

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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, 2020

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, 2020 with the comparative figures for the corresponding period in 2019 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2020

		Six months ended 30th June,	
		2020	2019
	Notes	Unaudited HK\$ Million	Unaudited HK\$ Million
Revenue	4		
Interest income		2,079.7	2,153.6
Other revenue		374.0	455.4
		2,453.7	2,609.0
Other income		17.4	22.5
Total income		2,471.1	2,631.5
Cost of sales and other direct costs		(280.0)	(281.8)
Brokerage and commission expenses		(19.9)	(22.5)
Selling and marketing expenses		(58.5)	(70.5)
Administrative expenses		(692.9)	(761.8)
Changes in values of properties	5	(114.7)	178.9
Net gain on financial assets and liabilities at fair value through profit or loss		407.0	793.2
Net exchange gain		17.7	26.5
Net impairment losses on financial instruments	6	(514.0)	(456.2)
Other operating expenses		(79.4)	(56.4)
Finance costs	7	(278.7)	(240.5)
Share of results of associates		(34.6)	516.3
Share of results of joint ventures		(45.6)	75.4
Profit before taxation	8	777.5	2,332.1
Taxation	9	(93.5)	(151.0)
Profit for the period		684.0	2,181.1

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)
for the six months ended 30th June, 2020

		Six months ended 30th June,	
		2020	2019
	<i>Notes</i>	Unaudited HK\$ Million	Unaudited HK\$ Million
Attributable to:			
Owners of the Company		177.1	1,178.1
Non-controlling interests		506.9	1,003.0
		684.0	2,181.1
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share			
Basic	<i>10</i>	1.01	6.70
Diluted		1.00	6.70

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30th June, 2020

	Six months ended 30th June,	
	2020	2019
	Unaudited	Unaudited
	HK\$ Million	HK\$ Million
Profit for the period	684.0	2,181.1
Other comprehensive (expenses) income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income	(43.1)	67.9
Share of other comprehensive expenses of associates	(203.5)	(111.8)
Share of other comprehensive expenses of joint ventures	(2.8)	(1.8)
	(249.4)	(45.7)
<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	(2.6)	2.4
– Reclassification adjustment for realisation upon disposal/redemption of financial assets at fair value through other comprehensive income	(0.4)	–
Exchange differences arising on translation of foreign operations	(128.5)	0.8
Share of other comprehensive expenses of associates	(20.9)	(4.0)
Share of other comprehensive (expenses) income of joint ventures	(19.3)	2.0
	(171.7)	1.2
Other comprehensive expenses for the period, net of tax	(421.1)	(44.5)
Total comprehensive income for the period	262.9	2,136.6
Attributable to:		
Owners of the Company	(69.3)	1,131.2
Non-controlling interests	332.2	1,005.4
	262.9	2,136.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30th June, 2020

		At 30th June, 2020 Unaudited HK\$ Million	At 31st December, 2019 Audited HK\$ Million
	<i>Notes</i>		
Non-current assets			
Investment properties		9,741.5	9,972.7
Property, plant and equipment		1,178.7	1,071.2
Right-of-use assets		163.5	212.3
Net investments in finance lease		3.8	6.2
Goodwill		132.9	132.9
Intangible assets		31.5	32.5
Interests in associates		13,219.4	13,738.9
Interests in joint ventures		3,685.8	3,753.6
Financial assets at fair value through other comprehensive income		286.1	363.5
Amounts due from associates		283.6	284.7
Loans and advances to consumer finance customers	12	2,704.2	2,770.5
Mortgage loans	13	903.3	1,270.7
Deferred tax assets		829.4	788.7
Financial assets at fair value through profit or loss		8,252.7	8,020.0
Term loans	14	64.2	84.0
Trade receivable, prepayments and other receivables	15	28.0	39.8
		<u>41,508.6</u>	<u>42,542.2</u>
Current assets			
Other inventories		0.2	0.2
Financial assets at fair value through profit or loss		5,945.4	5,151.6
Loans and advances to consumer finance customers	12	6,735.6	7,643.0
Mortgage loans	13	2,230.8	2,356.2
Term loans	14	2,202.3	2,812.9
Trade receivable, prepayments and other receivables	15	489.9	571.7
Amounts due from brokers		323.2	462.1
Amounts due from associates		311.1	242.1
Amounts due from joint ventures		2.1	8.8
Financial assets at fair value through other comprehensive income		71.5	8.0
Tax recoverable		1.0	4.4
Tax reserve certificates		7.1	7.1
Short-term pledged bank deposits and bank balances		47.0	33.2
Bank deposits		45.0	68.1
Cash and cash equivalents		<u>10,949.4</u>	<u>6,931.6</u>
		<u>29,361.6</u>	<u>26,301.0</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)
at 30th June, 2020

