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## ALLIED PROPERTIES (H.K.) LIMITED

(聯合地產(香港)有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock code: 56)

### ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2015

The board of directors (“Board”) of Allied Properties (H.K.) Limited (“Company”) announces that the audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31st December, 2015 are as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

	Notes	2015 HK\$ Million	2014 HK\$ Million
<b>Continuing operations</b>			
Revenue	(2)	4,594.5	4,571.7
Other income		83.4	57.3
Total income		4,677.9	4,629.0
Cost of sales and other direct costs		(368.1)	(299.2)
Brokerage and commission expenses		(56.0)	(46.3)
Selling and marketing expenses		(106.2)	(123.4)
Administrative expenses		(1,411.5)	(1,290.8)
Changes in values of properties	(4)	436.0	403.8
Net gain on financial assets and liabilities	(5)	1,001.5	114.5
Net exchange gain		0.9	10.8
Bad and doubtful debts	(6)	(1,571.5)	(785.0)
Other operating expenses		(823.4)	(129.3)
Finance costs	(7)	(253.9)	(262.6)
Share of results of associates		1,290.0	608.1
Share of results of joint ventures		157.1	171.9
Profit before taxation	(8)	2,972.8	3,001.5
Taxation	(9)	(97.5)	(316.5)
Profit for the year from continuing operations		2,875.3	2,685.0
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	(10)	3,228.9	390.3
Profit for the year		6,104.2	3,075.3

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2015**

	<i>Notes</i>	<b>2015</b> <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
Attributable to:			
Owners of the Company			
Profit for the year from continuing operations		<b>2,353.1</b>	1,803.6
Profit for the year from discontinued operations		<b>1,769.4</b>	220.2
		<b>4,122.5</b>	2,023.8
Non-controlling interests			
Profit for the year from continuing operations		<b>522.2</b>	881.4
Profit for the year from discontinued operations		<b>1,459.5</b>	170.1
		<b>1,981.7</b>	1,051.5
		<b>6,104.2</b>	3,075.3
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	(12)		
<i>From continuing and discontinued operations</i>			
Basic		<b>60.52</b>	29.75
Diluted		<b>60.52</b>	29.75
<i>From continuing operations</i>			
Basic		<b>34.54</b>	26.51
Diluted		<b>34.54</b>	26.51

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

*FOR THE YEAR ENDED 31ST DECEMBER, 2015*

	<b>2015</b> <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
Profit for the year	<u><b>6,104.2</b></u>	<u>3,075.3</u>
Other comprehensive income (expenses):		
<i>Items that will not be reclassified to profit or loss:</i>		
Revaluation gain on properties transferred from self-owned properties to investment properties arising from disposal of Sun Hung Kai Financial Group Limited in relation to properties leased to its subsidiaries, net of tax	<b>111.3</b>	–
Share of other comprehensive expenses of associates	<b>(427.3)</b>	(3.0)
Share of other comprehensive income (expenses) of joint ventures	<b>0.7</b>	(0.6)
	<u><b>(315.3)</b></u>	<u>(3.6)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets		
– Net fair value changes during the year	<b>12.8</b>	7.2
– Reclassification adjustment to profit or loss on disposal	<b>(19.0)</b>	(3.8)
	<b>(6.2)</b>	3.4
Exchange differences arising on translation of foreign operations	<b>(347.1)</b>	(162.4)
Reclassification adjustment to profit or loss on disposal/liquidation of subsidiaries	<b>(9.1)</b>	0.4
Reclassification adjustment to profit or loss on liquidation of a joint venture	<b>(1.1)</b>	–
Reclassification adjustment to profit or loss on disposal of an associate	–	(9.2)
Share of other comprehensive income of associates	<b>55.3</b>	99.7
Share of other comprehensive income (expenses) of joint ventures	<b>0.6</b>	(39.0)
	<u><b>(307.6)</b></u>	<u>(107.1)</u>
Other comprehensive expenses for the year, net of tax	<u><b>(622.9)</b></u>	<u>(110.7)</u>
Total comprehensive income for the year	<u><b>5,481.3</b></u>	<u>2,964.6</u>
Attributable to:		
Owners of the Company	<b>3,694.1</b>	2,038.7
Non-controlling interests	<b>1,787.2</b>	925.9
	<u><b>5,481.3</b></u>	<u>2,964.6</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31ST DECEMBER, 2015**

