ALLIED GROUP LIMITED
（聯合集團有限公司）

(Incorporated in Hong Kong with limited liability)

(Stock Code: 373)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

The board of directors ("Board") of Allied Group Limited ("Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30th June, 2018 with the comparative figures for the corresponding period in 2017 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30th June, 2018

		Six months ended 30th June,	
		2018	2017
		Unaudited	Unaudited
	Notes	***HK$ Million***	*HK$ Million*
Revenue	*4*		
Interest income		**2,046.1**	1,740.0
Other revenue		**384.5**	388.1
		2,430.6	2,128.1
Other income		**165.5**	32.6
Total income		**2,596.1**	2,160.7
Cost of sales and other direct costs		**(215.6)**	(183.8)
Brokerage and commission expenses		**(25.3)**	(22.1)
Selling and marketing expenses		**(67.9)**	(48.0)
Administrative expenses		**(823.0)**	(753.0)
Changes in values of properties	*5*	**633.2**	453.3
Net gain on financial assets and liabilities at fair value through profit or loss		**616.0**	760.9
Net exchange loss		**(36.5)**	(34.2)
Net impairment losses on financial instruments	*6*	**(445.6)**	–
Bad and doubtful debts	*6*	**–**	(197.7)
Other operating expenses		**(57.7)**	(173.6)
Finance costs	*7*	**(206.9)**	(163.6)
Share of results of associates		**391.6**	894.0
Share of results of joint ventures		**278.3**	468.7
Profit before taxation	*8*	**2,636.7**	3,161.6
Taxation	*9*	**(128.8)**	(143.1)
Profit for the period		**2,507.9**	3,018.5

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)
For the six months ended 30th June, 2018

	Notes	Six months ended 30th June, 2018 Unaudited *HK$ Million*	2017 Unaudited *HK$ Million*
Attributable to:			
Owners of the Company		**1,363.1**	1,853.6
Non-controlling interests		**1,144.8**	1,164.9
		2,507.9	3,018.5
		HK$	*HK$*
Earnings per share	*10*		
Basic		**7.75**	10.48
Diluted		**7.75**	10.48

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2018

	Six months ended 30th June,	
	2018	2017
	Unaudited	Unaudited
	HK$ Million	*HK$ Million*
Profit for the period	**2,507.9**	3,018.5
Other comprehensive (expenses) income:		
Items that will not be reclassified to profit or loss:		
Investments in equity instruments at fair value through other comprehensive income		
– Net fair value changes during the period	**(37.5)**	–
Share of other comprehensive (expenses) income of associates	**(132.5)**	173.7
Share of other comprehensive income of joint ventures	**1.7**	–
	(168.3)	173.7
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Net fair value changes during the period	**–**	28.2
Investments in financial assets at fair value through other comprehensive income		
– Net fair value changes during the period	**(3.4)**	–
– Reclassification adjustment to profit or loss on disposal	**(3.0)**	–
– Reclassification adjustment to profit or loss on impairment	**1.4**	–
Exchange differences arising on translation of foreign operations	**(112.4)**	192.3
Reclassification adjustment to profit or loss on disposal of an associate	**(7.6)**	–
Share of other comprehensive expenses of associates	**(50.8)**	(13.6)
Share of other comprehensive (expenses) income of joint ventures	**(6.7)**	2.1
	(182.5)	209.0
Other comprehensive (expenses) income for the period, net of tax	**(350.8)**	382.7
Total comprehensive income for the period	**2,157.1**	3,401.2
Attributable to:		
Owners of the Company	**1,173.5**	2,043.0
Non-controlling interests	**983.6**	1,358.2
	2,157.1	3,401.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30th June, 2018

	Notes	At 30th June, 2018 Unaudited HK$ Million	At 31st December, 2017 Audited HK$ Million
Non-current assets			
Investment properties		**9,678.6**	9,048.1
Property, plant and equipment		**1,106.3**	1,120.2
Prepaid land lease payments		**4.2**	4.4
Goodwill		**134.1**	134.1
Intangible assets		**20.8**	21.9
Interests in associates		**13,271.6**	13,291.1
Interests in joint ventures		**3,469.3**	3,163.7
Available-for-sale financial assets		**–**	621.0
Financial assets at fair value through other comprehensive income		**371.6**	–
Amounts due from associates		**308.5**	284.8
Loans and advances to consumer finance customers due after one year	*12*	**2,478.0**	2,322.8
Mortgage loans	*13*	**1,933.2**	1,243.1
Deferred tax assets		**714.2**	649.6
Financial assets at fair value through profit or loss		**6,437.1**	5,067.2
Trade and other receivables	*14*	**398.8**	505.8
		40,326.3	37,477.8
Current assets			
Other inventories		**0.2**	0.2
Financial assets at fair value through profit or loss		**6,694.6**	7,081.5
Prepaid land lease payments		**0.1**	0.1
Loans and advances to consumer finance customers due within one year	*12*	**6,568.3**	6,840.8
Mortgage loans	*13*	**1,092.6**	877.3
Trade and other receivables	*14*	**3,871.8**	3,211.7
Amounts due from brokers		**497.8**	728.7
Amounts due from associates		**216.1**	233.8
Amounts due from joint ventures		**2.1**	9.1
Available-for-sale financial assets		**–**	86.6
Financial assets at fair value through other comprehensive income		**29.1**	–
Tax recoverable		**5.9**	5.9
Short-term pledged bank deposits and bank balances		**20.0**	1.2
Bank deposits		**583.5**	787.7
Cash and cash equivalents		**3,859.7**	3,330.3
		23,441.8	23,194.9
Assets classified as held for sale	*15*	**17.6**	–
		23,459.4	23,194.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)
At 30th June, 2018

