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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, 2017

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, 2017 with the comparative figures for the corresponding period in 2016 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June, 2017

		Six months ended 30th June,	
		2017	2016
		Unaudited	Unaudited
	Notes	HK\$ Million	HK\$ Million
Revenue	4	2,128.1	1,994.4
Other income		32.6	34.2
Total income		2,160.7	2,028.6
Cost of sales and other direct costs		(183.8)	(175.2)
Brokerage and commission expenses		(22.1)	(25.9)
Selling and marketing expenses		(48.0)	(55.7)
Administrative expenses		(753.0)	(680.9)
Changes in values of properties	5	453.3	188.8
Net gain on financial assets and liabilities		760.9	50.9
Net exchange loss		(34.2)	(0.5)
Bad and doubtful debts	6	(197.7)	(565.6)
Other operating expenses		(173.6)	(178.8)
Finance costs	7	(163.6)	(124.8)
Share of results of associates		894.0	278.1
Share of results of joint ventures		468.7	135.0
Profit before taxation	8	3,161.6	874.0
Taxation	9	(143.1)	(42.3)
Profit for the period		3,018.5	831.7

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)*For the six months ended 30th June, 2017*

		Six months ended 30th June,	
		2017	2016
		Unaudited	Unaudited
	<i>Notes</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Attributable to:			
Owners of the Company		1,853.6	466.0
Non-controlling interests		1,164.9	365.7
		3,018.5	831.7
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share	<i>10</i>		
Basic		10.48	2.62
Diluted		10.48	2.62

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2017

	Six months ended 30th June,	
	2017	2016
	Unaudited	Unaudited
	HK\$ Million	HK\$ Million
Profit for the period	<u>3,018.5</u>	<u>831.7</u>
Other comprehensive income (expenses):		
<i>Items that will not be reclassified to profit or loss:</i>		
Share of other comprehensive income (expenses) of associates	173.7	(102.3)
Share of other comprehensive expenses of joint ventures	<u>–</u>	<u>(1.3)</u>
	<u>173.7</u>	<u>(103.6)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets		
– Net fair value changes during the period	28.2	(20.1)
– Reclassification adjustment to profit or loss on disposal	<u>–</u>	<u>(0.9)</u>
	28.2	(21.0)
Exchange differences arising on translation of foreign operations	192.3	(151.8)
Reclassification adjustment to profit or loss on disposal/liquidation of subsidiaries	–	(0.2)
Share of other comprehensive expenses of associates	(13.6)	(86.8)
Share of other comprehensive income (expenses) of joint ventures	<u>2.1</u>	<u>(8.4)</u>
	<u>209.0</u>	<u>(268.2)</u>
Other comprehensive income (expenses) for the period, net of tax	<u>382.7</u>	<u>(371.8)</u>
Total comprehensive income for the period	<u>3,401.2</u>	<u>459.9</u>
Attributable to:		
Owners of the Company	2,043.0	265.1
Non-controlling interests	<u>1,358.2</u>	<u>194.8</u>
	<u>3,401.2</u>	<u>459.9</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2017

		At 30th June, 2017 Unaudited HK\$ Million	At 31st December, 2016 Audited HK\$ Million
Non-current assets			
Investment properties		8,497.8	7,793.7
Property, plant and equipment		1,131.7	1,077.9
Prepaid land lease payments		4.3	4.2
Goodwill		134.1	134.1
Intangible assets		22.2	22.7
Interests in associates		12,348.2	11,685.8
Interests in joint ventures		2,897.3	2,422.1
Available-for-sale financial assets		573.6	631.6
Amounts due from associates		275.0	257.4
Loans and advances to consumer finance customers due after one year	12	2,684.7	2,521.2
Deposits for acquisition of property, plant and equipment		–	44.8
Deferred tax assets		642.4	652.5
Financial assets at fair value through profit or loss		4,679.0	3,650.6
Trade and other receivables	13	629.4	507.3
		34,519.7	31,405.9
Current assets			
Properties held for sale and other inventories		0.2	44.4
Financial assets at fair value through profit or loss		5,131.6	3,790.2
Prepaid land lease payments		0.1	0.1
Loans and advances to consumer finance customers due within one year	12	6,161.4	5,752.2
Trade and other receivables	13	2,951.1	3,971.2
Amounts due from associates		163.7	121.0
Amounts due from joint ventures		2.1	11.1
Available-for-sale financial assets		90.8	–
Tax recoverable		4.3	1.9
Short-term pledged bank deposit		1.2	–
Bank deposits		1,140.0	1,257.7
Cash and cash equivalents		4,241.0	6,296.1
		19,887.5	21,245.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 30th June, 2017

