INTERIM REPORT

2018

新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

Stock Code: 0086

WHO WE ARE

Sun Hung Kai & Co. Limited

Sun Hung Kai & Co. Limited (the "Group") is an investment firm headquartered in Hong Kong. Since its establishment in 1969, the Group has owned and operated market-leading businesses in financial services. Building on its rich heritage, experience and network, the Group aims to generate long-term capital growth for its shareholders through a diverse, yet complementary, portfolio of businesses and investments across multiple asset classes. It is the major shareholder of leading consumer finance firm United Asia Finance, and a substantial shareholder of Everbright Sun Hung Kai. The Group currently holds about HK$40 billion* in total assets.

*As at 30 June 2018

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Endure. Adapt. Excel

FINANCIAL HIGHLIGHTS

First Half 2018 Highlights

Attributable Profit
HK$1,058m
↑ **36%**

Basic EPS
HK49.2 cents
↑ **37%**

Annualised Return on Equity
10.7%
↑ **220bp**

BVPS
HK$9.31
↑ **9%**

Management Discussion and Analysis

Financial Highlights

(HK$ Million)	Six months ended 30/6/2018	30/6/2017	Change	Year ended 31/12/2017
Pre-tax profit	1,385.2	1,115.6	24%	2,608.5
Profit attributable to owners of the Company	1,058.0	780.1	36%	1,824.3
Book value per share (HK$)	9.31	8.55	9%	9.02
Earnings per share (HK cents)	49.2	36.0	37%	84.0
Interim dividend (HK cents)	12.0	12.0		

The profit attributable to the owners of the Company for the first half of 2018 was HK$1,058.0 million, an increase of 36% compared to the first half of 2017 (HK$780.1 million). Earnings per share for the period were HK49.2 cents (first half 2017: HK 36.0 cents).

The progress of transforming the Group has been encouraging, with the solid first half results mainly driven by the performance of our investments, plus healthy increases in interest income.

Shareholder Value

The Board has declared an interim dividend of HK12 cents per share for the six months ended 30 June 2018, same as the previous period.

As at 30 June 2018, the Group's book value per share increased to HK$9.31, from HK$9.02 at the end of 2017 and HK$8.55 at 30 June 2017.

In May 2018, the Company agreed to repurchase 145 million shares, or 6.73% of the total number of issued shares on an off-market basis. The proposed transaction was approved at an extraordinary general meeting and is expected to be completed on 17 September 2018. This transaction will further enhance the earnings per share as well as the book value per share at year end. It will also complete the HK$1 billion share buy-back plan announced when the Group embarked on its new strategic direction.

Results Analysis

The Group's first half revenue increased 15.4% year-on-year to HK$2,058.7 million (first half 2017: HK$1,783.6 million). Consisting mainly of interest income, the revenue increase was driven by higher average loan balances during the period.

Operating costs increased by 13.4% to HK$786.2 million, lower than the corresponding rise in revenue.

The total net impairment losses on financial instruments was HK$442.4 million, compared with the total bad and doubtful debts expense of HK$197.4 million for the first half of 2017, mainly from Consumer Finance segment and from 1 January 2018, the Group adopted the HKFRS 9 accounting standard, the impact of which is analysed in detail in Note 3 of the condensed consolidated financial statements.

The Principal Investments business continued to deliver solid returns during the period, reflected in the increase in other gains as well as the profit from financial assets and liabilities.

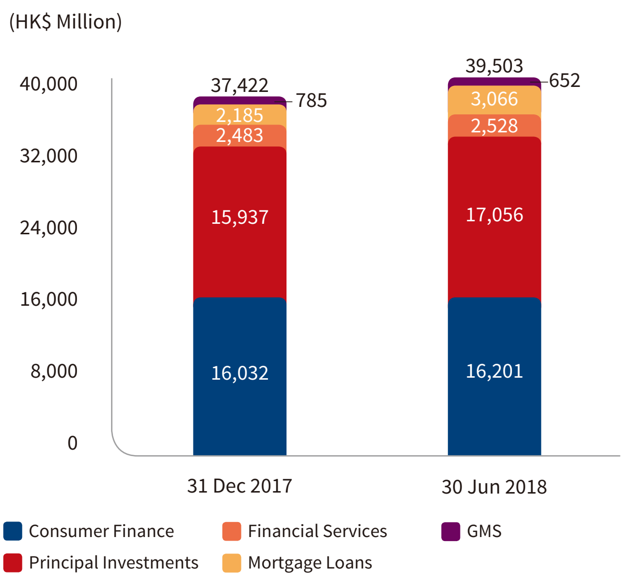
Pre-tax profit (before non-controlling interests) for the period amounted to HK$1,385.2 million (first half 2017: HK$1,115.6 million).

Business Review

The profit before tax by segment, before non-controlling interests, is analysed as follows:

(HK$ Million)	Pre-tax Contribution for the six-months ended 30/6/2018	30/6/2017	Change
Consumer Finance	609.2	623.2	-2.2%
Principal Investments	680.4	432.3	57.4%
Financial Services	101.8	61.9	64.5%
Mortgage Loans	48.8	12.3	296.7%
GMS	(55.0)	(14.1)	290.1%
Total	1,385.2	1,115.6	24.2%

Assets by Segment



Principal Investments was the biggest contributor to pre-tax profit for the period, increasing by 57% year-on-year. The net expense of Group Management and Support ("GMS") increased from HK$14.1 million to HK$55.0 million due to an increase in unallocated Group finance costs arising from the timing difference between fund raising and the deployment of capital.

Consumer Finance

United Asia Finance Limited ("UAF"), a 58% indirectly owned subsidiary, operates the Group's Consumer Finance business. It primarily offers unsecured loans to individual consumers and small businesses through online platforms and an extensive branch network in both Hong Kong and Mainland China.

Segment First Half Results

Six months to 30 June (HK$ Million)	2018	2017	Change
Revenue	1,737.7	1,474.7	17.8%
Operating costs	(570.3)	(537.8)	6.0%
Cost to income (% Revenue)	32.8%	*36.5%*	
Finance costs	(96.8)	(105.0)	–7.8%
Bad and doubtful debts	(452.4)	(197.0)	129.6%
Other gains	12.6	6.1	106.6%
Exchange loss	(21.6)	(17.8)	21.3%
Pre-tax contribution	609.2	623.2	–2.2%

For the first half of 2018, revenue increased by 17.8%, in line with the year-on-year growth in total loans. Pre-tax contribution to the Group amounted to HK$609.2 million, a 2.2% decrease year-on-year primarily due to an increase in bad and doubtful debts explained below. Bad and doubtful debts for the six months ended 30 June 2018 is equivalent to "Net impairment losses on financial instruments" in the condensed consolidated statement of profit or loss for the same period. HK$21.6 million (first half 2017: HK$17.8 million) exchange loss was also recorded which mainly arose from the settlement of RMB denominated debts in Hong Kong dollars at a higher exchange rate during the current period.

Bad debts and delinquency

(HK$ Million)	Jan – Jun 2018[1]	Jan – Jun 2017	Jul – Dec 2017
Amounts written off	(502.8)	(399.8)	(372.5)
Recoveries	97.5	75.2	87.5
Charge Off	(405.3)	(324.6)	(285.0)
As annualized % of average gross loans	8.3%	*7.6%*	*6.2%*
(Charges) Written back of impairment allowance	(47.1)	127.6	184.7
Total charges for bad and doubtful debts	(452.4)	(197.0)	(100.3)
Impairment allowance at the period end	658.3	804.5	663.3
As % of period end gross loans	6.8%	*9.4%*	*6.7%*

[1] Based on HKFRS 9 adopted in 2018

Ageing analysis for loans and advances to Consumer Finance customers that were past due but not impaired (HK$ Million):

No. of days past due, as at date	30/6/2018[1]	Note[2]	31/12/2017	Note[2]
Less than 31	424.6	4.7%	538.7	5.9%
31–60	46.7	0.5%	100.2	1.1%
61–90	15.9	0.2%	52.9	0.6%
91–180	82.0	0.9%	117.5	1.3%
Over 180	16.6	0.2%	31.4	0.3%
Total	585.8	6.5%	840.7	9.2%

[1] Based on HKFRS 9 adopted in 2018
[2] Note: amount as a % of net loan balance

Total charges for net impairment losses on financial instruments/ bad and doubtful debts for the period was HK$452.4 million (first half 2017: HK$197.0 million). Credit conditions in Mainland China were worse-than-expected during the period. In addition, a large write-back (HK$127.6 million) from the collective impairment was recorded in the first half of 2017 with a significant drop in the Charge Off ratio as the business experienced a turnaround during that time. But, a charge of HK$47.1 million was recorded for the current period.

The HKFRS 9 accounting standard requires an expected credit loss model for the impairment measurement of financial assets. The Charge Off for the majority of the loan categories is now recognised at 90 days past due instead of 180 days. The net loan balance was adjusted downwards by HK$77.5 million on 1 January 2018, against the reserves of the Group.

Key Operating Data	Jun 2018	Jun 2017	Dec 2017
Loan origination for the period/year:			
By amount (HK$ Million)	7,367.0	5,778.4	13,422.4
– Hong Kong	4,618.7	3,989.9	8,515.5
– Mainland China	2,748.3	1,788.5	4,906.9
By number of loans	148,031	136,191	282,792
– Hong Kong	92,483	84,262	154,048
– Mainland China	55,548	51,929	128,744
Loan book data at period/year end:			
Net loan balance (HK$ Million)	9,046.3	7,726.4	9,163.6
Gross loan balance (HK$ Million)	9,704.6	8,530.9	9,826.9
– Hong Kong	6,746.2	6,290.0	6,544.2
– Mainland China	2,958.4	2,240.9	3,282.7
Ratio for the period/year:			
Total return on loans[1]	35.6%	34.5%	33.9%
– Hong Kong	33.1%	32.8%	32.9%
– Mainland China	40.9%	39.3%	36.5%
Charge-off ratio[2]	8.3%	7.6%	6.6%
– Hong Kong	4.4%	5.3%	4.8%
– Mainland China	16.6%	14.3%	11.0%

[1] Annualised revenue/average gross loan balance
[2] Annualised on average gross loan balance

At the period end, the consolidated gross loan balance amounted to HK$9.7 billion, a 13.8% increase year-on-year. The balance in Hong Kong compared to the 2017 year end and end of June 2017 increased by 3.1% and 7.3% respectively. The loan balance in Mainland China at the end of the period increased by 32.0% year-on-year and dropped by 9.9% since the end of 2017. This included the effect of the downward adjustment of the loan balance from the adoption of HKFRS 9.

Branch network

City/Province	Closed during the first half of 2018	Number as at 30 Jun 2018
Hong Kong	–	49
Shenzhen	(5)	14
Shenyang	–	7
Chongqing	–	4
Tianjin	–	2
Chengdu	(1)	3
Yunnan province	(2)	5
Dalian	(1)	5
Beijing	–	4
Wuhan	(1)	4
Shanghai	(1)	6
Fuzhou	(1)	4
Harbin	–	3
Nanning	–	5
Qingdao	–	4
Jinan	–	3
Total	(12)	122

Mainland China Business

During the period, loan origination increased 53.7% to HK$2,748.3 million. This was lower compared to the second half of 2017 as UAF has adopted a more prudent approach towards credit approvals with worse-than-expected general credit conditions in the market. The regulators in Mainland China have tightened their stance on cash loan activities, and industry consolidation is underway in the P2P segment. Whilst the increased transparency and the shake out of non-compliant operators should lead to a healthier development of the consumer finance market in the longer term, the abrupt drop in liquidity impacted credit conditions in the immediate term.

In the second quarter of 2018, UAF launched the “Yaliancai” (亞聯財) mobile App 2.0 with enhancements in loan applications, approval, disbursement and repayment functions. The number of online transactions has now surpassed those offline, and the initial success of this O2O (“online to offline”) strategy meant UAF could reduce its physical branch network. During the period, UAF closed 12 branches of which 5 were located in Shenzhen. A total of 73 branches were operating at the end of June 2018. This contributed to an improved cost-to-income ratio of the business.

The business volume from the partnership with China UnionPay Merchant Services Co., Ltd. (“China UnionPay”) has been growing and generated a satisfactory profit contribution. UAF’s loan product “UAF POS Loan” (天天富亞聯財富商貸) offered on China UnionPay’s platform has been well-received in the market. Merchants satisfying pre-set criteria qualify for loan facilities from UAF. Loan applications are evaluated through loan scoring algorithms developed in-house by UAF with the process running 24/7. UAF is considering new products for different customer segments too. The completion of systems integration with China UnionPay will also enable, subject to market conditions, the launch of a loan referral program targeting their retail consumers.

UAF plans to continue to expand its on-line capabilities through similar partnerships with established POS machine network operators. The partnership with All In Pay Network Services Co. Ltd. (通聯支付網絡服務股份有限公司) (“All In Pay”) was launched in Shenzhen, and further roll-out will continue in the second half.

