear”) relating to a Proposed Privatisation of SHK IND. The Proposed Privatisation is subject to various conditions and therefore the Proposed Privatisation may or may not be implemented. The Proposed Privatisation involves a scheme of arrangement (“SHK IND Scheme”) pursuant to which the shares held by shareholders of SHK IND other than those shares held by Bright Clear (“SHK IND Scheme Share(s)”) will be cancelled in exchange for the payment in cash of HK\$0.21 per SHK IND Scheme Share (“SHK IND Scheme Consideration”) by Bright Clear as offeror under the SHK IND Scheme to the holders of SHK IND Scheme Shares (“SHK IND Scheme Shareholders”) while the same number of shares of SHK IND will be issued to Bright Clear. Bright Clear is an indirect wholly-owned subsidiary of the Company. The Company, currently indirectly through Bright Clear, held approximately 74.978% interests in SHK IND. The total number of SHK IND Scheme Shares is 1,028,814,714, representing approximately 25.022% of the total number of shares in issue of SHK IND.

Upon completion of the Proposed Privatisation, SHK IND Scheme Shares will be cancelled in exchange for the payment by Bright Clear of HK\$0.21 per SHK IND Scheme Share resulting in a total of approximately HK\$216.1 million to be paid by Bright Clear to the SHK IND Scheme Shareholders and the same amount of shares of SHK IND will be issued to Bright Clear. Therefore, the Company will indirectly hold 100% interests in SHK IND. Based on the expected timetable as set out in the joint announcement by the Company, SHK IND and Bright Clear dated 12th March, 2021, the withdrawal of listing of shares of SHK IND on The Stock Exchange of Hong Kong Limited is expected to become effective on 23rd April, 2021 and the payment of the SHK IND Scheme Consideration by Bright Clear is expected to be made on or before 3rd May, 2021, subject to the SHK IND Scheme becoming effective.

Details of the Proposed Privatisation are set out in (i) the joint announcements issued by the Company, SHK IND and Bright Clear dated 18th December, 2020, 8th January, 2021, 9th February, 2021, 11th February, 2021 and 12th March, 2021 and (ii) the scheme document dated 11th February, 2021 jointly issued by the Company, SHK IND and Bright Clear.

Based on the financial information as at 31st December, 2020, a gain of HK\$106.5 million from the privatisation of SHK IND, being the difference between the amount by which the non-controlling interests acquired are adjusted and the value of the consideration paid, will be recognised directly in equity upon completion of Proposed Privatisation. The actual gain from the privatisation will be calculated based on the financial information on the completion date.

**Acquisition of additional shares in a subsidiary, SHK**

AP Emerald Limited (“AP Emerald”), an indirect wholly-owned subsidiary of the Company, entered into an agreement dated 19th March, 2021 with an independent third party, pursuant to which AP Emerald acquired additional 9.91% interest in SHK (“Acquisition”) from the independent third party and the Group’s beneficial interests in SHK increased from 62.83% to 72.74% upon completion of the Acquisition on 24th March, 2021. The consideration of the Acquisition is HK\$589.8 million which was satisfied by the transfer of certain notes issued by SHK group held by certain indirect wholly-owned subsidiaries of the Company at the carrying value of approximately US\$51.8 million (equivalent to approximately HK\$401.8 million) and cash of approximately HK\$188.0 million. Further details of the Acquisition are set out in the announcements dated 19th March, 2021 and 24th March, 2021 issued by the Company.

## **DIVIDEND**

The Board has declared a second interim dividend of HK11.75 cents per share (in lieu of a final dividend) for the year ended 31st December, 2020 (2019 second interim dividend (in lieu of a final dividend): HK\$2.35 per share before the share subdivision of the Company on the basis that every one (1) share be subdivided into twenty (20) subdivided shares effective on 7th September, 2020 (the “Share Subdivision”), and adjusted to HK11.75 cents per share after the Share Subdivision) payable on or around Monday, 24th May, 2021 to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Tuesday, 11th May, 2021, making a total dividend for the year 2020 of HK12.5 cents per share (2019: HK\$2.5 per share before the Share Subdivision, and adjusted to HK12.5 cents per share after the Share Subdivision).

