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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 ANNUAL RESULTS FOR THE YEAR 2021

The board of directors (“Board”) of Allied Group Limited (“Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31st December, 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31ST DECEMBER, 2021

	Notes	2021 Unaudited HK\$ Million	2020 Audited HK\$ Million
Revenue	(2)		
Interest income		4,318.9	4,115.0
Other revenue		1,654.3	729.6
		<u>5,973.2</u>	<u>4,844.6</u>
Other income		179.4	120.5
Total income		<u>6,152.6</u>	<u>4,965.1</u>
Cost of sales and other direct costs		(1,058.1)	(528.0)
Brokerage and commission expenses		(124.1)	(47.2)
Selling and marketing expenses		(182.7)	(119.9)
Administrative expenses		(1,746.7)	(1,596.7)
Changes in values of properties	(4)	81.2	(218.7)
Net gain on financial assets and liabilities at fair value through profit or loss	(5)	2,498.9	2,697.9
Net exchange (loss) gain		(54.6)	69.0
Net impairment losses on financial assets	(6)	(684.1)	(1,088.8)
Other operating expenses		(190.2)	(150.7)
Loss on derecognition of an associate	(7)	(9,357.7)	–
Gain on bargain purchase of a subsidiary	(8)	13,521.8	–
Finance costs	(9)	(568.7)	(542.5)
Share of results of associates		483.6	618.1
Share of results of joint ventures		(160.1)	(115.1)
Profit before taxation	(10)	<u>8,611.1</u>	<u>3,942.5</u>
Taxation	(11)	(633.8)	(286.2)
Profit for the year		<u>7,977.3</u>	<u>3,656.3</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)
FOR THE YEAR ENDED 31ST DECEMBER, 2021

	<i>Note</i>	2021 Unaudited HK\$ Million	2020 Audited HK\$ Million
Attributable to:			
Owners of the Company		6,688.9	2,037.1
Non-controlling interests		1,288.4	1,619.2
		7,977.3	3,656.3
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share	<i>(12)</i>		
Basic		1.90	0.58
Diluted		1.90	0.58

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

FOR THE YEAR ENDED 31ST DECEMBER, 2021

	2021	2020
	Unaudited	Audited
	HK\$ Million	HK\$ Million
Profit for the year	<u>7,977.3</u>	<u>3,656.3</u>
Other comprehensive income (expenses):		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income	7.0	(4.7)
Gain on revaluation of properties	–	24.8
Deferred tax effect on change in fair value of an equity instrument at fair value through other comprehensive income	0.2	–
Exchange differences arising on translation to presentation currency	273.9	–
Share of other comprehensive income of associates	203.1	541.7
Share of other comprehensive income (expenses) of joint ventures	<u>60.4</u>	<u>(0.8)</u>
	<u>544.6</u>	<u>561.0</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	(11.2)	(0.8)
– Reclassification adjustment for realisation upon disposal/redemption	<u>(2.5)</u>	<u>(0.4)</u>
	<u>(13.7)</u>	<u>(1.2)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (Cont'd)**
FOR THE YEAR ENDED 31ST DECEMBER, 2021

	2021	2020
	Unaudited	Audited
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
<i>(Cont'd)</i>		
Reclassification adjustments to profit or loss on derecognition of an associate	7.6	–
Reclassification adjustments to profit or loss on disposal of an associate	0.2	–
Exchange differences arising on translation of foreign operations	216.6	315.9
Share of other comprehensive (expenses) income of associates	(50.6)	101.1
Share of other comprehensive income of joint ventures	4.4	24.2
	<u>164.5</u>	<u>440.0</u>
Other comprehensive income for the year, net of tax	<u>709.1</u>	<u>1,001.0</u>
Total comprehensive income for the year	<u>8,686.4</u>	<u>4,657.3</u>
Attributable to:		
Owners of the Company	7,114.6	2,708.8
Non-controlling interests	1,571.8	1,948.5
	<u>8,686.4</u>	<u>4,657.3</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2021

	<i>Notes</i>	2021 Unaudited HK\$ Million	2020 Audited HK\$ Million
Non-current assets			
Investment properties		26,468.7	9,789.1
Property, plant and equipment		1,738.6	1,223.7
Right-of-use assets		730.1	292.7
Net investments in finance lease		1.9	1.4
Properties for development		5,934.6	–
Other assets – properties interests		58.9	–
Goodwill		132.9	132.9
Intangible assets		71.4	43.7
Interests in associates		4,298.3	13,820.5
Interests in joint ventures		12,677.2	3,661.8
Financial assets at fair value through other comprehensive income		420.8	209.3
Amounts due from associates		285.9	320.4
Amounts due from joint ventures		2,505.7	–
Loans and advances to consumer finance customers	(14)	3,805.9	3,088.9
Mortgage loans	(15)	2,163.7	1,192.9
Deferred tax assets		687.5	794.9
Financial assets at fair value through profit or loss		12,707.8	9,504.6
Term loans	(16)	676.5	554.5
Trade receivables, prepayments and other receivables	(17)	49.1	17.3
		75,415.5	44,648.6
Current assets			
Other inventories		7.3	0.1
Inventories of properties			
– under development		7,394.9	–
– completed		3,379.1	–
Financial assets at fair value through profit or loss		7,591.0	5,426.7
Receivable from reverse repurchase agreements		169.3	–
Loans and advances to consumer finance customers	(14)	8,243.8	7,474.8
Mortgage loans	(15)	1,297.6	1,820.8
Term loans	(16)	1,837.9	1,756.6
Trade receivables, prepayments and other receivables	(17)	901.2	496.7
Amounts due from brokers		499.9	399.3
Amounts due from associates		121.3	245.8
Amounts due from joint ventures		2,398.0	5.4
Financial assets at fair value through other comprehensive income		32.4	147.0
Tax recoverable		58.7	5.2
Tax reserve certificates		7.1	7.1
Short-term pledged bank deposits and bank balances		50.7	–
Bank deposits		786.0	12.3
Cash and cash equivalents		10,116.2	7,890.3
		44,892.4	25,688.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)
AT 31ST DECEMBER, 2021

