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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 2019

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, 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Notes	2019 Unaudited HK\$ Million	2018 Audited HK\$ Million
Revenue	(2)		
Interest income		4,404.9	4,175.9
Other revenue		873.8	907.1
		<u>5,278.7</u>	<u>5,083.0</u>
Other income		428.4	324.0
		<u>5,707.1</u>	<u>5,407.0</u>
Cost of sales and other direct costs		(623.1)	(495.6)
Brokerage and commission expenses		(43.9)	(50.5)
Selling and marketing expenses		(147.3)	(159.2)
Administrative expenses		(1,521.8)	(1,441.0)
Changes in values of properties	(4)	132.7	743.5
Net gain on financial assets and liabilities at fair value through profit or loss	(5)	1,841.2	106.8
Net exchange gain (loss)		78.6	(9.7)
Net impairment losses on financial instruments	(6)	(1,064.0)	(908.4)
Other operating expenses		(251.8)	(123.3)
Finance costs	(7)	(481.9)	(440.7)
Share of results of associates		1,006.5	498.4
Share of results of joint ventures		93.5	336.2
		<u>4,725.8</u>	<u>3,463.5</u>
Profit before taxation	(8)	4,725.8	3,463.5
Taxation	(9)	(241.8)	(254.1)
		<u>4,484.0</u>	<u>3,209.4</u>
Profit for the year		<u>4,484.0</u>	<u>3,209.4</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)
FOR THE YEAR ENDED 31ST DECEMBER, 2019

	<i>Notes</i>	2019 Unaudited HK\$ Million	2018 Audited <i>HK\$ Million</i>
Attributable to:			
Owners of the Company		2,530.7	1,698.3
Non-controlling interests		1,953.3	1,511.1
		<u>4,484.0</u>	<u>3,209.4</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share	<i>(10)</i>		
Basic		14.40	9.66
Diluted		14.39	9.66

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

FOR THE YEAR ENDED 31ST DECEMBER, 2019

	2019	2018
	Unaudited	Audited
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Profit for the year	<u>4,484.0</u>	<u>3,209.4</u>
Other comprehensive (expenses) income:		
<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	0.6	(132.2)
Share of other comprehensive expenses of associates	(323.3)	(216.1)
Share of other comprehensive (expenses) income of joint ventures	<u>(0.8)</u>	<u>1.6</u>
	<u>(323.5)</u>	<u>(346.7)</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	2.2	(2.8)
– Reclassification adjustment to profit or loss on disposal	<u>0.3</u>	<u>(3.0)</u>
	<u>2.5</u>	<u>(5.8)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (Cont'd)**
FOR THE YEAR ENDED 31ST DECEMBER, 2019

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Exchange differences arising on translation of foreign operations	(119.2)	(329.9)
Reclassification adjustment to profit or loss on deemed disposal of an associate	–	2.1
Reclassification adjustment to profit or loss on disposal of an associate	–	(7.6)
Reclassification adjustment to profit or loss on disposal of joint ventures	–	2.8
Share of other comprehensive income (expenses) of associates	3.9	(63.9)
Share of other comprehensive expenses of joint ventures	(1.1)	(5.9)
	<u>(113.9)</u>	<u>(408.2)</u>
Other comprehensive expenses for the year, net of tax	<u>(437.4)</u>	<u>(754.9)</u>
Total comprehensive income for the year	<u>4,046.6</u>	<u>2,454.5</u>
Attributable to:		
Owners of the Company	2,256.9	1,330.6
Non-controlling interests	1,789.7	1,123.9
	<u>4,046.6</u>	<u>2,454.5</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2019

		2019	2018
	<i>Notes</i>	Unaudited	Audited
		HK\$ Million	HK\$ Million
Non-current assets			
Investment properties		9,972.7	9,789.6
Property, plant and equipment		1,071.2	1,088.2
Right-of-use assets		212.3	–
Net investments in finance lease		6.2	–
Prepaid land lease payments		–	4.0
Goodwill		132.9	134.1
Intangible assets		32.5	29.5
Interests in associates		13,738.9	13,258.6
Interests in joint ventures		3,753.6	3,455.0
Financial assets at fair value through other comprehensive income		363.5	319.2
Amounts due from associates		284.7	276.4
Loans and advances to consumer finance customers	<i>(12)</i>	2,770.5	2,618.9
Mortgage loans	<i>(13)</i>	1,270.7	1,956.8
Deferred tax assets		788.7	730.3
Financial assets at fair value through profit or loss		8,020.0	6,593.1
Term loans	<i>(14)</i>	84.0	56.6
Trade receivables, prepayments and other receivables	<i>(15)</i>	39.8	41.8
		42,542.2	40,352.1
Current assets			
Other inventories		0.2	0.3
Financial assets at fair value through profit or loss		5,151.6	5,091.1
Prepaid land lease payments		–	0.1
Loans and advances to consumer finance customers	<i>(12)</i>	7,643.0	7,150.8
Mortgage loans	<i>(13)</i>	2,356.2	1,897.4
Term loans	<i>(14)</i>	2,812.9	4,411.1
Trade receivables, prepayments and other receivables	<i>(15)</i>	571.7	478.8
Amounts due from brokers		462.1	516.5
Amounts due from associates		242.1	288.5
Amounts due from joint ventures		8.8	9.8
Financial assets at fair value through other comprehensive income		8.0	–
Tax recoverable		4.4	8.2
Tax reserve certificates		7.1	–
Short-term pledged bank deposits and bank balances		33.2	20.0
Bank deposits		68.1	353.5
Cash and cash equivalents		6,931.6	5,629.1
		26,301.0	25,855.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)
AT 31ST DECEMBER, 2019