		At 30th June, 2020 Unaudited HK\$ Million	At 31st December, 2019 Audited HK\$ Million
	<i>Notes</i>		
Current liabilities			
Trade payables, other payables and accruals	16	585.3	477.4
Financial assets sold under repurchase agreements		1,062.0	386.2
Financial liabilities at fair value through profit or loss		614.3	715.8
Amounts due to associates		5.7	5.7
Amounts due to joint ventures		40.2	40.1
Tax payable		247.1	368.1
Bank and other borrowings due within one year		9,470.1	6,695.2
Notes/paper payable		2,080.3	566.4
Lease liabilities		111.3	136.5
Provisions		96.6	154.7
		<u>14,312.9</u>	<u>9,546.1</u>
Net current assets		<u>15,048.7</u>	<u>16,754.9</u>
Total assets less current liabilities		<u>56,557.3</u>	<u>59,297.1</u>
Capital and reserves			
Share capital		2,221.7	2,221.7
Reserves		25,417.7	25,884.5
Equity attributable to owners of the Company		<u>27,639.4</u>	<u>28,106.2</u>
Shares held for employee ownership scheme		(18.9)	(22.5)
Employee share-based compensation reserve		5.4	8.3
Share of net assets of subsidiaries		20,353.6	20,698.0
Non-controlling interests		<u>20,340.1</u>	<u>20,683.8</u>
Total equity		<u>47,979.5</u>	<u>48,790.0</u>
Non-current liabilities			
Bank and other borrowings due after one year		2,621.3	2,632.2
Notes/paper payable		5,739.5	7,635.1
Lease liabilities		53.4	77.1
Deferred tax liabilities		158.7	157.8
Provisions		4.9	4.9
		<u>8,577.8</u>	<u>10,507.1</u>
		<u>56,557.3</u>	<u>59,297.1</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, 2019 included in this announcement of interim results 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, 2019 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 unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The ultimate impact of the novel coronavirus ("COVID-19" or "COVID") pandemic on the Group is uncertain at the date on which the unaudited condensed consolidated financial statements were authorised for issue. Management has assessed impact to the Group and the potential cash generation of the Group, the liquidity of the Group, existing funding available to the Group and mitigating actions which have been and may be taken to reduce non-necessary spending. On the basis of these assessments, the Group has determined that, at the date on which the unaudited condensed consolidated financial statements were authorised for issue, the use of the going concern basis of accounting to prepare the unaudited condensed consolidated financial statements is appropriate.

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 has applied the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("HKFRS") and certain amendments to HKFRS ("Amendments") issued by the HKICPA, for the first time that are mandatorily effective for the Group's financial year beginning on 1st January, 2020 for the preparation of the Group's condensed consolidated financial statements. The adoption of the 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 for the six month ended 30th June, 2020 as were applied in the preparation of the Group's consolidated financial statements for the year ended 31st December, 2019.

4. SEGMENTAL INFORMATION

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

	Six months ended 30th June, 2020					
	Investment and finance HK\$ Million	Consumer finance HK\$ Million	Property development and investment HK\$ Million	Property management and elderly care services HK\$ Million	Corporate and other operations HK\$ Million	Total HK\$ Million
Segment revenue	533.0	1,623.7	124.1	157.4	66.5	2,504.7
Less: inter-segment revenue	(2.0)	-	(11.4)	-	(37.6)	(51.0)
Segment revenue from external customers	<u>531.0</u>	<u>1,623.7</u>	<u>112.7</u>	<u>157.4</u>	<u>28.9</u>	<u>2,453.7</u>
Segment results	646.8	520.0	15.5	17.8	(60.5)	1,139.6
Impairment loss on interest in an associate						(3.2)
Finance costs						(278.7)
Share of results of associates						(34.6)
Share of results of joint ventures	(4.7)	-	(40.9)	-	-	(45.6)
Profit before taxation						777.5
Taxation						(93.5)
Profit for the period						<u>684.0</u>

	Six months ended 30th June, 2019					
	Investment and finance HK\$ Million	Consumer finance HK\$ Million	Property development and investment HK\$ Million	Property management and elderly care services HK\$ Million	Corporate and other operations HK\$ Million	Total HK\$ Million
Segment revenue	580.4	1,694.8	146.4	170.9	62.9	2,655.4
Less: inter-segment revenue	(2.2)	-	(9.4)	(0.3)	(34.5)	(46.4)
Segment revenue from external customers	<u>578.2</u>	<u>1,694.8</u>	<u>137.0</u>	<u>170.6</u>	<u>28.4</u>	<u>2,609.0</u>
Segment results	1,119.8	652.2	244.0	15.5	(50.6)	1,980.9
Impairment loss on interest in an associate						(0.3)
Reversal of impairment loss on interest in an associate						0.3
Finance costs						(240.5)
Share of results of associates						516.3
Share of results of joint ventures	-	-	75.4	-	-	75.4
Profit before taxation						2,332.1
Taxation						(151.0)
Profit for the period						<u>2,181.1</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:

	Six months ended 30th June,	
	2020	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue from external customers by location of operations		
Hong Kong	2,098.3	2,174.8
Mainland China	352.3	432.8
Others	3.1	1.4
	2,453.7	2,609.0