	<i>Notes</i>	2021 Unaudited HK\$ Million	2020 Audited HK\$ Million
Current liabilities			
Trade payables, other payables and accruals	(18)	3,028.6	909.7
Contract liabilities		2,966.0	–
Financial liabilities at fair value through profit or loss		433.9	172.8
Amounts due to associates		227.4	5.8
Amounts due to joint ventures		816.0	0.1
Amounts due to non-controlling interests		0.2	–
Tax payable		2,118.1	149.8
Bank and other borrowings due within one year		12,721.6	9,374.8
Notes/paper payable		4,313.3	2,010.0
Lease liabilities		147.2	107.9
Other liabilities		32.2	–
Provisions		43.3	50.5
		<u>26,847.8</u>	<u>12,781.4</u>
Net current assets		<u>18,044.6</u>	<u>12,906.7</u>
Total assets less current liabilities		<u>93,460.1</u>	<u>57,555.3</u>
Capital and reserves			
Share capital	(19)	2,221.7	2,221.7
Reserves	(20)	43,992.9	34,797.7
Equity attributable to owners of the Company		<u>46,214.6</u>	<u>37,019.4</u>
Shares held for employee ownership scheme		(46.7)	(18.8)
Employee share-based compensation reserve		16.5	9.0
Share of net assets of subsidiaries		27,663.5	11,955.8
Non-controlling interests		<u>27,633.3</u>	<u>11,946.0</u>
Total equity		<u>73,847.9</u>	<u>48,965.4</u>
Non-current liabilities			
Bank and other borrowings due after one year		6,445.4	2,514.1
Notes/paper payable		5,553.0	5,741.1
Lease liabilities		322.3	175.2
Other liabilities		19.2	–
Rental deposits from tenants		28.3	–
Deferred tax liabilities		7,242.0	157.0
Provisions		2.0	2.5
		<u>19,612.2</u>	<u>8,589.9</u>
		<u>93,460.1</u>	<u>57,555.3</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 following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs has 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 unaudited consolidated financial information.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures.

As at 1st January, 2021, the Group has several financial assets and financial liabilities, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts.

	London Interbank Offered Rate Unaudited <i>HK\$ Million</i>
Term loans	402.9
Bank and other borrowings	264.8

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for term loans and bank and other borrowings measured at amortised cost.

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

The unaudited financial information relating to the financial year ended 31st December, 2021 and the financial information for the year ended 31st December, 2020 included in this announcement of annual results does not constitute the Company's statutory annual financial statements for those financial years. The financial information for the year ended 31st December, 2020 is derived from the Company's statutory annual financial statements for the year ended 31st December, 2020 ("2020 Statutory Annual 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 2020 Statutory Annual Financial Statements to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditor has reported on 2020 Statutory Annual Financial Statements. The auditor's report on the 2020 Statutory Annual Financial Statements was 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.

The financial statements for the year ended 31st December, 2021 have yet to be reported on by the Company's auditor and the Company will deliver the financial statements for the year ended 31st December, 2021 to the Registrar of Companies in due course.

(2) Revenue

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
Revenue comprises:		
Contracts with customers		
Sales of completed properties	651.4	–
Hotel operations	25.4	20.1
Management services	308.3	252.3
Advisory and service income, commission income and others	152.3	49.1
Elderly care services	108.5	113.6
	1,245.9	435.1
Interest income on loans and advances to consumer finance customers	3,504.6	3,309.6
Interest income received from term loans and others	814.3	805.4
Property rental	326.8	230.0
Dividend income	76.0	59.0
Distribution from perpetual securities	5.6	5.5
	4,727.3	4,409.5
	5,973.2	4,844.6

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

	2021							Total Unaudited HK\$ Million
	Investment and finance Unaudited HK\$ Million	Consumer finance Unaudited HK\$ Million	Property development Unaudited HK\$ Million	Property investment Unaudited HK\$ Million	Property management Unaudited HK\$ Million	Elderly care services Unaudited HK\$ Million	Corporate and other operations Unaudited HK\$ Million	
	Sales of completed properties	-	-	651.4	-	-	-	
Hotel operations	-	-	-	25.4	-	-	-	25.4
Management services	-	-	-	7.0	240.6	-	60.7	308.3
Advisory and service income, commission income and others	115.6	18.4	-	-	-	-	18.3	152.3
Elderly care services	-	-	-	-	-	108.5	-	108.5
Revenue from contracts with customers	<u>115.6</u>	<u>18.4</u>	<u>651.4</u>	<u>32.4</u>	<u>240.6</u>	<u>108.5</u>	<u>79.0</u>	<u>1,245.9</u>
	2020							Total Audited HK\$ Million
	Investment and finance Audited HK\$ Million	Consumer finance Audited HK\$ Million	Property development Audited HK\$ Million	Property investment Audited HK\$ Million	Property management Audited HK\$ Million	Elderly care services Audited HK\$ Million	Corporate and other operations Audited HK\$ Million	
	Hotel operations	-	-	-	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>-</u>	<u>26.9</u>	<u>192.6</u>	<u>113.6</u>	<u>52.9</u>	<u>435.1</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.

During the year, the Group separates “Property development” and “Property investment” from “Property development and investment” and “Property management” and “Elderly care services” from “Property management and elderly care services” respectively to provide a more appropriate presentation of the segment information. Accordingly, the comparative figures were reclassified to conform to the current year’s presentation.

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

	2021							Total Unaudited HK\$ Million
	Investment and finance Unaudited HK\$ Million	Consumer finance Unaudited HK\$ Million	Property development Unaudited HK\$ Million	Property investment Unaudited HK\$ Million	Property management Unaudited HK\$ Million	Elderly care services Unaudited HK\$ Million	Corporate and other operations Unaudited HK\$ Million	
Segment revenue	1,043.9	3,526.2	651.4	352.4	241.8	108.5	160.6	6,084.8
Less: inter-segment revenue	(6.9)	-	-	(24.1)	(0.6)	-	(80.0)	(111.6)
Segment revenue from external customers	<u>1,037.0</u>	<u>3,526.2</u>	<u>651.4</u>	<u>328.3</u>	<u>241.2</u>	<u>108.5</u>	<u>80.6</u>	<u>5,973.2</u>
Segment results	2,758.5	1,665.4	27.3	252.7	22.2	0.5	(30.2)	4,696.4
Impairment loss on interest in an associate								(4.2)
Loss on derecognition of an associate								(9,357.7)
Gain on bargain purchase of a subsidiary								13,521.8
Finance costs								(568.7)
Share of results of associates	-	-	1.7	(3.3)	-	-	-	(1.6)
Share of results of associates (unallocated)								485.2
Share of results of joint ventures	(61.8)	-	(89.0)	(34.2)	2.5	-	22.4	(160.1)
Profit before taxation								8,611.1
Taxation								(633.8)
Profit for the year								<u>7,977.3</u>
	2020							
	Investment and finance Audited HK\$ Million	Consumer finance Audited HK\$ Million	Property development Audited HK\$ Million	Property investment Audited HK\$ Million	Property management Audited HK\$ Million	Elderly care services Audited HK\$ Million	Corporate and other operations Audited HK\$ Million	Total Audited HK\$ Million
Segment revenue	923.8	3,331.0	-	247.1	196.0	113.9	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>-</u>	<u>228.8</u>	<u>193.2</u>	<u>113.9</u>	<u>58.0</u>	<u>4,844.6</u>
Segment results	2,669.0	1,238.5	-	58.0	22.8	23.5	(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>

