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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)

### UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2023

The board of directors (“Board”) of Allied Group Limited (“Company”) is pleased to announce that the unaudited condensed consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30th June, 2023 with the comparative figures for the corresponding period in 2022 are as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS for the six months ended 30th June, 2023

		Six months ended 30th June,	
		2023	2022
	Notes	Unaudited HK\$ Million	Unaudited HK\$ Million
Revenue	4	3,512.9	3,418.2
Other income		103.8	48.5
Total income		3,616.7	3,466.7
Cost of sales and other direct costs		(1,150.8)	(824.7)
Brokerage and commission expenses		(75.0)	(83.5)
Selling and marketing expenses		(138.1)	(99.5)
Administrative expenses		(845.0)	(886.3)
Changes in values of properties	5	34.3	(199.6)
Net loss on financial assets and liabilities at fair value through profit or loss		(383.8)	(598.9)
Net exchange loss		(23.0)	(156.1)
Net impairment losses on financial assets	6	(327.3)	(333.2)
Other operating expenses		(95.9)	(106.5)
Finance costs	7	(386.6)	(430.9)
Share of results of associates		(29.7)	(90.2)
Share of results of joint ventures		7.2	(35.2)
Profit (loss) before taxation	8	203.0	(377.9)
Taxation	9	(228.8)	(184.2)
Loss for the period		(25.8)	(562.1)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)***for the six months ended 30th June, 2023*

		<b>Six months ended 30th June,</b>	
		<b>2023</b>	<b>2022</b>
		<b>Unaudited</b>	<b>Unaudited</b>
	<i>Note</i>	<b><i>HK\$ Million</i></b>	<b><i>HK\$ Million</i></b>
Attributable to:			
Owners of the Company		<b>(163.9)</b>	(605.7)
Non-controlling interests		<b>138.1</b>	43.6
		<b><u>(25.8)</u></b>	<b><u>(562.1)</u></b>
		<b><i>HK\$</i></b>	<b><i>HK\$</i></b>
<b>Loss per share</b>	<i>10</i>		
Basic		<b><u>(0.05)</u></b>	<b><u>(0.17)</u></b>
Diluted		<b><u>(0.05)</u></b>	<b><u>(0.17)</u></b>

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

*for the six months ended 30th June, 2023*

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	2022
	<b>Unaudited</b>	Unaudited
	<b>HK\$ Million</b>	HK\$ Million
Loss for the period	<u>(25.8)</u>	<u>(562.1)</u>
Other comprehensive (expenses) income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	(46.3)	(209.4)
Revaluation gain on properties	20.2	–
Exchange differences arising on translation to presentation currency	(608.9)	(884.2)
Share of other comprehensive expenses of associates	(9.3)	(7.5)
Share of other comprehensive expenses of joint ventures	<u>(310.2)</u>	<u>(243.3)</u>
	<u>(954.5)</u>	<u>(1,344.4)</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 period	(2.3)	6.0
– Reclassification adjustment for realisation upon disposal/redemption	–	4.7
Exchange differences arising on translation of foreign operations	(169.7)	(262.4)
Reclassification adjustment to profit or loss on liquidation of subsidiaries	–	8.1
Others	0.1	0.2
Share of other comprehensive income (expenses) of associates	1.2	(24.9)
Share of other comprehensive expenses of joint ventures	<u>(4.5)</u>	<u>(33.2)</u>
	<u>(175.2)</u>	<u>(301.5)</u>
Other comprehensive expenses for the period, net of tax	<u>(1,129.7)</u>	<u>(1,645.9)</u>
Total comprehensive expenses for the period	<u>(1,155.5)</u>	<u>(2,208.0)</u>
Attributable to:		
Owners of the Company	(790.7)	(1,460.5)
Non-controlling interests	<u>(364.8)</u>	<u>(747.5)</u>
	<u>(1,155.5)</u>	<u>(2,208.0)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June, 2023

		At 30th June, 2023 Unaudited HK\$ Million	At 31st December, 2022 Audited HK\$ Million
	<i>Notes</i>		
<b>Non-current assets</b>			
Investment properties		24,827.7	25,230.2
Property, plant and equipment		2,166.4	2,143.4
Right-of-use assets		526.0	643.2
Net investments in finance lease		3.3	0.4
Properties for development		5,217.3	5,285.3
Other assets – properties interests		149.6	53.8
Goodwill		135.7	135.7
Intangible assets		73.5	70.2
Interests in associates		3,777.0	3,864.7
Interests in joint ventures		11,528.0	12,092.2
Financial assets at fair value through other comprehensive income		709.8	459.2
Amounts due from associates		263.6	261.2
Amounts due from joint ventures		3,426.4	3,373.8
Loans and advances to consumer finance customers	<i>12</i>	3,724.0	3,797.3
Mortgage loans	<i>13</i>	808.6	1,273.0
Deferred tax assets		540.1	616.7
Financial assets at fair value through profit or loss		10,600.8	11,220.3
Term loans	<i>14</i>	27.0	212.2
Trade receivables, prepayments and other receivables	<i>15</i>	30.2	45.0
		<b>68,535.0</b>	<b>70,777.8</b>
<b>Current assets</b>			
Other inventories		8.3	3.4
Inventories of properties			
– under development		5,406.4	5,055.6
– completed		2,525.3	3,252.4
Financial assets at fair value through profit or loss		4,907.9	4,817.2
Loans and advances to consumer finance customers	<i>12</i>	6,911.0	7,228.6
Mortgage loans	<i>13</i>	1,861.3	1,790.9
Term loans	<i>14</i>	1,544.3	1,487.0
Trade receivables, prepayments and other receivables	<i>15</i>	582.6	721.7
Amounts due from brokers		793.2	1,231.1
Amounts due from associates		27.8	82.3
Amounts due from joint ventures		1,134.1	1,239.3
Amounts due from non-controlling interests		–	0.2
Financial assets at fair value through other comprehensive income		–	2.3
Tax recoverable		338.4	21.8
Short-term pledged bank deposits and bank balances		18.3	0.5
Bank deposits		2,616.9	4,124.8
Cash and cash equivalents		14,013.0	11,413.1
		<b>42,688.8</b>	<b>42,472.2</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**  
*at 30th June, 2023*