## **CLOSURE OF REGISTER OF MEMBERS**

### **(1) For determining the entitlement to the second interim dividend**

For determining the entitlement to the second interim dividend (in lieu of a final dividend) for the year ended 31st December, 2020, the register of members of the Company will be closed from Friday, 7th May, 2021 to Tuesday, 11th May, 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to qualify for the second interim dividend (in lieu of a final dividend), all transfer forms 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 4:30 p.m. on Thursday, 6th May, 2021.

### **(2) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (“2021 AGM”)**

The 2021 AGM is scheduled to be held on Wednesday, 26th May, 2021. For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 21st May, 2021 to Wednesday, 26th May, 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at the 2021 AGM, all transfer forms 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 4:30 p.m. on Thursday, 20th May, 2021.

## FINANCIAL HIGHLIGHTS

	<b>2020</b>	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue	<b>4,844.6</b>	5,278.7
Profit for the year attributable to owners of the Company	<b>2,037.1</b>	2,530.7
Equity attributable to owners of the Company	<b>37,019.4</b>	28,106.2
Return on equity attributable to owners of the Company	<b>5.5%</b>	9.0%
Earnings per share		
– Basic	<b>HK\$0.58</b>	HK\$0.72*
– Diluted	<b>HK\$0.58</b>	HK\$0.72*
	<b>At</b>	At
	<b>31st December,</b>	31st December,
	<b>2020</b>	2019
Net asset value per share attributable to owners of the Company	<b>HK\$10.53</b>	HK\$8.00*
Gearing ratio	<b>31.7%</b>	37.3%

\* The basic and diluted earnings per share and net asset value per share attributable to owners of the Company of 2019 has been adjusted for the effect of the Share Subdivision.

## FINANCIAL REVIEW

### Financial Results

The revenue of the Group for the year was HK\$4,844.6 million (2019: HK\$5,278.7 million). The decrease is mainly due to lower interest income arising from the Group's loan businesses and lower revenues from hotel operations as well as property management businesses.

The profit attributable to the owners of the Company for the year was HK\$2,037.1 million (2019: HK\$2,530.7 million), a decrease of HK\$493.6 million or 19.5%.

The decrease in profit attributable to the owners of the Company was primarily a mixed result of:

- lower contributions from associates Tian An China Investments Company Limited (“TACI”) and APAC Resources Limited (“APAC”);
- decrease in fair value of investment properties of the Group;
- loss contributed by joint venture, Allied Kajima Limited (“AKL”);

- increase in profit contribution Sun Hung Kai & Co. Limited (“SHK”) and SHK Hong Kong Industries Limited (“SHK IND”); and
- a non-recurring one-off gain of HK\$388.6 million was recognised in 2019 arising from the disposal of Yu Ming Investment Management Limited.

### *Earnings per share*

Basic earnings per share amounted to HK\$0.58 (2019: HK\$0.72).

## **Major Corporate Events**

### *Privatisation of Allied Properties (H.K.) Limited (“Allied Properties”)*

The privatisation (“Privatisation”) of Allied Properties became effective on 25th November, 2020 and the listing of Allied Properties on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) was withdrawn on 27th November, 2020. The Privatisation enhanced the net asset value per share of the Company as the total price of the Privatisation of HK\$1.92 per share of Allied Properties, comprising the scheme consideration and special dividend, represented a discount to the net asset value per share of Allied Properties. Upon completion, a gain of HK\$6,593.4 million arising from the Privatisation was recognised directly in equity.

### *Share Subdivision of the Company*

As announced by the Company on 22nd July, 2020, the proposal to implement the share subdivision of the shares of the Company (“Shares”) on the basis that every one (1) issued share be subdivided into twenty (20) subdivided shares was made by the Board of Directors of the Company with a view to improve the liquidity in trading of Shares, thereby attracting more investors and widening the shareholder base. The Share Subdivision became effective on 7th September, 2020 and the total number of shares in issue of the Company increased from 175,754,118 to 3,515,082,360 accordingly.

### *Disposal of the remaining 30% interests in Sun Hung Kai Financial Group Limited (“SHKFGL”)*

On 17th November, 2020, SHK exercised the put right to require Everbright Securities Financial Holdings Limited (“ESFH”) to buy the remaining 30% shareholding in SHKFGL held by SHK at the consideration of (i) HK\$1,257,106,447 in cash; and (ii) HK\$1,156,000,000 in SHKFGL preference shares.