The geographical information of revenue is disclosed as follows:

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
Revenue from external customers by location of operations		
Hong Kong	4,212.2	4,084.6
The People's Republic of China ("PRC")	1,741.7	753.0
United Kingdom	17.8	7.0
Australia	1.5	–
	<u>5,973.2</u>	<u>4,844.6</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

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
Changes in values of properties comprise:		
Net increase (decrease) in fair value of investment properties	75.8	(219.6)
Impairment loss reversed for hotel property	6.8	0.9
Impairment loss recognised for leasehold land and buildings	(7.8)	–
Fair value gain on transfer of inventories of completed properties to investment properties	6.4	–
	<u>81.2</u>	<u>(218.7)</u>

The reversal and recognition of impairment loss was based on the lower of cost and value in use for hotel property and leasehold land and buildings. The value in use was determined based on independent professional valuations at 31st December, 2021.

(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"):

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
Net realised and unrealised gain (loss) on financial assets and liabilities		
Held for trading	608.6	(22.7)
Financial assets at FVTPL	1,890.3	2,720.6
	<u>2,498.9</u>	<u>2,697.9</u>

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

	2021 Unaudited HK\$ Million	2020 Audited <i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Net impairment losses	751.0	991.1
Recoveries of amounts previously written off	(243.5)	(221.7)
	507.5	769.4
Mortgage loans		
Net impairment losses	10.0	25.7
Term loans		
Net impairment losses	125.4	334.4
Amounts due from associates		
Net impairment losses	10.8	2.1
Trade and other receivables		
Net recognition (reversal) of impairment losses	15.4	(42.4)
Recoveries of amounts previously written off	–	(0.3)
	15.4	(42.7)
Financial assets at fair value through other comprehensive income		
Net recognition (reversal) of impairment losses	15.0	(0.1)
	684.1	1,088.8

(7) **Loss on derecognition of an associate**

Tian An China Investments Company Limited (“TACI”) made a series of repurchase of an aggregate of 34,530,000 shares between 13th July, 2021 and 19th October, 2021 (“Share Repurchase”). Upon the cancellation of the repurchased shares by TACI, the deemed shareholding interest in TACI held by the Group increased from approximately 48.86% immediately before the Share Repurchase to approximately 50.01% on 22nd October, 2021 (“Acquisition Date”). Accordingly, TACI was no longer an associate of the Company and instead, became an indirect non wholly-owned subsidiary of the Company.

Immediately before the Acquisition Date, the fair value of the shares in TACI held by the Group was HK\$3,336.4 million and the carrying value of interest in TACI held by the Group as an associate was HK\$12,686.5 million. Accordingly, a loss of HK\$9,357.7 million was recognised for the derecognition of TACI as an associate of the Company, which included release of translation reserve and capital and other reserves of net amount of HK\$7.6 million.

(8) **Gain on bargain purchase of a subsidiary**

As set out in note 7, due to the Share Repurchase, TACI was no longer an associate of the Company and instead, became an indirect non wholly-owned subsidiary of the Company on the Acquisition Date.

TACI is a listed company in Hong Kong and its principal business activity is investment holding. TACI and its subsidiaries are engaged principally in the development of apartments, villas, office buildings and commercial properties, property investment and property management on the mainland in the PRC, as well as property investment and property management in Hong Kong.

The deemed acquisition of TACI as an indirect non wholly-owned subsidiary of the Company (“Deemed Acquisition”) has been accounted for as acquisition of business, using acquisition accounting. After re-assessment by the management of the Group, the fair value of net identifiable assets exceeded the purchase consideration, resulting in a gain on bargain purchase. The amount of gain on bargain purchase arising as a result of the acquisition of TACI is HK\$13,521.8 million.

The net assets acquired for the Deemed Acquisition are as follows:

	<i>HK\$ Million</i>
Net assets acquired:	
Investment properties	16,460.4
Property, plant and equipment	385.9
Properties for development	5,897.9
Deposits for acquisition of properties for development	192.8
Other assets – properties interests	58.3
Right-of-use assets	254.6
Intangible assets	4.3
Interests in associates	2,876.1
Interests in joint ventures	9,711.4
Financial assets at fair value through other comprehensive income	243.7
Amounts due from joint ventures	3,871.6
Deferred tax assets	95.6
Financial assets at fair value through profit or loss	666.2
Term loans	1,062.7
Trade receivables, prepayments and other receivables	934.7
Other inventories	5.5
Inventories of properties under development	6,767.9
Inventories of properties completed	3,902.4
Amounts due from brokers	27.5
Tax recoverable	47.6
Short-term pledged bank deposits and bank balances	0.7
Bank deposits	729.2
Cash and cash equivalents	3,758.4
Trade payables, other payables and accruals	(2,065.9)
Amount due to a holding company	(23.3)
Amount due to a fellow subsidiary	(102.0)
Contract liabilities	(3,255.8)
Amounts due to associates	(274.6)
Amounts due to joint ventures	(1,775.4)
Amounts due to non-controlling interests	(0.2)
Tax payable	(1,807.9)
Bank and other borrowings	(6,500.1)
Deferred rental income from a tenant	(1.4)
Rental deposits from tenants	(27.4)
Deferred tax liabilities	(7,066.2)
	<u>35,055.2</u>

HK\$ Million

Gain on bargain purchase arising from Deemed Acquisition of a subsidiary:	
Net assets acquired	35,055.2
Less: Fair value of previously held interests in an associate	(3,336.4)
Less: Non-controlling interests	<u>(18,197.0)</u>