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

	Six months ended 30th June, 2020					
	Investment and finance <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Property development and investment <i>HK\$ Million</i>	Property management and elderly care services <i>HK\$ Million</i>	Corporate and other operations <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Hotel operations	-	-	7.6	-	-	7.6
Management services	-	-	2.7	100.1	24.6	127.4
Advisory and service income, commission income and others	21.3	9.8	-	-	-	31.1
Elderly care services	-	-	-	56.9	-	56.9
Revenue from contracts with customers	21.3	9.8	10.3	157.0	24.6	223.0
	Six months ended 30th June, 2019					
	Investment and finance <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Property development and investment <i>HK\$ Million</i>	Property management and elderly care services <i>HK\$ Million</i>	Corporate and other operations <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Hotel operations	-	-	32.9	-	-	32.9
Management services	0.2	-	2.7	119.5	27.4	149.8
Advisory and service income, commission income and others	73.9	10.3	-	-	-	84.2
Elderly care services	-	-	-	50.9	-	50.9
Revenue from contracts with customers	74.1	10.3	35.6	170.4	27.4	317.8

5. CHANGES IN VALUES OF PROPERTIES

	Six months ended 30th June,	
	2020	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Changes in values of properties comprise:		
Net (decrease) increase in fair value of investment properties	(116.8)	181.2
Impairment loss reversed (recognised) for hotel property	2.1	(2.3)
	<u>(114.7)</u>	<u>178.9</u>

6. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	Six months ended 30th June,	
	2020	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Net impairment losses	545.3	470.6
Recoveries of amounts previously written off	(104.7)	(97.3)
	<u>440.6</u>	<u>373.3</u>
Mortgage loans		
Net impairment losses	<u>24.1</u>	<u>0.1</u>
Term loans		
Net impairment losses	<u>91.8</u>	<u>40.4</u>
Amounts due from associates		
Net impairment losses	<u>0.5</u>	<u>–</u>
Trade and other receivables		
Net (reversal) recognition of impairment losses	(41.0)	42.6
Recoveries of amounts previously written off	(2.0)	(0.2)
	<u>(43.0)</u>	<u>42.4</u>
	<u>514.0</u>	<u>456.2</u>

7. FINANCE COSTS

	Six months ended 30th June,	
	2020	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Total finance costs included in:		
Cost of sales and other direct costs	160.0	139.3
Finance costs	278.7	240.5
	438.7	379.8

8. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2020	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets – computer software	0.9	1.0
Depreciation of property, plant and equipment	36.4	37.4
Depreciation of right-of-use assets	69.9	50.9
Impairment loss on interests in associates (included in other operating expenses) *	3.2	0.3
Interest expenses of lease liabilities	3.8	4.0
Net loss on disposal/write-off of property, plant and equipment	0.4	0.4
and after crediting:		
Dividend income from listed equity securities	31.3	18.9
Dividend income from unlisted equity securities	4.6	5.1
Realised gain on disposal/redemption of financial assets at fair value through other comprehensive income (included in other income)	1.8	–
Gain on disposal of an investment property (included in other income)	–	1.6
Reversal of impairment loss on interest in an associate (included in other income) *	–	0.3

* Sun Hung Kai & Co. Limited (“SHK”) disposed of 70% interest in its wholly-owned subsidiary Sun Hung Kai Financial Group Limited (“SHKFGL”) in June 2015 and classified the remaining 30% equity interest as an associate. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. The fair value was measured by discounted cash flow approach at the reporting date using a discount rate of 17.3% (at 31st December, 2019: 17.5%). 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\$35.0 million (2019: gain HK\$51.0 million) classified under net gain on financial assets and liabilities at fair value through profit or loss.

An impairment loss on interest in SHKFGL of HK\$3.2 million (2019: reversal of impairment of HK\$0.3 million) was recognised.

The put option period will end within 6 months commencing on 2nd June, 2020 and SHK shall have the right (but not the obligation) to reinvest into the sold shares within 18 months upon the exercise of put right.

9. TAXATION

	Six months ended 30th June,	
	2020	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
The income tax charged (credited) comprises:		
Current tax		
Hong Kong	105.4	138.7
People's Republic of China ("PRC") and other jurisdictions	41.6	53.4
	<u>147.0</u>	<u>192.1</u>
Deferred tax	(53.5)	(41.1)
	<u>93.5</u>	<u>151.0</u>

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 the rate of 25% (2019: 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,	
	2020	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	177.1	1,178.1
Adjustments to profit in respect of impact of contingently issuable shares under the employee ownership scheme of a subsidiary	(0.5)	(1.0)
	<u>176.6</u>	<u>1,177.1</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 earnings per share	175.8	175.8

11. DIVIDENDS

	Six months ended 30th June,	
	2020	2019
	<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 (2019: HK15 cents per share)	26.4	26.4
Dividends recognised as distribution during the period:		
2019 second interim dividend (in lieu of a final dividend) of HK\$2.35 per share (2019: 2018 second interim dividend (in lieu of a final dividend) of HK\$2.35 per share)	413.0	413.0

Subsequent to the end of the reporting period, an interim dividend of HK15 cents (2019: HK15 cents) per share in respect of the period ended 30th June, 2020 has been declared by the Board.