		At 30th June, 2023 Unaudited HK\$ Million	At 31st December, 2022 Audited HK\$ Million
<b>Current liabilities</b>			
Trade payables, other payables and accruals	16	2,389.4	2,897.4
Contract liabilities		7,480.5	7,462.6
Financial liabilities at fair value through profit or loss		313.4	407.4
Amounts due to associates		242.5	209.1
Amounts due to brokers		213.6	81.8
Amounts due to joint ventures		1,864.5	589.3
Amounts due to non-controlling interests		0.2	0.2
Tax payable		2,122.2	2,203.9
Bank and other borrowings due within one year		10,621.9	9,455.9
Notes payable		635.1	86.0
Lease liabilities		135.2	148.6
Other liabilities		14.8	38.7
Provisions		61.2	57.3
		<u>26,094.5</u>	<u>23,638.2</u>
<b>Net current assets</b>		<u>16,594.3</u>	<u>18,834.0</u>
<b>Total assets less current liabilities</b>		<u>85,129.3</u>	<u>89,611.8</u>
<b>Capital and reserves</b>			
Share capital	17	2,221.7	2,221.7
Reserves		40,725.8	40,892.8
<b>Equity attributable to owners of the Company</b>		<u>42,947.5</u>	<u>43,114.5</u>
Shares held for employee ownership scheme		(26.2)	(36.5)
Employee share-based compensation reserve		8.7	14.1
Share of net assets of subsidiaries		23,235.4	25,114.6
<b>Non-controlling interests</b>		<u>23,217.9</u>	<u>25,092.2</u>
<b>Total equity</b>		<u>66,165.4</u>	<u>68,206.7</u>
<b>Non-current liabilities</b>			
Bank and other borrowings due after one year		6,877.6	8,103.1
Notes payable		5,552.1	6,492.1
Lease liabilities		178.5	265.7
Other liabilities		32.8	13.2
Rental deposits from tenants		17.5	18.9
Financial liabilities at fair value through profit or loss		101.5	99.6
Deferred tax liabilities		6,203.2	6,410.9
Provisions		0.7	1.6
		<u>18,963.9</u>	<u>21,405.1</u>
		<u>85,129.3</u>	<u>89,611.8</u>

*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, 2022 included in this announcement of interim results as comparative information does not constitute the Company's statutory annual consolidated 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, 2022 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. 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 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").

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 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 additional 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 condensed consolidated financial statements for the six months ended 30th June, 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31st December, 2022.

## **Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1st January, 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### **Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

#### *Accounting policies*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

#### *Transition and summary of effects*

The Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. The retrospective application of the new accounting policy to leasing transactions that occurred on or after 1st January, 2022 in accordance with the transition provision has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## **Impacts on application of Amendments to HKAS 12 International Tax Reform-Pillar Two Model Rules**

In July 2023, the HKICPA issued the amendments to HKAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1st January, 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group’s entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group’s exposure to Pillar Two income taxes in the Group’s annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

## **Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates**

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.



#### 4. SEGMENTAL INFORMATION

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

	Six months ended 30th June, 2023							Total HK\$ Million
	Investment and finance HK\$ Million	Consumer finance HK\$ Million	Property development HK\$ Million	Property investment HK\$ Million	Property management HK\$ Million	Elderly care services HK\$ Million	Corporate and other operations HK\$ Million	
Segment revenue	425.4	1,628.6	750.3	440.9	170.9	55.0	129.8	3,600.9
Less: inter-segment revenue	(8.2)	-	-	(32.5)	(0.6)	-	(46.7)	(88.0)
Segment revenue from external customers	<u>417.2</u>	<u>1,628.6</u>	<u>750.3</u>	<u>408.4</u>	<u>170.3</u>	<u>55.0</u>	<u>83.1</u>	<u>3,512.9</u>
Segment results	(166.7)	553.8	(93.5)	307.6	6.3	(6.6)	11.2	612.1
Finance costs								(386.6)
Share of results of associates	-	-	(1.9)	12.9	-	-	-	11.0
Share of results of associates (unallocated)								(40.7)
Share of results of joint ventures	(10.2)	-	(251.8)	234.3	7.3	-	27.6	<u>7.2</u>
Profit before taxation								203.0
Taxation								<u>(228.8)</u>
Loss for the period								<u>(25.8)</u>