The competitive and economic environment in Mainland China remains challenging, and considerable regulatory uncertainties continue to affect the outlook of the consumer finance industry. Although current economic indicators are still encouraging, the looming trade row with the U.S. could leave China’s economy adversely exposed. As a prudent operator, UAF will remain vigilant in balancing credit risk whilst striving for business growth. With a solid balance sheet backed by strong shareholders, a wealth of experience accumulated over the past ten years and a dedicated management team of professionals in Mainland China, UAF is confident that it can ride through the challenges. The success and flexibility of the O2O strategy should also enable UAF to continue to make cost savings to improve profitability.

Hong Kong Business

The contribution from the UAF Hong Kong business for the first half of 2018 increased steadily during the period. Business performance remains satisfactory; despite keen competition, UAF maintained its market leadership. Advertising campaigns were launched during the FIFA World Cup. The Hong Kong website was revamped and re-launched in the second quarter of 2018 with greater online functionality.

UAF benefitted from a strong and robust local economy during the period. However, Hong Kong’s economic prospects face uncertainties with the adverse impact of the trade row between China and the U.S.. The future increases in U.S. interest rates will also impact on the local cost of funding, creating more uncertainty for the economy. UAF will observe the developments closely and adjust its strategy carefully to contain credit risk. With a long operating history in managing the consumer finance business through different economic cycles, we remain cautiously optimistic that UAF can grow the business and deliver solid results for the rest of the year.

Principal Investments

The Principal Investments division leverages the Group's operating expertise, network, and balance sheet to seek out and invest in attractive risk-adjusted investment opportunities.

The segment made a significant contribution to the Group's revenue growth. Contribution to profit before tax increased 57.4% to HK$680.4 million (first half 2017: HK$432.3 million). The six-month return on average assets was 6.1%. Returns from the Private Equity and Private Credit portfolios were the most significant.

The value of the segment's assets increased to HK$17.1 billion, from HK$15.9 billion at the end of 2017.

Segment Asset Breakdown and Half Year Return for First Half 2018

(HK$ Million)	Value 30 Jun 2018	Average Value	Gain	Return[2]
Public Equity	3,163.6	2,998.1	125.9	4.2%
Private Equity	5,400.2	4,790.9	549.8	11.5%
Public Credit	2,835.0	3,206.4	(13.0)	–0.4%
Private Credit	3,521.9	3,123.8	199.3	6.4%
Real Estate	2,135.6	2,126.3	128.6	6.0%
	17,056.3	16,245.5	990.6	6.1%
Operating Costs			(80.8)	
Cost of capital and finance costs[1]			(229.4)	
Pre-tax contribution			680.4	

1 Credit to Group Management and Support
2 Return on average value

Public Equities (19%)

This portfolio delivered a return of 4.2% for the period, amidst volatile market conditions. The period end value was HK$3,163.6 million.

The portfolio has a dual strategy of internally managed proprietary investments, as well as a select group of high-quality external managers that bring synergies to our investment platform. The internally managed portfolio is global, with an emphasis on Greater China, Australia and the U.S.. The sector focus is on financials, consumer and technology, in line with the strategy across the segment. The team employs a bottom-up approach to stock selection and hedges against various market risks.

Private Equities (32%)

The Group invests in private equities through a combination of direct, co-investments and external managers that target companies with high growth potential. External managers were selected based on performance, strategic fit as well as access to markets and sectors.

During the period, the portfolio delivered a six-month return of 11.5%, mainly driven by our early positioning in the pharmaceutical and technology sectors. Valuation of our co-investments and funds benefitted from IPO activity during the period.

The portfolio is currently focussed on the healthcare, technology and financial sectors. As we enter into the fourth year of the investment business, there will be an increased focus on exits and liquidity for the portfolio. Looking ahead, we aim to continue to invest in opportunities that will provide strategic value to the Group. There is also likely to be a rebalancing from China to a more global exposure.

Public Credit (17%)

The Public Credit portfolio had a mild negative return of 0.4% for the period as market prices reacted to the series of rate hikes. At the end of June 2018, the portfolio was valued at HK$2,835.0 million. It included treasury management products for the Group's cash management purposes.

The portfolio is diversified across markets and sectors, invested only in performing credits that exhibit strong competitive positions or operating in strategic industries with strong government support. In the near term, we are likely to maintain a conservative stance by moving up the credit curve, and rebalancing away from sectors and geographies facing structural headwinds. Appropriate hedges will be deployed where necessary.

Private Credit (21%)

The Private Credit strategy encompasses the Group's well-established structured finance business, providing tailored funding solutions to corporates, investment funds and high net worth individuals. The portfolio was steady, amounting to HK$3,521.9 million at the end of the period. Interest income of HK$189.1 million was generated. The portfolio achieved a 6.4% return for the six-month period, or 12.8% on an annualised basis. The average yield was slightly lower than the previous period which reflected the pricing for a lower risk level and shorter tenor of the portfolio.

Almost all the loans were either secured by assets or had other guarantees by corporates or high net worth individuals.

Real Estate (12%)

As of 30 June 2018, the real estate portfolio amounted to HK$2,135.6 million. The portfolio includes the Group's earlier interests in Hong Kong commercial real estate, as well as minority interests in residential development projects in Hong Kong and Australia. Since the transformation of the business three years ago, the Group has also built up a portfolio of assets in major global cities in the hospitality and commercial sectors. The portfolio is now well balanced between Hong Kong and global assets.

A return of 6.0% was generated for the period, mainly driven by the increase in valuation of Hong Kong commercial real estate. We have also received partial distribution from an Australian real estate project at above book value. The underlying asset in our hospitality sector investments performed well and the outlook is positive. These investments are largely hedged against exchange fluctuations.

Mortgage Loans

The Group's Mortgage Loans business operated under Sun Hung Kai Credit Limited ("Sun Hung Kai Credit") started to contribute a meaningful profit. Pre-tax contribution increased three-fold to HK$48.8 million for the period.

Segment First Half Results

Six months to 30 June (HK$ Million)	2018	2017	Change
Revenue	107.7	48.3	123.0%
Operating costs	(23.5)	(20.1)	16.9%
Cost to income (% revenue)	*21.8%*	*41.6%*	
Finance costs	(37.7)	(15.5)	143.2%
Write-back (charge) of bad and doubtful debts	2.1	(0.4)	n/a
Other gains	0.2	–	n/a
Pre-tax contribution	48.8	12.3	296.7%

Having just surpassed the HK$2 billion mark at the end of 2017, the loan portfolio reached HK$3,025.8 million at the end of June 2018. The business enjoyed good momentum from the partnerships built up with real estate agents and property developers with healthy demand from home buyers for financing solutions.

There were no write-offs in the portfolio during the period. Write-back of bad and doubtful debts amounted to HK$2.1 million (first half 2017: HK$0.4 million charge).

The business has enjoyed good operating leverage as the scale of the business continues to expand, with improving cost to income metrics. Management will strive to further enhance operational efficiency with this increased scale.

Whilst the first mortgage business is expected to remain solid, we will also seek to further penetrate other customer segments for a more balanced approach to growth and new marketing schemes are being planned.

Financial Services

The segment consists of the Group's strategic stakes in affiliated companies in the financial services sector. The pre-tax contribution increased 64.5% to HK$101.8 million for the first half of 2018, from stronger performance in the businesses.

The Group's 30% interest in the Everbright Sun Hung Kai ("EBSHK") business is the largest contributor to the segment. The name change in December 2017 signified the full integration of the former Sun Hung Kai Financial business with its parent, Everbright Securities Company Limited. EBSHK saw an expanded customer base with its further push into private banking-type services and its client assets reached a new high of HK$143 billion. EBSHK delivered a satisfactory increase in profit during the period, from the growth in commission revenue as well as higher interest income from the client financing businesses.

The net effect of valuation change on the 30% stake for the period was a gain of HK$67.4 million (first half of 2017: HK$67.3 million). An impairment loss of HK$82.4 million on associate was reversed and a HK$15.0 million loss on the put right was recorded.

The Group's 40% owned affiliate LSS Financial Leasing (Shanghai) Limited ("LSS Leasing"), continued its evolution from a simple leasing business to a one-stop financing solutions provider to the car supply chain as well as for new models of transportation. Its customer base expanded from corporate to consumer auto leasing through a network of more than 350 partner dealerships. From inventory, equipment and car leasing, to a financing provider for new transportation models such as the partnership on the 58 "Suyun" (58速運) platform, LSS Leasing has established a strong foundation for more substantial future contribution.

Outlook

Management is encouraged by the Group's strategic position of its business and investment assets. The transformation of the Group since 2015 has started to generate meaningful long term returns from our earlier investments. However, as the portfolio grows, we remain exposed to mark-to-market volatility, which will continue to have an impact on short term results.

For the Consumer Finance business, uncertainties face the market especially in Mainland China and UAF needs to maintain a prudent stance in the short term whilst seeking growth and efficiency gain opportunities with our O2O strategy.

The Group will continue to maintain a balanced approach to asset allocation for risk/reward and maintain a tight oversight of costs.

Financial Review

Financial Resources, Liquidity, Capital Structure, and Key Performance Indicators

(HK$ Million)	30/6/2018	31/12/2017	Change
Capital Structure			
Equity attributable to the owners of the Company	20,036.3	19,426.7	3.1%
Total cash	3,095.1	2,911.4	6.3%
Total borrowings	12,886.9	11,928.1	8.0%
Net debt	9,791.8	9,016.7	8.6%
Net debt to equity ratio	48.9%	46.4%	
Liquidity			
Interest cover[1]	5.7	5.8	
Return Ratios (Annualised)			
Return on assets[2]	6.6%	6.6%	
Return on equity	10.7%	9.7%	
Key Performance Indicator			
Book value per share (HK$)	9.31	9.02	3.2%

1 Earnings before interest and tax/interest expense
2 Profit including non-controlling interest/average assets

The Group's gearing ratio increased slightly since the end of 2017 but the interest cover stayed healthy at 5.7. With increased capital efficiency, the return on equity increased from 9.7% to an annualised ratio of 10.7%

As at 30 June 2018, total borrowings of the Group amounted to HK$12,886.9 million (31 December 2017: HK$11,928.1 million). Of this amount, 31.0% is repayable within one year (31 December 2017: 27.5%). The Group maintains a balanced mix of funding from various sources. Bank borrowings account for 38.9% of total debt (31 December 2017: 31.8%) and are at floating interest rates, denominated in Hong Kong dollars, US dollars and RMB.

As at 30 June 2018, the following notes are outstanding:

Note	Maturity Date	HK$ Equivalent (In Million)	% Total
4.75% USD notes^	May 2021	2,797.9	35.5%
4.65% USD notes^	Sept 2022	4,369.6	55.5%
2.8% HKD notes	Nov 2018	454.8	5.8%
3.1% HKD notes	Feb 2019	248.3	3.2%
Total		7,870.6	100%

^ Listed on the Hong Kong Stock Exchange

In May 2018, the 6.9% Renminbi denominated notes matured and the outstanding balance was repaid. There are no known seasonal factors.

The Group maintained foreign currency positions to cater for its present and potential investment and operating activities. The majority of non-US/HK dollar investment assets are hedged against currency fluctuations. Exchange risks are closely monitored by the Group and held within approved limits.

During the period, the Company did not repurchase its own shares in the market. On 17 July 2018, a special resolution was passed at an extraordinary general meeting relating to an off-market share buy-back by the Company of 145 million shares (6.73% of the total number of issued shares) for a total consideration of HK$668.5 million. The transaction is due to completed on 17 September 2018. More details can be found in the Company's circular dated 25 June 2018.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the period, the Principal Investments business invested in a number of companies and assets in its course of business, however, those were not material in size.

Charges on Group Assets

Properties of the Group with a total book value of HK$1,070.0 million and cash of HK$20.0 million were pledged by subsidiaries to banks for facilities granted to them. HK$651.8 million was drawn down as at 30 June 2018.

Contingent Liabilities

Details regarding the contingent liabilities are set out in Note 24 of the condensed consolidated financial statements.

Human Resources and Training

As at 30 June 2018, the Group's total staff numbered 3,162 (31 December 2017: 3,589). Out of this, 42 staff (31 December 2017: 44) are from the investment team and corporate staff and the remainder within the main subsidiaries UAF and Sun Hung Kai Credit. The net decrease in staff numbers is a result of the branch consolidation in the consumer finance business in Mainland China, as the business migrated further online.

Staff costs (including Directors' emoluments), contributions to retirement benefit schemes and expenses recognised for the SHK Employee Ownership Scheme ("EOS") amounted to approximately HK$457.4 million (first half of 2017: HK$375.5 million).

The Group operates various compensation schemes to reflect job roles within the organisation. For majority of the staff, the compensation comprises either a base salary with bonus/performance-based incentives or base salary, as appropriate. Sales staff/consultants' remuneration packages consist of a base pay and commission/bonus/performance-based incentives as appropriate.