The amount of the interim dividend for the six months ended 30th June, 2020 of approximately HK\$26.4 million is calculated by reference to 175,754,118 shares in issue at 26th August, 2020. Assuming that the share subdivision of the Company, further details of which are set out in the subsections of Major Corporate Events and Events after the Reporting Date under the section of Financial Review of this announcement, for one existing share of the Company being subdivided into twenty subdivided shares becomes effective, the number of shares in issue of the Company will become 3,515,082,360 subdivided shares. Accordingly, conditional upon the satisfaction of the conditions as set out in the announcement of the Company dated 22nd July, 2020 and circular of the Company dated 12th August, 2020, based on the 3,515,082,360 subdivided shares in issue of the Company, the interim dividend for the six months ended 30th June, 2020 will become HK0.75 cents per subdivided share and the amount of interim dividend of approximately HK\$26.4 million will remain unchanged upon the share subdivision becoming effective.

12. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	At 30th June, 2020	At 31st December, 2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Hong Kong	8,191.3	8,576.2
Mainland China	1,931.5	2,545.1
Less: impairment allowance	(683.0)	(707.8)
	9,439.8	10,413.5
Analysed for reporting purposes as:		
Non-current assets	2,704.2	2,770.5
Current assets	6,735.6	7,643.0
	9,439.8	10,413.5

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, 2020 <i>HK\$ Million</i>	At 31st December, 2019 <i>HK\$ Million</i>
Less than 31 days past due	536.7	582.9
31 to 60 days	39.7	55.6
61 to 90 days	26.7	20.9
91 to 180 days	151.9	148.4
Over 180 days	203.5	61.4
	<u>958.5</u>	<u>869.2</u>

13. MORTGAGE LOANS

	At 30th June, 2020 <i>HK\$ Million</i>	At 31st December, 2019 <i>HK\$ Million</i>
Mortgage loans		
Hong Kong	3,179.9	3,648.6
Less: impairment allowance	(45.8)	(21.7)
	<u>3,134.1</u>	<u>3,626.9</u>
Analysed for reporting purposes as:		
Non-current assets	903.3	1,270.7
Current assets	2,230.8	2,356.2
	<u>3,134.1</u>	<u>3,626.9</u>

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

	At 30th June, 2020 <i>HK\$ Million</i>	At 31st December, 2019 <i>HK\$ Million</i>
Less than 31 days past due	124.4	148.8
31 to 60 days	64.2	32.0
61 to 90 days	107.0	4.0
91 to 180 days	177.7	–
Over 180 days	244.0	143.8
	<u>717.3</u>	<u>328.6</u>

14. TERM LOANS

	At 30th June, 2020 <i>HK\$ Million</i>	At 31st December, 2019 <i>HK\$ Million</i>
Secured term loans	2,436.3	2,953.9
Unsecured term loans	286.7	307.5
	<u>2,723.0</u>	<u>3,261.4</u>
Less: impairment allowance	(456.5)	(364.5)
	<u>2,266.5</u>	<u>2,896.9</u>
Analysed for reporting purposes as:		
Non-current assets	64.2	84.0
Current assets	2,202.3	2,812.9
	<u>2,266.5</u>	<u>2,896.9</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, 2020 <i>HK\$ Million</i>	At 31st December, 2019 <i>HK\$ Million</i>
Less than 31 days	291.2	305.5
31 to 60 days	15.0	16.2
61 to 90 days	4.9	11.8
91 to 180 days	5.2	9.0
Over 180 days	1.9	2.4
	<hr/>	<hr/>
	318.2	344.9
Trade and other receivables without aging	132.2	207.2
Less: impairment allowances	(7.3)	(48.8)
	<hr/>	<hr/>
	443.1	503.3
Trade and other receivables at amortised cost	74.8	108.2
Prepayments	<hr/>	<hr/>
	517.9	611.5
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Non-current assets	28.0	39.8
Current assets	489.9	571.7
	<hr/>	<hr/>
	517.9	611.5
	<hr/>	<hr/>

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, 2020 <i>HK\$ Million</i>	At 31st December, 2019 <i>HK\$ Million</i>
Less than 31 days/repayable on demand	164.2	130.8
31 to 60 days	21.8	6.9
61 to 90 days	3.4	5.6
91 to 180 days	3.8	0.7
Over 180 days	0.8	0.8
	<hr/>	<hr/>
	194.0	144.8
Accrued staff costs, other accrued expenses and other payables without aging	391.3	332.6
	<hr/>	<hr/>
	585.3	477.4
	<hr/>	<hr/>

INTERIM DIVIDEND

The Board has declared an interim dividend of HK15 cents per share for the six months ended 30th June, 2020 (2019: HK15 cents per share) payable on or around Thursday, 24th September, 2020 to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Monday, 14th September, 2020. 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.

Shareholders should note that assuming the share subdivision of the Company, further details of which are set out in the subsections of Major Corporate Events and Events after the Reporting Date under the section of Financial Review of this announcement, for one existing share of the Company being subdivided into twenty subdivided shares becomes effective, the number of shares in issue of the Company will become 3,515,082,360 subdivided shares. Accordingly, conditional upon the satisfaction of the conditions as set out in the announcement of the Company dated 22nd July, 2020 and circular of the Company dated 12th August, 2020, based on the 3,515,082,360 subdivided shares in issue of the Company, the interim dividend for the six months ended 30th June, 2020 will become HK0.75 cents per subdivided share and the amount of interim dividend of approximately HK\$26.4 million will remain unchanged upon the share subdivision becoming effective.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 10th September, 2020 to Monday, 14th September, 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to qualify for the 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 Wednesday, 9th September, 2020.