		At 30th June, 2017 Unaudited <i>HK\$ Million</i>	At 31st December, 2016 Audited <i>HK\$ Million</i>
	<i>Notes</i>		
Current liabilities			
Trade and other payables	14	455.2	376.9
Financial liabilities at fair value through profit or loss		126.3	125.8
Amounts due to associates		7.3	7.3
Amounts due to joint ventures		0.1	0.1
Tax payable		169.7	148.6
Bank and other borrowings due within one year		3,012.1	2,749.7
Notes		2,820.4	2,261.6
Provisions		40.8	56.4
		6,631.9	5,726.4
Net current assets		13,255.6	15,519.5
Total assets less current liabilities		47,775.3	46,925.4
Capital and reserves			
Share capital		2,221.7	2,221.7
Reserves		21,152.7	19,536.6
Equity attributable to owners of the Company		23,374.4	21,758.3
Shares held for employee ownership scheme		(9.8)	(9.1)
Employee share-based compensation reserve		2.7	4.8
Share of net assets of subsidiaries		19,995.4	19,357.6
Non-controlling interests		19,988.3	19,353.3
Total equity		43,362.7	41,111.6
Non-current liabilities			
Bank and other borrowings due after one year		1,738.7	2,862.6
Notes		2,473.2	2,756.2
Deferred tax liabilities		197.5	192.1
Provisions		3.2	2.9
		4,412.6	5,813.8
		47,775.3	46,925.4

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, 2016 included in this announcement 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, 2016 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 2016. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. 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.

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.

During the period, the Group adopted certain amendments to Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards that are mandatorily effective for the Group's financial year beginning on 1st January, 2017. The adoption of these amendments has had no material effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31st December, 2016.

4. SEGMENTAL INFORMATION

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

	Six months ended 30th June, 2017				
	Investment and finance <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Property development and investment <i>HK\$ Million</i>	Corporate and other operations <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
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	<u>370.7</u>	<u>1,474.7</u>	<u>220.4</u>	<u>62.3</u>	<u>2,128.1</u>
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	–	<u>468.7</u>
Profit before taxation					3,161.6
Taxation					<u>(143.1)</u>
Profit for the period					<u>3,018.5</u>

Six months ended 30th June, 2016

	Investment and finance <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Property development and investment <i>HK\$ Million</i>	Corporate and other operations <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Segment revenue	281.8	1,506.5	203.4	32.2	2,023.9
Less: inter-segment revenue	(3.5)	–	(7.7)	(18.3)	(29.5)
Segment revenue from external customers	<u>278.3</u>	<u>1,506.5</u>	<u>195.7</u>	<u>13.9</u>	<u>1,994.4</u>
Segment results	375.9	190.2	168.5	(44.8)	689.8
Reversal of impairment loss on interest in an associate					5.2
Impairment loss on interest in an associate					(109.3)
Finance costs					(124.8)
Share of results of associates					278.1
Share of results of joint ventures	(19.8)	–	154.8	–	<u>135.0</u>
Profit before taxation					874.0
Taxation					<u>(42.3)</u>
Profit for the period					<u>831.7</u>

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,	
	2017 <i>HK\$ Million</i>	2016 <i>HK\$ Million</i>
Revenue from external customers by location of operations		
Hong Kong	1,687.2	1,497.3
Mainland China	435.4	490.2
Others	5.5	6.9
	<u>2,128.1</u>	<u>1,994.4</u>

5. CHANGES IN VALUES OF PROPERTIES

	Six months ended 30th June,	
	2017	2016
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Changes in values of properties comprise:		
Net increase in fair value of investment properties	450.8	193.1
Impairment loss reversed (recognised) for hotel property	2.5	(4.3)
	<u>453.3</u>	<u>188.8</u>

6. BAD AND DOUBTFUL DEBTS

	Six months ended 30th June,	
	2017	2016
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Impairment loss, net of reversal	<u>(185.8)</u>	<u>(578.5)</u>
Trade and other receivables		
Reversal of impairment loss	–	36.3
Impairment loss	<u>(11.9)</u>	<u>(23.4)</u>
	<u>(11.9)</u>	<u>12.9</u>
Bad and doubtful debts recognised in profit or loss	<u>(197.7)</u>	<u>(565.6)</u>