Gain on bargain purchase of a subsidiary	<u>13,521.8</u>
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Net cash inflow arising from acquisition:	
Cash and cash equivalents acquired	<u>3,758.4</u>

(9) Finance costs

	2021	2020
	Unaudited	Audited
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Total finance costs included in:		
Cost of sales and other direct costs	205.5	271.5
Finance costs	568.7	542.5
	<u>774.2</u>	<u>814.0</u>

(10) Profit before taxation

	2021	2020
	Unaudited	Audited
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets – computer software	3.2	1.9
Amortisation of properties for development (<i>Note</i>)	2.9	–
Cost of inventories recognised as expenses	256.6	–
Depreciation of other assets – properties interests	0.1	–
Depreciation of property, plant and equipment	73.1	75.4
Less: amount capitalised in properties under development	(0.2)	–
	<u>72.9</u>	<u>75.4</u>
Depreciation of right-of-use assets	150.9	141.7
Impairment loss on interests in associates (included in other operating expenses)	4.2	3.2*
Loss on deemed disposal of associates (included in other operating expenses)	2.0	–
Net loss on disposal/write-off of property, plant and equipment	0.9	0.6
Realised loss on disposal/redemption of financial assets at fair value through other comprehensive income (included in other operating expenses)	28.5	–

	2021 Unaudited HK\$ Million	2020 Audited HK\$ Million
and after crediting:		
Dividend income from listed equity securities	58.5	50.4
Dividend income from unlisted equity securities	17.5	8.6
Gain on disposal of an associate (included in other income)	13.0	–
Gain on disposal of investments (included in other income)	61.4	1.2
Government grants on Employment Support Scheme (included in other income)**	–	64.0
Other government grants in the PRC (included in other income)**	–	20.9
Realised gain on disposal/redemption of financial assets at fair value through other comprehensive income (included in other income)	–	1.8
	<u>–</u>	<u>1.8</u>

Note:

Amortisation of properties for development is recognised in profit or loss on a straight-line basis over the term of the relevant land leases.

- * 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. In 2020, this put right recorded a valuation gain of HK\$70.3 million classified under net gain on financial assets and liabilities at FVTPL and an impairment loss on interest in SHKFGL of HK\$3.2 million was recognised.

On 17th November, 2020, SHK exercised the put option on SHKFGL at the consideration of HK\$1,257.1 million in cash and HK\$1,156.0 million in 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 HK\$ Million
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	<u>(1,457.3)</u>
Gain on disposal	<u>–</u>
Net cash inflow arising on disposal:	
Cash consideration	<u>1,257.1</u>

On 1st June, 2021, SHKFGL preference shares were fully redeemed and a gain of HK\$62.9 million was recognised under net gain on financial assets and liabilities at FVTPL.

- ** In 2020, the Group recognised government grants of HK\$84.9 million in respect of COVID-19 related subsidies, of which HK\$64.0 million relates to Employment Support Scheme provided by the Hong Kong government and HK\$20.9 million mainly relates to social security contributions subsidised by the PRC government. There were no unfulfilled conditions and other contingencies attached to these grants.

(11) Taxation

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
The income tax charged comprises:		
Current tax		
Hong Kong	244.2	242.9
PRC	96.1	13.1
Land Appreciation Tax	113.7	–
	<hr/>	<hr/>
	454.0	256.0
Under provision in prior years	14.6	2.8
	<hr/>	<hr/>
	468.6	258.8
Deferred tax		
Current year	165.2	27.4
	<hr/>	<hr/>
	633.8	286.2
	<hr/>	<hr/>

Hong Kong profits tax is calculated at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year. The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries. 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.

(12) Earnings per share

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

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	6,688.9	2,037.1
Adjustments to profit in respect of adjustments under the employee ownership scheme of a subsidiary	(3.4)	(1.5)
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share	6,685.5	2,035.6
	<hr/>	<hr/>

Million shares *Million shares*

Number of shares

Weighted average number of shares in issue for the purpose of basic and diluted earnings per share

3,515.1

3,515.1

The effect of the share subdivision was effective on 7th September, 2020. Details of the share subdivision are set out in note 19.

(13) Dividend

	2021	2020
	Unaudited	Audited
	HK\$ Million	HK\$ Million
Dividend paid and declared		
Interim dividend paid of HK0.75 cents (2020: HK0.75 cents*) per share	26.4	26.4
Second interim dividend (in lieu of a final dividend) of HK12.5 cents per share declared subsequent to the end of the reporting period (2020: second interim dividend (in lieu of a final dividend) of HK11.75 cents per share)	439.4	413.0
	465.8	439.4
Dividend recognised as distribution during the year		
2020 second interim dividend (in lieu of a final dividend) of HK11.75 cents (2020: 2019 second interim dividend (in lieu of a final dividend) of HK11.75 cents*) per share	413.0	413.0
2021 interim dividend of HK0.75 cents (2020: HK0.75 cents*) per share	26.4	26.4
	439.4	439.4

Subsequent to the end of the reporting period, the second interim dividend (in lieu of a final dividend) of HK12.5 cents (2020: HK11.75 cents) per share in respect of the financial year ended 31st December, 2021 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 19.

(14) Loans and advances to consumer finance customers

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Hong Kong	8,767.3	8,318.0
PRC	3,913.2	3,000.0
	12,680.5	11,318.0
Less: impairment allowance	(630.8)	(754.3)
	12,049.7	10,563.7
Analysed for reporting purposes as:		
Non-current assets	3,805.9	3,088.9
Current assets	8,243.8	7,474.8
	12,049.7	10,563.7

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

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
Less than 31 days past due	828.4	491.4
31 to 60 days	102.6	36.0
61 to 90 days	28.5	23.6
91 to 180 days	1.6	10.2
Over 180 days	70.6	293.9
	1,031.7	855.1

(15) Mortgage loans

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
Mortgage loans		
Hong Kong	3,514.4	3,061.1
Less: impairment allowance	(53.1)	(47.4)
	3,461.3	3,013.7
Analysed for reporting purposes as:		
Non-current assets	2,163.7	1,192.9
Current assets	1,297.6	1,820.8
	3,461.3	3,013.7

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

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
Less than 31 days past due	238.0	66.7
31 to 60 days	21.3	26.6
61 to 90 days	4.8	11.5
91 to 180 days	2.9	160.4
Over 180 days	321.5	459.0
	588.5	724.2

(16) Term loans

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
Secured term loans	2,961.2	2,764.0
Unsecured term loans	924.0	246.0
	3,885.2	3,010.0
Less: impairment allowance	(1,370.8)	(698.9)
	2,514.4	2,311.1
Analysed for reporting purposes as:		
Non-current assets	676.5	554.5
Current assets	1,837.9	1,756.6
	2,514.4	2,311.1

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 loans 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 loans financing business.