	<i>Notes</i>	2019 Unaudited HK\$ Million	2018 Audited HK\$ Million
Current liabilities			
Trade payables, other payables and accruals	(16)	477.4	382.8
Financial assets sold under repurchase agreements		386.2	1,216.5
Financial liabilities at fair value through profit or loss		715.8	425.3
Contract liabilities		–	16.5
Amounts due to associates		5.7	7.4
Amounts due to joint ventures		40.1	40.1
Tax payable		368.1	191.4
Bank and other borrowings due within one year		6,695.2	7,569.8
Notes/paper payable		566.4	740.7
Lease liabilities		136.5	–
Provisions		154.7	105.6
		<u>9,546.1</u>	<u>10,696.1</u>
Net current assets		<u>16,754.9</u>	<u>15,159.1</u>
Total assets less current liabilities		<u>59,297.1</u>	<u>55,511.2</u>
Capital and reserves			
Share capital		2,221.7	2,221.7
Reserves	(17)	25,884.5	24,010.9
Equity attributable to owners of the Company		<u>28,106.2</u>	<u>26,232.6</u>
Shares held for employee ownership scheme		(22.5)	(29.7)
Employee share-based compensation reserve		8.3	10.5
Share of net assets of subsidiaries		20,698.0	20,448.5
Non-controlling interests		<u>20,683.8</u>	<u>20,429.3</u>
Total equity		<u>48,790.0</u>	<u>46,661.9</u>
Non-current liabilities			
Bank and other borrowings due after one year		2,632.2	1,961.8
Notes/paper payable		7,635.1	6,693.6
Lease liabilities		77.1	–
Deferred tax liabilities		157.8	189.0
Provisions		4.9	4.9
		<u>10,507.1</u>	<u>8,849.3</u>
		<u>59,297.1</u>	<u>55,511.2</u>

Notes:

(1) Basis of preparation

Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial information.

The same accounting policies, presentation and methods of computation have been followed in these unaudited consolidated financial information as were applied in the preparation of the Group’s financial statements for the year ended 31st December, 2018.

HKFRS 16 Leases (“HKFRS 16”)

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected to apply a practical expedient as set out in HKFRS 16 to contracts that were previously identified as leases according to HKAS 17 or HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease. As a result, the Group will not apply these standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019. As at 1st January, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- elected not to recognise right-of-use assets and lease liabilities for leases where the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- applied a single discount rate to a portfolio of leases with similar remaining terms for a similar class of underlying assets in a similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.3%.

	At 1st January, 2019 Unaudited HK\$ Million
Operating lease commitments disclosed as at 31st December, 2018	229.3
Less:	
Recognition exemption – short-term leases	(54.1)
Discounting effects using relevant incremental borrowing rates	(6.7)
Add:	
Adjustment on renewable option	26.0
Lease liabilities as at 1st January, 2019	194.5
Analysed as:	
Current liabilities	89.2
Non-current liabilities	105.3
	194.5

The carrying amount of right-of-use assets as at 1st January, 2019 comprises the following:

	<i>Notes</i>	Right-of-use assets Unaudited HK\$ Million
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		194.5
Reclassified from prepaid land lease payments	<i>(a)</i>	4.1
Reclassified from rental prepayments	<i>(b)</i>	7.7
Amounts included in property, plant and equipment under HKAS 17 – Restoration and reinstatement costs	<i>(c)</i>	1.4
		<hr style="border-top: 1px solid black;"/> 207.7
By class:		
Leasehold lands		4.1
Retail shops		203.6
		<hr style="border-top: 1px solid black;"/> 207.7

Notes:

- (a) Upfront payments for leasehold lands in the People’s Republic of China (“PRC”) were classified as prepaid land lease payments as at 31st December, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to HK\$0.1 million and HK\$4.0 million respectively were reclassified to right-of-use assets.
- (b) Rental prepayments previously included in prepayments, deposits and other receivables amounting to HK\$7.7 million were reclassified to right-of-use assets as at 1st January, 2019.
- (c) In relation to the leases of office properties where the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in property, plant and equipment amounting to HK\$1.4 million as at 1st January, 2019 were included as right-of-use assets.

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

The unaudited financial information relating to the financial year ended 31st December, 2019 and the financial information for the year ended 31st December, 2018 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, 2018 is derived from the Company’s statutory annual financial statements for the year ended 31st December, 2018 (“2018 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 2018 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 2018 Statutory Annual Financial Statements. The auditor’s report on the 2018 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, 2019 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, 2019 to the Registrar of Companies in due course.