The following are the amounts written off in allowance of impairment against the receivables and recoveries credited to allowance of impairment during the period:

	Six months ended 30th June,	
	2017	2016
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Amounts written off in allowance of impairment	(369.5)	(648.1)
Recoveries credited to allowance of impairment	75.2	77.7
	<u>(30.1)</u>	<u>(59.8)</u>
Trade and other receivables		
Amounts written off in allowance of impairment	<u>(30.1)</u>	<u>(59.8)</u>

7. FINANCE COSTS

	Six months ended 30th June,	
	2017	2016
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Total finance costs included in:		
Cost of sales and other direct costs	83.3	101.8
Finance costs	163.6	124.8
	246.9	226.6

8. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2017	2016
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	0.9	0.7
Amortisation of prepaid land lease payments	0.1	0.1
Depreciation	42.6	39.3
Impairment loss on amounts due from joint ventures (included in other operating expenses)	–	1.0
Impairment loss on interest in an associate (included in other operating expenses)*	118.7	109.3
Net loss on disposal/written-off of property, plant and equipment	0.7	0.3
Loss on disposal of joint ventures (included in other operating expenses)	–	14.1
and after crediting:		
Dividend income from listed equity securities	10.2	5.8
Interest income (included in revenue)	1,740.0	1,704.5
Net realised gain on disposal of an associate (included in other income)	–	3.9
Net realised gain on disposal of available-for-sale financial assets (included in other income)	–	1.0
Net realised gain on disposal of subsidiaries (included in other income)	–	18.9
Reversal of impairment loss on interest in an associate (included in other income)	4.8	5.2

* 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 15.6%. 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 gain during the period of HK\$186.0 million classified under net gain on financial assets and liabilities.

9. TAXATION

	Six months ended 30th June,	
	2017	2016
	HK\$ Million	HK\$ Million
The income tax charged (credited) comprises:		
Current tax		
Hong Kong	97.5	91.7
People's Republic of China ("PRC")	14.7	44.0
	112.2	135.7
Deferred tax		
Current period	30.9	(93.4)
	143.1	42.3

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% (2016: 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,	
	2017	2016
	HK\$ Million	HK\$ Million
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	1,853.6	466.0
Adjustments to profit in respect of impact of contingently issuable shares under the employee ownership scheme of a subsidiary	(0.1)	–
	1,853.5	466.0
	Million shares	Million shares
<u>Number of shares</u>		
Weighted average number of shares in issue for the purpose of basic and diluted earnings per share	176.8	178.2

11. DIVIDEND

	Six months ended 30th June,	
	2017	2016
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Ordinary shares:		
Interim dividend declared after the end of the reporting period of HK15 cents per share (2016: HK15 cents per share)	26.4	26.7
Dividends recognised as distribution during the period:		
2016 second interim dividend (in lieu of a final dividend) of HK\$1.85 per share (2016: 2015 second interim dividend (in lieu of a final dividend) of HK\$1.6 per share)	327.1	285.2

The amount of the interim dividend for the six months ended 30th June, 2017 has been calculated by reference to 175,754,118 shares in issue at 22nd August, 2017.

12. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	At	At
	30th June,	31st December,
	2017	2016
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Hong Kong	7,413.1	6,989.8
Mainland China	2,240.9	2,193.1
Less: impairment allowance	(807.9)	(909.5)
	8,846.1	8,273.4
Analysed for reporting purposes as:		
Non-current assets	2,684.7	2,521.2
Current assets	6,161.4	5,752.2
	8,846.1	8,273.4

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, 2017 <i>HK\$ Million</i>	At 31st December, 2016 <i>HK\$ Million</i>
Less than 31 days past due	491.7	519.6
31 to 60 days	203.0	129.7
61 to 90 days	51.7	58.1
91 to 180 days	111.6	139.8
Over 180 days	164.5	169.8
	<u>1,022.5</u>	<u>1,017.0</u>

13. 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, 2017 <i>HK\$ Million</i>	At 31st December, 2016 <i>HK\$ Million</i>
Less than 31 days	28.9	36.3
31 to 60 days	14.1	7.9
61 to 90 days	4.3	6.2
91 to 180 days	22.3	1.4
Over 180 days	0.3	7.9
	<u>69.9</u>	<u>59.7</u>
Term loans and trade and other receivables without aging	3,482.9	4,429.4
Less: impairment allowances	(40.0)	(56.9)
	<u>3,512.8</u>	<u>4,432.2</u>
Trade and other receivables at amortised cost	67.7	46.3
Prepayments	<u>67.7</u>	<u>46.3</u>
	<u>3,580.5</u>	<u>4,478.5</u>
Analysed for reporting purposes as:		
Non-current assets	629.4	507.3
Current assets	2,951.1	3,971.2
	<u>3,580.5</u>	<u>4,478.5</u>