	Notes	At 30th June, 2018 Unaudited HK$ Million	At 31st December, 2017 Audited HK$ Million
Current liabilities			
Trade and other payables	*16*	**393.4**	463.4
Financial liabilities for repurchase agreements		**1,143.8**	1,071.0
Financial liabilities at fair value through profit or loss		**208.5**	166.0
Amounts due to associates		**22.3**	7.4
Amounts due to joint ventures		**40.1**	0.1
Tax payable		**226.4**	161.0
Bank and other borrowings due within one year		**4,368.5**	2,784.9
Notes payable		**795.3**	1,063.8
Provisions		**123.7**	71.1
		7,322.0	5,788.7
Net current assets		**16,137.4**	17,406.2
Total assets less current liabilities		**56,463.7**	54,884.0
Capital and reserves			
Share capital		**2,221.7**	2,221.7
Reserves		**23,583.0**	22,847.7
Equity attributable to owners of the Company		**25,804.7**	25,069.4
Shares held for employee ownership scheme		**(18.2)**	(7.6)
Employee share-based compensation reserve		**6.4**	5.1
Share of net assets of subsidiaries		**21,805.4**	21,193.6
Non-controlling interests		**21,793.6**	21,191.1
Total equity		**47,598.3**	46,260.5
Non-current liabilities			
Bank and other borrowings due after one year		**1,963.0**	1,740.4
Notes payable		**6,711.5**	6,694.4
Deferred tax liabilities		**186.6**	185.4
Provisions		**4.3**	3.3
		8,865.4	8,623.5
		56,463.7	54,884.0

Notes:

1. **DISCLOSURE IN ACCORDANCE WITH SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE**

   The financial information relating to the financial year ended 31st December, 2017 included in this announcement of interim result does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

   The Company has delivered the financial statements for the year ended 31st December, 2017 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 those financial statements for 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. **BASIS OF PREPARATION**

   The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

   Except as described in note 3, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December, 2017, as described in those annual financial statements.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

   The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair value.

   Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30th June, 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2018 for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to HKFRS 9 Prepayment Features with Negative Compensation in advance of the effective date, i.e. 1st January, 2019.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets, loan commitments and financial guarantee contracts and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1st January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st January, 2018. The difference between carrying amounts as at 31st December, 2017 and the carrying amounts as at 1st January, 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

For non-equity investments classified as FVTOCI of which the investments comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other revenue" line item in the statement of profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net gain on financial assets and liabilities at fair value through profit or loss" line item in the statement of profit or loss.

The management of the Company reviewed and assessed the Group's financial assets as at 1st January, 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 3.1.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, short-term pledge bank deposits and bank balances, bank deposits, cash and cash equivalents, loans and advances to consumer finance customers, mortgage loans, amounts due from brokers, amounts due from related parties), loan commitments and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in (1) regulatory, economic or technological environments; (2) business or financial conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- financial re-organisation/restructuring entered by the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a longer lagging default criterion is more appropriate. In particular, the following qualitative indicators are taken into account in determining the risk of a default has occurring:

- probable bankruptcy entered by the borrowers;
- death of the debtor; and
- there is no longer an active market of the repossessed properties.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade and other receivables, loans and advances to consumer finance customers and mortgage loans where the corresponding adjustment is recognised through a loss allowance account. For loan commitments and financial guarantee contracts, the loss allowances are recognised as provisions at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised on financial guarantee contracts over the guarantee period.

As at 1st January, 2018, the management of the Company reviewed and assessed the Group's existing financial assets, loan commitments and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 3.1.2.

Write-off

The Group directly writes off the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. Financial assets written off that are recovered in full or in part will result in an impairment gain and is included in "Net impairment losses on financial instruments" in note 6.

For the period ended 30th June, 2018, the measurement of the expected credit loss under HKFRS 9 is included in "Net impairment losses on financial instruments" as presented in note 6. Prior period amount determined under the incurred loss model under HKAS 39 is not restated and presented as "Bad and doubtful debts" in note 6.

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities is calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

3.1.2 *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement (including the measurement of ECL) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1st January, 2018.

	Available-for-sale financial assets *HK$ Million*	Interests in associates *HK$ Million*	Financial assets designated at FVTPL *HK$ Million*	Financial assets at FVTPL required by HKAS 39/ HKFRS 9 *HK$ Million*	Financial assets at FVTOCI *HK$ Million*	Amortised cost (previously classified as loans and receivables) *HK$ Million*	Financial liabilities measured at amortised cost *HK$ Million*	Provisions *HK$ Million*	Financial liabilities at FVTPL *HK$ Million*	Deferred tax assets *HK$ Million*	Investment revaluation reserve *HK$ Million*	Accumulated profits *HK$ Million*	Non-controlling interests *HK$ Million*
Closing balance at 31st December, 2017 – HKAS 39	707.6	13,291.1	5,436.3	6,712.4	–	20,341.0	13,608.7	74.4	166.0	649.6	238.9	21,791.8	21,191.1
Effect arising from initial application of HKFRS 9:													
Reclassification													
From available-for-sale financial assets (a)	(707.6)	–	–	210.0	492.7	–	–	–	(4.9)	–	(162.2)	162.2	–
From designated at FVTPL (b)	–	–	(5,436.3)	5,436.3	–	–	–	–	–	–	–	–	–
Share of reclassification adjustment from an associate (e)	–	–	–	–	–	–	–	–	–	–	(28.4)	28.4	–
Remeasurement													
Financial assets at FVTPL classified from available-for-sale financial assets (a)	–	–	–	2.4	–	–	–	–	–	–	–	1.8	0.6
Impairment under ECL model (c)/(e)	–	(5.4)	–	–	–	(86.3)	–	27.8	–	28.2	–	(28.9)	(62.4)
Non-substantial modification of financial liabilities (d)	–	–	–	–	–	–	(8.3)	–	–	–	–	1.9	6.4
Opening balance at 1st January, 2018	–	13,285.7	–	12,361.1	492.7	20,254.7	13,600.4	102.2	161.1	677.8	48.3	21,957.2	21,135.7