FINANCIAL HIGHLIGHTS

	Six months ended 30th June,	
	2020	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue	2,453.7	2,609.0
Profit for the period attributable to owners of the Company	177.1	1,178.1
Equity attributable to owners of the Company at the end of the reporting period	27,639.4	26,925.9
Return on equity attributable to owners of the Company	0.6%	4.4%
Earnings per share		
– Basic	HK\$1.01	HK\$6.70
– Diluted	HK\$1.00	HK\$6.70
	At	At
	30th June, 2020	31st December, 2019
Net asset value per share attributable to owners of the Company	HK\$157.3	HK\$159.9
Gearing ratio	32.1%	37.3%

FINANCIAL REVIEW

Financial Results

The revenue of the Group for the period was HK\$2,453.7 million (2019: HK\$2,609.0 million). The decrease is mainly due to lower interest income arising from loan business and lower revenues from hotel operations as well as property management businesses.

The profit attributable to the owners of the Company for the period was HK\$177.1 million (2019: HK\$1,178.1 million), a decrease of HK\$1,001.0 million or 85%.

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

- lower contribution from Tian An China Investments Company Limited (“TACI”);
- decreased profit contribution from Sun Hung Kai & Co. Limited (“SHK”);
- decrease in fair value of investment properties of the Group; and
- loss contributed by APAC Resources Limited (“APAC”).

Earnings per share

Basic earnings per share amounted to HK\$1.01 (2019: HK\$6.70).

Major Corporate Events

Privatisation of Allied Properties (H.K.) Limited (“Allied Properties”)

The proposed privatisation (“Proposed Privatisation”) of Allied Properties, an approximately 74.996% owned subsidiary of the Company, is expected to be completed in September 2020. The Proposed Privatisation involves (i) a scheme of arrangement (“Scheme”) pursuant to which the shares of approximately 25.004% interests in Allied Properties held by the non-controlling interests (“Scheme Shareholders”) will be cancelled in exchange for payment in cash of HK\$0.42 per share (“Scheme Consideration”) of Allied Properties by Sunhill Investments Limited (“Offeror”), a direct wholly-owned subsidiary of the Company while the same number of shares of Allied Properties will be issued to the Offeror and (ii) a special dividend (“Special Dividend”) of HK\$1.5 in cash per share of Allied Properties to be paid to the Scheme Shareholders by Allied Properties. Upon completion of the Proposed Privatisation, the Company will have 100% beneficial interests in Allied Properties. The Proposed Privatisation will enhance the net asset value per share of the Company as the total price of the Proposed Privatisation of HK\$1.92 per share of Allied Properties, comprising the Scheme Consideration and Special Dividend, represented a discount to the net asset value per share of Allied Properties.

Share subdivision of the Company

As announced by the Company on 22nd July, 2020, the proposal to implement the share subdivision of the shares of the Company (“Shares”) on the basis that every one (1) issued existing Shares be subdivided into twenty (20) subdivided Shares (“Share Subdivision”) was made by the Board of Directors of the Company with a view to improve the liquidity in trading of Shares, thereby attracting more investors and widening the base of shareholders of the Company. Subject to fulfilment of the conditions as set out in the announcement of the Company dated 22nd July, 2020 and circular of the Company dated 12th August, 2020, including but not limited to the passing of an ordinary resolution by the shareholders of the Company at the extraordinary general meeting, the effective date of the Share Subdivision will be 7th September, 2020.

Capital Management and Treasury Policy

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

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

Financial Resources, Liquidity and Capital Structure

The 4.75% US dollar denominated notes ("4.75% Notes") are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The nominal value of the 4.75% Notes was US\$249.8 million or equivalent to HK\$1,935.9 million (at 31st December, 2019: US\$249.8 million or equivalent to HK\$1,944.9 million) at the reporting date.

The 4.65% US dollar denominated notes ("4.65% Notes") are listed on the Stock Exchange. The nominal value of the 4.65% Notes after eliminating the intra-group holdings was US\$442.3 million or equivalent to HK\$3,427.8 million (at 31st December, 2019: US\$442.7 million or equivalent to HK\$3,447.0 million) at the reporting date.

During the period, US\$0.4 million in the principal amount of 4.65% Notes were purchased and redeemed by SHK at a consideration of US\$0.4 million by private arrangement. The repurchased 4.65% Notes were cancelled on 26th May, 2020.

The 5.75% US dollar denominated notes ("5.75% Notes") are listed on the Stock Exchange. The nominal value of the 5.75% Notes after eliminating the intra-group holdings was US\$301.0 million or equivalent to HK\$2,332.8 million (at 31st December, 2019: US\$301.0 million or equivalent to HK\$2,343.9 million) at the reporting date.