14. 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, 2017 <i>HK\$ Million</i>	At 31st December, 2016 <i>HK\$ Million</i>
Less than 31 days	93.9	43.1
31 to 60 days	6.3	9.4
61 to 90 days	5.3	8.5
91 to 180 days	–	1.8
Over 180 days	1.2	0.9
	<hr/> 106.7	<hr/> 63.7
Accrued staff costs, other accrued expenses and other payables without aging	348.5	313.2
	<hr/> 455.2	<hr/> 376.9

INTERIM DIVIDEND

The Board has declared an interim dividend of HK15 cents per share for the six months ended 30th June, 2017 (2016: HK15 cents per share) payable on or around Wednesday, 20th September, 2017 to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Friday, 8th September, 2017. 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.

It should be noted that the Company undertook share repurchases for cancellation for the six months ended 30th June, 2017 at an aggregate consideration (before expenses) of approximately HK\$10.7 million. The Board will give consideration to further repurchases of shares for cancellation when opportunities arise.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 6th September, 2017 to Friday, 8th September, 2017 (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, 5th September, 2017.

FINANCIAL HIGHLIGHTS

	Six months ended 30th June,	
	2017	2016
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue	2,128.1	1,994.4
Profit for the period attributable to owners of the Company	1,853.6	466.0
Equity attributable to owners of the Company at the end of the reporting period	23,374.4	19,369.5
Return on equity attributable to owners of the Company	7.9%	2.4%
Earnings per share	HK\$10.48	HK\$2.62
	At	At
	30th June,	31st December,
	2017	2016
Net asset value per share	HK\$132.3	HK\$123.1
Gearing ratio	19.9%	14.1%

FINANCIAL REVIEW

Financial Results

The revenue of the Group for the period was HK\$2,128.1 million (2016: HK\$1,994.4 million). The slight increase is mainly due to higher revenue arising from Sun Hung Kai & Co. Limited (“SHK”) and the elderly care business which was acquired in the second half of 2016.

The profit attributable to the owners of the Company for the period was HK\$1,853.6 million, an increase of HK\$1,387.6 million or 297.8% (2016: HK\$466.0 million).

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

- higher contribution from associate Tian An China Investments Company Limited (“TACI”);
- better performance of the businesses of SHK; and
- a higher fair value gain on revaluation of investment properties.

Earnings per share

Earnings per share amounted to HK\$10.48 (2016: HK\$2.62).

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 and are issued to professional investors only. The 4.75% Notes are guaranteed by SHK. The nominal value of the 4.75% Notes after eliminating the intra-group holdings was US\$323.5 million or equivalent to HK\$2,525.1 million (at 31st December, 2016: US\$290.2 million or equivalent to HK\$2,250.3 million) at the reporting date.

The 6.375% US dollar denominated notes (“6.375% Notes”) are listed on The Stock Exchange of Hong Kong Limited and are issued to professional investors only. The 6.375% Notes are guaranteed by SHK. The nominal value of the 6.375% Notes after eliminating the intra-group holdings was US\$230.1 million or equivalent to HK\$1,796.1 million (at 31st December, 2016: US\$225.8 million or equivalent to HK\$1,751.8 million) at the reporting date.

The nominal value of the 3% US dollar denominated notes was US\$60.0 million or equivalent to HK\$468.3 million (at 31st December, 2016: US\$60.0 million or equivalent to HK\$465.3 million) at the reporting date.

The nominal value of the 6.9% Renminbi denominated notes after eliminating the intra-group holdings was RMB435.3 million or equivalent to HK\$501.0 million (at 31st December, 2016: RMB488.0 million or equivalent to HK\$544.9 million) at the reporting date.

At 30th June, 2017, the equity attributable to owners of the Company amounted to HK\$23,374.4 million, representing an increase of HK\$1,616.1 million from that of 31st December, 2016. The Group's bank deposits, bank balances and cash amounted to HK\$5,382.2 million (at 31st December, 2016: HK\$7,553.8 million). The Group's bank and other borrowings and notes totalled HK\$10,044.4 million (at 31st December, 2016: HK\$10,630.1 million) of which the portion due on demand or within one year was HK\$5,832.5 million (at 31st December, 2016: HK\$5,011.3 million), and the remaining long-term portion was HK\$4,211.9 million (at 31st December, 2016: HK\$5,618.8 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 3.00 times (at 31st December, 2016: 3.71 times). The Group's gearing ratio (net bank and other borrowings and notes/equity attributable to owners of the Company) was 19.9% (at 31st December, 2016: 14.1%).