(a) Available-for-sale ("AFS") financial assets

From AFS financial assets to financial assets at FVTOCI

The Group elected to present in OCI for the fair value changes of its equity investments previously classified as AFS financial assets, of which HK$21.6 million related to unquoted equity investments previously measured at cost less impairment and HK$363.4 million related to unquoted equity investments previously carried at fair value under HKAS 39, HK$112.6 million related to debt securities and HK$4.9 million related to embedded derivative financial instruments previously classified as AFS financial assets and financial liabilities at FVTPL respectively. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$4.9 million of financial liabilities at FVTPL and AFS financial assets of HK$497.6 million were reclassified to financial assets at FVTOCI, of which HK$21.6 million related to unquoted equity investments previously measured at cost less impairment, HK$363.4 million related to unquoted equity investments previously carried at fair value under HKAS 39 and HK$112.6 million related to debt securities. In addition, impairment losses previously recognised of HK$118.8 million attributable to owners of the Company were transferred from accumulated profits to investment revaluation reserve as at 1st January, 2018.

From AFS financial assets to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of HK$210.0 million were reclassified from AFS financial assets to financial assets at FVTPL. The fair value gain of HK$43.4 million attributable to owners of the Company as at 1st January, 2018 was transferred from investment revaluation reserve to accumulated profits.

In addition, there was a fair value gain of HK$2.4 million arisen from remeasurement of equity securities reclassified to financial assets at FVTPL with corresponding adjustments credited to accumulated profit and non-controlling interests as at 1st January, 2018 of HK$1.8 million and HK$0.6 million respectively.

(b) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the convertible notes and the portfolio of financial assets which is managed and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, the fair value of these investments of HK$5,436.3 million were reclassified from financial assets designated at FVTPL to financial assets at FVTPL. There was no impact on the amounts recognised in relation to other financial assets at FVTPL from the application of HKFRS 9.

(c) Impairment under ECL model

Loss allowances for other financial assets at amortised cost comprising mainly of amounts due from associates, amounts due from joint ventures, loans and advances to consumer finance customers, mortgage loans, trade and other receivables, amounts due from brokers, short-term pledged bank deposits and bank balances, bank deposits and cash and cash equivalents, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition, except for certain loans and advances to consumer finance customers, mortgage loans and term loans which are measured on lifetime ECL basis as for those credit risk had increased significantly since initial recognition. For undrawn loan commitments, an ECL of HK$27.8 million which is included in provisions has been recognised.

As at 1st January, 2018, the additional credit loss allowance of HK$114.1 million and deferred tax assets of HK$28.2 million have been recognised against accumulated profits of HK$26.6 million and non-controlling interests of HK$59.3 million. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets including loans and advances to consumer finance customers, loan commitments, mortgage loans, payments on behalf of customers and term loans as at 31st December, 2017 reconcile to the opening loss allowance as at 1st January, 2018 is as follows:

	Loans and advances to consumer finance customers	Loan commitments	Mortgage loans	Term loans	Payments on behalf of customers	Total
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
At 31st December, 2017 – HKAS 39	663.3	–	5.0	87.3	6.6	762.2
Amounts remeasured through opening accumulated profits	77.5	27.8	0.2	8.6	–	114.1
Amounts written off	(122.7)	–	–	–	(6.3)	(129.0)
At 1st January, 2018	618.1	27.8	5.2	95.9	0.3	747.3

(d) Financial liabilities with non-substantial modification

Under HKAS 39, the Group revised the effective interest rates for non-substantial modification with no gain or loss being recognised in profit or loss. At the date of initial application, the carrying amounts of financial liabilities previously modified were adjusted downward by HK$8.3 million to reflect the change in accounting policies as stated in note 3.1.1, with corresponding adjustments credited to the accumulated profits and non-controlling interests as at 1st January, 2018 of HK$1.9 million and HK$6.4 million respectively.

(e) Interests in associates

The Group's share of adjustment arising from initial application of HKFRS 9 by an associate led to a debit to investment revaluation reserve as at 1st January, 2018 by HK$28.4 million with a corresponding credit to accumulated profits as at 1st January, 2018 by HK$28.4 million.

In addition, the net effects arising from the initial application of HKFRS 9 resulted in a decrease in the carrying amounts of interests in associates of HK$5.4 million with corresponding adjustments debited to accumulated profits and non-controlling interests as at 1st January, 2018 by HK$2.3 million and HK$3.1 million respectively.