(2) Revenue

	2019	2018
	Unaudited	Audited
	HK\$ Million	HK\$ Million
Revenue comprises:		
Contracts with customers		
Hotel operations	54.0	70.8
Management services	296.1	308.4
Advisory and service income, commission income and others	147.4	171.7
Elderly care services	107.1	92.0
	604.6	642.9
Interest income on loans and advances to consumer finance customers	3,480.7	3,388.5
Interest income received from banks, term loans and others	924.2	787.4
Property rental	229.7	228.7
Dividend income	37.9	35.5
Distribution from perpetual securities	1.6	–
	4,674.1	4,440.1
	5,278.7	5,083.0

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

	2019					
	Investment and finance Unaudited HK\$ Million	Consumer finance Unaudited HK\$ Million	Property development and investment Unaudited HK\$ Million	Property management and elderly care services Unaudited HK\$ Million	Corporate and other operations Unaudited HK\$ Million	Total Unaudited HK\$ Million
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	127.3	20.5	64.3	338.3	54.2	604.6
	2018					
	Investment and finance Audited HK\$ Million	Consumer finance Audited HK\$ Million	Property development and investment Audited HK\$ Million	Property management and elderly care services Audited HK\$ Million	Corporate and other operations Audited HK\$ Million	Total Audited HK\$ Million
Hotel operations	–	–	70.8	–	–	70.8
Management services	0.4	–	11.3	237.1	59.6	308.4
Advisory and service income, commission income and others	142.5	29.2	–	–	–	171.7
Elderly care services	–	–	–	92.0	–	92.0
Revenue from contracts with customers	142.9	29.2	82.1	329.1	59.6	642.9

(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 business of property management services comprising property management, cleaning and security guarding services previously included in property development and investment segment and the business of elderly care services previously included in corporate and other operations segment were aggregated and identified as a separated segment, namely property management and elderly care services. Accordingly, comparative figures were reclassified to conform with the presentation of the year.

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

	2019					
	Investment and finance Unaudited HK\$ Million	Consumer finance Unaudited HK\$ Million	Property development and investment Unaudited HK\$ Million	Property management and elderly care services Unaudited HK\$ Million	Corporate and other operations Unaudited HK\$ Million	Total Unaudited 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>
	2018					
	Investment and finance Audited HK\$ Million	Consumer finance Audited HK\$ Million	Property development and investment Audited HK\$ Million	Property management and elderly care services Audited HK\$ Million	Corporate and other operations Audited HK\$ Million	Total Audited HK\$ Million
Segment revenue	987.3	3,422.1	305.7	331.2	133.7	5,180.0
Less: inter-segment revenue	(5.0)	-	(19.0)	(1.0)	(72.0)	(97.0)
Segment revenue from external customers	<u>982.3</u>	<u>3,422.1</u>	<u>286.7</u>	<u>330.2</u>	<u>61.7</u>	<u>5,083.0</u>
Segment results	1,050.7	1,207.9	718.5	30.2	(30.7)	2,976.6
Reversal of impairment loss on interests in associates						93.0
Finance costs						(440.7)
Share of results of associates						498.4
Share of results of joint ventures	3.8	-	332.4	-	-	336.2
Profit before taxation						3,463.5
Taxation						(254.1)
Profit for the year						<u>3,209.4</u>

The geographical information of revenue is disclosed as follows:

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Revenue from external customers by location of operations		
Hong Kong	4,396.7	3,911.1
Mainland China	878.3	1,163.1
Others	3.7	8.8
	<u>5,278.7</u>	<u>5,083.0</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

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Changes in values of properties comprise:		
Net increase in fair value of investment properties	134.4	744.0
Impairment loss recognised for hotel property	(1.7)	(0.5)
	<u>132.7</u>	<u>743.5</u>

The 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, 2019.

(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"):

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Net realised and unrealised gain (loss) on financial assets and liabilities		
Held for trading	648.2	(345.1)
Financial assets at FVTPL	1,193.0	451.9
	<u>1,841.2</u>	<u>106.8</u>

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

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Net impairment losses	999.2	1,025.0
Recoveries of amounts previously written off	(195.1)	(195.1)
	804.1	829.9
Mortgage loans		
Net impairment losses	12.0	4.5
Recoveries of amounts previously written off	–	(0.7)
	12.0	3.8
Term loans		
Net impairment losses	197.3	71.3
Amounts due from associates		
Net impairment losses	0.4	–
Trade and other receivables		
Net impairment losses	48.6	4.8
Recoveries of amounts previously written off	(0.3)	(1.4)
	48.3	3.4
Financial assets at fair value through other comprehensive income		
Net impairment losses	1.9	–
	1,064.0	908.4

(7) **Finance costs**

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Total finance costs included in:		
Cost of sales and other direct costs	304.5	212.7
Finance costs	481.9	440.7
	786.4	653.4

(8) Profit before taxation

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets – computer software	1.9	1.9
Amortisation of prepaid land lease payments	–	0.2
Depreciation of property, plant and equipment	72.5	78.9
Depreciation of right-of-use assets	113.5	–
Impairment loss on interest in an associate (included in other operating expenses)*	135.9	–
Loss on disposal of joint ventures (included in other operating expenses)	–	0.5
Net loss on disposal/write-off of property, plant and equipment	0.8	1.1
and after crediting:		
Dividend income from listed equity securities	32.9	33.1
Dividend income from unlisted equity securities	5.0	2.4
Gain on deemed disposal of an associate (included in other income)	–	17.6
Gain on disposal of an associate (included in other income)**	–	36.8
Gain on disposal of an investment property (included in other income)	1.6	–
Gain on disposal of subsidiaries (included in other income)***	388.8	132.4
Net realised gain on disposal of financial assets at fair value through other comprehensive income (included in other income)	–	7.0
Reversal of impairment loss on interests in associates (included in other income)	–	93.0
	–	93.0