### *Proposed privatisation (“Proposed Privatisation”) of SHK IND*

The Proposed Privatisation of SHK IND, an approximately 74.978% owned subsidiary of the Company, is, subject to court approval, expected to be completed in May 2021. The completion of the Proposed Privatisation if completed will enhance the net asset value per share of the Company as the acquisition is at a discount of the consolidated net asset value of SHK IND.

## **Capital Management and Treasury Policy**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts (which include bank and other borrowings and notes/paper payable) and equity attributable to owners of the Company comprising issued share capital and reserves. The Group's management reviews the capital structure on an ongoing basis using gearing ratio, which is the net debt comprising the Group's bank and other borrowings and notes/paper payable less short-term pledged bank deposits and bank balances, bank deposits and cash and cash equivalents divided by equity attributable to owners of the Company.

In addition, the Group's treasury policy is to ensure that funding requirements for capital commitments, investments and operations of the Group can be fulfilled and liquidity can be managed to ensure that fund inflows are matched against all maturing repayment obligations to achieve maximum harmony on cash flow management. The credit facilities of the Group are reviewed from time to time and new credit facilities will be obtained or renewed. The Group manages its liquidity position to ensure a prudent and adequate liquidity ratio. This is achieved by a transparent and collective monitoring approach across the Group involving the management of the relevant group companies.

## **Financial Resources, Liquidity and Capital Structure**

The 4.75% US dollar denominated notes ("4.75% Notes") are listed on the Stock Exchange. The nominal value of the 4.75% Notes was US\$249.8 million or equivalent to HK\$1,936.4 million (2019: US\$249.8 million or equivalent to HK\$1,944.9 million) at the reporting date.

The 4.65% US dollar denominated notes ("4.65% Notes") are listed on the Stock Exchange. The nominal value of the 4.65% Notes after eliminating the intra-group holdings was US\$442.3 million or equivalent to HK\$3,428.7 million (2019: US\$442.7 million or equivalent to HK\$3,447.0 million) at the reporting date.

During the year, US\$0.4 million and US\$0.7 million in the principal amount of 4.65% Notes were purchased by SHK at consideration of US\$0.4 million and US\$0.7 million respectively by way of private arrangement. The repurchased 4.65% Notes were cancelled as to US\$0.4 million on 26th May, 2020 and as to US\$0.7 million on 17th August, 2020.

The 5.75% US dollar denominated notes ("5.75% Notes") are listed on the Stock Exchange. The nominal value of the 5.75% Notes after eliminating the intra-group holdings was US\$301.0 million or equivalent to HK\$2,333.3 million (2019: US\$301.0 million or equivalent to HK\$2,343.9 million) at the reporting date.

At the end of the reporting period, the equity attributable to owners of the Company amounted to HK\$37,019.4 million, representing an increase of HK\$8,913.2 million or approximately 31.7% from 2019. The Group maintained a strong cash and bank balance position and had cash and bank balances of approximately HK\$7,902.6 million as at 31st December, 2020 (2019: HK\$7,032.9 million). The Group's bank and other borrowings and notes/paper payable totalling HK\$19,640.0 million (2019: HK\$17,528.9 million) of which the portion due on demand or within one year was HK\$11,384.8 million (2019: HK\$7,261.6 million) and the remaining long-term portion was HK\$8,255.2 million (2019: HK\$10,267.3 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 2.01 times (2019: 2.76 times). The Group's gearing ratio (net bank and other borrowings and notes/paper payable/equity attributable to the owners of the Company) was 31.7% (2019: 37.3%).

	<b>2020</b>	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Bank loans are repayable as follows:		
On demand or within one year	<b>4,121.3</b>	4,473.6
More than one year but not exceeding two years	<b>1,770.2</b>	1,488.4
More than two years but not exceeding five years	<b>679.2</b>	1,081.7
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	<b>5,003.5</b>	1,775.6
More than one year but not exceeding two years	–	446.0
	<b>11,574.2</b>	9,265.3
Other borrowings are repayable as follows:		
On demand or within one year	<b>250.0</b>	–
Over five years	<b>64.7</b>	62.1
	<b>314.7</b>	62.1
US dollar denominated notes are repayable as follows:		
Within one year	<b>2,010.0</b>	133.8
More than one year but not exceeding five years	<b>5,741.1</b>	7,635.1
HK dollar denominated notes/paper are repayable within one year	–	432.6
	<b>7,751.1</b>	8,201.5
	<b>19,640.0</b>	17,528.9

Other than the US dollar denominated notes and HK dollar denominated notes/paper, most of the bank and other borrowings of the Group are charged at floating interest rates. There are no known seasonal factors in the Group's borrowing profile.