(17) 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:

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
Less than 31 days	396.2	277.0
31 to 60 days	17.5	15.0
61 to 90 days	12.5	6.1
91 to 180 days	4.6	4.3
Over 180 days	94.2	3.6
	<hr/>	<hr/>
	525.0	306.0
Trade and other receivables without aging	374.0	170.3
Less: impairment allowances	(101.6)	(6.4)
	<hr/>	<hr/>
Trade and other receivables at amortised cost	797.4	469.9
Prepayments	152.9	44.1
	<hr/>	<hr/>
	950.3	514.0
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Non-current assets	49.1	17.3
Current assets	901.2	496.7
	<hr/>	<hr/>
	950.3	514.0
	<hr/>	<hr/>

(18) 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:

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
Less than 31 days/repayable on demand	1,157.1	230.2
31 to 60 days	48.1	4.2
61 to 90 days	7.4	2.0
91 to 180 days	173.0	–
Over 180 days	425.3	0.8
	<hr/>	<hr/>
	1,810.9	237.2
Accrued staff costs, other accrued expenses and other payables without aging	1,217.7	672.5
	<hr/>	<hr/>
	3,028.6	909.7
	<hr/>	<hr/>

(19) Share capital

	Number of shares	Amount <i>HK\$ Million</i>
Issued and fully paid:		
At 1st January, 2020	175,754,118	2,221.7
Subdivision of shares	<u>3,339,328,242</u>	<u>–</u>
At 31st December, 2020, 1st January, 2021 and 31st December, 2021	<u>3,515,082,360</u>	<u>2,221.7</u>

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.

(20) Reserves

	2021 Unaudited <i>HK\$ Million</i>	2020 Audited <i>HK\$ Million</i>
Property revaluation reserve	256.6	260.6
Investment revaluation reserve	(105.1)	(180.9)
Translation reserve	237.5	275.7
Non-distributable reserve	55.2	55.2
Capital and other reserves	(417.3)	17.7
Accumulated profits	43,526.6	33,956.4
Dividend reserve	<u>439.4</u>	<u>413.0</u>
	<u>43,992.9</u>	<u>34,797.7</u>

(21) Comparative figures

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

DIVIDEND

The Board has declared a second interim dividend of HK12.5 cents per share (in lieu of a final dividend) for the year ended 31st December, 2021 (2020 second interim dividend (in lieu of a final dividend): HK11.75 cents per share) payable on or around Monday, 23rd May, 2022 to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Wednesday, 11th May, 2022, making a total dividend for the year 2021 of HK13.25 cents per share (2020: HK12.5 cents per share).

CLOSURE OF REGISTER OF MEMBERS

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

- Latest time to lodge transfer documents for registration with the Company’s share registrar At 4:30 p.m.
on Thursday, 5th May, 2022
- Closure of the register of members of the Company Friday, 6th May, 2022
to Wednesday, 11th May, 2022
(both days inclusive)

(2) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company scheduled to be held on 1st June, 2022 (“2022 AGM”)

- Latest time to lodge transfer documents for registration with the Company’s share registrar At 4:30 p.m.
on Thursday, 26th May, 2022
- Closure of the register of members of the Company Friday, 27th May, 2022
to Wednesday, 1st June, 2022
(both days inclusive)

During the above closure periods, 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) and be eligible to attend and vote at the 2022 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 the aforementioned latest time.

FINANCIAL HIGHLIGHTS

	2021	2020
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue	5,973.2	4,844.6
Profit for the year attributable to owners of the Company	6,688.9	2,037.1
Equity attributable to owners of the Company	46,214.6	37,019.4
Return on equity attributable to owners of the Company	14.5%	5.5%
Earnings per share		
– Basic	HK\$1.90	HK\$0.58
– Diluted	HK\$1.90	HK\$0.58
	At	At
	31st December,	31st December,
	2021	2020
Net asset value per share attributable to owners of the Company	HK\$13.15	HK\$10.53
Gearing ratio	39.1%	31.7%

FINANCIAL REVIEW

Financial Results

The revenue of the Group for the year was HK\$5,973.2 million (2020: HK\$4,844.6 million). The increase is mainly due to higher interest income arising from the loan business as well as inclusion of the revenue of Tian An China Investments Company Limited (“TACI”) since it became an indirect non wholly-owned subsidiary of the Company in October 2021.

The profit attributable to the owners of the Company for the year was HK\$6,688.9 million (2020: HK\$2,037.1 million), an increase of HK\$4,651.8 million or 228.4%.

The increase in profit attributable to the owners of the Company was primarily due to:

- a share repurchase by TACI over the financial year which resulted in TACI becoming an indirect non wholly-owned subsidiary of the Company. This led to a non-recurring gain of HK\$4,164.1 million which is arrived at by netting off (i) a loss of HK\$9,357.7 million suffered from the derecognition of TACI as an associate and (ii) as the buyback is considered a deemed acquisition, a bargain purchase gain of HK\$13,521.8 million was also recognised;
- an increase in profit contribution from TACI; and
- an increase in profit contribution from Sun Hung Kai & Co. Limited (“SHK”).

Earnings per share

Basic earnings per share amounted to HK\$1.90 (2020: HK\$0.58).

Major Corporate Events

Acquisition of additional shares in SHK

On 19th March, 2021, AP Emerald Limited (an indirect wholly-owned subsidiary of the Company) entered into a share purchase agreement with the seller (“Seller”) to acquire approximately 9.91% of total number of issued shares in SHK at the consideration of HK\$589.8 million (representing a price of HK\$3 per share of SHK) which purchase was settled on 24th March, 2021 in the form of (i) notes consideration of US\$51.8 million (equivalent to HK\$401.8 million) by transferring to the Seller certain notes issued by SHK group held by certain indirect wholly-owned subsidiaries of the Company and (ii) cash consideration of HK\$188.0 million. Upon completion, the Company’s beneficial interest in SHK increased from 62.83% to 72.74%. The acquisition of additional shares in SHK enhanced the net asset value per share of the Company as the consideration per share of SHK acquired represented a discount to the net asset value per share of SHK. A gain of approximately HK\$1,714.6 million arising from the acquisition was recognised directly in equity.