3.2 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening unaudited condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	At 31st December, 2017 Audited *HK$ Million*	Reclassification *HK$ Million*	Remeasurement/ Impairment allowances *HK$ Million*	At 1st January, 2018 Restated *HK$ Million*
Non-current assets				
Investment properties	9,048.1	–	–	9,048.1
Property, plant and equipment	1,120.2	–	–	1,120.2
Prepaid land lease payments	4.4	–	–	4.4
Goodwill	134.1	–	–	134.1
Intangible assets	21.9	–	–	21.9
Interests in associates	13,291.1	–	(5.4)	13,285.7
Interests in joint ventures	3,163.7	–	–	3,163.7
Available-for-sale financial assets	621.0	(621.0)	–	–
Financial assets at fair value through other comprehensive income	–	410.7	–	410.7
Amounts due from associates	284.8	–	–	284.8
Loans and advances to consumer finance customers due after one year	2,322.8	–	90.0	2,412.8
Mortgage loans	1,243.1	–	1.5	1,244.6
Deferred tax assets	649.6	–	28.2	677.8
Financial assets at fair value through profit or loss	5,067.2	210.0	2.4	5,279.6
Trade and other receivables	505.8	–	–	505.8
	37,477.8	(0.3)	116.7	37,594.2
Current assets				
Other inventories	0.2	–	–	0.2
Financial assets at fair value through profit or loss	7,081.5	–	–	7,081.5
Prepaid land lease payments	0.1	–	–	0.1
Loans and advances to consumer finance customers due within one year	6,840.8	–	(167.5)	6,673.3
Mortgage loans	877.3	–	(1.7)	875.6
Trade and other receivables	3,211.7	–	(8.6)	3,203.1
Amounts due from brokers	728.7	–	–	728.7
Amounts due from associates	233.8	–	–	233.8
Amount due from joint ventures	9.1	–	–	9.1
Available-for-sale financial assets	86.6	(86.6)	–	–
Financial assets at fair value through other comprehensive income	–	82.0	–	82.0
Tax recoverable	5.9	–	–	5.9
Short-term pledged bank deposit	1.2	–	–	1.2
Bank deposits	787.7	–	–	787.7
Cash and cash equivalents	3,330.3	–	–	3,330.3
	23,194.9	(4.6)	(177.8)	23,012.5

	At 31st December, 2017 Audited *HK$ Million*	Reclassification *HK$ Million*	Remeasurement/ Impairment allowances *HK$ Million*	At 1st January, 2018 Restated *HK$ Million*
Current liabilities				
Trade and other payables	463.4	–	–	463.4
Financial liabilities for repurchase agreements	1,071.0	–	–	1,071.0
Financial liabilities at fair value through profit or loss	166.0	(4.9)	–	161.1
Amounts due to associates	7.4	–	–	7.4
Amounts due to joint ventures	0.1	–	–	0.1
Tax payable	161.0	–	–	161.0
Bank and other borrowings due within one year	2,784.9	–	–	2,784.9
Notes payable	1,063.8	–	–	1,063.8
Provisions	71.1	–	27.8	98.9
	5,788.7	(4.9)	27.8	5,811.6
Net current assets	17,406.2	0.3	(205.6)	17,200.9
Total assets less current liabilities	54,884.0	–	(88.9)	54,795.1
Capital and reserves				
Share capital	2,221.7	–	–	2,221.7
Reserves	22,847.7	–	(25.2)	22,822.5
Equity attributable to owners of the Company	25,069.4	–	(25.2)	25,044.2
Shares held for employee ownership scheme	(7.6)	–	–	(7.6)
Employee share-based compensation reserve	5.1	–	–	5.1
Share of net assets of subsidiaries	21,193.6	–	(55.4)	21,138.2
Non-controlling interests	21,191.1	–	(55.4)	21,135.7
Total equity	46,260.5	–	(80.6)	46,179.9
Non-current liabilities				
Bank and other borrowings due after one year	1,740.4	–	–	1,740.4
Notes payable	6,694.4	–	(8.3)	6,686.1
Deferred tax liabilities	185.4	–	–	185.4
Provisions	3.3	–	–	3.3
	8,623.5	–	(8.3)	8,615.2
	54,884.0	–	(88.9)	54,795.1

4. SEGMENTAL INFORMATION

Analysis of the Group's revenue and results by reportable and operating segments is as follows:

	Six months ended 30th June, 2018				
	Investment and finance *HK$ Million*	**Consumer finance** *HK$ Million*	**Property development and investment** *HK$ Million*	**Corporate and other operations** *HK$ Million*	**Total** *HK$ Million*
Segment revenue	**374.7**	**1,737.7**	**259.7**	**106.4**	**2,478.5**
Less: inter-segment revenue	**(2.0)**	**–**	**(9.6)**	**(36.3)**	**(47.9)**
Segment revenue from external customers	**372.7**	**1,737.7**	**250.1**	**70.1**	**2,430.6**
Segment results	**916.3**	**609.2**	**602.3**	**(58.5)**	**2,069.3**
Reversal of impairment loss on interests in associates					**104.4**
Finance costs					**(206.9)**
Share of results of associates					**391.6**
Share of results of joint ventures	**3.1**	**–**	**275.2**	**–**	**278.3**
Profit before taxation					**2,636.7**
Taxation					**(128.8)**
Profit for the period					**2,507.9**

	Six months ended 30th June, 2017				
	Investment and finance *HK$ Million*	Consumer finance *HK$ Million*	Property development and investment *HK$ Million*	Corporate and other operations *HK$ Million*	Total *HK$ Million*
Segment revenue	373.2	1,474.7	229.1	82.9	2,159.9
Less: inter-segment revenue	(2.5)	–	(8.7)	(20.6)	(31.8)
Segment revenue from external customers	370.7	1,474.7	220.4	62.3	2,128.1
Segment results	973.6	623.2	540.7	(61.1)	2,076.4
Reversal of impairment loss on interest in an associate					4.8
Impairment loss on interest in an associate					(118.7)
Finance costs					(163.6)
Share of results of associates					894.0
Share of results of joint ventures	(19.2)	–	487.9	–	468.7
Profit before taxation					3,161.6
Taxation					(143.1)
Profit for the period					3,018.5

Inter-segment transactions have been entered into on terms agreed by the parties concerned.