Under the EOS, selected employees or directors of the Group (the "Selected Grantees") were awarded shares of the Company. Following management's recommendation, a total of 3,189,000 shares were granted to the Selected Grantees during the period subject to various terms including, the vesting schedule whereby awarded shares vest and become unrestricted over various time periods. As at 30 June 2018, the outstanding award shares under the EOS (excluding shares awarded but subsequently forfeited) amounted to 4,005,000, out of which 1,012,000 shares were awarded to a Director.

The Group values its people as our greatest asset. We believe that a competent and motivated workforce is integral to the sustainable growth of our business. In line with our business strategies and ongoing development, the Group promotes a culture of continuous learning. We provide comprehensive training and development programmes in areas such as compliance, regulatory issues, management skills, practical job skills and personal development.

Directors' Interests

As at 30 June 2018, the interests of the Directors and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO were as follows:

(A) Interests in the Shares of the Company ("Shares"), the Underlying Shares and Debentures

Name of Directors	Capacity	Number of Shares, underlying Shares and unit of debentures	*Notes*	Approximate % of the total number of issued Shares
Lee Seng Huang	Interests of controlled corporation	1,233,578,575	*1,2*	57.29%
Simon Chow Wing Charn	Beneficial owner	533,000		0.02%
	Beneficiary of trust	1,012,000	*3(a)*	0.05%
	Beneficial owner	2	*3(b)*	N/A
Peter Anthony Curry	Beneficial owner	1,241,141		0.06%
	Beneficiary owner	1	*4*	N/A

Notes:

1. Mr. Lee Seng Huang, a Director, together with Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.95% of the total number of shares of Allied Group Limited ("AGL") (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have interests in the Shares in which AGL was interested.
2. This refers to the deemed interests in 1,233,578,575 Shares held by Allied Properties (H.K.) Limited ("APL").
3. (a) These include the deemed interests in:
   (i) 184,000 unvested Shares out of the total of 552,000 Shares granted to Mr. Simon Chow Wing Charn ("Mr. Chow") on 15 April 2016 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 184,000 Shares) was vested and became unrestricted from 15 April 2017; another one-third thereof was vested and became unrestricted from 15 April 2018; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2019;
   (ii) 330,000 unvested Shares out of the total of 495,000 Shares granted to Mr. Chow on 13 April 2017 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 165,000 Shares) was vested and became unrestricted from 13 April 2018; another one-third thereof shall be vested and become unrestricted from 13 April 2019; and the remaining one-third thereof shall be vested and become unrestricted from 13 April 2020; and
   (iii) 498,000 unvested Shares granted to Mr. Chow on 20 April 2018 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 166,000 Shares) shall be vested and become unrestricted from 20 April 2019; another one-third thereof shall be vested and become unrestricted from 20 April 2020; and the remaining one-third thereof shall be vested and become unrestricted from 20 April 2021.

   (b) This represents the interests held by Mr. Chow in the 4.65% Guaranteed Notes due September 2022 issued by Sun Hung Kai & Co. (BVI) Limited ("SHK BVI", a wholly-owned subsidiary of the Company) in the amount of US$400,000.
4. This represents the interests held by Mr. Peter Anthony Curry in the 4.75% Guaranteed Notes due May 2021 issued by SHK BVI in the amount of US$200,000.

(B) Interests in the Shares and Underlying Shares of Associated Corporations

Name of Directors	Associated corporations	Capacity	Number of shares and underlying shares	*Notes*	Approximate %of the total number of issued shares
Lee Seng Huang *(Note 1)*	AGL	Trustee	131,706,380	*2*	74.93%
	APL	Interests of controlled corporation	5,278,911,521	*3,4*	77.49%
	SHK Hong Kong Industries Limited ("SHK HK Ind")	Interests of controlled corporation	3,082,889,606	*5,6*	74.97%

Notes:

1. Mr. Lee Seng Huang, by virtue of his interests in AGL and APL, was deemed to be interested in the shares of the subsidiaries of AGL (including SHK HK Ind, a listed subsidiary of AGL) and APL, which are associated corporations of the Company as defined under the SFO.
   A waiver application was submitted to The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") for exemption from disclosure of Mr. Lee's deemed interests in the shares of such associated corporations of the Company in this report, and a waiver was granted by the Hong Kong Stock Exchange on 27 July 2018.
2. Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust, being a discretionary trust which indirectly controlled 131,706,380 shares of AGL.
3. This refers to the same interests held directly or indirectly by AGL in APL.
4. This includes the interests in (i) 5,108,911,521 shares of APL which were held 968,354,880 directly and 4,140,556,641 indirectly by AGL and (ii) 170,000,000 shares of APL which were held indirectly by a wholly-owned subsidiary of the Company as a holder of pledged shares.
5. This refers to the same interests held indirectly by AGL in SHK HK Ind.
6. This refers to the interests in 3,082,889,606 shares of SHK HK Ind.

All interests stated above represent long positions. As at 30 June 2018, none of the Directors held any short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

Save as disclosed above, as at 30 June 2018, neither the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

Interests of Substantial Shareholders and Other Persons

As at 30 June 2018, the following shareholders had interests in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO (the "SFO Register"):

Name of Shareholders	Capacity	Number of Shares and underlying Shares	*Notes*	Approximate % of the total number of issued Shares
APL	Interests of controlled corporation	1,233,578,575	*1.2*	57.29%
AGL	Interests of controlled corporation	1,233,578,575	*3.4*	57.29%
Lee and Lee Trust	Interests of controlled corporation	1,233,578,575	*4,5*	57.29%
Dubai Ventures L.L.C ("Dubai Ventures")	Beneficial owner	166,000,000	*6*	7.71%
Dubai Ventures Group (L.L.C) ("DVG")	Interests of controlled corporation	166,000,000	*7,8*	7.71%
Dubai Group (L.L.C) ("Dubai Group")	Interests of controlled corporation	166,000,000	*8,9*	7.71%
Dubai Holding Investments Group LLC ("DHIG")	Interests of controlled corporation	166,000,000	*8,10*	7.71%
Dubai Holding (L.L.C) ("Dubai Holding")	Interests of controlled corporation	166,000,000	*8,11*	7.71%
Dubai Group Limited ("DGL")	Interests of controlled corporation	166,000,000	*8,12*	7.71%
HSBC Trustee (C.I.) Limited ("HSBC Trustee")	Trustee	166,000,000	*8,13*	7.71%
HH Mohammed Bin Rashid Al Maktoum	Interests of controlled corporation	166,000,000	*8,14*	7.71%
Asia Financial Services Company Limited ("AFSC")	Beneficial owner	341,600,000	*15*	15.87%
Asia Financial Services Holdings Limited ("AFSH")	Interests of controlled corporation	341,600,000	*16,17*	15.87%
Asia Financial Services Group Limited ("AFSG")	Interests of controlled corporation	341,600,000	*17,18*	15.87%
Asia Financial Services Group Holdings Limited ("AFSGH")	Interests of controlled corporation	341,600,000	*17,19*	15.87%
CVC Capital Partners Asia Pacific III L.P. ("CVC LP")	Interests of controlled corporation	341,600,000	*17,20*	15.87%
CVC Capital Partners Asia III Limited ("CVC Capital III")	Interests of controlled corporation	341,600,000	*17,21*	15.87%
CVC Capital Partners Advisory Company Limited ("CVC Capital Partners Advisory")	Interests of controlled corporation	341,600,000	*17,22*	15.87%
CVC Capital Partners Finance Limited ("CVC Capital Partners Finance")	Interests of controlled corporation	341,600,000	*17,23*	15.87%
CVC Group Holdings L.P. ("CVC Group Holdings")	Interests of controlled corporation	341,600,000	*17,24*	15.87%
CVC Portfolio Holdings Limited ("CVC Portfolio")	Interests of controlled corporation	341,600,000	*17,25*	15.87%
CVC Management Holdings Limited ("CVC Management")	Interests of controlled corporation	341,600,000	*17,26*	15.87%
CVC MMXII Limited ("CVC MMXII")	Interests of controlled corporation	341,600,000	*17,27*	15.87%
CVC Capital Partners 2013 PCC (acting in respect of its protected cell, CVC Capital Partners Cell G PC) ("CVC Capital Partners 2013")	Interests of controlled corporation	341,600,000	*17,28*	15.87%
CVC Capital Partners SICAV-FIS S.A. ("CVC Capital Partners SA")	Interests of controlled corporation	341,600,000	*17,29*	15.87%
Everbright Sun Hung Kai Structured Solutions Limited ("Everbright SHK")	Entity having a security interest in Shares	341,600,000	*30,31*	15.87%
Sun Hung Kai Financial Group Limited ("SHK Financial Group")	Interests of controlled corporation	341,600,000	*32,33*	15.87%
Everbright Securities Financial Holdings Limited ("Everbright Securities Financial")	Interests of controlled corporation	341,600,000	*33,34*	15.87%
Everbright Securities Company Limited	Interests of controlled corporation	341,600,000	*33,35*	15.87%

Notes:

1. The interests were held by AP Emerald Limited ("AP Emerald"), a wholly-owned subsidiary of AP Jade Limited which in turn was a wholly-owned subsidiary of APL. APL was therefore deemed to have interests in the Shares in which AP Emerald was interested.
2. This represents an interest in 1,233,578,575 Shares held by APL through AP Emerald.
3. AGL owned approximately 74.99% of the total number of shares of APL and was therefore deemed to have an interest in the Shares in which APL was interested.
4. This refers to the same deemed interests in 1,233,578,575 Shares held by APL.
5. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang (a Director) are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.95% of the total number of shares of AGL (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have an interest in the Shares in which AGL was interested.
6. This represents an interest in 166,000,000 Shares.
7. DVG owned 99% interests in Dubai Ventures and was therefore deemed to have an interest in the Shares which Dubai Ventures was interested.
8. This refers to the same interests in 166,000,000 Shares held by Dubai Ventures.
9. Dubai Group owned 99% interests in DVG and was therefore deemed to have an interest in the Shares in which DVG was interested.
10. DHIG owned 51% interests in Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.
11. Dubai Holding owned 99.66% interests in DHIG and was therefore deemed to have an interest in the Shares in which DHIG was interested.
12. DGL, through its wholly-owned subsidiary, owned 49% interests in Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.
13. HSBC Trustee owned 100% interests in DGL and was therefore deemed to have an interest in the Shares in which DGL was interested.
14. HH Mohammed Bin Rashid Al Maktoum owned 97.40% interests in Dubai Holding and was therefore deemed to have an interest in the Shares in which Dubai Holding was interested.
15. This represents an interest in 341,600,000 Shares.
16. AFSH held 100% interests in AFSC and was therefore deemed to have an interest in the Shares in which AFSC was interested.
17. This refers to the same interests in 341,600,000 Shares held by AFSC.
18. AFSG owned 99.06% interests in AFSH and was therefore deemed to have an interest in the Shares in which AFSH was interested.
19. AFSGH held 100% interests in AFSG and was therefore deemed to have an interest in the Shares in which AFSG was interested.
20. CVC LP owned 88% interests in AFSGH and was therefore deemed to have an interest in the Shares in which AFSGH was interested.
21. CVC Capital III, as the general partner of CVC LP, exclusively managed and controlled CVC LP and was therefore deemed to have an interest in the Shares in which CVC LP was interested.
22. CVC Capital Partners Advisory held 100% interests in CVC Capital III and was therefore deemed to have an interest in the Shares in which CVC Capital III was interested.
23. CVC Capital Partners Finance held 100% interests in CVC Capital Partners Advisory and was therefore deemed to have an interest in the Shares in which CVC Capital Partners Advisory was interested.
24. CVC Group Holdings held 100% interests in CVC Capital Partners Finance and was therefore deemed to have an interest in the Shares in which CVC Capital Partners Finance was interested.
25. CVC Portfolio, (i) held 81.8% interests in CVC Management (which was the sole limited partner of CVC Group Holdings) and was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested, and (ii) as the general partner of CVC Group Holdings, exclusively managed and controlled CVC Group Holdings, and was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested.
26. CVC Management, as the limited partner of CVC Group Holdings, was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested.
27. CVC MMXII held 100% interests in CVC Portfolio and was therefore deemed to have an interest in the Shares in which CVC Portfolio was interested.
28. CVC Capital Partners 2013 held 100% interests in CVC MMXII and was therefore deemed to have an interest in the Shares in which CVC MMXII was interested.
29. CVC Capital Partners SA held 100% interests in CVC Capital Partners 2013 and was therefore deemed to have an interest in the Shares in which CVC Capital Partners 2013 was interested.
30. This represents 341,600,000 Shares held by AFSC which were pledged in favour of Everbright SHK on 15 November 2017 for a term loan facility in an amount of HK$800,000,000.
31. This represents an interest in 341,600,000 Shares.
32. SHK Financial Group, through its wholly-owned subsidiary, owned 100% interests in Everbright SHK and was therefore deemed to have an interest in the Shares in which Everbright SHK was interested.
33. This refers to the same interest in 341,600,000 Shares in which Everbright SHK was interested.
34. Everbright Securities Financial owned 70% interests in SHK Financial Group and was therefore deemed to have an interest in the Shares in which SHK Financial Group was interested.
35. Everbright Securities Company Limited owned 100% interests in Everbright Securities Financial and was therefore deemed to have an interest in the Shares in which Everbright Securities Financial was interested.