* Sun Hung Kai & Co. Limited 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. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. The fair value was measured by discounted cash flow approach at the reporting date using a discount rate of 17.5% (2018:17.0%) per annum. 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 year of HK\$267.0 million (2018: HK\$67.0 million) classified under net gain on financial assets and liabilities at FVTPL. An impairment loss on interest in SHKFGL amounting to HK\$135.9 million (2018: a reversal of impairment loss of HK\$66.7 million was included in the amount of reversal of impairment loss on interests in associates) recognised for the year ended 31st December, 2019.

** For the year ended 31st December, 2018, the Group disposed of its 38.09% interest in an associate, Tanami Gold NL, to APAC Resources Mining Limited (a wholly-owned subsidiary of APAC Resources Limited, an associate of the Group), on 5th June, 2018 for a consideration of HK\$119.8 million, resulting a gain of HK\$36.8 million recognised in the consolidated statement of profit or loss.

*** Included in the gain on disposal of subsidiaries of HK\$388.8 million 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>
Consideration received:	
Total consideration received	<u>400.0</u>
	25th July, 2019
	<i>HK\$ Million</i>
Analysis of assets and liabilities over which control was lost:	
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)
	<u>11.4</u>
Gain on disposal of a subsidiary:	
Consideration received	400.0
Net assets disposed of	(11.4)
	<u>388.6</u>
Gain on disposal	<u>388.6</u>
Net cash inflow arising on disposal:	
Cash consideration	400.0
Less: Cash and cash equivalents disposal of	(12.8)
	<u>387.2</u>

(9) **Taxation**

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
The income tax charged (credited) comprises:		
Current tax		
Hong Kong	268.9	230.4
PRC and other jurisdictions	73.9	118.3
	342.8	348.7
Over provision in prior years	(0.5)	(13.7)
	342.3	335.0
Deferred tax		
Current year	(100.5)	(80.9)
	241.8	254.1

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:

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	2,530.7	1,698.3
Adjustments to profit in respect of impact of contingently issuable shares under the employee ownership scheme of a subsidiary	(1.5)	(0.5)
Earnings for the purpose of diluted earnings per share	2,529.2	1,697.8
	<i>Million shares</i>	<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	175.8	175.8

(11) Dividend

	2019 Unaudited HK\$ Million	2018 Audited <i>HK\$ Million</i>
Dividend paid and declared		
Interim dividend paid of HK15 cents (2018: HK15 cents) per share	26.4	26.4
Second interim dividend (in lieu of a final dividend) of HK\$2.35 per share declared subsequent to the end of the reporting period (2018: second interim dividend (in lieu of a final dividend) of HK\$2.35 per share)	413.0	413.0
	439.4	439.4
Dividend recognised as distribution during the year		
2018 second interim dividend (in lieu of a final dividend) of HK\$2.35 (2018: 2017 second interim dividend (in lieu of a final dividend) of HK\$2.35) per share	413.0	413.0
2019 interim dividend of HK15 cents (2018: HK15 cents) per share	26.4	26.4
	439.4	439.4

The amount of the second interim dividend (in lieu of a final dividend) for the year ended 31st December, 2019 has been calculated by reference to 175,754,118 shares in issue at 30th March, 2020.

(12) Loans and advances to consumer finance customers

	2019 Unaudited HK\$ Million	2018 Audited <i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Hong Kong	8,576.2	7,803.4
Mainland China	2,545.1	2,611.9
Less: impairment allowance	(707.8)	(645.6)
	10,413.5	9,769.7
Analysed for reporting purposes as:		
Non-current assets	2,770.5	2,618.9
Current assets	7,643.0	7,150.8
	10,413.5	9,769.7

The aging analysis for the loans and advances to consumer finance customers that are past due is as follows:

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Less than 31 days past due	582.9	528.6
31 to 60 days	55.6	50.4
61 to 90 days	20.9	11.9
91 to 180 days	148.4	48.2
Over 180 days	61.4	109.2
	<u>869.2</u>	<u>748.3</u>

(13) Mortgage loans

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Mortgage loans		
Hong Kong	3,648.6	3,863.9
Less: impairment allowance	(21.7)	(9.7)
	<u>3,626.9</u>	<u>3,854.2</u>
Analysed for reporting purposes as:		
Non-current assets	1,270.7	1,956.8
Current assets	2,356.2	1,897.4
	<u>3,626.9</u>	<u>3,854.2</u>

The aging analysis for the mortgage loans that are past due is as follows:

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Less than 31 days past due	148.8	306.0
31 to 60 days	32.0	285.5
61 to 90 days	4.0	61.4
91 to 180 days	–	22.5
Over 180 days	143.8	7.5
	<u>328.6</u>	<u>682.9</u>

(14) Term loans

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Secured term loans	2,953.9	3,033.7
Unsecured term loans	307.5	1,601.2
	<u>3,261.4</u>	<u>4,634.9</u>
Less: impairment allowance	(364.5)	(167.2)
	<u>2,896.9</u>	<u>4,467.7</u>
Analysed for reporting purposes as:		
Non-current assets	84.0	56.6
Current assets	2,812.9	4,411.1
	<u>2,896.9</u>	<u>4,467.7</u>

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.