At the end of the reporting period, the Group had HK\$11,888.9 million (2019: HK\$9,327.4 million) in bank and other borrowings, which were denominated in HK dollars, Australian dollars, British pounds, Renminbi and US dollars. The Group had HK\$7,902.6 million (2019: HK\$7,032.9 million) in bank deposits, bank balances and cash, which were mainly denominated in HK dollars, Australian dollars, British pounds, Renminbi and US dollars.

The banking facilities of the Group are reviewed from time to time and new banking facilities will be obtained or renewed to meet the funding requirements for capital commitments, investments and operations of the Group.

## **Material Acquisitions and Disposals**

### *Privatisation of Allied Properties*

Reference is made to the section of Major Corporate Events relating to the Privatisation of Allied Properties. The Privatisation of Allied Properties became effective on 25th November, 2020 and the listing of Allied Properties on the Stock Exchange had been withdrawn on 27th November, 2020. Accordingly, after completion of the Privatisation, the Company has 100% beneficial interests in Allied Properties. The total amount paid to the holders of shares of approximately 25.004% interests in Allied Properties held by the non-controlling interests (“Scheme Shareholders”) amounted to approximately HK\$3,270.3 million comprising the scheme consideration of HK\$0.42 per share amounting to approximately HK\$715.4 million paid by Sunhill Investments Limited (“Offeror”) to the Scheme Shareholders and special dividend of HK\$1.5 per share amounting to approximately HK\$2,554.9 million paid by Allied Properties to the Scheme Shareholders. Gain of HK\$6,593.4 million from the Privatisation of Allied Properties, being the difference between the amount by which the non-controlling interests are adjusted and the value of the consideration paid, was recognised directly in equity. Details of the Privatisation of Allied Properties are set out in (i) the joint announcements issued by the Company, Allied Properties and the Offeror dated 20th April, 2020, 11th May, 2020, 10th June, 2020, 19th June, 2020, 15th July 2020, 5th August, 2020, 24th August, 2020, 31st August, 2020, 7th September, 2020, 10th September, 2020, 21st September, 2020, 28th September, 2020, 5th October, 2020, 9th October, 2020, 14th October, 2020, 19th October, 2020, 21st October, 2020, 2nd November, 2020, 23rd November, 2020, 24th November, 2020 and 25th November, 2020, (ii) the circular issued by the Company dated 8th June, 2020 and (iii) the scheme document dated 19th June, 2020 jointly issued by the Company, Allied Properties and the Offeror.

### *Disposal of the remaining 30% interests in SHKFGL*

Reference is made to the section of Major Corporate Events relating to the disposal of 30% owned associate, SHKFGL, by SHK. On 17th November, 2020, SHK, ESFH and SHKFGL entered into the repurchase and subscription agreement to exercise the put right to require ESFH to buy the remaining 30% shareholding in SHKFGL held by SHK at the consideration of (i) HK\$1,257.1 million in cash; and (ii) HK\$1,156.0 million in SHKFGL preference shares. Further details were disclosed in the joint announcements of the Company, Allied Properties and SHK dated 17th and 18th November, 2020 and the circular dated 8th December, 2020 issued by SHK.

### *Acquisition of a listed associate, Dragon Mining Limited (“Dragon Mining”)*

During the year, Allied Properties Resources Limited, which became an indirect wholly-owned subsidiary of the Company after the completion of the Privatisation of Allied Properties, acquired additional 6,393,872 shares in Dragon Mining from the market at a consideration of HK\$12.2 million resulting in increase in beneficial interest in Dragon Mining to 22.96% as compared with the shareholding of 18.35% as at 31st December, 2019. As a result, Dragon Mining became a listed associate of the Group.