## Six months ended 30th June, 2022

	Investment and finance <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Property development <i>HK\$ Million</i>	Property investment <i>HK\$ Million</i>	Property management <i>HK\$ Million</i>	Elderly care services <i>HK\$ Million</i>	Corporate and other operations <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Segment revenue	435.0	1,759.1	586.8	403.4	158.2	50.7	80.8	3,474.0
Less: inter-segment revenue	(8.5)	–	–	(14.9)	(0.2)	(0.2)	(32.0)	(55.8)
Segment revenue from external customers	<u>426.5</u>	<u>1,759.1</u>	<u>586.8</u>	<u>388.5</u>	<u>158.0</u>	<u>50.5</u>	<u>48.8</u>	<u>3,418.2</u>
Segment results	(440.1)	645.4	(59.0)	141.2	(6.1)	(2.8)	(100.2)	178.4
Finance costs								(430.9)
Share of results of associates	–	–	(0.4)	11.9	–	–	–	11.5
Share of results of associates (unallocated)								(101.7)
Share of results of joint ventures	45.5	–	(73.4)	(135.7)	8.9	–	119.5	(35.2)
Loss before taxation								(377.9)
Taxation								(184.2)
Loss for the period								<u>(562.1)</u>

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

(A) The geographical information of revenue is disclosed as follows:

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>HK\$ Million</i></b>	<b><i>HK\$ Million</i></b>
Revenue from external customers by location of operations		
Hong Kong	<b>2,053.8</b>	2,014.7
The People's Republic of China ("PRC")	<b>1,438.3</b>	1,382.6
United Kingdom	<b>18.2</b>	19.3
Australia	<b>2.6</b>	1.6
	<u><b>3,512.9</b></u>	<u>3,418.2</u>

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

Six months ended 30th June, 2023								
	Investment and finance	Consumer finance	Property development	Property investment	Property management	Elderly care services	Corporate and other operations	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Sales of completed properties	-	-	750.3	-	-	-	-	750.3
Hotel operations	-	-	-	25.5	-	-	-	25.5
Management services	-	-	-	2.6	170.3	-	1.0	173.9
Advisory and service income, commission income and others	6.7	20.1	-	-	-	-	13.3	40.1
Elderly care services	-	-	-	-	-	54.7	-	54.7
Logistics services	-	-	-	-	-	-	19.2	19.2
Revenue from contracts with customers	<u>6.7</u>	<u>20.1</u>	<u>750.3</u>	<u>28.1</u>	<u>170.3</u>	<u>54.7</u>	<u>33.5</u>	<u>1,063.7</u>

Six months ended 30th June, 2022								
	Investment and finance	Consumer finance	Property development	Property investment	Property management	Elderly care services	Corporate and other operations	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Sales of completed properties	-	-	586.8	-	-	-	-	586.8
Hotel operations	-	-	-	49.4	-	-	-	49.4
Management services	-	-	-	2.6	158.0	-	0.9	161.5
Advisory and service income, commission income and others	11.7	9.6	-	-	-	-	28.0	49.3
Elderly care services	-	-	-	-	-	50.5	-	50.5
Logistics services	-	-	-	-	-	-	2.8	2.8
Revenue from contracts with customers	<u>11.7</u>	<u>9.6</u>	<u>586.8</u>	<u>52.0</u>	<u>158.0</u>	<u>50.5</u>	<u>31.7</u>	<u>900.3</u>

## 5. CHANGES IN VALUES OF PROPERTIES

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Changes in values of properties comprise:		
Net increase (decrease) in fair value of investment properties	31.6	(115.0)
Impairment loss (recognised) reversed for hotel property	(0.2)	4.7
Impairment loss reversed (recognised) for leasehold land and buildings	0.6	(2.9)
Fair value gain (loss) on transfer of inventories of completed properties to investment properties	2.3	(3.0)
Impairment loss on properties for development	–	(83.4)
	<u>34.3</u>	<u>(199.6)</u>

## 6. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Net impairment losses	417.5	425.1
Recoveries of amounts previously written off	(123.3)	(112.5)
	<u>294.2</u>	<u>312.6</u>
Mortgage loans		
Net reversal of impairment losses	(7.7)	(15.7)
Term loans		
Net impairment losses	39.6	25.2
Amounts due from associates		
Net recognition (reversal) of impairment losses	0.5	(5.2)
Trade and other receivables		
Net impairment losses	0.5	4.1
Financial assets at fair value through other comprehensive income		
Net impairment losses	0.2	12.2
	<u>327.3</u>	<u>333.2</u>

## 7. FINANCE COSTS

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Total finance costs included in:		
Cost of sales and other direct costs	<b>225.6</b>	118.7
Finance costs	<b>386.6</b>	430.9
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	<b>612.2</b>	549.6
	<hr/>	<hr/>