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

The privatisation (“Privatisation”) of SHK IND became effective on 22nd April, 2021 and the listing of shares of SHK IND on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) was withdrawn on 23rd April, 2021. The Privatisation enhanced the net asset value per share of the Company as the scheme consideration of the Privatisation of HK\$0.21 per share of SHK IND, represented a discount to the net asset value per share of SHK IND. A gain of approximately HK\$117.9 million arising from the Privatisation was recognised directly in equity.

Disposal of a listed associate, Dragon Mining Limited (“Dragon Mining”)

On 13th August, 2021, the Company completed the disposal of its 25.83% interest in a listed associate, Dragon Mining. The transaction was carried out through the sale of Allied Properties Resources Limited (an indirect wholly-owned subsidiary of the Company), and the assignment of a shareholder’s loan to the purchaser, Genuine Legend Limited (a direct wholly-owned subsidiary of APAC Resources Limited (“APAC”), an associate of the Company), for a total consideration of HK\$102.6 million. A net realised profit on disposal of approximately HK\$13.0 million was recognised in the consolidated statement of profit or loss by the Group.

Deemed acquisition of TACI as an indirect non wholly-owned subsidiary

TACI made a series of repurchase of an aggregate of 34,530,000 shares between 13th July, 2021 and 19th October, 2021 (“Share Repurchase”). Upon the cancellation of the repurchased shares by TACI, the deemed shareholding interest in TACI held by the Group increased from approximately 48.86% immediately before the Share Repurchase to approximately 50.01% on 22nd October, 2021. Accordingly, TACI became an indirect non wholly-owned subsidiary of the Company. This led to a non-recurring gain of HK\$4,164.1 million which is arrived at by netting off (i) a loss of HK\$9,357.7 million suffered from the derecognition of TACI as an associate and (ii) as the buyback is considered a deemed acquisition, a bargain purchase gain of HK\$13,521.8 million was also recognised.

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 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 4.65% 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\$444.1 million or equivalent to HK\$3,462.6 million (2020: US\$442.3 million or equivalent to HK\$3,428.7 million) at the end of reporting period.

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\$340.0 million or equivalent to HK\$2,651.0 million (2020: US\$301.0 million or equivalent to HK\$2,333.3 million) at the end of reporting period.

The 5.00% US dollar denominated notes ("5.00% Notes") are listed on the Stock Exchange. The nominal value of the 5.00% Notes was US\$375.0 million or equivalent to HK\$2,923.9 million at the end of reporting period.

On 31st May, 2021, US\$361.6 million 4.75% US dollar denominated notes ("4.75% Notes"), of which US\$249.8 million were outstanding, were redeemed in full upon its maturity at its principal amount together with accrued and unpaid interest, and the 4.75% Notes were delisted from the Stock Exchange.

Subsequent to the year end, SHK completed issuance of additional US\$75.0 million or equivalent to HK\$584.8 million of the 5.00% Notes. The transaction was completed in March 2022.

At the end of the reporting period, the equity attributable to owners of the Company amounted to HK\$46,214.6 million, representing an increase of HK\$9,195.2 million or approximately 24.8% from 2020. The Group maintained a strong cash and bank balance position and had cash and bank balances of approximately HK\$10,952.9 million as at 31st December, 2021 (2020: HK\$7,902.6 million). The Group's bank and other borrowings and notes/paper payable totalling HK\$29,033.3 million (2020: HK\$19,640.0 million) of which the portion due on demand or within one year was HK\$17,034.9 million (2020: HK\$11,384.8 million) and the remaining long-term portion was HK\$11,998.4 million (2020: HK\$8,255.2 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 1.67 times (2020: 2.01 times). The Group's gearing ratio (net bank and other borrowings and notes/paper payable/equity attributable to the owners of the Company) was 39.1% (2020: 31.7%).

	2021	2020
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Bank loans are repayable as follows:		
On demand or within one year	7,218.5	4,121.3
More than one year but not exceeding two years	1,877.7	1,770.2
More than two years but not exceeding five years	3,120.2	679.2
More than five years	1,385.4	–
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	4,251.0	5,003.5
More than one year but not exceeding two years	171.8	–
More than two years but not exceeding five years	435.0	–
	18,459.6	11,574.2
Other borrowings are repayable as follows:		
On demand or within one year	645.3	250.0
Over five years	62.1	64.7
	707.4	314.7
US dollar denominated notes are repayable as follows:		
Within one year	3,582.4	2,010.0
More than one year but not exceeding five years	5,553.0	5,741.1
HK dollar denominated notes/paper are repayable within one year	730.9	–
	9,866.3	7,751.1
	29,033.3	19,640.0

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\$19,167.0 million (2020: HK\$11,888.9 million) in bank and other borrowings, which were denominated in HK dollars, British pounds, Renminbi and US dollars. The Group had HK\$10,952.9 million (2020: HK\$7,902.6 million) in bank deposits, bank balances and cash, which were mainly denominated in HK dollars, Australian dollars, British pounds, Euro, 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

On 9th November, 2021, Shanghai Tianan Prosperity Real Estate Co., Ltd.* (上海天安盛世房地產有限公司) ("TA Prosperity", an indirect non wholly-owned subsidiary of TACI) entered into a cooperation development agreement with certain companies established in Mainland China in relation to the formation of a joint venture for the development of a land in Mainland China. The total contribution by TA Prosperity for the 60% equity interests in the joint venture company is RMB478.9 million (equivalent to approximately HK\$577.0 million). Further details of the transaction is set out in the announcement dated 11th November, 2021 issued by the Company.

On 16th December, 2021, TA Prosperity entered into a cooperation framework agreement ("Cooperation Framework Agreement") with certain companies established in Mainland China in relation to the acquisition of the entire partnership interests in a limited partnership ("Acquisition") involving a 51% interests in a project company for the development of a land in Mainland China. The consideration of the Acquisition is RMB190.0 million (equivalent to approximately HK\$231.7 million). In addition, (i) TA Prosperity agreed to provide reimbursement of RMB18.0 million (equivalent to approximately HK\$22.0 million); (ii) TA Prosperity and/or any of TACI's subsidiaries (as the case may be) agreed to provide guarantees up to an aggregate amount of RMB687.3 million (equivalent to approximately HK\$838.1 million); and (iii) TA Prosperity agreed to grant a loan of RMB352.5 million (equivalent to approximately HK\$429.9 million) according to the Cooperation Framework Agreement. Further details of the transaction is set out in the joint announcement dated 16th December, 2021 issued by the Company and TACI.