All interests stated above represent long positions. As at 30 June 2018, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 30 June 2018, the Directors are not aware of any other persons who have interests or short positions in the Shares or underlying Shares which would require to be disclosed to the Company pursuant to Part XV of the SFO.

Corporate Governance

Corporate Governance Code

During the six months ended 30 June 2018, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

(a) Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisational structure of the Company, the functions of a chief executive are performed by the Group Executive Chairman, Mr. Lee Seng Huang, in conjunction with the Group Deputy Chief Executive Officer, Mr. Simon Chow Wing Charn. The Group Executive Chairman oversees the Group's Principal Investments with support from the management team of the division as well as its interest in UAF whose day-to-day management lies with its designated Managing Director. Mr. Simon Chow assists the Group Executive Chairman in driving the performance of Mortgage Loans and the other operating businesses of the Group as well as exploring new areas of growth.

The Board believes that this structure spreads the workload that would otherwise be borne by an individual chief executive, allowing the growing businesses of the Group to be overseen by appropriately qualified and experienced senior executives in those fields. Furthermore, it enhances communications and speeds up the decision-making process across the Company. The Board also considers that this structure will not impair the balance of power and authority between the Board and management of the Company. An appropriate balance can be maintained by the operation of the Board, which holds at least four regular meetings a year to discuss business and operational issues of the Group.

(b) 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 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 adopted by the Company are in compliance with code provision C.3.3 of the CG Code except that the Audit Committee shall (i) recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditor 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; (iii) can promote (as opposed to ensure under the code provision) co-ordination between the internal and external auditors; and (iv) can check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced and has appropriate standing within the Company.

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 31 December 2017. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to their respective terms of reference as adopted by the Company. The Board will review the terms of reference at least annually and would make appropriate changes if considered necessary.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries being made by the Company, that they have complied with the required standard as set out in the Model Code throughout the period under review.

Other Information

Interim Dividend

The Board has declared an interim dividend of HK12 cents per share for the six months ended 30 June 2018 (2017: HK12 cents per share) payable to the shareholders whose names appear on the register of members of the Company on 5 September 2018. Dividend warrants for the interim dividend are expected to be dispatched on 12 September 2018.

Closure of Register of Members

The register of members of the Company will be closed from 3 September 2018 to 5 September 2018, during which period no transfer of shares will be registered. The ex-dividend date will be 30 August 2018. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 31 August 2018.

Changes in Directors' Information

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

For all Executive Directors

– Change of emoluments of all Executive Directors during the period has been disclosed in the Corporate Governance Report of the 2017 Annual Report.

For all Independent Non-Executive Directors

– Change of annual consultancy fee of all Independent Non-Executive Directors during the period has been disclosed in the Corporate Governance Report of the 2017 Annual Report.

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

As announced by the Company on 4 May 2018, AFSC executed a Deed of Undertaking in favour of the Company conditionally undertaking to execute a buy-back contract (the "Buy-back Contract") relating to an off-market share buy-back by the Company of 145,000,000 Shares held by AFSC ("Share Buy-back"). The Buy-back price has been reduced from HK$4.75 per Share to HK$4.61 per Share after adjusting for the 2017 second interim dividend of HK$0.14 per Share paid to AFSC on 28 June 2018. The Buy-back price will be further reduced to HK$4.49 per Share subsequent to the 2018 interim dividend of HK$0.12 per Share declared by the Board on 15 August 2018 which is payable on 12 September 2018. The agreed form of the Buy-back Contract was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 17 July 2018 and the Buy-back Contract was entered into between AFSC and the Company on 20 July 2018. Completion of the Share Buy-back will take place on 17 September 2018 or at such other date as the Company and AFSC may agree in writing. Details of the Share Buy-back are set out in the Company's announcements dated 4 May 2018 and 24 July 2018 and the Company's circular dated 25 June 2018 respectively.

Audit Committee Review

The Audit Committee of the Company 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 condensed consolidated financial report for the six months ended 30 June 2018. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

On behalf of the Board
Lee Seng Huang
Group Executive Chairman
Hong Kong, 15 August 2018

Independent Review Report

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF SUN HUNG KAI & CO. LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sun Hung Kai & Co. Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 15 to 39, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 15 August 2018

Condensed Consolidated Statement of Profit or Loss

		Six months ended	
		30/6/2018	30/6/2017
(HK$ Million)	Notes	**Unaudited**	Unaudited
Interest income		**2,022.2**	1,710.2
Other revenue	5	**36.5**	73.4
Other gains	6	**207.2**	10.7
Total income		**2,265.9**	1,794.3
Brokerage and commission expenses		**(25.3)**	(22.1)
Advertising and promotion expenses		**(67.9)**	(48.0)
Direct cost and operating expenses		**(41.5)**	(28.4)
Administrative expenses		**(651.5)**	(594.7)
Net gain on financial assets and liabilities at fair value through profit or loss		**635.4**	635.5
Net exchange loss		**(26.7)**	(43.2)
Net impairment losses on financial instruments	7	**(442.4)**	–
Bad and doubtful debts	7	**–**	(197.4)
Finance costs		**(294.5)**	(252.9)
Other losses		**(0.8)**	(119.4)
		1,350.7	1,123.7
Share of results of associates		**31.4**	11.1
Share of results of joint ventures		**3.1**	(19.2)
Profit before taxation	8	**1,385.2**	1,115.6
Taxation	9	**(112.6)**	(123.6)
Profit for the period		**1,272.6**	992.0
Profit attributable to:			
— Owners of the Company		**1,058.0**	780.1
— Non-controlling interests		**214.6**	211.9
		1,272.6	992.0
Earnings per share	11		
— Basic (HK cents)		**49.2**	36.0
— Diluted (HK cents)		**49.2**	36.0

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended	
	30/6/2018	30/6/2017
(HK$ Million)	**Unaudited**	Unaudited
Profit for the period	**1,272.6**	992.0
Other comprehensive income (expenses):		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale investments		
— Net fair value changes during the period	**–**	0.8
Exchange differences arising on translating foreign operations	**(113.9)**	193.0
Share of other comprehensive (expenses) income of associates	**(0.8)**	3.0
Share of other comprehensive (expenses) income of joint ventures	**(3.2)**	2.3
	(117.9)	198.3
Items that will not be reclassified to profit or loss		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	**(37.7)**	–
Other comprehensive (expenses) income for the period	**(155.6)**	199.1
Total comprehensive income for the period	**1,117.0**	1,191.1
Total comprehensive income attributable to:		
— Owners of the Company	**956.9**	894.9
— Non-controlling interests	**160.1**	296.2
	1,117.0	1,191.1

Condensed Consolidated Statement of Financial Position

(HK$ Million)	Notes	30/6/2018 Unaudited	31/12/2017 Audited
Non-current Assets			
Investment properties		**1,289.6**	1,178.6
Leasehold interests in land		**4.2**	4.4
Property and equipment		**436.1**	456.2
Intangible assets		**881.4**	882.6
Goodwill		**2,384.0**	2,384.0
Interest in associates		**1,396.8**	1,365.8
Interest in joint ventures		**312.6**	280.2
Available-for-sale investments	12	**–**	324.0
Financial assets at fair value through other comprehensive income	12	**244.9**	–
Financial assets at fair value through profit or loss	12	**6,250.2**	5,033.7
Deferred tax assets		**713.9**	649.6
Amounts due from associates		**269.5**	275.2
Loans and advances to consumer finance customers	13	**2,478.0**	2,322.8
Mortgage loans	14	**1,933.2**	1,243.1
Trade and other receivables	15	**398.8**	505.8
		18,993.2	16,906.0
Current Assets			
Financial assets at fair value through profit or loss	12	**5,940.8**	6,188.4
Taxation recoverable		**5.9**	5.4
Amounts due from associates		**9.9**	143.6
Loans and advances to consumer finance customers	13	**6,568.3**	6,840.8
Mortgage loans	14	**1,092.6**	877.3
Trade and other receivables	15	**3,296.2**	2,823.5
Amounts due from brokers		**480.6**	725.8
Short-term pledged bank deposits and bank balances	16	**20.0**	–
Bank deposits	16	**583.5**	787.7
Cash and cash equivalents	16	**2,511.6**	2,123.7
		20,509.4	20,516.2

(HK$ Million)	Notes	30/6/2018 Unaudited	31/12/2017 Audited
Current Liabilities			
Financial liabilities at fair value through profit or loss	12	**208.5**	161.1
Bank and other borrowings	17	**3,193.3**	2,196.8
Trade and other payables	18	**186.1**	329.1
Financial liabilities for repurchase agreements	19	**1,143.8**	1,071.0
Amounts due to fellow subsidiaries and holding company		**423.5**	135.3
Amounts due to associates		**16.8**	1.9
Provisions		**121.9**	69.5
Taxation payable		**202.9**	146.0
Notes payable	21	**803.6**	1,079.1
		6,300.4	5,189.8
Net Current Assets		**14,209.0**	15,326.4
Total Assets less Current Liabilities		**33,202.2**	32,232.4
Capital and Reserves			
Share capital	20	**8,752.3**	8,752.3
Reserves		**11,284.0**	10,674.4
Equity attributable to owners of the Company		**20,036.3**	19,426.7
Non-controlling interests		**4,097.3**	3,971.8
Total Equity		**24,133.6**	23,398.5
Non-current Liabilities			
Deferred tax liabilities		**178.3**	181.5
Bank and other borrowings	17	**1,823.0**	1,600.4
Provisions		**0.3**	0.2
Notes payable	21	**7,067.0**	7,051.8
		9,068.6	8,833.9
		33,202.2	32,232.4

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
(HK$ Million)	**Share capital**	**Shares held for Employee Ownership Scheme**	**Employee share-based compensation reserve**	**Exchange reserve**	**Revaluation reserve**	**Capital reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
At 31 December 2017	**8,752.3**	**(7.6)**	**4.9**	**(89.8)**	**546.1**	**75.1**	**10,145.7**	**19,426.7**	**3,971.8**	**23,398.5**
Impact on initial application of HKFRS 9	**–**	**–**	**–**	**–**	**(240.9)**	**–**	**204.1**	**(36.8)**	**(34.6)**	**(71.4)**
At 1 January 2018	**8,752.3**	**(7.6)**	**4.9**	**(89.8)**	**305.2**	**75.1**	**10,349.8**	**19,389.9**	**3,937.2**	**23,327.1**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**1,058.0**	**1,058.0**	**214.6**	**1,272.6**
Other comprehensive income for the period	**–**	**–**	**–**	**(61.7)**	**(39.4)**	**–**	**–**	**(101.1)**	**(54.5)**	**(155.6)**
Total comprehensive income for the period	**–**	**–**	**–**	**(61.7)**	**(39.4)**	**–**	**1,058.0**	**956.9**	**160.1**	**1,117.0**
Purchase of shares held for SHK Employee Ownership Scheme	**–**	**(15.1)**	**–**	**–**	**–**	**–**	**–**	**(15.1)**	**–**	**(15.1)**
Recognition of equity-settled share-based payments	**–**	**–**	**6.0**	**–**	**–**	**–**	**–**	**6.0**	**–**	**6.0**
Vesting of shares of the SHK Employee Ownership Scheme	**–**	**4.5**	**(4.5)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Interim dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(301.4)**	**(301.4)**	**–**	**(301.4)**
At 30 June 2018	**8,752.3**	**(18.2)**	**6.4**	**(151.5)**	**265.8**	**75.1**	**11,106.4**	**20,036.3**	**4,097.3**	**24,133.6**

	Attributable to owners of the Company									
(HK$ Million)	Share capital	Shares held for Employee Ownership Scheme	Employee share-based compensation reserve	Exchange reserve	Revaluation reserve	Capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2017	8,752.3	(9.1)	4.8	(373.2)	541.1	63.9	9,097.2	18,077.0	3,578.8	21,655.8
Profit for the period	–	–	–	–	–	–	780.1	780.1	211.9	992.0
Other comprehensive income for the period	–	–	–	109.4	5.3	–	–	114.7	84.4	199.1
Total comprehensive income for the period	–	–	–	109.4	5.3	–	780.1	894.8	296.3	1,191.1
Purchase of shares held for SHK Employee Ownership Scheme	–	(4.8)	–	–	–	–	–	(4.8)	–	(4.8)
Recognition of equity-settled share-based payments	–	–	2.0	–	–	–	–	2.0	–	2.0
Vesting of shares of the SHK Employee Ownership Scheme	–	4.1	(4.1)	–	–	–	–	–	–	–
Interim dividend paid	–	–	–	–	–	–	(306.6)	(306.6)	–	(306.6)
Shares repurchased and cancelled	–	–	–	–	–	–	(99.3)	(99.3)	–	(99.3)
Capital reduction of a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	(73.5)	(73.5)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(208.4)	(208.4)
At 30 June 2017	8,752.3	(9.8)	2.7	(263.8)	546.4	63.9	9,471.4	18,563.1	3,593.2	22,156.3