## 8. PROFIT (LOSS) BEFORE TAXATION

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Profit (loss) before taxation has been arrived at after charging:		
Amortisation of intangible assets – computer software	<b>2.5</b>	1.6
Amortisation of properties for development	<b>9.7</b>	10.3
Cost of inventories recognised as expenses	<b>673.5</b>	434.9
Depreciation of other assets – properties interests	<b>0.2</b>	0.3
Depreciation of property, plant and equipment	<b>68.5</b>	48.8
Less: amount capitalised in properties under development	<b>(0.6)</b>	(0.9)
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	<b>67.9</b>	47.9
Depreciation of right-of-use assets	<b>90.6</b>	88.8
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## 9. TAXATION

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	2022
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
The income tax charged (credited) comprises:		
Current tax		
Hong Kong	<b>115.5</b>	135.5
PRC	<b>63.0</b>	82.7
Other jurisdictions	<b>0.1</b>	0.1
Land Appreciation Tax	<b>46.0</b>	111.3
	<b>224.6</b>	329.6
(Over) under provision in prior years	<b>(40.4)</b>	4.2
	<b>184.2</b>	333.8
Deferred tax	<b>44.6</b>	(149.6)
	<b>228.8</b>	184.2

Hong Kong Profits Tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the period. The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries. Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in the relevant jurisdictions.

## 10. LOSS PER SHARE

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

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<u>Loss</u>		
Loss for the purpose of basic loss per share (loss attributable to owners of the Company)	<b>(163.9)</b>	(605.7)
Adjustments to profit in respect of adjustments under the employee ownership scheme of a subsidiary ( <i>Note</i> )	<u>–</u>	<u>–</u>
Loss for the purpose of diluted loss per share	<u><b>(163.9)</b></u>	<u>(605.7)</u>
	<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 loss per share	<u><b>3,513.7</b></u>	<u>3,514.5</u>

*Note:* The loss for the purpose of calculating diluted loss per share has not adjusted for the effect under the employee ownership scheme of a subsidiary as it is anti-dilutive.

## 11. DIVIDENDS

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Dividends recognised as distribution during the period:		
2022 second interim dividend (in lieu of a final dividend) of HK11.75 cents per share (2022: 2021 second interim dividend (in lieu of a final dividend) of HK12.50 cents per share)	<u><b>412.9</b></u>	<u>439.2</u>

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2023 (2022: HK0.75 cents per share amounting to HK\$26.4 million).

## 12. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	At 30th June, 2023 <i>HK\$ Million</i>	At 31st December, 2022 <i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Hong Kong	9,079.8	8,743.1
PRC	<u>2,096.6</u>	<u>2,887.2</u>
	11,176.4	11,630.3
Less: impairment allowance	<u>(541.4)</u>	<u>(604.4)</u>
	<u>10,635.0</u>	<u>11,025.9</u>
Analysed for reporting purposes as:		
Non-current assets	3,724.0	3,797.3
Current assets	<u>6,911.0</u>	<u>7,228.6</u>
	<u>10,635.0</u>	<u>11,025.9</u>

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

	At 30th June, 2023 <i>HK\$ Million</i>	At 31st December, 2022 <i>HK\$ Million</i>
Less than 31 days past due	626.4	705.0
31 to 60 days	93.9	127.5
61 to 90 days	25.4	66.0
91 to 180 days	58.8	2.7
Over 180 days	<u>63.3</u>	<u>67.6</u>
	<u>867.8</u>	<u>968.8</u>



### 13. MORTGAGE LOANS

	At 30th June, 2023 <i>HK\$ Million</i>	At 31st December, 2022 <i>HK\$ Million</i>
Mortgage loans		
Hong Kong	2,705.7	3,107.5
Less: impairment allowance	<u>(35.8)</u>	<u>(43.6)</u>
	<b><u>2,669.9</u></b>	<b><u>3,063.9</u></b>
Analysed for reporting purposes as:		
Non-current assets	808.6	1,273.0
Current assets	<u>1,861.3</u>	<u>1,790.9</u>
	<b><u>2,669.9</u></b>	<b><u>3,063.9</u></b>

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

	At 30th June, 2023 <i>HK\$ Million</i>	At 31st December, 2022 <i>HK\$ Million</i>
Less than 31 days past due	100.2	207.8
31 to 60 days	239.3	22.6
61 to 90 days	–	–
91 to 180 days	5.9	0.1
Over 180 days	<u>140.9</u>	<u>313.4</u>
	<b><u>486.3</u></b>	<b><u>543.9</u></b>

As of 30th June, 2023, HK\$867.8 million (at 31st December, 2022: HK\$1,025.0 million) of mortgage loans receivable were pledged for a securitisation financing transaction.

#### 14. TERM LOANS

	At 30th June, 2023 <i>HK\$ Million</i>	At 31st December, 2022 <i>HK\$ Million</i>
Secured term loans	2,104.2	2,133.4
Unsecured term loans	<u>334.7</u>	<u>401.0</u>
	2,438.9	2,534.4
Less: impairment allowance	<u>(867.6)</u>	<u>(835.2)</u>
	<u><b>1,571.3</b></u>	<u>1,699.2</u>
Analysed for reporting purposes as:		
Non-current assets	27.0	212.2
Current assets	<u>1,544.3</u>	<u>1,487.0</u>
	<u><b>1,571.3</b></u>	<u>1,699.2</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 the trade and other receivables based on the date of invoice/contract note at the reporting date:

	At 30th June, 2023 <i>HK\$ Million</i>	At 31st December, 2022 <i>HK\$ Million</i>
Less than 31 days	83.3	195.1
31 to 60 days	27.2	25.4
61 to 90 days	12.7	18.8
91 to 180 days	17.0	32.2
Over 180 days	<u>75.8</u>	<u>93.4</u>
	216.0	364.9
Trade and other receivables without aging	331.9	338.3
Less: impairment allowances	<u>(61.1)</u>	<u>(60.5)</u>
	486.8	642.7
Trade and other receivables at amortised cost	126.0	124.0
Prepayments	<u>612.8</u>	<u>766.7</u>
	612.8	766.7
Analysed for reporting purposes as:		
Non-current assets	30.2	45.0
Current assets	<u>582.6</u>	<u>721.7</u>
	<u>612.8</u>	<u>766.7</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:

	At 30th June, 2023 <i>HK\$ Million</i>	At 31st December, 2022 <i>HK\$ Million</i>
Less than 31 days/repayable on demand	373.6	585.7
31 to 60 days	103.2	177.3
61 to 90 days	22.7	18.7
91 to 180 days	166.4	209.3
Over 180 days	478.9	556.7
	<u>1,144.8</u>	1,547.7
Accrued staff costs, other accrued expenses and other payables without aging	<u>1,244.6</u>	<u>1,349.7</u>
	<u>2,389.4</u>	<u>2,897.4</u>

## 17. SHARE CAPITAL

	Number of shares	Amount <i>HK\$ Million</i>
Issued and fully paid:		
At 1st January, 2022	3,515,082,360	2,221.7
Share repurchased and cancelled	<u>(1,398,000)</u>	<u>–</u>
At 31st December, 2022, 1st January, 2023 and 30th June, 2023	<u>3,513,684,360</u>	<u>2,221.7</u>

## 18. EVENTS AFTER THE REPORTING PERIOD

On 27th February, 2023, an indirect wholly-owned subsidiary of Asiasec Properties Limited (“ASL”) (“Purchaser”) which is a listed subsidiary of Tian An China Investments Company Limited (“TACI”), entered into a sale and purchase agreement with third parties to acquire a property in Hong Kong through (i) the acquisition of the entire issued share capital of an investment holding company (“Target Company”); and (ii) the assignment of loan indebted by the Target Company to its shareholder at the consideration of HK\$3. It was further agreed that at completion, the Purchaser shall enter into a loan agreement to provide to the Target Company a loan in the amount of HK\$1,000,000,000. The total payment for the acquisition shall be HK\$1,000,000,003. The transaction was completed on 5th July, 2023.

On the even date, ASL group entered into two sale and purchase agreements to dispose its non-core properties. A sale and purchase agreement was entered into between a direct wholly-owned subsidiary of TACI and a direct wholly-owned subsidiary of ASL to acquire certain non-core properties of ASL group in the PRC through the acquisition of the entire issued share capital of an investment holding company and the assignment of shareholder’s loan at the consideration of HK\$80,000,000. Another sale and purchase agreement was entered between an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of ASL to acquire certain non-core properties of ASL group in Hong Kong through the acquisition of the entire issued share capital of two investment holding companies and the assignment of the respective shareholder’s loans at the aggregate consideration of HK\$250,000,000. These transactions were completed on 3rd July, 2023.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2023 (2022: HK0.75 cents per share).

## FINANCIAL HIGHLIGHTS

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>HK\$ Million</i></b>	<b><i>HK\$ Million</i></b>
Revenue	<b>3,512.9</b>	3,418.2
Loss for the period attributable to owners of the Company	<b>(163.9)</b>	(605.7)
Equity attributable to owners of the Company at the end of the reporting period	<b>42,947.5</b>	44,314.4
Return on equity attributable to owners of the Company	<b>(0.4)%</b>	(1.4)%
Loss per share		
– Basic	<b>HK\$(0.05)</b>	HK\$(0.17)
– Diluted	<b>HK\$(0.05)</b>	HK\$(0.17)
	<b>At</b>	<b>At</b>
	<b>30th June, 2023</b>	<b>31st December, 2022</b>
Net asset value per share attributable to owners of the Company	<b>HK\$12.22</b>	HK\$12.27
Gearing ratio	<b>16.4%</b>	19.9%

## **FINANCIAL REVIEW**

### **Financial Results**

The revenue of the Group for the period was HK\$3,512.9 million (2022: HK\$3,418.2 million).

The loss attributable to owners of the Company for the period was HK\$163.9 million, as compared to a loss of HK\$605.7 million for the same period in 2022.

The reduction in loss for the period was primarily due to:

- the decrease in loss attributable to Sun Hung Kai & Co. Limited (“SHK”);
- the profit attributable to Tian An China Investments Company Limited (“TACI”) as compared to a loss for the same period in 2022;
- the profit contributed by Allied Kajima Limited (“AKL”), the Group’s 50% joint venture, as compared to a loss for the same period in 2022; and
- the decrease in share of loss from the listed associate, APAC Resources Limited (“APAC”).

#### *Loss per share*

Basic loss per share amounted to HK\$0.05 for the period, as compared to the basic loss per share of HK\$0.17 for the same period in 2022.