(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:

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Less than 31 days	305.5	314.7
31 to 60 days	16.2	16.6
61 to 90 days	11.8	7.6
91 to 180 days	9.0	4.0
Over 180 days	2.4	0.9
	<u>344.9</u>	<u>343.8</u>
Trade and other receivables without aging	207.2	155.3
Less: impairment allowances	(48.8)	(0.6)
	<u>503.3</u>	<u>498.5</u>
Trade and other receivables at amortised cost	503.3	498.5
Prepayments	108.2	22.1
	<u>611.5</u>	<u>520.6</u>
Analysed for reporting purposes as:		
Non-current assets	39.8	41.8
Current assets	571.7	478.8
	<u>611.5</u>	<u>520.6</u>

(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:

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Less than 31 days/repayable on demand	130.8	66.3
31 to 60 days	6.9	11.2
61 to 90 days	5.6	12.9
91 to 180 days	0.7	1.3
Over 180 days	0.8	0.7
	144.8	92.4
Accrued staff costs, other accrued expenses and other payables without aging	332.6	290.4
	477.4	382.8

The carrying amounts of the trade payables, other payables and accruals at amortised cost approximate their fair values.

(17) Reserves

	2019 Unaudited <i>HK\$ Million</i>	2018 Audited <i>HK\$ Million</i>
Property revaluation reserve	245.0	245.0
Investment revaluation reserve	(133.6)	(107.3)
Translation reserve	(432.9)	(162.2)
Non-distributable reserve	55.2	55.2
Capital and other reserves	30.8	(1.4)
Accumulated profits	25,707.0	23,568.6
Dividend reserve	413.0	413.0
	25,884.5	24,010.9

(18) Event after the Reporting Date

The outbreak of novel coronavirus (COVID-19) started in Wuhan, the PRC and spread throughout China and since then to countries across the world. The increase in transmission and geographical spread of COVID-19 largely occurred after the year end, and as at 31st December, 2019, there were only a limited number of cases concentrated in Wuhan, Hubei. Travel restrictions and quarantine measures adopted by governments, non-governmental organisations, and private entities in relation to COVID-19 that could reasonably have been deemed to affect the Group's financial statements, have substantially all occurred after the year end. Resultant economic and financial effects related to COVID-19 are largely attributed to events that have taken place after the year end, and therefore, the Directors considered that the events resulting from the spread of COVID-19 after 31st December, 2019 should be accounted for as non-adjusting events. The Directors will monitor the developments of COVID-19 situation closely, assess and react proactively to its impacts on the financial position and operating results of the Group. A prolonged COVID-19 crisis may have a material effect on our 2020 financial results. Given the dynamic nature of these circumstances, the related impact on our Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and any impact will be reflected in the Group's 2020 financial statements and beyond depending on how the situation evolves.

DIVIDEND

The Board has declared a second interim dividend of HK\$2.35 per share (in lieu of a final dividend) for the year ended 31st December, 2019 (2018 second interim dividend (in lieu of a final dividend): HK\$2.35 per share) payable on or around Wednesday, 27th May, 2020 to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Friday, 8th May, 2020, making a total dividend for the year 2019 of HK\$2.5 per share (2018: HK\$2.5 per share).

CLOSURE OF REGISTER OF MEMBERS

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, 2019, the register of members of the Company will be closed from Wednesday, 6th May, 2020 to Friday, 8th May, 2020 (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 Tuesday, 5th May, 2020.

FINANCIAL HIGHLIGHTS

	2019	2018
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue	5,278.7	5,083.0
Profit for the year attributable to owners of the Company	2,530.7	1,698.3
Equity attributable to owners of the Company	28,106.2	26,232.6
Return on equity attributable to owners of the Company	9.0%	6.5%
Earnings per share		
– Basic	HK\$14.40	HK\$9.66
– Diluted	HK\$14.39	HK\$9.66
	At	At
	31st December, 2019	31st December, 2018
Net asset value per share attributable to owners of the Company	HK\$159.9	HK\$149.2
Gearing ratio	37.3%	41.8%

FINANCIAL REVIEW

Financial Results

The revenue of the Group for the year was HK\$5,278.7 million (2018: HK\$5,083.0 million). The increase is mainly due to higher interest income from consumer finance and loan finance businesses.

The profit attributable to the owners of the Company for the year was HK\$2,530.7 million (2018: HK\$1,698.3 million), an increase of HK\$832.4 million.

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

- higher contributions from associates Tian An China Investments Company Limited (“TACI”) and APAC Resources Limited (“APAC”);
- increased profit contribution from the investment management business of Sun Hung Kai & Co. Limited (“SHK”);
- a gain of HK\$388.6 million arising on the completion of disposal of wholly-owned subsidiary Yu Ming Investments Management Limited (“Yu Ming”); and
- a lower fair value gain on revaluation of the investment properties.