	At 30th June, 2017 HK\$ Million	At 31st December, 2016 HK\$ Million
Bank loans are repayable as follows:		
On demand or within one year	2,406.5	2,054.9
More than one year but not exceeding two years	1,255.5	1,753.4
More than two years but not exceeding five years	448.2	1,074.2
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	605.6	210.8
More than one year but not exceeding two years	–	450.8
More than two years but not exceeding five years	–	9.2
	4,715.8	5,553.3
Other borrowings are repayable as follows:		
Within one year	–	24.0
Over five years	35.0	35.0
	35.0	59.0
Renminbi denominated notes are repayable as follows:		
Within one year	506.1	6.2
More than one year but not exceeding five years	–	543.7
US dollar denominated notes are repayable as follows:		
Within one year	2,314.3	2,255.4
More than one year but not exceeding five years	2,473.2	2,212.5
	5,293.6	5,017.8
	10,044.4	10,630.1

Other than the US dollar denominated notes and Renminbi 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.

During the period, the Company repurchased 216,000 own shares at an aggregate consideration (before expenses) of approximately HK\$10.7 million, details of which are outlined in the section "Purchase, Sale or Redemption of Shares" below.

Material Acquisition and Disposal

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, 2017 <i>HK\$ Million</i>	At 31st December, 2016 <i>HK\$ Million</i>
Indemnities on banking facility made available to joint venture	108.5	104.7
Financial guarantees under loan guarantee business*	51.2	81.9
	159.7	186.6

* The Group has provided guarantees to lenders of its loan guarantee customers to guarantee the repayment of debts owed by the loan guarantee customers to their lenders.

Pledge of Assets

At the end of the reporting period, certain of the Group's investment properties, land and buildings and properties held for sale with an aggregate carrying value of HK\$7,263.2 million (at 31st December, 2016: HK\$6,827.4 million) together with certain securities in respect of a listed subsidiary with investment cost of HK\$276.6 million (at 31st December, 2016: HK\$276.6 million) were pledged to secure loans and general banking facilities to the extent of HK\$1,983.5 million (at 31st December, 2016: HK\$1,802.3 million) granted to the Group. Facilities amounting to HK\$740.4 million (at 31st December, 2016: HK\$840.8 million) were utilised at the end of the reporting period.

At the end of the reporting period, a bank deposit of HK\$1.2 million (at 31st December, 2016: Nil) was pledged to secure a guarantee issued to third parties by a bank in favour of a subsidiary to the extent of HK\$1.2 million (at 31st December, 2016: Nil).

OPERATIONAL REVIEW

Financial Services

Investment and Finance

- The profit attributable to owners of SHK was HK\$780.1 million (2016: HK\$276.2 million). The better performance during the period was due to improved performances for all main sectors of SHK's businesses.
- SHK's principal investments division which included the structured finance business provided higher contributions to its earnings. An improved performance from United Asia Finance Limited ("UAF") and a net valuation gain of HK\$67.3 million (2016: HK\$114.7 million) from its 30% stake in Sun Hung Kai Financial Group Limited also contributed significantly.
- Sun Hung Kai Credit Limited made a positive pre-tax profit contribution of HK\$12.3 million during the period (2016: loss of HK\$2.4 million).

Consumer Finance

- Profit before tax of UAF, the 58% owned subsidiary of SHK, for the period amounted to HK\$623.2 million, an increase of 233.1% from the corresponding period of 2016.
- The improved performance was due to a turnaround of its mainland China business which registered a profit before tax of HK\$142.9 million whilst UAF's Hong Kong business continued to maintain a steady set of results.
- At the end of the period, the consolidated consumer finance gross loan balance amounted to HK\$8.5 billion, representing a decrease of HK\$0.1 billion from the end of 2016. During the period, UAF closed 16 underperforming branches in mainland China and 1 branch in Hong Kong, and had 91 branches on the mainland operating at the period end, including 3 branches on loan marketing business, and 49 branches in Hong Kong.