The geographical information of revenue is disclosed as follows:

	Six months ended 30th June,	
	2018	2017
	HK$ Million	*HK$ Million*
Revenue from external customers by location of operations		
Hong Kong	**1,788.5**	1,687.2
Mainland China	**637.6**	435.4
Others	**4.5**	5.5
	2,430.6	2,128.1

5. CHANGES IN VALUES OF PROPERTIES

	Six months ended 30th June,	
	2018	2017
	HK$ Million	*HK$ Million*
Changes in values of properties comprise:		
Net increase in fair value of investment properties	**634.2**	450.8
Impairment loss (recognised) reversed for hotel property	**(1.0)**	2.5
	633.2	453.3

6. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS/BAD AND DOUBTFUL DEBTS

	Six months ended 30th June,	
	2018	2017
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
Net impairment losses	**(448.6)**	–
Bad and doubtful debts	**–**	(185.4)
	(448.6)	(185.4)
Mortgage loans		
Net impairment gains	**2.1**	–
Bad and doubtful debts	**–**	(0.4)
	2.1	(0.4)
Trade and other receivables		
Net impairment gains	**2.3**	–
Bad and doubtful debts	**–**	(11.9)
	2.3	(11.9)
Financial assets at FVTOCI		
Impairment loss	**(1.4)**	–
	(445.6)	(197.7)

The Group has applied the impairment measurement requirement in accordance with HKFRS 9 without restating comparative information which was prepared under HKAS 39 as detailed in note 3.1.1. Included in the net impairment gains (losses) are recoveries of amounts previously written off of HK$98.2 million for the period ended 30th June, 2018. For prior period, the amounts of HK$75.2 million were included in bad and doubtful debts.

7. FINANCE COSTS

	Six months ended 30th June,	
	2018	2017
	HK$ Million	*HK$ Million*
Total finance costs included in:		
Cost of sales and other direct costs	**81.3**	83.3
Finance costs	**206.9**	163.6
	288.2	246.9

8. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2018	2017
	HK$ Million	*HK$ Million*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**1.0**	0.9
Amortisation of prepaid land lease payments	**0.1**	0.1
Depreciation	**39.7**	42.6
Impairment loss on interest in an associate (included in other operating expenses)	**–**	118.7
Loss on disposal of a joint venture (included in other operating expenses)	**0.4**	–
Net loss on disposal/written-off of property, plant and equipment	**0.4**	0.7
and after crediting:		
Dividend income from listed equity securities	**11.9**	10.2
Dividend income from unlisted equity securities	**2.3**	–
Net realised gain on disposal of an associate (included in other income)	**36.8**	–
Net realised gain on disposal of financial asset at FVTOCI (included in other income)	**7.0**	–
Reversal of impairment loss on interest in associates (included in other income)*	**104.4**	4.8

* 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 16.6%. 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 loss during the period of HK$15.0 million classified under net gain on financial assets and liabilities at FVTPL. It led to a reversal of impairment loss of HK$82.4 million (2017: Nil) included in the amount of reversal of impairment loss on interests in associates for the period ended 30th June, 2018.

9. TAXATION

	Six months ended 30th June,	
	2018	2017
	HK$ Million	*HK$ Million*
The income tax charged (credited) comprises:		
Current tax		
Hong Kong	**103.7**	97.5
People's Republic of China ("PRC") and other jurisdictions	**73.6**	14.7
	177.3	112.2
Deferred tax	**(48.5)**	30.9
	128.8	143.1

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

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2017: 25%).

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

Deferred tax recognised in other comprehensive income was immaterial in both periods presented.

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:

	Six months ended 30th June,	
	2018	2017
	HK$ Million	*HK$ Million*
Earnings		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	**1,363.1**	1,853.6
Adjustments to profit in respect of impact of contingently issuable shares under the employee ownership scheme of a subsidiary	**(0.3)**	(0.1)
Earnings for the purpose of diluted earnings per share	**1,362.8**	1,853.5
	Million shares	*Million shares*
Number of shares		
Weighted average number of shares in issue for the purpose of basic and diluted earnings per share	**175.8**	176.8

11. DIVIDEND

	Six months ended 30th June,	
	2018	2017
	HK$ Million	*HK$ Million*
Ordinary shares:		
Interim dividend declared after the end of the reporting period of HK15 cents per share (2017: HK15 cents per share)	**26.4**	26.4
Dividends recognised as distribution during the period:		
2017 second interim dividend (in lieu of a final dividend) of HK$2.35 per share (2017: 2016 second interim dividend (in lieu of a final dividend) of HK$1.85 per share)	**413.0**	327.1

The amount of the interim dividend for the six months ended 30th June, 2018 has been calculated by reference to 175,754,118 shares in issue at 20th August, 2018.

12. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	At 30th June, 2018	At 31st December, 2017
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
Hong Kong	**6,746.2**	6,544.2
Mainland China	**2,958.4**	3,282.7
Less: impairment allowance	**(658.3)**	(663.3)
	9,046.3	9,163.6
Analysed for reporting purposes as:		
Non-current assets	**2,478.0**	2,322.8
Current assets	**6,568.3**	6,840.8
	9,046.3	9,163.6

The following is an aged analysis for the loans and advances to consumer finance customers that were past due at the reporting date but not impaired:

	At 30th June, 2018	At 31st December, 2017
	HK$ Million	*HK$ Million*
Less than 31 days past due	**424.6**	538.7
31 to 60 days	**46.7**	100.2
61 to 90 days	**15.9**	52.9
91 to 180 days	**82.0**	117.5
Over 180 days	**15.6**	31.4
	584.8	840.7

13. MORTGAGE LOANS

	At 30th June, 2018 *HK$ Million*	At 31st December, 2017 *HK$ Million*
Mortgage loans		
Hong Kong	**3,029.6**	2,125.4
Less: impairment allowance	**(3.8)**	(5.0)
	3,025.8	2,120.4
Analysed for reporting purposes as:		
Non-current assets	**1,933.2**	1,243.1
Current assets	**1,092.6**	877.3
	3,025.8	2,120.4

The following is an aged analysis for the mortgage loans that were past due at the reporting date but not impaired:

	At 30th June, 2018 *HK$ Million*	At 31st December, 2017 *HK$ Million*
Less than 31 days past due	**64.9**	218.0
31 to 60 days	**151.1**	6.5
61 to 90 days	**7.3**	4.1
91 to 180 days	**8.3**	–
Over 180 days	**–**	8.8
	231.6	237.4

14. TRADE AND OTHER RECEIVABLES

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

	At 30th June, 2018 *HK$ Million*	At 31st December, 2017 *HK$ Million*
Less than 31 days	**27.9**	27.7
31 to 60 days	**11.9**	10.6
61 to 90 days	**6.6**	6.5
91 to 180 days	**2.9**	4.0
Over 180 days	**0.8**	0.8
	50.1	49.6
Term loans and trade and other receivables without aging	**4,308.2**	3,726.8
Less: impairment allowances	**(94.6)**	(95.0)
Trade and other receivables at amortised cost	**4,263.7**	3,681.4
Prepayments	**6.9**	36.1
	4,270.6	3,717.5
Analysed for reporting purposes as:		
Non-current assets	**398.8**	505.8
Current assets	**3,871.8**	3,211.7
	4,270.6	3,717.5

15. ASSETS CLASSIFIED AS HELD FOR SALE

During the period ended 30th June, 2018, Charm Force Investment Limited ("Charm Force"), an indirect non-wholly owned subsidiary of the Group, entered into a sales and purchases agreement, pursuant to which Charm Force agreed to sell the Group's entire interest in an associate, Learning Ark Holdings Limited (the "Disposal").

The Disposal was completed on 5th July, 2018. As at 30th June, 2018, sales proceeds of HK$17,600,000 had been received by the Group and included in both cash and cash equivalents and receipts in advance. As a result of the Disposal, the interest in the associate had been presented as assets classified as held for sale in the condensed consolidated statement of financial position as at 30th June, 2018 in accordance with HKFRS 5 Non-current Assets and Held for Sale and Discontinued Operations.

16. TRADE AND OTHER PAYABLES

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

	At 30th June, 2018 *HK$ Million*	At 31st December, 2017 *HK$ Million*
Less than 31 days	**33.0**	46.7
31 to 60 days	**6.3**	8.8
61 to 90 days	**4.4**	9.2
91 to 180 days	**1.3**	–
Over 180 days	**0.8**	0.1
	45.8	64.8
Accrued staff costs, other accrued expenses and other payables without aging	**330.0**	398.6
	375.8	463.4
Receipts in advance	**17.6**	–
	393.4	463.4

INTERIM DIVIDEND

The Board has declared an interim dividend of HK15 cents per share for the six months ended 30th June, 2018 (2017: HK15 cents per share) payable on or around Wednesday, 19th September, 2018 to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on Friday, 7th September, 2018. The Board is cognizant of the benefit to Shareholders of a dividend policy with a high pay-out ratio. However, we consider that a sustainable dividend represents a better policy.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 5th September, 2018 to Friday, 7th September, 2018 (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 interim 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, 4th September, 2018.

FINANCIAL HIGHLIGHTS

	Six months ended 30th June,	
	2018	2017
	HK$ Million	*HK$ Million*
Revenue	**2,430.6**	2,128.1
Profit for the period attributable to owners of the Company	**1,363.1**	1,853.6
Equity attributable to owners of the Company at the end of the reporting period	**25,804.7**	23,374.4
Return on equity attributable to owners of the Company	**5.3%**	7.9%
Earnings per share	**HK$7.75**	HK$10.48

	At 30th June, 2018	At 31st December, 2017
Net asset value per share attributable to owners of the Company	**HK$146.8**	HK$142.6
Gearing ratio	**36.3%**	32.6%

FINANCIAL REVIEW

Financial Results

The revenue of the Group for the period was HK$2,430.6 million (2017: HK$2,128.1 million). The increase is mainly due to higher interest income arising from loan business and the consumer finance business.

The profit attributable to the owners of the Company for the period was HK$1,363.1 million, a decrease of HK$490.5 million or 26.5% (2017: HK$1,853.6 million).