### **Capital Management and Treasury Policy**

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

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

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

The 5.75% US dollar denominated notes maturing in November 2024 ("2024 Notes") are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The nominal value of the 2024 Notes after eliminating the intra-group holdings was US\$312.5 million or equivalent to HK\$2,448.5 million (at 31st December, 2022: US\$319.6 million or equivalent to HK\$2,495.7 million) at the end of reporting period.

The 5.00% US dollar denominated notes maturing in September 2026 ("2026 Notes") are listed on the Stock Exchange. The nominal value of the 2026 Notes after eliminating the intra-group holdings was US\$399.1 million or equivalent to HK\$3,127.0 million (at 31st December, 2022: US\$420.1 million or equivalent to HK\$3,280.6 million) at the end of reporting period.

At the end of the reporting period, the equity attributable to owners of the Company amounted to HK\$42,947.5 million, representing a decrease of HK\$167.0 million from that of 31st December, 2022. The Group maintained a strong cash and bank balance position and had cash and bank balances of approximately HK\$16,648.2 million as at 30th June, 2023 (at 31st December, 2022: HK\$15,538.4 million). The Group's bank and other borrowings and notes payable totalling HK\$23,686.7 million (at 31st December, 2022: HK\$24,137.1 million) of which the portion due on demand or within one year was HK\$11,257.0 million (at 31st December, 2022: HK\$9,541.9 million) and the remaining long-term portion was HK\$12,429.7 million (at 31st December, 2022: HK\$14,595.2 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 1.64 times (at 31st December, 2022: 1.80 times). The Group's gearing ratio (net bank and other borrowings and notes payable/equity attributable to the owners of the Company) was 16.4 % (at 31st December, 2022: 19.9%).



	At <b>30th June,</b> <b>2023</b> <i>HK\$ Million</i>	At 31st December, 2022 <i>HK\$ Million</i>
Bank loans are repayable as follows:		
On demand or within one year	<b>6,629.6</b>	5,787.4
More than one year but not exceeding two years	<b>1,658.6</b>	1,796.2
More than two years but not exceeding five years	<b>3,889.0</b>	4,770.3
More than five years	<b>1,267.9</b>	1,474.5
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	<b>3,992.3</b>	3,233.5
More than one year but not exceeding two years	–	435.0
	<b>17,437.4</b>	17,496.9
Other borrowings are repayable as follows:		
Over five years	<b>62.1</b>	62.1
US dollar denominated notes are repayable as follows:		
Within one year	<b>83.7</b>	84.1
More than one year but not exceeding five years	<b>5,552.1</b>	5,752.1
HK dollar denominated notes are repayable as follows:		
Within one year	<b>551.4</b>	1.9
More than one year but not exceeding five years	–	740.0
	<b>6,187.2</b>	6,578.1
	<b>23,686.7</b>	24,137.1

Other than the 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.

At the end of the reporting period, the Group had HK\$17,499.5 million (at 31st December, 2022: HK\$17,559.0 million) in bank and other borrowings, which were denominated in HK dollars, British pounds, Australian dollars, Renminbi and US dollars. The Group had HK\$16,648.2 million (at 31st December, 2022: HK\$15,538.4 million) in bank deposits, bank balances and cash, which were mainly denominated in HK dollars, Australian dollars, British pounds, Euro, Renminbi, Macau Pataca and US dollars.

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

### **Material Acquisitions and Disposals**

The details of (i) acquisition of a property in Hong Kong by an indirect wholly-owned subsidiary of Asiasec Properties Limited (“ASL”) and (ii) the acquisition of certain properties in Mainland China by a direct wholly-owned subsidiary of TACI from a direct wholly-owned subsidiary of ASL and the acquisition of certain properties in Hong Kong by an indirect wholly-owned subsidiary of the Company from a direct wholly-owned subsidiary of ASL are set out in note 18 to the condensed consolidated financial information.

During the six months ended 30th June, 2023, the Group acquired additional shares in TACI through on-market transactions conducted on the Stock Exchange for a consideration of approximately HK\$235.8 million and the shareholding in TACI increased from approximately 51.74% as at 31st December, 2022 to approximately 55.72% as at 30th June, 2023. In addition, the Group further acquire additional shares in TACI through on-market transactions conducted on the Stock Exchange for a consideration of approximately HK\$6.6 million and the shareholding in TACI further increased to the existing approximately 55.83%.

During the six months ended 30th June, 2023, the TACI group acquired additional shares of a financial asset at fair value through other comprehensive income with total consideration of approximately HK\$234.75 million. The TACI group acquired 115,000 shares of the investee company (“CMH shares”), China Medical & HealthCare Group Limited (“CMH”), a company listed in Hong Kong, through on-market transactions conducted on the Stock Exchange and acquired 265,725,519 CMH shares issued under the issue by way of rights (“CMH Rights Issue”) through the allotment to the TACI group following completion of the CMH Rights Issue. Immediately following completion of the CMH Rights Issue, the TACI group was interested in approximately 33.03% of the issued share capital of CMH. Accordingly, the TACI

group is required to make a mandatory conditional cash offer to the independent shareholders of CMH for 672,708,957 CMH shares at the price of HK\$0.89 per share (“CMH Offer”). In the event that the CMH Offer is accepted in full by the independent shareholders of CMH, the aggregate amount payable by the TACI group under the CMH Offer will be approximately HK\$598.7 million. As at 30th June, 2023, the CMH Offer has not yet commenced.