Earnings per share

Basic earnings per share amounted to HK\$14.40 (2018: HK\$9.66).

Financial Resources, Liquidity and Capital Structure

In November 2019, the Group commenced a tender offer to purchase the 4.75% US dollar medium term notes due in 2021 (“4.75% Notes”) and the 4.65% US dollar medium term notes due in 2022 (“4.65% Notes”). The Group ultimately purchased US\$112 million (including intra-group holdings of US\$37 million) of 4.75% Notes and US\$105 million (including intra-group holdings of US\$7 million) of 4.65% Notes in mid-November 2019. At the same time, the Group issued US\$350 million new 5.75% US dollar medium term notes due in 2024 (“5.75% Notes”).

The 4.75% Notes are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The nominal value of the 4.75% Notes after eliminating the intra-group holdings was US\$249.8 million or equivalent to HK\$1,944.9 million (2018: US\$323.5 million or equivalent to HK\$2,533.1 million) at the reporting date.

The 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\$442.7 million or equivalent to HK\$3,447.0 million (2018: US\$540.8 million or equivalent to HK\$4,234.7 million) at the reporting date.

The 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\$2,343.9 million (2018: Nil) at the reporting date.

At the end of the reporting period, the equity attributable to owners of the Company amounted to HK\$28,106.2 million, representing an increase of HK\$1,873.6 million or approximately 7.1% from 2018. The Group maintained a strong cash and bank balance position and had cash and bank balances of approximately HK\$7,032.9 million as at 31st December, 2019 (2018: HK\$6,002.6 million). The Group's bank and other borrowings and notes/paper payable totalling HK\$17,528.9 million (2018: HK\$16,965.9 million) of which the portion due on demand or within one year was HK\$7,261.6 million (2018: HK\$8,310.5 million) and the remaining long-term portion was HK\$10,267.3 million (2018: HK\$8,655.4 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 2.76 times (2018: 2.42 times). The Group's gearing ratio (net bank and other borrowings and notes/paper payable/equity attributable to the owners of the Company) was 37.3% (2018: 41.8%).

	2019	2018
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Bank loans are repayable as follows:		
On demand or within one year	4,473.6	3,767.0
More than one year but not exceeding two years	1,488.4	1,025.1
More than two years but not exceeding five years	1,081.7	874.6
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	1,775.6	3,300.8
More than one year but not exceeding two years	446.0	56.0
More than two years but not exceeding five years	–	446.0
	9,265.3	9,469.5
Other borrowings are repayable over five years	62.1	62.1
US dollar denominated notes are repayable as follows:		
Within one year	116.2	104.5
More than one year but not exceeding five years	5,301.2	6,693.6
US dollar denominated senior notes are repayable as follows:		
Within one year	17.6	–
More than one year but not exceeding five years	2,333.9	–
HK dollar denominated notes/paper are repayable within one year	432.6	636.2
	8,201.5	7,434.3
	17,528.9	16,965.9

Other than the US dollar denominated notes, US dollar denominated senior 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.

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 25th April, 2019, Allied Properties Investments (1) Company Limited ("API"), an indirect wholly-owned subsidiary of Allied Properties (H.K.) Limited ("Allied Properties"), was allotted 145,557,338 rights shares of APAC, an associate of Allied Properties, at a consideration of HK\$160.1 million pursuant to the rights issue of APAC. In addition, API acquired additional 21,545,616 shares in APAC from the market at a consideration of HK\$22.5 million during the year. As a result, the Group's beneficial equity interest in APAC increased from 35.78% as at 31st December, 2018 to 37.56% as at 31st December, 2019.

On 27th June, 2019, United Asia Finance Limited ("UAF") completed the repurchase of ordinary shares from ORIX Asia Capital Limited, a then minority shareholder which held 7.27% of the then issued ordinary shares of UAF, at a cash consideration of JPY10 billion (equivalent to HK\$730.4 million). As a result, the Group's beneficial equity interest in UAF increased from 58.18% to 62.74%. Further details were disclosed in the joint announcements of the Company, Allied Properties and SHK dated 20th and 27th June, 2019.

On 25th July, 2019, Fine Era Limited, an indirect wholly-owned subsidiary of the Company, completed the disposal of its wholly-owned subsidiary, Yu Ming, at a cash consideration of HK\$400.0 million. Further details are set out in note 8 to the consolidated financial information.

On 17th December, 2019, Allied Services Hong Kong Limited ("Allied Services"), an indirect wholly-owned subsidiary of the Company, completed the acquisition of the entire issued share capital of AP Elderly Care Limited from Allied Properties at a cash consideration HK\$260.0 million. Allied Properties recognised a gain on disposal of subsidiaries of HK\$82.7 million which was eliminated on the consolidation of the Company as it is an intra-group transaction. AP Elderly Care Limited and its subsidiaries are engaged in the businesses of provision of property management, cleaning and security services and elderly care services. The details of the transaction were set out in the announcements dated 18th October, 2019, 8th November, 2019 and 17th December, 2019 and the circular dated 20th November, 2019 issued by Allied Properties.

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.