### *Acquisition of additional interest in a listed associate, APAC*

During the year, Allied Properties Investments (1) Company Limited, which became an indirect wholly-owned subsidiary of the Company after the completion of the Privatisation of Allied Properties, acquired additional 24,320,000 shares in APAC from the market at a consideration of HK\$22.1 million. As a result, the Group’s beneficial interest in APAC increased from 37.56% as at 31st December, 2019 to 39.56% as at 31st December, 2020.

### *Proposed Privatisation of SHK IND*

Reference is made to the section of Major Corporate Events relating to the Proposed Privatisation of SHK IND. A joint announcement dated 18th December, 2020 was made by the Company, SHK IND and Bright Clear Limited (“SHK IND Scheme Offeror”) relating to the Proposed Privatisation of SHK IND. The Proposed Privatisation is subject to various conditions and therefore the Proposed Privatisation may or may not be implemented. The Proposed Privatisation involves a scheme of arrangement (“SHK IND Scheme”) pursuant to which the shares of approximately 25.022% interests in SHK IND (“SHK IND Scheme Share(s)”) will be cancelled in exchange for the payment in cash of HK\$0.21 per SHK IND Scheme Share by the SHK IND Scheme Offeror as offeror under the SHK IND Scheme to the holders of the SHK IND Scheme Shares (“SHK IND Scheme Shareholders”) while the same number of shares of SHK IND will be issued to the SHK IND Scheme Offeror. The SHK IND Scheme Offeror is an indirect wholly-owned subsidiary of the Company. The Company, currently indirectly through SHK IND Scheme Offeror, held approximately 74.978% interests in SHK IND. The total number of SHK IND Scheme Shares is 1,028,814,714, representing approximately 25.022% of the total number of shares in issue of SHK IND.

Upon completion of the Proposed Privatisation, SHK IND Scheme Shares will be cancelled in exchange for the payment by SHK IND Scheme Offeror of HK\$0.21 per SHK IND Scheme Share resulting in a total of approximately HK\$216.1 million to be paid by SHK IND Scheme Offeror to the SHK IND Scheme Shareholders and the same amount of shares of SHK IND will be issued to SHK IND Scheme Offeror. Therefore, the Company will indirectly hold 100% interests in SHK IND.

Details of the Proposed Privatisation are set out in (i) the joint announcements issued by the Company, SHK IND and SHK IND Scheme Offeror dated 18th December, 2020, 8th January, 2021, 9th February, 2021, 11th February, 2021 and 12th March, 2021 and (ii) the scheme document dated 11th February, 2021 jointly issued by the Company, SHK IND and the SHK IND Scheme Offeror.

### *Acquisition of additional shares in a subsidiary, SHK*

AP Emerald Limited (“AP Emerald”), an indirect wholly-owned subsidiary of the Company, entered into an agreement dated 19th March, 2021 with an independent third party, pursuant to which AP Emerald acquired additional 9.91% interest in SHK (“Acquisition”) from the independent third party and the Group’s beneficial interests in SHK increased from 62.83% to 72.74% upon completion of the Acquisition on 24th March, 2021. The consideration of the Acquisition is HK\$589.8 million which was satisfied by the transfer of certain notes issued by SHK group held by certain indirect wholly-owned subsidiaries of the Company at the carrying value of approximately US\$51.8 million (equivalent to approximately HK\$401.8 million) and cash of approximately HK\$188.0 million. Further details of the Acquisition are set out in the announcements dated 19th March, 2021 and 24th March, 2021 issued by the Company.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year and up to the date of this announcement.

### **Segment Information**

Detailed segmental information in respect of the revenue and profit or loss is shown in note 3 to the consolidated financial information.

### **Risk of Foreign Exchange Fluctuation**

The Group is required to maintain foreign currency exposure to cater for its recurring operating activities and present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. However, the Group will closely monitor this risk exposure as required.

The Group’s foreign exchange risk primarily arises from currency exposures originating from proprietary trading positions, private equity investments, loan and advances and bank and other borrowings denominated in foreign currencies, mainly in Australian dollars, British pounds, Euro, Canadian dollars, Japanese yen, Malaysian ringgit, New Taiwan dollars, Renminbi and Thai baht. Foreign exchange risk is managed and monitored by senior management of the relevant group companies. The risk arises from open currency positions are subject to management approved limits and are monitored and reported daily. As the majority of the Group’s assets and investments were dominated in HK dollars and US dollars, the risk exposure was relatively low. Should the Group consider that its exposure to foreign currency risk justifies hedging, the Group may use forward or hedging contracts to reduce the risks.