Save as disclosed above, there were no material acquisitions or disposal of subsidiaries, associates and joint ventures for the six months ended 30th June, 2023 and up to the date of this announcement.

### **Segment Information**

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

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

## Contingent Liabilities

- (a) Property for development that is held by a joint venture of the Group with carrying value of approximately HK\$922.4 million is under idle land investigation by the local authority. The development progress cannot fully fulfil building covenants under the land grant contracts. The whole pieces of land of the joint venture were held under several land use right certificates. They are under phased construction stage and certain portions of them are under development, except for the portions which are retained for the remaining development of the whole project.

Property for development that is held by another joint venture of the Group with carrying value of approximately HK\$243.0 million had been identified as idle land by the local authority. The development of more than half of the piece of land was either completed or under development, except for the portions which are retained for the remaining development of the whole project. In particulars, the construction works for Phase 1, Phase 2 Part 1 and Part 2 of the development have been completed. The construction works for Phase 3 Part 1 has been completed in current period.

The Group is currently working diligently with joint venture partners to prevent the possible classification as idle land for those under idle land investigation and taking remedy action to prevent from prosecution for those had been identified as idle land, including negotiating the feasibility of development plans with local authorities. Based on legal advices, the Group has assessed the issue and in the opinion of the management of the Group, the economic outflows caused by above cases are not probable.

- (b) As at 30th June, 2023, guarantees given to banks in respect of mortgage loans granted to property purchasers and loan facilities granted to or utilised by the joint ventures and investee companies classified as financial assets at fair value through profit or loss amounted to approximately HK\$3,457.2 million. All the guarantees provided by the Group were requested by banks under normal commercial terms. A legal action was taken against a joint venture of the Group resulting in possible contingent liabilities of approximately HK\$233.6 million. The claim is being contested and the management of the Group, with reference to legal advice obtained, considered that in the event that the appeal court rules against the joint venture, it will not have material effect on the condensed consolidated financial statements of the Group.

A legal action was taken against another joint venture of the Group resulting in possible contingent liabilities of approximately HK\$236.0 million. The management of the Group has assessed the claim and considers that it is too early to assess the possible liability at this stage.

- (c) One subsidiary of the Group is the named defendant in legal action filed in the United States. The legal action relates to a disagreement regarding an incorrect transfer of a number of shares to the said subsidiary by a third party in 2017. The plaintiffs are claiming unspecified damages of US\$10 million and management considers that it is less than probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Therefore, no provision for the contingent liabilities in respect of this legal action is necessary.

### **Pledge of Assets**

At 30th June, 2023, the following assets were pledged:

- (a) Certain of the Group's property, plant and equipment, properties for development, properties under development, inventories of completed properties and investment properties with an aggregate carrying value of HK\$26,937.8 million (at 31st December, 2022: HK\$28,518.7 million) together with certain securities in respect of a listed subsidiary with investment cost of HK\$266.4 million (at 31st December, 2022: HK\$266.4 million) were pledged to secure loans and general banking facilities to the extent of HK\$9,702.5 million (at 31st December, 2022: HK\$9,835.0 million) granted to the Group. Facilities amounting to HK\$8,332.7 million (at 31st December, 2022: HK\$8,258.8 million) were utilised at the end of the reporting period.
- (b) HK\$867.8 million (at 31st December, 2022: HK\$1,025.0 million) of mortgage loans receivable were pledged for a securitisation financing transaction.
- (c) Bank deposit with carrying value of nil (at 31st December, 2022: HK\$0.5 million) was pledged for guarantees in respect of government authorities for the development works.
- (d) Bank deposit of HK\$18.3 million (at 31st December, 2022: nil) was pledged to secure a guarantee issued to the government by a bank in respect of performance obligation.

### **Events after the reporting period**

Details regarding the events after the reporting period are set out in note 18 to the condensed consolidated financial information.

## **OPERATIONAL REVIEW**

### **Financial Services**

#### *Investment and Finance*

- The loss attributable to owners of SHK for the period was HK\$287.5 million, as compared to a loss of HK\$401.2 million for the same period in 2022.
- SHK's investment management division reported a pre-tax loss of HK\$832.9 million (2022: pre-tax loss of HK\$935.8 million).
- SHK's fund management reported a pre-tax profit of HK\$16.3 million (2022: pre-tax loss of HK\$21.8 million).
- SHK's private credit business reported a pre-tax loss of HK\$38.7 million (2022: pre-tax loss of HK\$5.0 million).
- Sun Hung Kai Credit Limited contributed a pre-tax profit of HK\$71.6 million (2022: HK\$78.0 million). Its gross loan balance was HK\$2.7 billion at the end of June 2023.

#### *Consumer Finance*

- Profit attributable to owners of United Asia Finance Limited ("UAF") for the period amounted to HK\$407.5 million (2022: HK\$526.4 million).
- In view of the challenging economic and regulatory conditions in Mainland China, UAF continued to reduce operating costs and focused on its shift from unsecured to secured lending.
- In the first half of 2023, UAF enjoyed a better-than-expected profit contribution from its Hong Kong business. UAF launched a credit card branded as "SIM" card (Simple Instant Money) in December 2022. The results of the SIM card's pilot launch to date has been satisfactory.
- As at 30th June, 2023, the consolidated consumer finance gross loan balance amounted to HK\$11.2 billion. There were 16 branches in Mainland China and 48 branches in Hong Kong.