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

– lower contribution from associate Tian An China Investments Company Limited ("TACI");

– good performance of the principal investments of Sun Hung Kai & Co. Limited ("SHK"); and

– a higher fair value gain on revaluation of investment properties of the Group.

Earnings per share

Earnings per share amounted to HK$7.75 (2016: HK$10.48).

Financial Resources, Liquidity and Capital Structure

The 4.75% US dollar denominated notes ("4.75% Notes") are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 4.75% Notes after eliminating the intra-group holdings was US$323.5 million or equivalent to HK$2,538.7 million (at 31st December, 2017: US$323.5 million or equivalent to HK$2,529.1 million) at the reporting date.

The 4.65% US dollar denominated notes ("4.65% Notes") are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 4.65% Notes after eliminating the intra-group holdings was US$540.8 million or equivalent to HK$4,244.0 million (at 31st December, 2017: US$540.8 million or equivalent to HK$4,228.0 million) at the reporting date.

On 5th February, 2018, under the guaranteed medium term note programme, Sun Hung Kai & Co. (BVI) Limited further issued HK$245.5 million 3.1% HK dollar denominated notes ("3.1% Notes") at discount for a net consideration of HK$245.1 million. The 3.1% Notes will be mature on 5th February, 2019.

The 6.9% Renminbi denominated notes matured in May 2018 and the outstanding balance was repaid.

At 30th June, 2018, the equity attributable to owners of the Company amounted to HK$25,804.7 million, representing an increase of HK$735.3 million from that of 31st December, 2017. The Group's bank deposits, bank balances and cash amounted to HK$4,463.2 million (at 31st December, 2017: HK$4,119.2 million). The Group's bank and other borrowings and notes payable totalled HK$13,838.3 million (at 31st December, 2017: HK$12,283.5 million) of which the portion due on demand or within one year was HK$5,163.8 million (at 31st December, 2017: HK$3,848.7 million), and the remaining long-term portion was HK$8,674.5 million (at 31st December, 2017: HK$8,434.8 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 3.20 times (at 31st December, 2017: 4.01 times). The Group's gearing ratio (net bank and other borrowings and notes payable/equity attributable to owners of the Company) was 36.3% (at 31st December, 2017: 32.6%).

	At 30th June, 2018 *HK$ Million*	At 31st December, 2017 *HK$ Million*
Bank loans are repayable as follows:		
On demand or within one year	**1,986.7**	1,752.9
More than one year but not exceeding two years	**1,916.4**	1,395.8
More than two years but not exceeding five years	**–**	309.6
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	**1,851.8**	1,018.0
More than one year but not exceeding two years	**56.0**	14.0
More than two years but not exceeding five years	**474.0**	–
	6,284.9	4,490.3
Other borrowings are repayable over five years	**46.6**	35.0
Renminbi denominated notes are repayable within one year	**–**	528.0
US dollar denominated notes are repayable as follows:		
Within one year	**92.2**	87.6
More than one year but not exceeding five years	**6,711.5**	6,694.4
HK dollar denominated notes are repayable within one year	**703.1**	448.2
	7,506.8	7,758.2
	13,838.3	12,283.5

Other than the Renminbi denominated notes, US dollar denominated notes and HK dollar denominated notes, 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 Acquisition and Disposal

Save as disclosed in this announcement, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the period.

Segment Information

Detailed segmental information in respect of the revenue and profit or loss is shown in note 4 to the condensed 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 reporting period, the Group had guarantees as follows:

	At 30th June, 2018	At 31st December, 2017
	HK$ Million	*HK$ Million*
Indemnities on banking facility made available to joint venture	**111.0**	112.7

Pledge of Assets

At the end of the reporting period, certain of the Group's investment properties and land and buildings with an aggregate carrying value of HK$8,304.8 million (at 31st December, 2017: HK$7,766.9 million), bank deposits and bank balances of HK$20.0 million (at 31st December, 2017: Nil) together with certain securities in respect of a listed subsidiary with investment cost of HK$276.6 million (at 31st December, 2017: HK$276.6 million) were pledged to secure loans and general banking facilities to the extent of HK$2,579.1 million (at 31st December, 2017: HK$2,291.5 million) granted to the Group. Facilities amounting to HK$1,832.8 million (at 31st December, 2017: HK$990.0 million) were utilised at the end of the reporting period.

At the end of the reporting period, a bank deposit of HK$nil (at 31st December, 2017: HK$1.2 million) was pledged to secure a guarantee issued to third parties by a bank in favour of a subsidiary to the extent of HK$nil (at 31st December, 2017: HK$1.2 million).

Event after the Reporting Date

A buy-back contract was entered into between SHK and Asia Financial Services Company Limited ("AFSC") on 20th July, 2018 relating to an off-market share buy-back by SHK of 145,000,000 shares of SHK, representing approximately 6.73% of the total number of issued shares of SHK, held by AFSC. According to the buy-back contract upon completion, the buy-back price per share of HK$4.75 will be reduced by HK26 cents (being the aggregate of SHK's 2017 second interim dividend of HK14 cents per share paid on 28th June, 2018 and 2018 interim dividend of HK12 cents per share declared on 15th August, 2018 and payable on 12th September, 2018) to HK$4.49. The total consideration will be reduced by HK$37.7 million from HK$688.8 million to HK$651.1 million. The completion of the share buy-back will take place on 17th September, 2018 or such other date as SHK and AFSC may agree in writing. After the completion of the share buy-back, the Group's shareholding in SHK will be increased from approximately 57.29% to approximately 61.43% assuming there are no other changes in the number of issued shares of SHK.