At 30th June, 2020, the equity attributable to owners of the Company amounted to HK\$27,639.4 million, representing a decrease of HK\$466.8 million from that of 31st December, 2019. The Group's bank deposits, bank balances and cash amounted to HK\$11,041.4 million (at 31st December, 2019: HK\$7,032.9 million). The Group's bank and other borrowings and notes/paper payable totalled HK\$19,911.2 million (at 31st December, 2019: HK\$17,528.9 million) of which the portion due on demand or within one year was HK\$11,550.4 million (at 31st December, 2019: HK\$7,261.6 million), and the remaining long-term portion was HK\$8,360.8 million (at 31st December, 2019: HK\$10,267.3 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 2.05 times (at 31st December, 2019: 2.76 times). The Group's gearing ratio (net bank and other borrowings and notes/paper payable/equity attributable to owners of the Company) was 32.1% (at 31st December, 2019: 37.3%).

	At 30th June, 2020 <i>HK\$ Million</i>	At 31st December, 2019 <i>HK\$ Million</i>
Bank loans are repayable as follows:		
On demand or within one year	4,397.2	4,473.6
More than one year but not exceeding two years	1,452.8	1,488.4
More than two years but not exceeding five years	1,106.4	1,081.7
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	4,967.8	1,775.6
More than one year but not exceeding two years	105.1	446.0
	12,029.3	9,265.3
Other borrowings are repayable over five years	62.1	62.1
US dollar denominated notes are repayable as follows:		
Within one year	1,997.5	133.8
More than one year but not exceeding five years	5,739.5	7,635.1
HK dollar denominated notes/paper are repayable within one year	82.8	432.6
	7,819.8	8,201.5
	19,911.2	17,528.9

Other than the US dollar denominated notes and HK dollar denominated notes/paper, most of the bank and other borrowings of the Group are charged at floating interest rates. There are no known seasonal factors in the Group's borrowing profile.

At the end of the reporting period, the Group had HK\$12,091.4 million in bank and other borrowings, which were denominated in HK dollars, Australian dollars, British pounds and US dollars. The Group had HK\$11,041.4 million in bank deposits, bank balances and cash, which were mainly denominated in HK dollars, Australian dollars, British pounds, Renminbi and US dollars.

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

Material Acquisition and Disposal

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the period apart from the privatisation of Allied Properties as set out in the sections of Major Corporate Events and Events after the Reporting Date.

Segment Information

Detailed segmental information in respect of the revenue and profit or loss is shown in note 4 to the unaudited 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 operating and 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, loan and advances and bank and other borrowings denominated in foreign currencies, mainly in Australian dollars, British pounds, Euro, Canadian dollars, 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 are subject to management approved limits and are monitored and reported daily. As the majority of the Group's assets and investments were dominated in HK dollars and US dollars, the risk exposure was relatively low. 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

At the end of the reporting period, the Group had guarantees in the aggregate amount of HK\$490.4 million (at 31st December, 2019: HK\$494.5 million).

Pledge of Assets

At the end of the reporting period, certain of the Group's investment properties, hotel property and land and buildings with an aggregate carrying value of HK\$9,317.7 million (at 31st December, 2019: HK\$9,888.6 million), bank deposits and bank balances of HK\$47.0 million (at 31st December, 2019: HK\$33.2 million) together with certain securities in respect of a listed subsidiary with investment cost of HK\$263.5 million (at 31st December, 2019: HK\$277.4 million) were pledged to secure loans and general banking facilities to the extent of HK\$4,843.4 million (at 31st December, 2019: HK\$5,076.7 million) granted to the Group. Facilities amounting to HK\$3,467.0 million (at 31st December, 2019: HK\$1,597.8 million) were utilised at the end of the reporting period.

Events after the Reporting Date

- (i) A joint announcement dated 20th April, 2020 was made by the Company, Allied Properties and Sunhill Investments Limited (“Sunhill”) relating to a proposal (“Proposal”) for privatisation of Allied Properties. The Proposal is subject to various conditions and therefore the Proposal may or may not be implemented. The Proposal mainly involves (i) the Scheme pursuant to which the shares held by shareholders of Allied Properties other than those shares held by the Company, Sunhill, Capscore Limited (“CapScore”) and Citiwealth Investment Limited (“Citiwealth”) (“Scheme Share(s)”) will be cancelled in exchange for the payment in cash of HK\$0.42 per Scheme Share by Sunhill as offeror under the Scheme to the Scheme Shareholders while the same number of shares of Allied Properties will be issued to Sunhill and (ii) the Special Dividend of HK\$1.5 in cash per share of Allied Properties to be paid by Allied Properties to the Scheme Shareholders. Sunhill, Capscore and Citiwealth are direct wholly-owned subsidiaries of the Company. The Company currently directly and indirectly held approximately 74.996% interests in Allied Properties, of which (i) approximately 14.215% was directly held by Company and (ii) approximately 31.141%, 28.966% and 0.674% are held through the Sunhill, Capscore and Citiwealth respectively. The total number of Scheme Shares is 1,703,289,939, representing approximately 25.004% of the total number of shares in issue of Allied Properties. The Company, Sunhill, Capscore and Citiwealth have irrevocably and unconditionally agreed to waive and surrender their entitlement to the Special Dividend pursuant to the deed of waiver dated 9th April, 2020 executed by the Company, Sunhill, Capscore and Citiwealth.