The details of (i) acquisition of additional shares in SHK, (ii) Privatisation of SHK IND, (iii) disposal of a listed associate, Dragon Mining and (iv) deemed acquisition of TACI as an indirect non wholly-owned subsidiary are set out in the section headed "Major Corporate Events" of the Financial Review of this announcement.

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.

* being English translation of the Chinese name of the relevant entity for identification and reference only.

Segment Information

Detailed segmental information in respect of the revenue and profit or loss is shown in note 3 to the unaudited 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, loans and advances and bank and other borrowings denominated in foreign currencies, mainly in Australian dollars, British pounds, Euro, 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 is subject to ratios that are monitored and reported weekly. 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.

Contingent Liabilities

Two pieces of properties for development that are held by joint ventures of the Group with carrying value of approximately HK\$423.7 million are under idle land investigation by the local authorities. These pieces of lands owned by the joint ventures were held under several land use right certificates. The development of more than half of the pieces of lands were either completed or under development, except for the portions which are retained for the remaining development of the whole project. Further, property for development that is held by another joint venture of the Group with carrying value of approximately HK\$300.8 million had been identified as idle land by the local authority. The construction works for Phase 1 and Phase 2 Part 1 of the development have been completed. The construction works for Phase 2 Part 2 and Phase 3 Part 1 of the development have started last year. The Group is currently working diligently to prevent the possible classification as idle land for those under idle land investigation and taking remedy action to prevent from prosecution for those had been identified as idle land, including negotiating the feasibility of development plans with local authorities. Based on legal advices, the Group has assessed the issue and considers that the idle land confiscation can be reversed. In the opinion of the management of the Group, the economic outflows caused by above cases are not probable.

As at 31st December, 2021, guarantees given to banks and lenders in respect of mortgage loans granted to property purchasers and loan facilities granted to or utilised by the joint ventures and a financial asset at fair value through profit or loss as well as guarantees granted in respect of utility supplies and government authorities for the property development works amounted to approximately HK\$4,636.6 million (2020: financial guarantees to an independent third party of HK\$387.6 million). All the guarantees provided by the Group were requested by banks, government authorities or lenders and under normal commercial terms. A legal action was taken against a joint venture of the Group resulting in possible contingent liabilities of approximately HK\$262.1 million. The Group has assessed the claim and obtained legal advice, and considers that the outcomes of the claim will not have material effect on the consolidated financial statements.

Pledge of Assets

At 31st December, 2021, the following assets were pledged:

- (a) Certain of the Group's investment properties, property, plant and equipment and development properties with an aggregate carrying value of HK\$30,238.4 million (2020: HK\$9,222.8 million), bank deposits and bank balances of HK\$50.0 million (2020: nil) together with certain securities in respect of a listed subsidiary with investment cost of HK\$266.4 million (2020: HK\$263.5 million) were pledged to secure loans and general banking facilities to the extent of HK\$10,839.6 million (2020: HK\$4,560.4 million) granted to the Group. Facilities amounting to HK\$9,611.1 million (2020: HK\$3,252.0 million) were utilised at the end of the reporting period.
- (b) HK\$977.0 million (2020: nil) of mortgage loan receivables were pledged for a securitisation financing transaction.
- (c) Bank deposits of HK\$0.7 million (2020: nil) were pledged for mortgage loans granted to property purchasers and guarantees in respect of utility supplies and government authorities for the development works.

Important Events After the End of the Financial Period

There are no important events affecting the Group which have occurred after the end of the financial year ended 31st December, 2021 and up to the date of this announcement.

OPERATIONAL REVIEW

Financial Services

Investment and Finance

- The profit attributable to owners of SHK was HK\$2,813.7 million (2020: HK\$2,547.7 million).
- SHK's investment management division reported a pre-tax profit of HK\$1,934.4 million (2020: HK\$2,126.4 million). SHK recorded a realised gain on financial assets and interest income but had a loss on mark-to-market valuations of its portfolio amidst the regulatory tightening, volatile markets and US-China tensions.
- SHK's private credit (formerly specialty finance) business, which provides tailored funding solutions to corporates, investment funds and high net worth individuals, reported a pre-tax profit of HK\$5.1 million (2020: pre-tax loss of HK\$132.3 million). The improvement in pre-tax contribution was primarily due to the decrease in impairment loss as a result of settlements or enhanced collaterals of the loans.
- Sun Hung Kai Credit Limited contributed a pre-tax profit of HK\$120.0 million (2020: HK\$112.7 million). Its gross loan balance was HK\$3.5 billion at the end of 2021 (at 31st December, 2020: HK\$3.1 billion).

Consumer Finance

- Profit attributable to owners of United Asia Finance Limited ("UAF") for the year amounted to HK\$1,272.6 million (2020: HK\$1,002.1 million).
- UAF's unsecured loan business in Mainland China faced a difficult operating environment in the second half of the year due to tightened interest rate control and a slowdown in economic growth. More physical branches were closed to reduce the costs and business was moved to online platforms. UAF's secured loan business in Mainland China grew at a satisfactory pace.
- As a result of the improvement in the economy in 2021, UAF's business and profitability in Hong Kong benefited as loan origination demand increased and credit impairment reduced.
- At the end of the reporting period, the consolidated consumer finance gross loan balance amounted to HK\$12.7 billion (at 31st December, 2020: HK\$11.3 billion).
- There were 19 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 was maintained at a steady level when compared to 2020.
- There was a net increase in the value of the property portfolio of the Group for the year while there was a net decrease in value in 2020.
- The hotel division reported a loss for the year as the performance of the division was still hindered by the continued impact of COVID-19 pandemic.
- Allied Kajima Limited, 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 new hotel redevelopment, named as "AKI Hong Kong MGallery", reported a lower loss for the year as compared with the loss incurred in 2020. The decrease in loss for the current year was mainly due to the lower fair value provision for its property portfolio and the lower operating loss reported from its hotel operations. The occupation permit and the hotel licence of AKI Hong Kong MGallery has been obtained.