Condensed Consolidated Statement of Cash Flows

(HK$ Million)	Six months ended 30/6/2018 Unaudited	Six months ended 30/6/2017 Unaudited
Operating activities		
Cash used in operations		
— (Increase) decrease in trade and other receivables	**(401.6)**	1,021.4
— Increase in loans and advances to consumer finance customers	**(1,333.7)**	(736.9)
— Other operating cash flows	**374.1**	(1,856.3)
	(1,361.2)	(1,571.8)
Dividends received from held for trading investments	**—**	5.3
Dividends received from financial assets at fair value through profit or loss	**4.7**	—
Interest received	**1,988.4**	1,723.7
Interest paid	**(266.3)**	(229.4)
Taxation paid	**(107.4)**	(90.7)
Net cash from (used in) operating activities	**258.2**	(162.9)
Investing activities		
Purchase of property and equipment	**(13.7)**	(13.6)
Proceeds from disposal of equipment	**0.2**	—
Dividends received from associates	**76.6**	19.4
Capital injection to associates	**—**	(128.0)
Capital injection to a joint venture	**(74.7)**	—
Proceeds from disposal of a joint venture	**37.5**	—
Purchase of long-term financial assets designated as at fair value through profit or loss	**—**	(529.2)
Purchase of long-term financial assets at fair value through profit or loss	**(781.2)**	—
Proceeds from disposal of long-term financial assets designated as at fair value through profit or loss	**—**	27.7
Proceeds from disposal of long-term financial assets at fair value through profit or loss	**138.5**	—
Fixed deposits with banks withdrawn	**177.9**	153.7
Net cash used in investing activities	**(438.9)**	(470.0)

(HK$ Million)	Six months ended 30/6/2018 Unaudited	Six months ended 30/6/2017 Unaudited
Financing activities		
Net short-term bank and other borrowings raised/(repaid)	**1,236.1**	(1,758.1)
New long-term bank and other borrowings raised	**11.6**	931.5
Proceeds from issue of notes	**245.1**	—
Repurchase of notes (Note 21)	**—**	(60.5)
Disposal of notes held by subsidiaries of the Company (Note 21)	**—**	300.4
Repayment of notes	**(576.4)**	—
Purchase of shares for the SHK Employee Ownership Scheme	**(15.1)**	(4.8)
Shares repurchased and cancelled	**—**	(99.3)
Dividends paid	**(301.4)**	(306.6)
Dividends to non-controlling interests	**—**	(208.4)
Repayment of capital contributions by non-controlling interest	**—**	(73.5)
Net cash from (used in) financing activities	**599.9**	(1,279.3)
Net increase (decrease) in cash and cash equivalents	**419.2**	(1,912.2)
Cash and cash equivalents at 1 January	**2,123.7**	5,194.5
Effect of foreign exchange rate changes	**(31.3)**	67.4
Cash and cash equivalents at 30 June	**2,511.6**	3,349.7

1. Disclosure in Accordance with Section 436 of the Hong Kong Companies Ordinance

The financial information relating to the financial year ended 31 December 2017 included in these unaudited condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual financial statements for this 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 31 December 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditor has reported on those financial statements for 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. Basis of Preparation

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

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

3. Summary of Significant Accounting Policies

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

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

Application of new and amendments to HKFRSs

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

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

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

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

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

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

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

3. Summary of Significant Accounting Policies
(Continued)

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

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

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

Classification and measurement of financial assets

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

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Equity instruments designated as at FVTOCI

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

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

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

Financial assets at FVTPL

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

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

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

Impairment under ECL model

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

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

3. Summary of Significant Accounting Policies
(Continued)

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

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 9* (Continued)

Impairment under ECL model (Continued)

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

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in (1) regulatory, economic or technological environments; (2) business or financial conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- financial re-organisation/restructuring entered by the debtor.

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

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

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

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

- probable bankruptcy entered by the borrowers;
- death of the debtor, and
- active market of the repossessed properties being disappeared.

Measurement and recognition of ECL

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

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

3. Summary of Significant Accounting Policies *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

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

Measurement and recognition of ECL (Continued)

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

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

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

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

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

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

Write-off

The Group directly writes off the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. Financial assets written off that are recovered in full or in part will result in an impairment gain and is included in "Net impairment losses on financial instruments" in Note 7.

For the period ended 30 June 2018, the measurement of the expected credit loss under HKFRS 9 is included in "Net impairment losses on financial instruments" as presented in Note 7. Prior period amount determined adopting the incurred loss model under HKAS 39 is not restated and presented as "Bad and doubtful debts" in Note 7.

Classification and measurement of financial liabilities

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

3.1.2 Summary of effects arising from initial application of HKFRS 9

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

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

3.1.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

(HK$ Million)	Available-for-sale investments	Interest in associates	Financial assets designated at FVTPL	Financial assets at FVTPL required by HKAS 39/ HKFRS 9	Equity instruments at FVTOCI	Amortised cost (previously classified as loans and receivables)	Financial liabilities measured at amortised cost	Provisions	Deferred tax assets	Revaluation reserve	Retained earnings	Non-controlling interests
Closing balance at 31 December 2017												
– HKAS 39	324.0	1,365.8	5,436.3	5,785.8	-	18,635.0	13,286.4	69.7	649.6	546.1	10,145.7	3,971.8
Effect arising from initial application of HKFRS 9:												
Reclassification												
From available-for-sale (a)	(324.0)	-	-	41.4	282.6	-	-	-	-	(240.9)	240.9	-
From designated at FVTPL (b)	-	-	(5,436.3)	5,436.3	-	-	-	-	-	-	-	-
Remeasurement												
Impairment under ECL model (c)/(e)	-	(5.4)	-	-	-	(77.7)	-	27.8	28.0	-	(48.3)	(34.6)
Non-substantial modification of financial liabilities (d)	-	-	-	-	-	-	(11.5)	-	-	-	11.5	-
Opening balance at 1 January 2018	**-**	**1,360.4**	**-**	**11,263.5**	**282.6**	**18,557.3**	**13,274.9**	**97.5**	**677.6**	**305.2**	**10,349.8**	**3,937.2**

(a) Available-for-sale investments

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of its equity investments previously classified as available-for-sale investments, of which HK$21.6 million related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$282.6 million were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which HK$21.6 million related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The net fair value gains of HK$2.3 million relating to those investments previously carried at fair value continued to accumulate in revaluation reserve. In addition, impairment losses previously recognised of HK$212.3 million were transferred from retained earnings to revaluation reserve as at 1 January 2018.

From AFS investments to FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of HK$41.4 million were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gains of HK$28.6 million relating to those investments previously carried at fair value were transferred from revaluation reserve to retained earnings.

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

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

(c) Impairment under ECL model

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

3. Summary of Significant Accounting Policies *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

3.1.2 Summary of effects arising from initial application of HKFRS 9 *(Continued)*

(c) Impairment under ECL model (Continued)

As at 1 January 2018, the additional credit loss allowance of HK$105.5 million and deferred tax assets of HK$28.0 million have been recognised against retained earnings and non-controlling interests. The additional loss allowance is charged against the respective asset.

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

	Loans and advances to consumer finance customers	**Loan commitments**	**Mortgage loans**	**Payments on behalf of customers**	**Total**
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
At 31 December 2017 – HKAS 39	663.3	–	5.0	6.6	674.9
Amounts remeasured through opening retained earnings	77.5	27.8	0.2	–	105.5
Amounts written off (Note)	(122.7)	–	–	(6.3)	(129.0)
At 1 January 2018	618.1	27.8	5.2	0.3	651.4

Note: Amounts written off resulted from the refinement of the write-off policy on the initial application of HKFRS 9.

(d) Financial liabilities with non-substantial modification

Under HKAS 39, the Group revised the effective interest rates for non-substantial modification with no gain or loss being recognised in profit or loss. At the date of initial application, the carrying amounts of financial liabilities previously modified were adjusted downward by HK$11.5 million to reflect the change in accounting policies as stated in Note 3.1.1, with corresponding adjustments credited to the retained earnings as at 1 January 2018.

(e) Interest in associates

The net effects arising from the initial application of HKFRS 9 resulted in a decrease in the carrying amounts of interest in associates of HK$5.4 million with corresponding adjustments to retained earnings by HK$5.4 million.

3. Summary of Significant Accounting Policies *(Continued)*

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

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

(HK$ Million)	31/12/2017 Audited	Reclassification	Remeasurement/ Impairment allowances	**1/1/2018 Restated**
Non-current Assets				
Investment properties	1,178.6	–	–	**1,178.6**
Leasehold interests in land	4.4	–	–	**4.4**
Property and equipment	456.2	–	–	**456.2**
Intangible assets	882.6	–	–	**882.6**
Goodwill	2,384.0	–	–	**2,384.0**
Interest in associates	1,365.8	–	(5.4)	**1,360.4**
Interest in joint ventures	280.2	–	–	**280.2**
Available-for-sale investments	324.0	(324.0)	–	**–**
Financial assets at fair value through other comprehensive income	–	282.6	–	**282.6**
Financial assets at fair value through profit or loss	5,033.7	41.4	–	**5,075.1**
Deferred tax assets	649.6	–	28.0	**677.6**
Amounts due from associates and joint ventures	275.2	–	–	**275.2**
Loans and advances to consumer finance customers	2,322.8	–	90.0	**2,412.8**
Mortgage loans	1,243.1	–	1.5	**1,244.6**
Trade and other receivables	505.8	–	–	**505.8**
	16,906.0	–	114.1	**17,020.1**
Current Assets				
Financial assets at fair value through profit or loss	6,188.4	–	–	**6,188.4**
Taxation recoverable	5.4	–	–	**5.4**
Amounts due from associates and joint ventures	143.6	–	–	**143.6**
Loans and advances to consumer finance customers	6,840.8	–	(167.5)	**6,673.3**
Mortgage loans	877.3	–	(1.7)	**875.6**
Trade and other receivables	2,823.5	–	–	**2,823.5**
Amounts due from brokers	725.8	–	–	**725.8**
Bank deposits	787.7	–	–	**787.7**
Cash and cash equivalents	2,123.7	–	–	**2,123.7**
	20,516.2	–	(169.2)	**20,347.0**

3. Summary of Significant Accounting Policies *(Continued)*

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

(HK$ Million)	31/12/2017 Audited	Reclassification	Remeasurement/ Impairment allowances	**1/1/2018 Restated**
Current Liabilities				
Financial liabilities at fair value through profit or loss	161.1	–	–	**161.1**
Bank and other borrowings	2,196.8	–	–	**2,196.8**
Trade and other payables	329.1	–	–	**329.1**
Financial liabilities for repurchase agreements	1,071.0	–	–	**1,071.0**
Amounts due to fellow subsidiaries and holding company	135.3	–	–	**135.3**
Amounts due to associates	1.9	–	–	**1.9**
Provisions	69.5	–	27.8	**97.3**
Taxation payable	146.0	–	–	**146.0**
Notes payable	1,079.1	–	–	**1,079.1**
	5,189.8	–	27.8	**5,217.6**
Net Current Assets	15,326.4	–	(197.0)	**15,129.4**
Total Assets less Current Liabilities	32,232.4	–	(82.9)	**32,149.5**
Capital and Reserves				
Share capital	8,752.3	–	–	**8,752.3**
Reserves	10,674.4	–	(36.8)	**10,637.6**
Equity attributable to owners of the Company	19,426.7	–	(36.8)	**19,389.9**
Non-controlling interests	3,971.8	–	(34.6)	**3,937.2**
Total Equity	23,398.5	–	(71.4)	**23,327.1**
Non-current Liabilities				
Deferred tax liabilities	181.5	–	–	**181.5**
Bank and other borrowings	1,600.4	–	–	**1,600.4**
Provisions	0.2	–	–	**0.2**
Notes payable	7,051.8	–	(11.5)	**7,040.3**
	8,833.9	–	(11.5)	**8,822.4**
	32,232.4	–	(82.9)	**32,149.5**

4. Segment Information

The following is an analysis of the segment revenue and segment profit or loss:

(HK$ Million)	Financial Services	Consumer Finance	Mortgage Loans	Principal Investments	Group Management and Support	Total
	Six months ended 30 June 2018					
Segment revenue	**2.3**	**1,737.7**	**107.7**	**207.3**	**112.5**	**2,167.5**
Less: inter-segment revenue	**–**	**–**	**–**	**–**	**(108.8)**	**(108.8)**
Segment revenue from external customers	**2.3**	**1,737.7**	**107.7**	**207.3**	**3.7**	**2,058.7**
Segment profit or loss	**67.3**	**609.2**	**48.8**	**680.4**	**(55.0)**	**1,350.7**
Share of results of associates	**31.4**	**–**	**–**	**–**	**–**	**31.4**
Share of results of joint ventures	**3.1**	**–**	**–**	**–**	**–**	**3.1**
Profit (loss) before taxation	**101.8**	**609.2**	**48.8**	**680.4**	**(55.0)**	**1,385.2**
Included in segment profit or loss:						
Interest income	**–**	**1,720.8**	**107.6**	**189.1**	**4.7**	**2,022.2**
Other gains	**82.4**	**12.6**	**0.2**	**112.0**	**–**	**207.2**
Net gain on financial assets and liabilities at fair value through profit or loss	**(17.1)**	**–**	**–**	**652.5**	**–**	**635.4**
Net exchange loss	**–**	**(21.6)**	**–**	**16.5**	**(21.6)**	**(26.7)**
Net impairment losses on financial instruments	**–**	**(452.4)**	**2.1**	**7.9**	**–**	**(442.4)**
Finance costs	**–**	**(96.8)**	**(37.7)**	**(67.8)**	**(197.7)**	**(400.0)**
Less: inter-segment finance costs	**–**	**–**	**37.7**	**67.8**	**–**	**105.5**
Finance costs to external suppliers	**–**	**(96.8)**	**–**	**–**	**(197.7)**	**(294.5)**
Cost of capital allocation (note)	**–**	**–**	**–**	**(161.6)**	**161.6**	**–**

(HK$ Million)	Financial Services	Consumer Finance	Mortgage Loans	Principal Investments	Group Management and Support	Total
	Six months ended 30 June 2017					
Segment revenue	3.8	1,474.7	48.3	246.7	109.0	1,882.5
Less: inter-segment revenue	–	–	–	–	(98.9)	(98.9)
Segment revenue from external customers	3.8	1,474.7	48.3	246.7	10.1	1,783.6
Segment profit or loss	70.0	623.2	12.3	432.3	(14.1)	1,123.7
Share of results of associates	11.1	–	–	–	–	11.1
Share of results of joint ventures	(19.2)	–	–	–	–	(19.2)
Profit (loss) before taxation	61.9	623.2	12.3	432.3	(14.1)	1,115.6
Included in segment profit or loss:						
Interest income	–	1,450.9	48.3	200.6	10.4	1,710.2
Other gains	–	6.1	–	0.7	3.9	10.7
Net gain on financial assets and liabilities at fair value through profit or loss	184.9	–	–	449.2	1.4	635.5
Impairment loss: interest in an associate	(118.7)	–	–	–	–	(118.7)
Net exchange loss	–	(17.8)	–	(9.0)	(16.4)	(43.2)
Bad and doubtful debts	–	(197.0)	(0.4)	–	–	(197.4)
Finance costs	–	(105.0)	(15.5)	(81.1)	(148.7)	(350.3)
Less: inter-segment finance costs	–	0.8	15.5	81.1	–	97.4
Finance costs to external suppliers	–	(104.2)	–	–	(148.7)	(252.9)
Cost of capital allocation (note)	–	–	–	(147.3)	147.3	–

Note: Cost of capital is allocated from Group Management and Support to Principal Investments.

4. Segment Information *(Continued)*

The geographical information of revenue is disclosed as follows:

	Six months ended	
(HK$ Million)	**30/6/2018**	30/6/2017
Revenue from external customers by location of operations		
–Hong Kong	**1,421.1**	1,344.8
–Mainland China	**637.6**	435.4
–Others	**–**	3.4
	2,058.7	1,783.6

5. Other Revenue

	Six months ended	
(HK$ Million)	**30/6/2018**	30/6/2017
Service and commission income	**20.9**	56.0
Dividends from listed investments	**2.4**	6.6
Dividends from unlisted investments	**2.3**	–
Gross rental income from investment properties	**10.9**	10.8
	36.5	73.4

6. Other Gains

	Six months ended	
(HK$ Million)	**30/6/2018**	30/6/2017
Increase in fair value of investment properties	**112.0**	0.6
Miscellaneous income	**12.8**	10.1
Reversal of impairment in an associate*	**82.4**	–
	207.2	10.7

* The Group disposed of 70% interest in a wholly-owned subsidiary Sun Hung Kai Financial Group Limited ("SHKFGL") in June 2015 and classified the remaining 30% equity interest as an associate. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. The fair value was measured by discounted cash flow approach at the reporting date using a discount rate of 16.6%. As part of the disposal, the Group was awarded a put right on the 30% equity interest of SHKFGL. This put right recorded a valuation loss during the period of HK$15.0 million classified under net gain on financial assets and liabilities at fair value through profit or loss.

7. Net Impairment Losses on Financial Instruments/Bad and Doubtful Debts

	Six months ended	
(HK$ Million)	**30/6/2018**	30/6/2017
Loans and advances to consumer finance customers		
– Net impairment losses	**(448.6)**	–
– Bad and doubtful debts	**–**	(185.4)
	(448.6)	(185.4)
Mortgage loans		
– Net impairment gains	**2.1**	–
– Bad and doubtful debts	**–**	(0.4)
	2.1	(0.4)
Trade and other receivables		
– Net impairment gains	**4.1**	–
– Bad and doubtful debts	**–**	(11.6)
	4.1	(11.6)
	(442.4)	(197.4)

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

8. Profit Before Taxation

	Six months ended	
(HK$ Million)	**30/6/2018**	30/6/2017
Profit before taxation has been arrived at after crediting (charging):		
Amortisation of leasehold interests in land	**(0.1)**	(0.1)
Depreciation of property and equipment	**(27.1)**	(29.1)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	**(1.0)**	(0.9)
Interest expenses	**(291.9)**	(250.5)
Impairment loss on interest in an associate (included in other losses)	**–**	(118.7)
Loss on disposal of a joint venture	**(0.4)**	–
Share of taxation of associates and joint ventures (included in share of results of associates and joint ventures)	**4.7**	0.2

9. Taxation

(HK$ Million)	Six months ended 30/6/2018	30/6/2017
Current tax		
– Hong Kong	**91.8**	83.0
– PRC	**73.6**	14.7
	165.4	97.7
Deferred tax	**(52.8)**	25.9
	112.6	123.6

Hong Kong profits tax is calculated at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the period. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2017: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in the relevant jurisdictions.

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

10. Dividend

(HK$ Million)	Six months ended 30/6/2018	30/6/2017
Dividends recognised as distribution during the period		
– 2017 second interim dividend of HK14 cents per share (2017: 2016 second interim dividend of HK14 cents per share)	**301.4**	306.6

Subsequent to the end of the interim reporting period, the Board of Directors has declared an interim dividend of HK12 cents per share amounting to HK$258.4 million (2017: interim dividend of HK12 cents per share amounting to HK$260.7 million).

11. Earnings Per Share

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

(HK$ Million)	Six months ended 30/6/2018	30/6/2017
Earnings for the purposes of basic and diluted earnings per share	**1,058.0**	780.1
Number of shares (in million)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,150.9**	2,168.5
Effect of dilutive potential ordinary shares:		
– Impact of contingently issuable shares under SHK Employee Ownership Scheme	**1.2**	0.5
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,152.1**	2,169.0

12. Financial Assets And Liabilities

The following tables provide analyses of financial assets and liabilities of the Group that are measured at cost less impairment and at fair value subsequent to initial recognition.

	At 30 June 2018			
	Fair value			
(HK$ Million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity securities listed in Hong Kong	43.7	–	–	43.7
Equity securities listed outside Hong Kong	179.6	–	–	179.6
Unlisted overseas equity securities	–	–	21.6	21.6
	223.3	–	21.6	244.9
Financial assets at fair value through profit or loss				
– Equity securities listed in Hong Kong	186.8	–	–	186.8
– Equity securities listed outside Hong Kong	1,416.5	–	–	1,416.5
– Forward currency contract	–	19.0	–	19.0
– Options and futures listed in Hong Kong	–	19.7	–	19.7
– Options and futures listed outside Hong Kong	–	7.9	–	7.9
– Unlisted put right for shares in an associate	–	–	1,038.0	1,038.0
– Unlisted call option for club memberships	–	–	12.1	12.1
– Unlisted call option for shares listed outside Hong Kong	–	–	5.6	5.6
– Contracts for difference	–	9.8	–	9.8
– Unlisted bonds issued by listed companies	–	183.9	–	183.9
– Unlisted bonds issued by unlisted companies	–	1,170.5	–	1,170.5
– Listed bonds and notes issued by listed companies	–	1,421.2	–	1,421.2
– Unlisted convertible preferred and ordinary shares issued by an unlisted company	–	–	117.7	117.7
– Unlisted preferred shares issued by an unlisted company	–	–	21.1	21.1
– Unlisted redeemable preferred shares issued by an unlisted company	–	61.6	–	61.6
– Unlisted shares issued by an unlisted company	–	–	38.0	38.0
– Unlisted convertible bonds issued by an unlisted company	–	–	21.0	21.0
– Unlisted overseas equity securities with a put right for shares	–	–	814.6	814.6
– Unlisted overseas investment funds	–	231.7	5,364.8	5,596.5
– Unlisted trust issued by an unlisted company	–	29.5	–	29.5
	1,603.3	3,154.8	7,432.9	12,191.0
Analysed for reporting purposes as:				
– Non-current assets				6,250.2
– Current assets				5,940.8
				12,191.0
Financial liabilities at fair value through profit or loss				
Held for trading				
– Futures and options listed in Hong Kong	–	2.6	–	2.6
– Futures and options unlisted in Hong Kong	–	20.8	–	20.8
– Futures and options listed outside Hong Kong	–	0.3	–	0.3
– Futures and options unlisted outside Hong Kong	–	5.6	–	5.6
– Over the counter equity derivatives	–	–	12.4	12.4
– Short position in equity securities under stock borrowing arrangement	–	130.6	–	130.6
– Contracts for difference	–	8.2	–	8.2
– Forward currency contract	–	28.0	–	28.0
Analysed for reporting purposes as current liabilities	–	196.1	12.4	208.5

12. Financial Assets and Liabilities *(Continued)*

(HK$ Million)	At 31 December 2017				
	Fair value				
	Level 1	Level 2	Level 3	Cost less impairment	Total
Available-for-sale investments					
Equity securities listed in Hong Kong	47.2	–	–	–	47.2
Equity securities listed outside Hong Kong	213.8	–	–	–	213.8
Unlisted overseas equity securities	–	–	41.4	21.6	63.0
	261.0	–	41.4	21.6	324.0
Financial assets at fair value through profit or loss					
Held for trading investments					
– Equity securities listed in Hong Kong	453.7	–	–	–	453.7
– Equity securities listed outside Hong Kong	732.7	–	–	–	732.7
– Exchange-traded funds listed in Hong Kong	3.6	–	–	–	3.6
– Over the counter equity derivatives	–	–	0.7	–	0.7
– Forward currency contract	–	15.2	–	–	15.2
– Unlisted currency options	–	3.1	–	–	3.1
– Unlisted put right for shares in an associate	–	–	1,053.0	–	1,053.0
– Unlisted call option for club memberships	–	–	10.9	–	10.9
– Unlisted call option for shares listed outside Hong Kong	–	–	10.9	–	10.9
– Contracts for difference	–	8.6	–	–	8.6
– Unlisted bonds issued by listed companies	–	18.2	–	–	18.2
– Unlisted bonds issued by unlisted companies	–	1,000.9	–	–	1,000.9
– Listed bonds and notes issued by unlisted companies	–	302.0	–	–	302.0
– Listed bonds issued by listed companies	–	2,172.3	–	–	2,172.3
	1,190.0	3,520.3	1,075.5	–	5,785.8
Investments designated as at fair value through profit or loss					
– Unlisted convertible preferred and ordinary shares issued by an unlisted company	–	117.3	–	–	117.3
– Unlisted convertible preferred shares issued by an unlisted company	–	–	17.1	–	17.1
– Unlisted convertible bonds issued by unlisted companies	–	–	21.0	–	21.0
– Unlisted overseas equity securities with a put right for shares	–	–	811.5	–	811.5
– Unlisted overseas investment funds	–	167.2	4,302.2	–	4,469.4
	–	284.5	5,151.8	–	5,436.3
	1,190.0	3,804.8	6,227.3	–	11,222.1
Analysed for reporting purposes as:					
– Non-current assets					5,033.7
– Current assets					6,188.4
					11,222.1
Financial liabilities at fair value through profit or loss					
Held for trading					
– Futures and options listed outside Hong Kong	2.5	–	–	–	2.5
– Foreign currency contracts	–	52.8	–	–	52.8
– Unlisted overseas options	–	1.4	–	–	1.4
– Over the counter equity derivatives	–	–	8.8	–	8.8
– Short position in equity securities under stock borrowing arrangement	–	82.9	–	–	82.9
– Contracts for difference	–	12.7	–	–	12.7
Analysed for reporting purposes as current liabilities	2.5	149.8	8.8	–	161.1

Financial assets at fair value through other comprehensive income are intended to be held for a continuing strategic or long-term purpose. As there are no sufficient market comparables as input to measure the fair value reliably, some of the unlisted equity investments are measured at cost less impairment for the year ended 31 December 2017.