Properties

Hong Kong

- Allied Properties (H.K.) Limited (“Allied Properties”) reported a profit attributable to its owners of HK\$2,359.6 million (2016: HK\$752.6 million).
- Allied Properties' rental income from its Hong Kong property portfolio was at a steady level compared to the same period in 2016.
- The net gain in the value of Allied Properties' property portfolio was HK\$453.3 million during the period, higher than that of 2016 by HK\$264.5 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 (which comprises Century Court and the adjacent Fu Yue Building), contributed a profit increase of 215.2% mainly due to increase in fair value of its property portfolio during the period. Demolition work of Fu Yue Building has been completed.
- During the period, Allied Properties group increased its interest and currently holds 29.34% in APAC Resources Limited, a Hong Kong listed company which is an established natural resources investment and commodity trading house owning strategic interests in natural resources companies.

Mainland PRC

- The profit attributable to the owners of TACI was HK\$1,671.1 million (2016: HK\$513.2 million).
- The increase in profit of TACI was mainly due to a gain of HK\$1,634.0 million on disposal of a subsidiary which held non-core assets.
- There are a total of 15 cyberparks over 12 cities. The overall contribution of TACI's cyberpark unit has increased, with sales and leasing improving in most of its cyberparks. Those 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, with GFA of approximately 599,400m² is under construction and expected to be completed in 2018.
- In Hong Kong, TACI's controlling interest in Asiasec Properties Limited acquired at the end of last year will help TACI mitigate the effect of Renminbi currency fluctuations.

Investments

SHK Hong Kong Industries Limited (“SHK HK IND”)

- SHK HK IND reported a profit attributable to its owners of HK\$ 99.4 million (2016: net loss of HK\$82.5 million).
- The profit mainly comprised profit from disposal of and fair value gain on equities as well as bond interest income.

Employees

The total number of headcount of the Group at 30th June, 2017 was 5,338 (at 31st December, 2016: 5,343). 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

The economy of mainland China is in better shape than expected. Nevertheless, we are cautious that mainland China's economy may weaken in the second half of 2017 or early 2018. On the global economy, the remainder of 2017 may remain challenging due to various geopolitical uncertainties and the global sentiment on the evolution of the US interest rate hike and Federal Reserve's monetary policies.

The consumer finance businesses in Hong Kong are expected to remain steady and solid barring any acute economic deterioration. The consumer finance businesses in mainland China has been stabilised and its restructuring to focus the business on consumers was satisfactory, enabling management to focus on longer term growth opportunities.

For the structured and specialty finance business, the market remains competitive. SHK believes its enhanced approach to this business should allow it to seek profitable financing opportunities.

The local property prices are still solid across all sectors. Nevertheless, it is expected that a downturn of the property market may happen if there are mortgage interest rate increases.

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, so as to restore a healthy and stable property market.

The Board will continue to adopt a prudent approach in implementing the Group's stated strategies with the aim of consolidating its solid financial position and diversified income streams for the benefit of the Group and all its shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2017, 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:

(1) 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, 2016. 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.

(2) Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Mr. Arthur George Dew (“Mr. Dew”, the Chairman of the Board and the chairman of the nomination committee (“Nomination Committee”)), by reason of undergoing a medical procedure, and Mr. David Craig Bartlett (“Mr. Bartlett”, the chairman of the Remuneration Committee), due to other business engagements, were unable to attend the annual general meeting of the Company held on 26th May, 2017 (“AGM”). Despite his absence, Mr. Dew had reviewed all the documents and procedures of the AGM before the meeting, and all records and minutes of the AGM have been circulated to Mr. Dew and Mr. Bartlett after the meeting for information. Moreover, Mr. Lee Seng Hui, the Chief Executive and Executive Director of the Company, who attended and chaired the meeting as Mr. Dew’s delegate in the Board, and Mr. Alan Stephen Jones, Independent Non-Executive Director of the Company and a member of each of the Nomination Committee and the Remuneration Committee, who attended the meeting as Mr. Dew’s and Mr. Bartlett’s delegate in such committees, were available to answer questions to ensure effective communication with the shareholders of the Company.

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, 2017. 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

Save for the Company's purchases of its own shares on The Stock Exchange of Hong Kong Limited as disclosed below, 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, 2017.

Month	Number of shares repurchased	Purchase consideration per share		Aggregate consideration paid (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
March	20,000	50.00	50.00	1,000,000
April	62,000	53.00	50.00	3,240,000
June	134,000	49.00	47.75	6,453,200
	<u>216,000</u>			<u>10,693,200</u>

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

Hong Kong, 22nd August, 2017

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.