### **Other Financial Liabilities**

At the end of the year, the Group had financial guarantees in the aggregate amount of HK\$387.6 million (2019: HK\$494.5 million).

## **Pledge of Assets**

At the end of the reporting period, certain of the Group's investment properties, hotel property and land and buildings with an aggregate carrying value of HK\$9,222.8 million (2019: HK\$9,888.6 million), bank deposits and bank balances of Nil (2019: HK\$33.2 million) together with certain securities in respect of a listed subsidiary with investment cost of HK\$263.5 million (2019: HK\$277.4 million) were pledged to secure loans and general banking facilities to the extent of HK\$4,560.4 million (2019: HK\$5,076.7 million) granted to the Group. Facilities amounting to HK\$3,252.0 million (2019: HK\$1,597.8 million) were utilised at the end of the reporting period.

## **Events after the Reporting Date**

Details regarding events after the reporting date are set out in note 19 to the consolidated financial information.

## **OPERATIONAL REVIEW**

### **Financial Services**

#### *Investment and Finance*

- The profit attributable to owners of SHK was HK\$2,547.7 million (2019: HK\$2,085.2 million).
- SHK's investment management division reported a pre-tax profit of HK\$2,126.4 million (2019: HK\$1,290.8 million). The overall investment portfolio was impacted in the first half of 2020, but saw a significant improvement in the second half. Focus on diversification and underlying asset quality yielded strong returns.
- SHK's specialty finance business, which provides tailored funding solutions to corporates, investment funds and high net worth individuals, reported a pre-tax loss of HK\$132.3 million (2019: pre-tax profit of HK\$66.7 million). The loss of the division was attributable to a prudent increase of impairment provisions.
- Sun Hung Kai Credit Limited contributed a profit-tax profit of HK\$112.7 million (2019: HK\$121.4 million). Its gross loan balance was HK\$3.1 billion at the end of 2020 (at 31st December, 2019: HK\$3.6 billion).

#### *Consumer Finance*

- Profit attributable to owners of United Asia Finance Limited ("UAF") for the year amounted to HK\$1,002.1 million (2019: HK\$1,057.8 million).

- The business of UAF in Mainland China was extremely difficult in the first half of the year as Chinese government implemented domestic lockdowns to control the spread of the COVID-19 pandemic. With near full re-opening of economy in the second half, business activities of UAF in mainland China have almost fully rebounded to pre-pandemic levels. UAF is exploring cooperation with existing partners and sourcing new business partners to grow its customer base.
- While the COVID-19 pandemic affected business activities of UAF in Hong Kong in the first half year, the results in the second half recorded satisfactory improvement thanks to government measures including the employment support scheme which reduced the impact of the pandemic on the job market and the wider economy.
- At the end of the reporting period, the consolidated consumer finance gross loan balance amounted to HK\$11.3 billion (at 31st December, 2019: HK\$11.1 billion).
- There were 26 UAF branches in mainland China and 48 branches in Hong Kong at the end of the reporting period.

## **Properties**

### *Hong Kong*

- Rental income from the Group's Hong Kong property portfolio maintained a steady level when compared to 2019. Focus has been on maintaining the leasing momentum on renewal, rent review and new lettings during the year.
- There was a net decrease of HK\$218.7 million in the value of the property portfolio of the Group, including investment properties owned by SHK (2019: net increase in value of HK\$132.7 million).
- During the year, the hotel division experienced decreased average room rates and significant drop in occupancies as a result of COVID-19. The hotel division reported a loss for the year as compared with a profit in 2019.
- AKL, the Group's 50% joint venture, holding various properties including Allied Kajima Building, Novotel Century Hong Kong hotel, Sofitel Philippine Plaza Hotel and the Wanchai Jaffe Road hotel redevelopment, reported a loss for year as compared with a profit in 2019. The loss for the current year was mainly due to the decrease in fair value of its property portfolio and operating loss reported from its hotel operations, the performance of which was negatively affected by the outbreak of COVID-19. The internal fitting-out work on the Jaffe Road hotel site is progressing well.