Upon completion of the Proposal, Scheme Shares will be cancelled in exchange for the payment by Sunhill of HK\$0.42 per Scheme Share resulting in a total of approximately HK\$715.4 million to be paid by Sunhill to the Scheme Shareholders and the same amount of shares of Allied Properties will be issued to Sunhill. In addition, upon completion of the Proposal, the Special Dividend of HK\$1.5 per share will be paid by Allied Properties resulting in a total of approximately HK\$2,554.9 million to be paid to the Scheme Shareholders. Therefore, the Company will directly and indirectly hold 100% interests in Allied Properties. Based on the expected timetable as set out in the joint announcement by the Company, Allied Properties and Sunhill dated 24th August, 2020, the withdrawal of listing of shares of Allied Properties on the Stock Exchange is expected to become effective on 7th September, 2020 and the payment of the Scheme Consideration by Sunhill and Special Dividend by Allied Properties is expected to be made on or before 15th September, 2020, subject to the Scheme becoming effective.

Details of the Proposal are set out in (i) the joint announcements issued by the Company, Allied Properties and Sunhill dated 20th April, 2020, 11th May, 2020, 10th June, 2020, 19th June, 2020, 15th July 2020, 5th August, 2020 and 24th August, 2020, (ii) the circular issued by the Company dated 8th June, 2020 and (iii) the scheme document dated 19th June, 2020 jointly issued by the Company, Allied Properties and Sunhill.

Based on the financial information as at 30th June, 2020, a gain of HK\$6,225.4 million from the privatisation of Allied Properties, being the difference between the amount by which the non-controlling interests are adjusted and the value of the consideration paid, will be recognised directly in equity. The actual gain from the privatisation will be calculated based on the financial information on the completion date.

- (ii) On 22nd July, 2020, the Company announced the proposed Share Subdivision of every one issued existing share being subdivided into twenty subdivided shares. Subject to fulfilment of the conditions as set out in the announcement of the Company dated 22nd July, 2020 and circular of the Company dated 12th August, 2020, including but not limited to the passing of an ordinary resolution by the shareholders of the Company at the extraordinary general meeting, the effective date of the Share Subdivision will be 7th September, 2020.

Currently, the existing shares are traded on the Stock Exchange in the board lot size of 2,000 existing shares. Upon the Share Subdivision becoming effective, the board lot size of trading in the subdivided shares will remain as 2,000 subdivided shares.

Details of the Share Subdivision was set out in the announcement of the Company dated 22nd July, 2020 and circular of the Company dated 12th August, 2020.

OPERATIONAL REVIEW

Financial Services

Investment and Finance

- The profit attributable to owners of SHK was HK\$695.2 million (2019: HK\$1,028.9 million).
- SHK's investment management division reported a pre-tax profit of HK\$365.9 million (2019: HK\$494.7 million). The outbreak of novel Coronavirus ("COVID-19") pandemic created global fear and disruption of commerce. However, SHK was able to ride out the volatility and remain well-positioned through this period with its strong financial position.
- SHK's specialty finance business, which provides tailored funding solutions to corporates, investment funds and high net worth individuals, reported a pre-tax contribution of HK\$28.8 million (2019: HK\$78.1 million). The decrease in contribution of the division was attributable to a reduction of interest income (the loan book size reduced as loans matured and were not replaced) and an increase in provisions for expected credit loss.
- Sun Hung Kai Credit Limited contributed a profit-tax profit of HK\$65.5 million (2019: HK\$68.5 million). Its gross loan balance was HK\$3.2 billion at the end of June 2020.

Consumer Finance

- Profit attributable to owners of United Asia Finance Limited ("UAF") for the period amounted to HK\$441.6 million (2019: HK\$541.1 million).

- During the period, UAF's operation in mainland China experienced a drop in revenue and increased impairment allowances. The economic and operating environment of mainland China during the first half of 2020 was difficult as the Chinese government implemented domestic lockdowns to control the COVID-19 pandemic. UAF is exploring cooperation with various online platforms, aiming to further increase the number of loans originated online and leverage UAF China's existing infrastructure.
- While the COVID-19 pandemic affected business activities in Hong Kong, UAF Hong Kong has performed satisfactorily through this period. The gross loan balance dropped marginally year-on-year and the charge-off ratio increased moderately compared to the second half of last year.
- At the end of the reporting period, the consolidated consumer finance gross loan balance amounted to HK\$10.1 billion.
- There were 28 branches in mainland China and 48 branches in Hong Kong at the end of the reporting period.