Mainland PRC

- The profit attributable to the owners of TACI was HK\$1,430.3 million (2020: HK\$618.0 million).
- The increase in profit of TACI was primarily a combination of (i) the profit contribution from the revenue recognition of a residential project in southern China with properties completed and handed over to customers during the year and (ii) an increase in the fair value gain on transfer of inventories of completed properties to investment properties, which was mainly attributable to the completion of Phase 1 of the "Tian An 1000 Trees" project, a landmark commercial and entertainment complex in Shanghai.
- TACI's total rental income increased by 9% as compared with 2020.
- TACI has a total of 20 Tian An Cyberparks developed or under development in over 13 cities. TACI concentrates on developing new cyberparks and urban renewal projects in regions where TACI has ample manpower and marketing resources.
- The entire Phase 2 of TACI's urban renewal project, Tian An Cloud Park, in Bantian residential district, Longgang Shenzhen comprising a gross floor area ("GFA") of approximately 599,400 m² is now completed and ready for sale or lease. In addition, Guangming Tian An Cloud Park in Guangming District of Shenzhen with a GFA of approximately 382,800 m² and Deqing Tian An Cloud Park in Deqing, Zhejiang with a GFA of approximately 459,800 m² is under development.

- The pre-sales of residential projects in Jiangsu and Zhejiang Provinces acquired last year by TACI have been successful. In addition, TACI has acquired new residential projects in Jiangsu and Liaoning Provinces as well as in Shanghai during 2021. TACI expects that these projects will contribute a good return in the coming years.
- During the year ended 31st December, 2021, TACI group carried out a reorganisation, resulting in Asiasec Properties Limited (“Asiasec”) incurring a loss on disposal of a subsidiary of approximately HK\$1,468.0 million. For the year ended 31st December, 2021, Asiasec reported a loss of approximately HK\$1,563.1 million (2020: HK\$56.7 million) attributable to its shareholders, and, if excluding the loss on disposal of a subsidiary, Asiasec would have reported a loss of approximately HK\$95.1 million (2020: HK\$56.7 million) attributable to its shareholders. It is important to note that with the reorganisation of Asiasec, a special dividend of HK\$0.95 per Asiasec share amounting to HK\$1,178.6 million was returned to shareholders of Asiasec.

Services

- Allied Services Hong Kong Limited which engages in the businesses of property management and elderly care services reported a profit of HK\$9.4 million for the year (2020: HK\$45.0 million).

Investment

Resource Investments

- At the end of 2021, the Group held a 41.14% interest in APAC. Share of results of APAC for 2021 amounted to a loss of HK\$39.1 million (2020: profit of HK\$270.4 million).

Employees

The total number of headcount of the Group as at 31st December, 2021 was 4,168 (2020: 3,415). The increase in headcount is mainly a result of newly added TACI and its subsidiaries, which have become the Group’s subsidiaries since October 2021. Total staff cost, including Directors’ emoluments, amounted to HK\$1,298.7 million (2020: HK\$1,177.9 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

COVID-19 continued to spread around the world during 2021. In addition to carrying on preventative protocols, vaccination incentives are also provided to help the Company resume more normal business and social activities.

The protocols 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:

- measures to maximise 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 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
- maintain inventory of face masks, hand sanitiser and hygiene supplies and 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

SHK remains confident about the future performance of its portfolios as the underlying investments have strong and resilient businesses. SHK will continue to remain prudent in capital deployment and managing risk.

With the outbreak of the Omicron variant and the continuing US-China tensions, UAF's business in Hong Kong and Mainland China in 2022 will be pressured. UAF will strive to leverage its management and market expertise to overcome these challenges and deliver satisfactory results.

The local property market still suffers from the COVID-19 pandemic. In particular, the outbreak of the Omicron variant will add downward pressure on the local property market. However, the Group is cautiously optimistic of the underlying strength of the local property market which is underpinned by the prospect of an improvement in economic activities when the borders re-open. The Group will continue to focus on boosting the occupancy and leasing potential of its property portfolio.

The China government always emphasises that houses are for living in, not for speculation. Many provinces and cities of Mainland China have introduced a series of measures to limit property speculation such as setting guidance prices on homes sales and cracking down on business loans that have been misused to buy homes. These policies have affected housing prices. Furthermore, many China property developers are encountering funding problems with many resorting to selling assets to alleviate short term cashflow. In January 2022, China's central bank cut the one-year loan prime rate ("LPR") by 10 basis points from 3.8% to 3.7% and five-year LPR by 5 basis points from 4.65% to 4.6%, helping to reduce the financial burdens of the property sector. In addition, the China government has introduced a new policy to allow all couples to have three children. This will help to increase the population of China in the long run. TACI remains confident of the long term prospects of the property market in Mainland China and Hong Kong.

There is no doubt that 2022 will remain challenging. 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, 2021, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code ("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 deviation which is summarised below:

Code Provision C.3.3 (which has been re-numbered as Code Provision D.3.3 since 1st January, 2022)

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, 2021 ("2021 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 2021 Annual Report which will be sent to the Shareholders by the end of April 2022.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process of the annual results for the year ended 31st December, 2021 has not been fully completed as at the date of this announcement due to delay in the audit procedures resulting from the recent COVID-19 surge which has prevented the Company's auditor from obtaining some of the required information in time. In order to keep the Shareholders and potential investors being informed of the business operation and financial position of the Group, after discussion with the auditor of the Company, the Board decided to publish this unaudited annual results announcement of the Company for the year ended 31st December, 2021 together with the audited comparative figures for the corresponding period in 2020. An announcement relating to the audited results will be published by the Company once the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants, which is expected to be by mid of April 2022. The Audit Committee has reviewed the Group's unaudited consolidated annual results for the year ended 31st December, 2021, including the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters as well as the unaudited consolidated financial statements for the year ended 31st December, 2021 with the management and the auditor of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue a further announcement, which is expected to be by mid of April 2022 in relation to the audited results for the year ended 31st December, 2021 as agreed by the Company's auditor and the material differences (if any) as compared with the annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process.

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, 2021.

FORFEITURE OF UNCLAIMED DIVIDENDS

Pursuant to Article 160(A) of the articles of association of the Company, 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 29th April, 2022 will be forfeited and revert to the Company.

Financial Year End

Types of Dividends

2012

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, at 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 Friday, 29th April, 2022.

APPRECIATION

The Board would like to thank all the staff for their effort and contribution in 2021, 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, 31st March, 2022

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.