12. Financial Assets and Liabilities *(Continued)*

On the basis of its analysis of the nature, characteristics and risks of the equity securities, the Group has determined that presenting them by nature and type of issuers is appropriate.

Fair values are grouped from Level 1 to 3 based on the degree to which the fair values are observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
– Level 2 fair value measurements are those derived from input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
– Level 3 fair value measurements are those derived from valuation techniques that include input for the assets or liabilities that are not based on observable market data.

The fair values of bonds under Level 2 at the reporting date were derived from quoted prices from pricing services. The fair values of stock borrowings, forward currency contract and contracts for difference under Level 2 at the reporting date were derived from observable market prices of the underlying financial assets or liabilities.

The fair value of Level 3 financial assets and liabilities are mainly derived from an unobservable range of data. In estimating the fair value of a financial asset or a financial liability under Level 3, the Group engages external valuers or establishes appropriate valuation techniques internally to perform the valuation which are reviewed by management.

The following tables provide further information regarding the valuation of material financial assets under Level 3.

	At 30 June 2018			
	Valuation technique	**Unobservable inputs**	**Input values**	**Fair value HK$ Million**
Financial assets at fair value through profit or loss				
Unlisted put right for shares in an associate	**Option model**	**Volatility** **Risk free rate** **Equity growth rate** **Estimated equity value**	**31.0%** **1.38%** **0.0%** **HK$1,115.0 million**	**1,038.0**
Unlisted convertible preferred and ordinary shares issued by an unlisted company	**Market comparable approach**	**Price-to-sales ratio**	**10.52x**	**117.7**
Unlisted overseas equity securities with a put right for shares	**Market comparable approach and option model**	**Price-to-book ratio** **Volatility** **Discount rate** **Equity growth rate**	**1.08x** **5.0%** **2.6%** **0.0%**	**814.6**
Unlisted overseas investment funds	**Net asset value***	**n/a**	**n/a**	**5,364.8**

	At 31 December 2017			
	Valuation technique	Unobservable inputs	Input values	Fair value HK$ Million
Held for trading investments				
Unlisted put right for shares in an associate	Option model	Volatility Risk free rate Equity growth rate Estimated equity value	31.0% 1.0% 0.5% HK$1,084.0 million	1,053.0
Financial assets designated as at fair value through profit or loss				
Unlisted overseas equity securities with a put right for shares	Market comparable approach and option model	Price to book ratio Volatility Discount rate Equity growth rate	1.06x 5.1% 2.1% 0.1%	811.5
Unlisted overseas investment funds	Net asset value*	n/a	n/a	4,302.2

* The Group has determined that the reported net asset values represent fair value of the unlisted overseas investment funds.

12. Financial Assets and Liabilities *(Continued)*

The Group believes that possible changes in the input values and business or economic circumstances would not cause significant change in fair value of the financial assets and liabilities under Level 3.

The reconciliation of financial assets and liabilities under Level 3 fair value measurements is as follows:

	2018							
			Recognised gains or losses					
(HK$ Million)	Balance at 1/1/2018	Transfer*	Profit or loss	Other comprehensive income	Purchase	Disposal	Balance at 30/6/2018	Unrealised gain or loss for six months ended 30/6/2018
Financial assets at fair value through other comprehensive income								
Unlisted overseas equity securities	21.6	-	-	-	-	-	21.6	-
Financial assets at fair value through profit or loss								
Over the counter equity derivatives	0.7	-	(0.7)	-	-	-	–	(0.7)
Unlisted put right for shares in an associate	1,053.0	-	(15.0)	-	-	-	1,038.0	(15.0)
Unlisted call option for club memberships	10.9	-	1.2	-	-	-	12.1	1.2
Unlisted call option for shares listed outside Hong Kong	10.9	-	(5.3)	-	-	-	5.6	(5.3)
Unlisted convertible preferred and ordinary shares issued by an unlisted company	-	117.3	0.4	-	-	-	117.7	0.4
Unlisted convertible preferred shares issued by an unlisted company	17.1	-	0.1	-	3.9	-	21.1	0.1
Unlisted shares issued by unlisted company	41.4	-	(3.4)	-	-	-	38.0	(3.4)
Unlisted convertible bonds issued by unlisted companies	21.0	-	-	-	-	-	21.0	-
Unlisted overseas equity securities with a put right for shares	811.5	-	3.1	-	-	-	814.6	3.1
Unlisted overseas investment funds	4,302.2	-	583.5	-	619.9	(140.8)	5,364.8	546.1
Financial liabilities at fair value through profit or loss								
Over the counter equity derivatives	(8.8)	-	(3.6)	-	-	-	(12.4)	(3.6)

* The group has transferred the financial asset from Level 2 to Level 3 on 1 January 2018 as no observable inputs are available.

	2017							
			Recognised gains or losses					
(HK$ Million)	Balance at 1/1/2017	Transfer	Profit or loss	Other comprehensive income	Purchase	Disposal	Balance at 31/12/2017	Unrealised gain or loss for the year
Available-for-sale investments								
Unlisted overseas equity securities	42.2	–	–	(0.8)	–	–	41.4	–
Held for trading investments								
Over the counter equity derivatives	0.4	–	0.3	–	–	–	0.7	0.3
Over the counter currency derivatives	0.1	–	(0.1)	–	–	–	–	(0.1)
Unlisted put right for shares in an associate	1,052.0	–	1.0	–	–	–	1,053.0	1.0
Unlisted call option for club memberships	8.3	–	2.6	–	–	–	10.9	2.6
Unlisted call option for shares listed outside Hong Kong	12.4	–	(0.3)	–	–	(1.2)	10.9	(0.3)
Investments designated as at fair value								
Unlisted convertible preferred shares issued by an unlisted company	–	–	0.1	–	17.0	–	17.1	0.1
Unlisted convertible bonds issued by unlisted companies	3.9	–	0.1	–	17.0	–	21.0	0.1
Unlisted overseas equity securities with a put right for shares	826.1	–	(14.6)	–	–	–	811.5	(14.6)
Unlisted overseas investment funds	2,871.6	–	922.7	–	666.5	(158.6)	4,302.2	900.5
Financial liabilities held for trading								
Over the counter equity derivatives	(2.9)	–	(5.9)	–	–	–	(8.8)	(5.9)
Over the counter currency derivatives	(1.9)	–	1.9	–	–	–	–	1.9

13. Loans and Advances to Consumer Finance Customers

(HK$ Million)	30/6/2018	31/12/2017
Loans and advances to consumer finance customers		
– Hong Kong	**6,746.2**	6,544.2
– Mainland China	**2,958.4**	3,282.7
Less: impairment allowance	**(658.3)**	(663.3)
	9,046.3	9,163.6
Analysed for reporting purposes as:		
– Non-current assets	**2,478.0**	2,322.8
– Current assets	**6,568.3**	6,840.8
	9,046.3	9,163.6

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

(HK$ Million)	30/6/2018	31/12/2017
Less than 31 days past due	**424.6**	538.7
31–60 days	**46.7**	100.2
61–90 days	**15.9**	52.9
91–180 days	**82.0**	117.5
Over 180 days	**15.6**	31.4
	584.8	840.7

14. Mortgage Loans

(HK$ Million)	30/6/2018	31/12/2017
Mortgage loans		
– Hong Kong	**3,029.6**	2,125.4
Less: impairment allowance	**(3.8)**	(5.0)
	3,025.8	2,120.4
Analysed for reporting purposes as:		
– Non-current assets	**1,933.2**	1,243.1
– Current assets	**1,092.6**	877.3
	3,025.8	2,120.4

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

(HK$ Million)	30/6/2018	31/12/2017
Less than 31 days past due	**64.9**	218.0
31–60 days	**151.1**	6.5
61–90 days	**7.3**	4.1
91–180 days	**8.3**	–
Over 180 days	**–**	8.8
	231.6	237.4

15. Trade and Other Receivables

(HK$ Million)	30/6/2018	31/12/2017
Secured term loans	**2,918.2**	2,125.7
Unsecured term loans	**668.8**	1,115.9
Less: impairment allowance	**(78.7)**	(86.6)
	3,508.3	3,155.0
Guarantee and consultancy fee receivables	**–**	0.5
Payments on behalf of customers *	**–**	6.3
Less: impairment allowance	**–**	(6.6)
	–	0.2
Other receivables		
– Deposits	**40.4**	43.8
– Others	**142.5**	96.0
	182.9	139.8
Trade and other receivables at amortised cost	**3,691.2**	3,295.0
Prepayments	**3.8**	34.3
	3,695.0	3,329.3
Analysed for reporting purposes as:		
– Non-current assets	**398.8**	505.8
– Current assets	**3,296.2**	2,823.5
	3,695.0	3,329.3

* The Group has provided guarantees to guarantee the repayment of debts owed by the loan guarantee customers to their lenders. At 30 June 2018, the outstanding guarantee amount was HK$3.5 million (31/12/2017: HK$19.2 million). Payments on behalf of customers represented payments made by the Group to reimburse the beneficiaries of the guarantees (the "Holders") for losses the Holders incurred because the customers failed to make payments when due in accordance with the term of the corresponding debt instruments.

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

(HK$ Million)	30/6/2018	31/12/2017
Less than 31 days	**–**	1.7
	–	1.7
Term loans and trade and other receivables without ageing	**3,769.9**	3,386.5
Less: impairment allowances	**(78.7)**	(93.2)
Trade and other receivables at amortised cost	**3,691.2**	3,295.0

16. Bank Deposits, Cash and Cash Equivalents

(HK$ Million)	30/6/2018	31/12/2017
Bank balances and cash	**2,114.7**	1,745.4
Fixed deposits with banks with a term within 3 months	**396.9**	378.3
Cash and cash equivalents	**2,511.6**	2,123.7
Short-term pledged bank deposits and bank balances	**20.0**	–
Fixed deposits with banks with a term between 4 to 12 months	**583.5**	787.7
	3,115.1	2,911.4

17. Bank and Other Borrowings

(HK$ Million)	30/6/2018	31/12/2017
Bank loans		
– Unsecured term loans	**4,317.9**	3,363.2
– Secured instalment loans	**651.8**	399.0
Total bank borrowings	**4,969.7**	3,762.2
Other borrowings	**46.6**	35.0
	5,016.3	3,797.2
Analysed for reporting purposes as:		
– Current liabilities	**3,193.3**	2,196.8
– Non-current liabilities	**1,823.0**	1,600.4
	5,016.3	3,797.2

At the reporting date, bank and other borrowings were repayable as follows:

(HK$ Million)	30/6/2018	31/12/2017
Bank borrowings		
– Within one year	**1,981.7**	1,747.8
– In the second year	**1,776.4**	1,255.8
– In the third to fifth year	**–**	309.6
Bank borrowings with a repayment on demand clause		
– Within one year	**1,211.6**	435.0
– In the second year	**–**	14.0
– In the third to fifth year	**–**	–
	4,969.7	3,762.2
Other borrowings		
– Within one year	**–**	–
– Over five years	**46.6**	35.0
	5,016.3	3,797.2

18. Trade and Other Payables

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

(HK$ Million)	30/6/2018	31/12/2017
Less than 31 days	**29.1**	46.7
31–60 days	**5.3**	8.1
61–90 days	**4.4**	9.2
91–180 days	**1.3**	–
Over 180 days	**–**	–
	40.1	64.0
Accrued staff costs, other accrued expenses and other payables without ageing	**146.0**	265.1
	186.1	329.1

19. Financial Liabilities for Repurchase Agreements

(HK$ Million)	30/6/2018	31/12/2017
Financial liabilities for repurchase of debt instruments at fair value through profit or loss	**1,143.8**	1,071.0

As at 30 June 2018, debt instruments which are classified as financial assets at fair value through profit or loss with carrying amount of HK$1,330.4 million (2017: HK$1,280.2 million) were sold under repurchase agreements with other financial institutions. All repurchase agreements are due within 12 months from the end of the reporting period.

20. Share Capital

	Number of shares		Share capital	
	Six months ended 30/6/2018 Million Shares	Year ended 31/12/2017 Million Shares	**Six months ended 30/6/2018 HK$ Million**	Year ended 31/12/2017 HK$ Million
Issued and fully paid				
Balance brought forward	**2,153.0**	2,193.0	**8,752.3**	8,752.3
Shares cancelled after repurchase	**–**	(40.0)	**–**	–
Balance carried forward	**2,153.0**	2,153.0	**8,752.3**	8,752.3

During the period, the trustee of the SHK Employee Ownership Scheme (the "EOS") acquired 3.2 million shares of the Company through purchases on The Stock Exchange of Hong Kong Limited for the awarded shares of the EOS. The total amount paid to acquire the shares during the period was HK$15.1 million, which has been deducted from the owners' equity.