Properties

Hong Kong

- Allied Properties reported a profit attributable to its owners of HK\$325.9 million (2019: HK\$1,513.0 million).
- Allied Properties' rental income from its Hong Kong property portfolio maintained at a steady level when compared to 2019. Focus has been on maintaining the leasing momentum on renewal, rent review and new lettings in the first half of the year.
- There was a net decrease of HK\$114.8 million in the value of the Allied Properties' property portfolio, including investment properties owned by SHK while there was a net increase in value of HK\$178.6 million for the corresponding period in 2019.
- During the period, the hotel division experienced decreased average room rates and significant drop in occupancies as a result of COVID-19. The hotel division reported a loss for the period as compared with a profit for the corresponding period in 2019.
- Allied Kajima Limited, Allied Properties' 50% joint venture, holding various properties including Allied Kajima Building, Novotel Century Hong Kong hotel, Sofitel Philippine Plaza Hotel and the Wanchai Jaffe Road hotel redevelopment, reported a loss for period as compared with a profit of the corresponding period in 2019. The loss for the current period was mainly due to the decrease in fair value of its property portfolio and operating loss reported from its hotel operations, the performance of which was negatively affected by the outbreak of COVID-19. The curtain wall together with internal fitting-out works on the Jaffe Road hotel site is progressing well.
- At the end of June 2020, Allied Properties held a 37.92% interest in APAC. During the period, there was a share of loss from APAC while it was a share of profit in corresponding period of 2019. The loss of APAC was mainly attributable to provision for impairment losses of APAC's principal associates.

Mainland PRC

- The profit attributable to the owners of TACI was HK\$200.2 million (2019: HK\$853.5 million).
- The decrease in profit of TACI was mainly due to a decrease in the share of results of its joint ventures and a decrease in fair value of its investment properties.
- TACI's rental income decreased by 5% as compared with same period of 2019.
- TACI has a total of 17 cyberparks over 12 cities. Those cyberparks on the Pearl River Delta have been contributing most and TACI will concentrate on developing new cyberparks and urban renewal projects in this region where it has ample manpower and marketing resources.
- Phase 2 Part 3 of TACI's urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen, with gross floor area of approximately 143,300 m² was completed in the first half of 2020.
- TACI has acquired new residential projects in Jiangsu and Zhejiang provinces and TACI expects that these projects will contribute good returns in the coming years.
- Asiasec Properties Limited, the listed subsidiary of TACI, reported a profit attributable to its shareholders of HK\$6.7 million (2019: HK\$64.1 million).

Investments

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

- SHK HK IND reported a net loss attributable to its owners of HK\$7.8 million (2019: HK\$8.1 million).

Allied Services Hong Kong Limited ("Allied Services")

- Allied Services which engages in the businesses of property management and elderly care services reported a profit of HK\$17.2 million for the period (2019: HK\$13.0 million).

Employees

The total number of headcount of the Group at 30th June, 2020 was 3,448 (at 31st December, 2019: 3,562). The net decrease in headcount is mainly a result of the branch consolidation of UAF in mainland China, as the business migrated further online and its continuous effort in driving cost efficiency. 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.

COVID-19 Pandemic Response

The coronavirus disease 2019 (“COVID-19”) spread globally during the first half of 2020. The Group has implemented, since January 2020, certain protocols below to protect the health and safety of our workforce, their families, local suppliers and neighbouring communities while ensuring a safe environment for operations to continue as usual:

- measures to maximize social distancing and staff protection within the offices;
- meetings are held off-site or by conference calls as far as possible;
- cancellation of all non-essential travel;
- flexible and remote working plans for employees;
- access to office restrictions and temperature screening;
- self-isolation following outbound travel, development of symptoms, or interaction with a confirmed case of COVID-19 and do coronavirus test as and when necessary at the Company’s cost;
- increased inventory of face mask, hand sanitiser and hygiene supplies; and
- increased focus on cleaning and sanitation.

BUSINESS OUTLOOK

The outbreak of coronavirus disease (“COVID-19”) in 2020 and the ongoing tensions between USA and China has led to a down turn in both the local and global economy. The measures of travel restrictions, border control, quarantine and social distancing as well as a decline in worldwide tourism and consumer consumption has negatively impacted the Group’s businesses.

With further volatility of the markets expected, SHK is committed to diligence and focus across its investments to carefully manage risk. SHK will maintain diversified funding sources and liquid assets to provide staying power and enable its business development.

Given the ongoing COVID-19 related uncertainties and escalating US-China tensions, UAF remains cautious in its outlook for the second half of 2020. UAF believes that with its experienced management, strong market position and a stable loan book, it will emerge stronger from this pandemic.

For the local property market, increased vacancy rates for hotel, commercial and retail sectors will lead to decreasing rental income. This will put pressure on the Hong Kong property business of the Group for the remainder of the year.

As for the PRC property market, the cut in the reserve requirement ratio by China's central bank has been well received by the property market especially the residential sector.

There is no doubt that the second half of 2020 will remain challenging. However, 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, 2020, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

Code Provision C.3.3

Code provision C.3.3 of the CG Code stipulate that the terms of reference of the audit committee ("Audit Committee") should include, as a minimum, those specific duties as set out in the code provision.

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

The 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, 2019. The Board considers that the Audit Committee should continue to operate according to the relevant terms of reference as adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

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, 2020. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and on the interim results announcements of the listed associates, as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2020.

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

Hong Kong, 26th August, 2020

As at the date of this announcement, the Board comprises Messrs. Lee Seng Hui (Chief Executive), Edwin Lo King Yau and Mak Pak Hung being the Executive Directors; Mr. Arthur George Dew (Chairman) and Ms. Lee Su Hwei being the Non-Executive Directors; and Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Lisa Yang Lai Sum and Mr. Kelvin Chau Kwok Wing being the Independent Non-Executive Directors.