Contingent Liabilities

At the end of the year, the Group had guarantees in the aggregate amount of HK\$494.5 million (2018: HK\$107.0 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\$9,888.6 million (2018: HK\$8,896.0 million), bank deposits and bank balances of HK\$33.2 million (2018: HK\$20.0 million) together with certain securities in respect of a listed subsidiary with investment cost of HK\$277.4 million (2018: HK\$276.6 million) were pledged to secure loans and general banking facilities to the extent of HK\$5,076.7 million (2018: HK\$3,775.7 million) granted to the Group. Facilities amounting to HK\$1,597.8 million (2018: HK\$3,137.3 million) were utilised at the end of the reporting period.

Event after the Reporting Date

Details regarding event after the reporting date are set out in note 18 to the unaudited consolidated financial information.

OPERATIONAL REVIEW

Financial Services

Investment and Finance

- The profit attributable to owners of SHK was HK\$2,085.2 million (2018: HK\$1,183.8 million).
- SHK's investment management division provided a pre-tax contribution of HK\$1,083.2 million (2018: HK\$83.2 million) to its earnings.
- SHK's specialty finance business, which provides tailored funding solutions to corporates, investment funds and high net worth individuals, reported a pre-tax contribution of HK\$64.8 million (2018: HK\$241.7 million). The gross loan balance reduced from HK\$2.6 billion as at 2018 to HK\$2.1 billion at the end of 2019, as a result of repayments of outstanding loans and fewer new loans made in 2019. A conservative approach was adopted in credit approval considering the adverse impact on the economy from the US-China trade disputes and social unrest in Hong Kong.
- Sun Hung Kai Credit Limited made a pre-tax contribution of HK\$121.4 million (2018: HK\$114.1 million), a 6% year of year increase. Its gross loan balance was maintained at HK\$3.6 billion at the end of 2019 (2018: HK\$3.9 billion).

Consumer Finance

- Profit attributable to owners of UAF for the year amounted to HK\$1,057.8 million (2018: HK\$1,000.4 million).
- During the year, UAF's operation in mainland China continued to adopt a cautious approach. Focus was on lowering operating costs by reducing manpower and branch network as well as a conservative lending approach. UAF China will continue to develop its credit scoring system to enhance efficiencies and improve the credit quality of its loan portfolio.
- The social unrest in Hong Kong and the prolonged US-China trade dispute weighed on the performance of the Hong Kong economy in the second half of 2019. As a result, UAF Hong Kong was adversely impacted by higher charges for expected credit losses. However, the negative impact on contribution was partly mitigated by increased revenue from the growth in the loan portfolio.
- At the end of the year, the consolidated consumer finance gross loan balance amounted to HK\$11.1 billion, representing an increase of 7% from the end of 2018. During the year, 16 branches in mainland China were closed. As at the end of 2019, UAF has 30 branches operating in 15 mainland China cities and 48 branches in Hong Kong.
- In June 2019, UAF completed the repurchase of its ordinary shares from ORIX Asia Capital Limited, a then minority shareholder which held 7.27% of the then issued ordinary shares of UAF, at a cash consideration of JPY10 billion. As a result, SHK's beneficial interest in UAF increased from 58% to 63%. The repurchase has been earnings accretive for the Group.

Properties

Hong Kong

- Allied Properties reported a profit attributable to its owners of HK\$2,880.3 million (2018: HK\$2,343.4 million).
- Allied Properties' rental income from its Hong Kong property portfolio maintained at a similar level to that of 2018.
- In 2019, the net gain in the value of Allied Properties' property portfolio, including investment properties owned by SHK, was HK\$112.1 million (2018: HK\$756.5 million).
- The hotel division reported a decrease in average room rates and occupancies due to the decrease in tourist arrivals in Hong Kong arising from the city protests in the second half of 2019, resulting in a decreased contribution.
- Allied Kajima Limited, Allied Properties' 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, recorded a profit decrease of 72.5% mainly due to a lower fair value gain in its property portfolio during the year and the reduction in the profit contribution from Novotel Century Hong Kong hotel, as its performance in second half year of 2019 was affected by the social protests. Superstructure work on the Jaffe Road hotel site is in progress. The construction of the hotel is expected to be completed in 2021.
- At end of 2019, Allied Properties held a 37.56% interest in APAC. Share of results of APAC by Allied Properties for 2019 amounted to a profit of HK\$302.2 million (2018: loss of HK\$132.9 million). The profits contributed by APAC mainly comprised unrealised gains from fair value changes of its financial investments and reversal of impairment loss on interests in its associates.
- Allied Properties has disposed of its property management services and elderly care services businesses to Allied Services, an indirectly wholly-owned subsidiary of the Company. The disposal was completed on 17th December, 2019 and the gain on disposal recorded by Allied Properties was HK\$82.7 million. The disposal was an intragroup transaction and the gain was eliminated at the consolidation level of the Company.