### *Mainland PRC*

- The profit attributable to the owners of TACI was HK\$618.0 million (2019: HK\$1,345.9 million).
- The decrease in profit of TACI was mainly due to a decrease in the share of results of its joint ventures and a decrease in fair value of its investment properties.
- TACI's rental income decreased by 7% as compared with 2019.
- TACI has a total of 19 cyberparks over 12 cities. TACI concentrates on developing new cyberparks and urban renewal projects in regions where TACI has ample manpower and marketing resources.
- Phase 2 Part 3 of TACI's urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen, was completed in the first half of 2020. The entire Phase 2 which comprises approximately 599,400 m<sup>2</sup> gross floor area is now complete and ready for sale or lease. While the sale and leasing of offices remains challenging, sale and rental of apartments has been brisk.
- TACI has acquired new residential projects in Jiangsu and Zhejiang Provinces and TACI expects that these projects will contribute good returns in the coming years.
- Asiasec Properties Limited, the listed subsidiary of TACI, reported a loss attributable to its shareholders of HK\$56.7 million (2019: profit of HK\$58.0 million).

### **Investments**

#### *SHK IND*

- SHK IND reported a net profit attributable to its owners of HK\$133.5 million (2019: HK\$14.5 million), an increase of HK\$119.0 million mainly due to higher net investment gain as compared with 2019.

#### *Allied Services Hong Kong Limited ("Allied Services")*

- Allied Services which engages in the businesses of property management and elderly care services reported a profit of HK\$45.0 million for the year (2019: HK\$29.1 million). Allied Services benefited from the receipt of subsidies provided by the Government's employment support scheme during the year.

#### *APAC*

- At the end of 2020, the Group held a 39.56% interest in APAC. Share of profit from APAC for the year was HK\$270.4 million (2019: HK\$302.2 million).

## **Employees**

The total number of headcount of the Group as at 31st December, 2020 was 3,415 (2019: 3,562). The net decrease in headcount is mainly a result of the ongoing branch consolidation of UAF in mainland China, as the business migrated further online and its continuous effort in driving cost efficiency. Total staff cost, including Directors' emoluments, amounted to HK\$1,177.9 million (2019: HK\$1,092.7 million). The Group reviews remuneration packages from time to time. In addition to salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme. The Group recognises the importance of continuing professional education and development, and appropriate courses are arranged on a periodical basis as well as subsidies are granted to employees who take job-related courses.

## **COVID-19 Pandemic Response**

From early 2020 the Group took steps to protect the health and safety of our workforce, their families, local suppliers and neighbouring communities while ensuring a safe environment for operations to continue as usual. For example:

- measures to maximize social distancing and staff protection within the offices;
- meetings held off-site or by conference calls or video conference as far as possible;
- cancellation of all non-essential travel;
- flexible and remote working plans for employees;
- restrictions on office access and temperature screening;
- self-isolation following travel, development of symptoms, or interaction with a confirmed case of COVID-19 and requirement to undergo a coronavirus test as and when necessary at the Company's cost; and
- increased inventory of face mask, hand sanitiser and hygiene supplies and increased focus on cleaning and sanitation.

## **LONG TERM CORPORATE STRATEGIES**

The Group is engaged in its businesses of investment, structured finance, consumer finance, property and related businesses, elderly care services and other investments. The Group's policy has been to adopt the following long term strategies:

1. To maintain the organic growth of its core businesses;
2. To maintain a balance between the demands of short term returns and long term capital appreciation; and
3. To seek investment opportunities that assist in strengthening and broadening its earnings base.

## **BUSINESS OUTLOOK**

The outbreak of COVID-19 in 2020 and the ongoing tension between USA and China imposed negative impacts on the Group's businesses. Entering 2021, the COVID-19 pandemic has yet to come under control around the world and the relations between USA and China are expected to remain tense leading to uncertainty on both the local and global economies.

With further volatility of the markets expected, SHK is committed to diligence and focus across its investments. SHK will carefully manage risk, maintain diversified funding sources and liquidity to provide financial stability and enable its business development.

The business environment of UAF remains challenging in 2021. UAF believes that with its experienced management, UAF will strive to deliver a satisfactory result.

While the US Federal Reserve's quantitative easing and the lowering of interest rates have provided some relief to the Hong Kong property market, the local property market will continue to suffer from the impact of the COVID-19 pandemic. We expect decreasing rental income due to increased vacancy rates for the hotel, commercial and retail sectors in 2021.