During the period, the Company did not repurchase its own shares through purchases on The Stock Exchange of Hong Kong Limited (2017: HK$99.3m).

Further details of the EOS and repurchase of shares are disclosed in the Management Discussion and Analysis section of this interim report.

21. Notes Payable

(HK$ Million)	30/6/2018	31/12/2017
US dollar denominated notes (the "US$ Notes")		
– 4.75% US dollar denominated notes maturing in May 2021 (the "4.75% Notes")	**2,797.9**	2,793.1
– 4.65% US dollar denominated notes maturing in September 2022 (the "4.65% Notes")	**4,369.6**	4,353.1
HK dollar denominated notes		
– 2.8% HK dollar denominated notes maturing in November 2018 (the "2.8% Notes")	**454.8**	448.2
– 3.1% HK dollar denominated notes maturing in February 2019 (the "3.1% Notes")	**248.3**	–
Renminbi denominated notes (the "RMB Notes")		
– 6.9% Renminbi denominated notes maturing in May 2018 (the "6.9% Notes")	**–**	536.5
	7,870.6	8,130.9
Analysed for reporting purposes as:		
– Current liabilities	**803.6**	1,079.1
– Non-current liabilities	**7,067.0**	7,051.8
	7,870.6	8,130.9

The US$ Notes were issued by a subsidiary, Sun Hung Kai & Co. (BVI) Limited, under a US$2.0 billion guaranteed medium term note programme.

The 4.75% Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 4.75% Notes was US$361.6 million or equivalent to HK$2,838.0 million (31/12/2017: US$361.6 million or equivalent to HK$2,827.3 million) at the reporting date. The fair value of the 4.75% Notes based on the price quoted from pricing service at the reporting date was HK$2,928.3 million (31/12/2017: HK$2,937.0 million) which was categorised as Level 2.

The 4.65% Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 4.65% Notes was US$550.0 million or equivalent to HK$4,316.2 million at the reporting date. The fair value of the 4.65% Notes based on the price quoted from pricing service at the reporting date was HK$4,262.1 million (31/12/2017: HK$4,364.1 million) which was categorised as Level 2.

The fair value of the 2.8% Notes based on the price quoted from pricing service at the reporting date was HK$455.3 million (31/12/2017: HK$449.0 million) which was categorised as Level 2.

On 5 February 2018, under the guaranteed medium term note programme, Sun Hung Kai & Co. (BVI) Limited further issued HK$245.5 million 3.1% Notes at discount for a net consideration of HK$245.1 million. The 3.1% Notes will be mature on 5 February 2019. The fair value of the 3.1% Notes based on the price quoted from pricing service at the reporting date was HK$248.6 million which was categorised as Level 2.

The 6.9% Notes matured in May 2018 and the outstanding balance was repaid.

22. Related Party Transactions

During the period, the Group entered into the following material transactions with related parties:

	Six months ended	
(HK$ Million)	**30/6/2018**	30/6/2017
Associates and joint ventures of a holding company		
Rental and building management fees to an associate of a holding company	**(2.1)**	(1.9)
Rental and building management fees to a joint venture of a holding company	**(12.3)**	(8.9)
Interest expense to an associate of a holding company	**(2.8)**	(2.8)
Associates and joint ventures		
Loan referral fee and participation fee received from an associate	**1.9**	29.0
Management and service fees received from associates and joint ventures	**2.3**	2.6
Insurance premiums paid to an associate	**(0.6)**	(1.9)
Brokerage expenses to an associate	**(1.7)**	(0.7)
Service fees to an associate	**(2.3)**	(2.9)
Unlisted redeemable preferred shares issued by an associate	**(66.7)**	–
Holding company and its subsidiaries		
Loan from a fellow subsidiary	**300.0**	–
Finance costs to fellow subsidiaries	**(11.6)**	(9.5)
Service fee to a fellow subsidiary	**–**	(14.0)
Management fees paid/payable to a holding company	**(7.8)**	(6.0)

22. Related Party Transactions *(Continued)*

The remuneration of Directors and other members of key management during the period were as follows:

	Six months ended	
(HK$ Million)	**30/6/2018**	30/6/2017
Short-term benefits	**22.0**	22.4
Post-employment benefits	**0.9**	0.9
	22.9	23.3

During the period, 3,189,000 shares were granted under the SHK Employee Ownership Scheme ("EOS") to key management personnel. In addition, 533,000 shares with a total amount of HK$2.7 million were vested for key management personnel during the period. The total dividend payments paid to the key management personnel during the period is HK$0.1 million (2017: HK$0.1 million). Further details of the EOS are disclosed in the Management Discussion and Analysis section of this interim report.

23. Commitments

(a) Other commitments

(HK$ Million)	**30/6/2018**	31/12/2017
Capital commitments for funds	**601.8**	332.9
Other capital commitments	**2.7**	0.8
	604.5	333.7

(b) Operating lease commitments

At the end of the reporting period, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases related to its office premises and office equipment which fall due as follows:

(HK$ Million)	**30/6/2018**	31/12/2017
Within one year	**115.7**	120.4
In the second to fifth years inclusive	**102.2**	120.1
	217.9	240.5

The lease payments represent rentals payable by the Group for its office premises and office equipment under operating lease arrangements. The lease terms and rentals of properties are fixed at one to five years. The lease commitments include rental payable to a joint venture of a holding company of HK$52.0 million (31/12/2017: HK$62.5 million) and an associate of a holding company of HK$2.7 million (31/12/2017: HK$1.6 million).

(c) Loan commitments

(HK$ Million)	**30/6/2018**	31/12/2017
Within one year	**1,122.1**	1,074.8

24. Contingent Liabilities

At the end of the reporting period, the Group had guarantees as follows:

(HK$ Million)	**30/6/2018**	31/12/2017
Indemnities on banking facility made available to joint venture	**111.0**	112.7

25. Financial Risk Management

Risk is inherent in the financial service business and sound risk management is a cornerstone of prudent and successful financial practice. That said, the Group acknowledges that a balance must be achieved between risks control and business growth. The principal financial risks inherent in the Group's business are market risk (includes equity risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's risk management objective is to enhance shareholders' value while retaining exposure within acceptable thresholds.

The Group's risk management governance structure is designed to cover all business activities and to ensure all relevant risk classes are properly managed and controlled. The Group has adopted a sound risk management and organisational structure equipped with comprehensive policies and procedures which are reviewed regularly and enhanced when necessary in response to changes in markets, the Group's operating environment and business strategies. The Group's independent control functions including Internal Audit play an important role in the provision of assurance to the Board and senior management that a sound internal risk management mechanism is implemented, maintained and adhered to.

25. Financial Risk Management *(Continued)*

(a) Market Risk

(i) Equity Risk

There are many asset classes available for investment in the marketplace. One of the Group's key business undertakings is investing in equity. Market risk arising from any equity investments is driven by the daily fluctuations in market prices or fair values. The ability to mitigate such risk depends on the availability of any hedging instruments and the diversification level of the investment portfolios undertaken by the Group. More importantly, the knowledge and experience of the trading staff managing the risk are also vital to ensure exposure is being properly hedged and rebalanced in the most timely manner. Proprietary trading across the Group is subject to limits approved by senior management. Valuation of these instruments is measured on a "mark-to-market" and "mark-to-fair-value" basis depending on whether they are listed or unlisted. Value at Risk ("VaR") and stress tests are employed in the assessment of risk. Meanwhile other non-VaR limits such as "maximum loss" and "position" limits are also set out to restrict excessive risk undertakings. VaR and stress tests are approaches which are widely used in the financial industry as tools to quantify risk by combining the size of a position and the extent of a potential market movement into a potential financial impact.

The Group's market-making and proprietary trading positions and their financial performance are reported daily to senior management for review. Internal Audit also performs regular checks to ensure there is adequate compliance in accordance with the established market risk limits and internal guidelines.

(ii) Interest Rate Risk

Interest rate risk is the risk of loss due to changes in interest rates. The Group's interest rate risk exposure arises predominantly from term financing and loans and advances to consumer finance customers. Interest spreads are managed with the objective of maximising spreads to ensure consistency with liquidity and funding obligations.

(iii) Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from movements in foreign exchange rates.

The Group's foreign exchange risk primarily arises from currency exposures originating from proprietary trading positions, and loans and advances denominated in foreign currencies, mainly in Australian dollars, Renminbi, Euros and English pounds. Foreign exchange risk is managed and monitored by senior management. The risk arising from open currency positions are subject to management approved limits and are monitored and reported daily.

(b) Credit Risk

Credit risk arises from the failure of a customer or counterparty to meet settlement obligations. As long as the Group lends, trades and deals with third parties, there will be credit risk exposure.

The Group's credit procedures, governed by the Executive Committee, sets out the credit approval processes and monitoring procedures, which are established in accordance with sound business practices.

(c) Liquidity Risk

The goal of liquidity management is to mitigate risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or make the required profit. Another goal is to enable the Group, even under adverse market conditions, to actively manage and match funds inflow against all maturing repayment obligations to achieve maximum harmony on cash flow management.

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 Executive Directors and the Group CFO.

26. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the management of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing the unaudited condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended 31 December 2017, except for expected credit loss allowance as detailed in notes 3, 13 and 14.

26. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

The measurement of ECL under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

27. Event After the Reporting Date

As announced by the Company on 4 May 2018, Asia Financial Services Company Limited ("AFSC") executed a Deed of Undertaking in favour of the Company conditionally undertaking to execute a buy-back contract (the "Buy-back Contract") relating to an off-market share buy-back by the Company of 145,000,000 Shares held by AFSC ("Share Buy-back"). The Buy-back price has been reduced from HK$4.75 per Share to HK$4.61 per Share after adjusting for the 2017 second interim dividend of HK$0.14 per Share paid to AFSC on 28 June 2018. The Buy-back price will be further reduced to HK$4.49 per Share subsequent to the 2018 interim dividend of HK$0.12 per Share declared by the Board on 15 August 2018 which is payable on 12 September 2018. The agreed form of the Buy-back Contract was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 17 July 2018 and the Buy-back Contract was entered into between AFSC and the Company on 20 July 2018. Completion of the Share Buy-back will take place on 17 September 2018 or at such other date as the Company and AFSC may agree in writing.

Corporate Information

Board of Directors

Executive Directors

Lee Seng Huang
(Group Executive Chairman)
Simon Chow Wing Charn
Peter Anthony Curry

Non-Executive Director

Jonathan Andrew Cimino

Independent Non-Executive Directors

Evan Au Yang Chi Chun
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung
Peter Wong Man Kong

Executive Committee

Lee Seng Huang *(Chairman)*
Simon Chow Wing Charn
Peter Anthony Curry

Nomination Committee

Lee Seng Huang *(Chairman)*
Evan Au Yang Chi Chun
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung
Peter Wong Man Kong

Remuneration Committee

Peter Wong Man Kong *(Chairman)*
Evan Au Yang Chi Chun
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung

Audit Committee

Alan Stephen Jones *(Chairman)*
Evan Au Yang Chi Chun
David Craig Bartlett
Jacqueline Alee Leung
Peter Wong Man Kong

Risk Management Committee

Simon Chow Wing Charn *(Chairman)*
Peter Anthony Curry
Elsy Li Chun

Company Secretary

Hester Wong Lam Chun

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Auditor

Deloitte Touche Tohmatsu

Solicitors

Clifford Chance
Davis Polk & Wardwell
King & Wood Mallesons
P. C. Woo & Co.
Ropes & Gray

Bankers

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Bank of China (Hong Kong) Limited
Oversea-Chinese Banking Corporation Limited, Hong Kong Branch
OCBC Wing Hang Bank Limited
China Construction Bank (Asia) Corporation Limited
China CITIC Bank International Limited
Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
Dah Sing Bank, Limited
Taipei Fubon Commercial Bank Co. Ltd., Hong Kong Branch
Chong Hing Bank Limited
Wing Lung Bank Limited
Mizuho Bank, Ltd., Hong Kong Branch
Taishin International Bank Co., Ltd.
Mega International Commercial Bank Co., Ltd.,
Offshore Banking Branch
Far Eastern International Bank, Hong Kong Branch
Bank of China Limited, Macau Branch
Industrial and Commercial Bank of China (Macau) Limited
Tai Fung Bank Limited

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The cover features team Sun Hung Kai Scallywag, which is competed on behalf of Hong Kong in the renowned Volvo Ocean Race 2017–2018, one of the toughest sailing challenges in the world.

The origin of the team is Scallywag, a 100-foot super maxi race yacht sponsored by the Company. It had achieved record-breaking performances in iconic races such as the Sydney- Hobart Race and the Hong Kong to Hainan Race. Just as Sun Hung Kai & Co today has transformed itself into an all-weather investment partner, the yacht has undergone a renewal under the Company's sponsorship. The spirit of the vessel and its crew echo the Company's own core values: Excellence, Integrity, Prudence, Professionalism and Innovation.

新鴻基有限公司
SUN HUNG KAI & CO. LIMITED