Mainland PRC

- The profit attributable to the owners of TACI was HK\$1,345.9 million (2018: HK\$1,251.2 million).
- The increase in profit of TACI was mainly due to an increase in the share of results of its joint ventures which was partially off-set by a decrease in recognised sales for completed properties and a decrease in fair value gains in respect of its investment properties.
- There is a total of 16 cyberparks over 12 cities. The overall contribution of TACI's cyberpark unit has increased. Those cyberparks on the Pearl River Delta have been contributing most and TACI will concentrate on developing new cyberparks and urban renewal projects in this region where it has ample manpower and marketing resources.
- Phase 2 Part 1 and Part 2 of TACI's urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen, with gross floor area ("GFA") of approximately 456,100 m² was completed in 2019 and the remaining part of Phase 2 with GFA of approximately 143,300 m² was completed in March 2020.
- Asiasec Properties Limited, the listed subsidiary of TACI, reported a profit attributable to its shareholders of HK\$58.0 million (2018: HK\$112.7 million).

Investments

SHK Hong Kong Industries Limited ("SHK HK IND")

- SHK HK IND reported a net profit attributable to its owner of HK\$14.5 million (2018: loss of HK\$43.6 million).
- The net profits mainly comprised profit of HK\$25.3 million from its equity related investment (2018: loss of HK\$42.1 million) and profit contribution of HK\$11.8 million from its bond investments (2018: HK\$20.6 million).

Allied Services

- As a result of group reorganisation, Allied Services has acquired the property management services and elderly care services businesses from Allied Properties in December 2019. The division reported a profit of HK\$29.1 million for the year (2018: HK\$27.8 million).

Yu Ming

- In 2016, the Group entered into a sale and purchase agreement to dispose of the entire issued capital of Yu Ming for a consideration of HK\$400.0 million. The disposal of Yu Ming was completed on 25th July, 2019 and the gain on disposal was HK\$388.6 million.

Employees

The total number of headcount of the Group as at 31st December, 2019 was 3,561 (2018: 4,337). 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\$1,092.7 million (2018: HK\$1,122.7 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.

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

As a result of the protracted trade dispute between USA and China and the city protests in Hong Kong during the second half of 2019, the local economy faced a down turn and the property market was affected adversely. Moreover the outbreak of Coronavirus disease (COVID-19) in 2020 has now affected many countries. Cross border travel restrictions, significant disruption to China's manufacturing capability and global supply chain, and a decline in worldwide tourism and consumer consumption resulted in a significant pressure to the global economy as well as local economy.

The World Health Organization has recently declared the Coronavirus disease a pandemic. It is difficult to estimate how long before the Coronavirus spread can be contained by various countries. The Group believes that it will take some time for the global economy and local economy to recover and the full impact is not yet known. Under the current situation, the Board expects the Group's core recurring income will be affected in 2020.

The investment management business of SHK has felt the impact of the falling markets after a strong 2019 and been actively managing the investment portfolio through these difficult market conditions. SHK will continue to assess the market and utilise its extensive networks to seek out opportunities.

The consumer and business lending business of UAF was immediately impacted by the Coronavirus outbreak in mainland China. Several UAF branches in mainland China were closed in accordance with quarantine measures and business was disrupted. At this time mainland China is only starting to resume business and the total impact on the business and loan book is not yet known. UAF believes that the initiatives to move more of the business online and reduce the physical branches and total staff mitigated some of the impact and may position the business for a quicker recovery through the remainder of 2020. For the Hong Kong business of UAF, UAF remains cautious as the economy has been affected by social unrest in the second half of 2019 even before the recent Coronavirus outbreak. The impact on business from the travel bans and social distancing orders could likely produce increased unemployment which in turn could affect credit quality of consumer finance loans. There are initial indications that delinquencies are starting to rise and loan origination has slowed. UAF remains confident in its capability and capacity to weather these challenges and will continue to closely monitor the development of the situation and adjust strategies as needed.

With the outbreak of Coronavirus, vacancy rates of residential, commercial and retail sectors of the local property market will definitely increase and the rental rates will suffer. We expect the local property market will face a pressures trend in 2020.

The mainland property market is expected to be weak in the short term due to the spread of Coronavirus. When the spread of Coronavirus slows down, it is expected that the property market should stabilise.

There is no doubt 2020 will be a challenging year but 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, 2019, 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 stipulate 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 provision.

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 deviations is set out in the Corporate Governance Report to be contained in the Company’s Annual Report for the financial year ended 31st December, 2019 (“2019 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 2019 Annual Report which will be sent to the Shareholders by the end of April 2020.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process of the annual results for the year ended 31st December, 2019 has not been fully completed as at the date of this announcement due to delay in the audit procedures resulting from the outbreak of Coronavirus disease in the Mainland China, in particular the delay in obtaining certain confirmations from banks in the Mainland China and postponement of auditor’s field work. 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, 2019 together with the audited comparative figures for the corresponding period in 2018. 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, 2020.

The Audit Committee has reviewed the Group’s unaudited consolidated annual results for the year ended 31st December, 2019, 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, 2019 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, 2020 in relation to (i) the audited results for the year ended 31st December, 2019 as agreed by the Company's auditor and the material differences (if any) as compared with the annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting will be held; and (iii) the period during which the register of members of the Company will be closed in order to ascertain Shareholders' eligibility to attend and vote at the said meeting. 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, 2019.

APPRECIATION

The Board would like to thank all the staff for their effort and contribution in 2019, 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, 30th March, 2020

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 and Ms. Lisa Yang Lai Sum being the Independent Non-Executive Directors.