## Properties

### *Hong Kong*

- Rental income from the Group's Hong Kong property portfolio was maintained at a steady level when compared to 2022.
- AKL, holding various properties including Allied Kajima Building, Novotel Century Hong Kong hotel, Sofitel Philippine Plaza hotel, and AKI Hong Kong MGallery hotel reported a profit for the period as compared to a loss reported for the same period in 2022 which is mainly attributable to a lower loss from fair value and impairment assessment of its property portfolio.

### *Mainland China*

- The profit attributable to owners of TACI reported by TACI itself was HK\$577.2 million (2022: HK\$420.2 million). However, the financial results of TACI for the period from the Company's perspective was only a profit of HK\$131.9 million (2022: loss of HK\$38.3 million). When TACI became an indirect non wholly-owned subsidiary of the Company in October 2021, the Company performed a fair value assessment in accordance with relevant accounting standards which increased the value of the net assets of TACI in the books of the Company. This led to different cost bases for TACI and the Company.
- TACI's total rental income increased by 22% as compared with same period of 2022.
- TACI has a total of 20 Tian An Cyberparks developed or under development in over 13 cities. TACI concentrates on developing new cyberparks in regions where TACI has ample manpower and marketing resources.
- The pre-sales and sales of residential projects in Jiangsu, Zhejiang and Liaoning Provinces as well as in Shanghai which were acquired in previous years by TACI have been successful. Three residential projects in Jiangsu and Zhejiang have been completed and were handed over to customers contributing to a significant profit recognition in 2022 and the first half of 2023. TACI expects these newly acquired projects to provide a good return in the coming years.

- The pre-sales of the first phase of The One Tian An Place, a residential project in Shanghai, has been a success and will provide steady contributions in the course of its phased development.
- ASL, the listed subsidiary of TACI, reported a profit of HK\$14.5 million (2022: loss of HK\$4.4 million) attributable to its shareholders.

#### *Services*

- Allied Services Hong Kong Limited which engages in the businesses of property management, elderly care services and logistics services reported a profit of HK\$3.5 million for the period (2022: HK\$5.2 million).

#### **Investment**

##### *Resource Investments*

- At the end of the reporting period, the Group held approximately 43.5% interest in APAC. The Group recorded a decrease in share of loss from APAC for the period as compared the same period in 2022.

#### **Employees**

The total number of headcount of the Group as at 30th June, 2023 was 3,545 (at 31st December, 2022: 3,930). 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**

With all measures to contain the COVID-19 pandemic lifted, Mainland China and Hong Kong were expecting improved economic growth this year. However, the financial problems of many sizeable China property developers, high interest rates, geopolitical tensions and the war in Ukraine have led to uncertainty and poor market sentiment. In addition, the United States and the European Union have launched a de-risking policy towards China which will have a negative impact on the economy of China.

SHK remains vigilant about the various risks and challenges facing the market and will continue to mitigate the volatility in its business and investment portfolio.

UAF aims to maintain its market leader position in Hong Kong by improving its advertising strategy so as to better reach its target customers. As for the Mainland China business, UAF will focus on secured lending while implementing cost cutting measures to generate better returns.

Rising interest rates is expected to add downward pressure on the local property market. The Group will continue to focus on boosting the occupancy and leasing potential of its property portfolio.

TACI is comforted by China's Central Bank cut in the one-year loan prime rate ("LPR") by 20 basis points from 3.65% to 3.45% and five-year LPR by 10 basis points from 4.30% to 4.20% helping to reduce the financial burdens of the property sector. In addition, China's central bank had cut the reserve requirement ratio by 0.25% in March 2023. This will increase the liquidity of the market and stimulate the economy of Mainland China. Local governments have also introduced measures to stabilise the property market.

There is no doubt that the second half of 2023 will remain challenging. With the Group's solid financial position and diversified income streams, the Board will continue to adopt a prudent approach in implementing the Group's stated strategies for the benefit of the Group and all its shareholders.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the six months ended 30th June, 2023, the Company has applied the principles of, and complied with, the applicable code provisions set out in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of the Corporate Governance Code (“CG Code”) under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviation which is summarised below:

### **Code Provision D.3.3**

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

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

The reason for the above deviation was set out in the Corporate Governance Report contained in the Company’s Annual Report for the financial year ended 31st December, 2022 and remain unchanged. The Board considers that the Audit Committee should continue to operate according to the relevant terms of reference, and will continue to review the terms at least annually and make appropriate changes if considered necessary.

## **AUDIT COMMITTEE REVIEW**

The Audit Committee has reviewed with the 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, 2023. 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 announcement of the listed associate, 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, 2023.

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

Hong Kong, 29th August, 2023

*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), Mr. Akihiro Nagahara (Vice Chairman) and Ms. Lee Su Hwei being the Non-Executive Directors; and Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Lisa Yang Lai Sum and Mr. Kelvin Chau Kwok Wing being the Independent Non-Executive Directors.*