The monetary policies of China's central bank in response to the COVID-19 pandemic have been well received by the PRC property market, especially the residential sector.

There is no doubt that 2021 will remain challenging. The development of COVID-19 vaccines and the successful rollout of the vaccination programs should see a return to normalcy in 2022. With the Group's solid financial position and diversified income streams, the Board will continue to adopt a prudent approach in implementing the Group's stated strategies for the benefit of the Group and all its shareholders.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the year ended 31st December, 2020, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

### **Code Provision C.3.3**

Code provision C.3.3 of the CG Code stipulates that the terms of reference of the Audit Committee ("Audit Committee") should include, as a minimum, those specific duties as set out in the code provisions.

The terms of reference of the Audit Committee adopted by the Company are in compliance with the code provision C.3.3 of the CG Code except that the Audit Committee (i) shall recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have effective risk management and internal control systems; and (iii) can promote (as opposed to ensure under the code provision) the co-ordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The reason for the above deviation is set out in the Corporate Governance Report to be contained in the Company's Annual Report for the financial year ended 31st December, 2020 ("2020 Annual Report"). The Board has reviewed the terms during the year under review and considers that the Audit Committee should continue to operate according to the relevant terms of reference as adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2020 Annual Report which will be sent to the Shareholders by the end of April 2021.

## **AUDIT COMMITTEE REVIEW**

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2020.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2020.

## **PROPOSED ADOPTION OF THE NEW ARTICLES OF ASSOCIATION**

In order to provide flexibility to the Company in relation to the conduct of general meetings, the Board proposes to amend the existing articles of association of the Company (the “Articles”) to allow general meetings to be held as hybrid meetings where Shareholders may attend by means of electronic facilities in addition to as physical meetings where Shareholders attend in person (“Proposed Amendments”). The Proposed Amendments also explicitly set out other related powers of the Board and the chairman of the general meetings, including making arrangements for attendance as well as ensuring the security and orderly conduct of such general meetings. Other amendments to the Articles for house-keeping purposes are also proposed to be in line with the Proposed Amendments. As such, the Board proposes to adopt a new articles of association in substitution for, and to the exclusion of, the existing Articles, which is subject to the approval of Shareholders by way of a special resolution (“Special Resolution”) at the 2021 AGM. The full text of the Special Resolution will be contained in the notice of the 2021 AGM. A circular containing, inter alia, an explanation of the effect of the Proposed Amendments and the full terms of the Proposed Amendments, together with the notice of the 2021 AGM, will be despatched to Shareholders in due course.

## **FORFEITURE OF UNCLAIMED DIVIDENDS**

According to the Articles, all dividends unclaimed for 6 years after having been declared may be forfeited by the Board and shall revert to the Company. The Board wishes to inform the Shareholders that any of the following dividends declared remaining unclaimed on 23rd April, 2021 will be forfeited and revert to the Company.

<b>Financial Year End</b>	<b>Types of Dividends</b>
1998	Interim Dividend
2004	Final Dividend
2005	Interim Dividend and Final Dividend
2006	Interim Dividend and Final Dividend
2007	Interim Dividend and Final Dividend
2008	Interim Dividend and Final Dividend
2009	Interim Dividend and Final Dividend
2010	Interim Dividend and Final Dividend
2011	Interim Dividend and Final Dividend

Shareholders who are entitled to but yet to receive the dividends payments in respect of the aforesaid dividends are advised to contact the share registrar of the Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but no later than 4:30 p.m. on 23rd April, 2021.

## **APPRECIATION**

The Board would like to thank all the staff for their effort and contribution in 2020, and would like to express appreciation to the Shareholders for their continued support.

On behalf of the Board  
**Allied Group Limited**  
**Arthur George Dew**  
*Chairman*

Hong Kong, 24th March, 2021

*As at the date of this announcement, the Board comprises Messrs. Lee Seng Hui (Chief Executive), Edwin Lo King Yau and Mak Pak Hung being the Executive Directors, Mr. Arthur George Dew (Chairman) and Ms. Lee Su Hwei being the Non-Executive Directors; and Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Lisa Yang Lai Sum and Mr. Kelvin Chau Kwok Wing being the Independent Non-Executive Directors.*