OPERATIONAL REVIEW

Financial Services

Investment and Finance

- The profit attributable to owners of SHK was HK$1,058.0 million (2017: HK$780.1 million). The better performance during the period was mainly due to improved contribution from its principal investment portfolios. A steady performance from United Asia Finance Limited ("UAF"), the 58% owned subsidiary of SHK, also contributed significantly.

- The total investment assets of SHK's principal investment portfolio amounted to HK$17,056.3 million at the end of June 2018 and this division which included the structured finance business contributed a pre-tax contribution of HK$680.4 million to SHK (2017: HK$432.3 million).

- Sun Hung Kai Credit Limited ("SHKC") made a pre-tax profit contribution of HK$48.8 million (2017: HK$12.3 million). Its loan portfolio reached HK$3 billion at the end of June 2018 from HK$2 billion at the end of last year.

Consumer Finance

- Profit attributable to owners of UAF for the period amounted to HK$505.6 million (2017: HK$500.6 million).

- During the period, UAF has adopted a more prudent approach towards credit approvals in the mainland China because of worse-than-expected general credit conditions in the market.

- For UAF's business in Hong Kong, its contribution for the first half of 2018 increased steadily during the period. Business performance remains satisfactory despite keen market competition.

- At the end of the period, the consolidated consumer finance gross loan balance amounted to HK$9.7 billion, representing a decrease of HK$0.1 billion from the end of 2017. During the period, the number of online transactions under the mainland China business surpassed those offline, and the initial success of this O2O ("online to offline") strategy meant UAF could reduce its physical branch network. UAF closed 12 branches in mainland China during the period, leaving 73 branches on the mainland China operating at the period end and 49 branches in Hong Kong.

(Further details can be found in SHK's interim results announcement dated 15th August, 2018)

Properties

Hong Kong

- Allied Properties (H.K.) Limited ("Allied Properties") reported a profit attributable to its owners of HK$1,885.2 million (2017: HK$2,359.6 million).

- Allied Properties' rental income from its Hong Kong property portfolio was at a steady level compared to the same period in 2017.

- The net gain in the value of the Allied Properties' property portfolio, including investment properties owned by SHK was HK$646.2 million during the period, higher than that of 2017 by HK$192.9 million.

- The hotel division reported an increase in average room rates and occupancies, resulting in an increased 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, reported a decrease in its profit contribution by 43.6% mainly due to lower fair value gain of its property portfolio during the period. Foundation work on the Jaffe Road hotel site is in progress.

(Further details can be found in Allied Properties' interim results announcement dated 20th August, 2018)

Mainland PRC

- The profit attributable to the owners of TACI was HK$836.9 million (2017: HK$1,671.1 million).

- The decrease in profit of TACI was mainly due to the absence of an one-off gain of HK$1,634.0 million on disposal of a subsidiary which was recorded in last period. Although there was no one-off gain from disposal of a subsidiary, TACI booked substantial sales and contributions from its ongoing development projects.

- Rental income was up by 20% as compared with 2017, due to improved yield and additional investment properties coming on stream.

- There are a total of 15 cyberparks over 12 cities. The overall contribution of TACI's cyberpark unit has increased during the period. 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 of TACI's urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen is under construction and part of the Phase 2 is expected to be completed in second half of 2018, with the remaining part to be completed in first half of 2019.

- Asiasec Properties Limited reported a profit attributable to its shareholders of HK$78.2 million (2017: HK$115.5 million).

(Further details can be found in TACI's interim results announcement dated 17th August, 2018)

Investments

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

- SHK HK IND reported a net profit attributable to its owners of HK$14.1 million (2017: HK$99.4 million).

- The net profit mainly comprised profit from disposal of and fair value gain on financial assets and liabilities as well as interest income from financial assets.

(Further details can be found in SHK HK IND's interim results announcement dated 17th August, 2018)

Employees

The total number of headcount of the Group at 30th June, 2018 was 4,819 (at 31st December, 2017: 5,080). The net decrease in headcount is mainly the result of the branch consolidation of UAF in mainland China, as the business migrated further online. 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.

BUSINESS OUTLOOK

While significant risk factors such as geopolitical issues and the pace of the US interest rate hike still remain, the current trade war between USA and China has added further uncertainty to the economic outlook. It is expected that there may be further increases in interest rates and this will continue to exert pressure upon the local economy.

For the consumer finance business, uncertainties face the market especially in mainland China. UAF will maintain a prudent stance in the short term whilst seeking growth and opportunity for efficiency gains with its O2O strategy.

The limited supply of land of Hong Kong when compared to demand remains a major issue for the local economy. It is expected the recent increase in mortgage interest rates will have a cool down effect on the property market, although the effect may not be significant.

For the mainland property market, there are ongoing various measures by the authorities to regulate the high housing demand and cool down the overheated property market.

With the Group's solid financial position and diversified income stream, 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 THE CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2018, 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 Provisions B.1.2 and C.3.3

Code provisions B.1.2 and C.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee ("Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.2 of the CG Code except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision).

The terms of reference of the audit committee ("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 reasons for the above deviations were set out in the Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31st December, 2017. The Board considers that the Remuneration Committee and 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.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2018. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and on the interim results announcements of the listed associates, as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

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 six months ended 30th June, 2018.

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

Hong Kong, 20th August, 2018

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.