	<i>Notes</i>	<b>2015</b> <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
<b>Non-current assets</b>			
Investment properties		<b>7,676.7</b>	7,653.6
Property, plant and equipment		<b>1,097.3</b>	1,061.3
Prepaid land lease payments		<b>4.6</b>	9.3
Goodwill		<b>2,488.9</b>	2,488.9
Intangible assets		<b>888.4</b>	986.6
Interests in associates		<b>9,020.9</b>	6,970.4
Interests in joint ventures		<b>2,156.3</b>	2,045.4
Available-for-sale financial assets		<b>104.8</b>	232.6
Statutory deposits		–	39.9
Amounts due from associates		<b>64.9</b>	64.7
Loans and advances to consumer finance customers due after one year	<i>(14)</i>	<b>2,741.3</b>	3,308.4
Deposits for acquisition of property, plant and equipment and investments		<b>48.8</b>	112.0
Deferred tax assets		<b>543.4</b>	265.0
Financial assets at fair value through profit or loss		<b>3,484.6</b>	603.5
Trade and other receivables	<i>(15)</i>	<b>1,728.8</b>	1,520.3
		<b>32,049.7</b>	27,361.9
<b>Current assets</b>			
Properties held for sale and other inventories		<b>179.2</b>	298.9
Financial assets at fair value through profit or loss		<b>2,251.2</b>	934.2
Prepaid land lease payments		<b>0.1</b>	0.3
Loans and advances to consumer finance customers due within one year	<i>(14)</i>	<b>6,080.7</b>	8,083.3
Trade and other receivables	<i>(15)</i>	<b>2,176.1</b>	7,775.2
Amounts due from associates		<b>171.3</b>	116.0
Amounts due from joint ventures		<b>9.2</b>	9.9
Tax recoverable		<b>9.6</b>	12.0
Bank deposits		<b>1,501.4</b>	993.4
Cash and cash equivalents		<b>6,388.8</b>	4,391.9
		<b>18,767.6</b>	22,615.1

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**  
**AT 31ST DECEMBER, 2015**

	<i>Notes</i>	<b>2015</b> <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
<b>Current liabilities</b>			
Trade and other payables	(16)	<b>354.9</b>	2,896.1
Financial liabilities at fair value through profit or loss		<b>177.9</b>	66.6
Amount due to a holding company		<b>5.7</b>	6.2
Amounts due to fellow subsidiaries		<b>–</b>	5.2
Amounts due to associates		<b>5.5</b>	5.4
Amounts due to joint ventures		<b>0.1</b>	75.1
Tax payable		<b>201.2</b>	187.5
Bank and other borrowings due within one year		<b>2,579.5</b>	4,528.6
Notes		<b>78.3</b>	71.3
Provisions		<b>32.2</b>	62.6
		<b>3,435.3</b>	7,904.6
<b>Net current assets</b>		<b>15,332.3</b>	14,710.5
<b>Total assets less current liabilities</b>		<b>47,382.0</b>	42,072.4
<b>Capital and reserves</b>			
Share capital		<b>4,250.5</b>	4,216.2
Reserves	(17)	<b>23,427.0</b>	20,073.0
<b>Equity attributable to owners of the Company</b>		<b>27,677.5</b>	24,289.2
Shares held for employee ownership scheme		<b>(12.6)</b>	(20.2)
Employee share-based compensation reserve		<b>6.1</b>	13.3
Share of net assets of subsidiaries		<b>11,635.8</b>	10,506.9
<b>Non-controlling interests</b>		<b>11,629.3</b>	10,500.0
<b>Total equity</b>		<b>39,306.8</b>	34,789.2
<b>Non-current liabilities</b>			
Bank and other borrowings due after one year		<b>4,303.6</b>	3,286.0
Notes		<b>3,453.1</b>	3,637.2
Deferred tax liabilities		<b>317.1</b>	347.2
Provisions		<b>1.4</b>	12.8
		<b>8,075.2</b>	7,283.2
		<b>47,382.0</b>	42,072.4

Notes:

## (1) BASIS OF PREPARATION

### Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the Group adopted certain Amendments to Standards issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the Group’s financial year beginning on 1st January, 2015. The adoption of these Amendments has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods. The same accounting policies, presentation and methods of computation have been followed in these consolidated financial statements as were applied in the preparation of the Group’s financial statements for the year ended 31st December, 2014.

#### *New HKFRSs and Amendments in issue but not yet effective*

The Group has not early applied the following new HKFRSs and amendments that have been issued but are not yet effective, and are relevant to the operations of the Group.

Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2016, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2018, with earlier application permitted.

Except as described below, the management anticipates that the application of the new HKFRSs and amendments will not have material impact to the consolidated financial statements.

#### *HKFRS 9 – Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. HKFRS 9 amended in 2013 includes the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include: (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” measurement category for certain debt instruments.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at “fair value through other comprehensive income”. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, an entity may make an irrevocable election to present changes in fair value of equity investments in other comprehensive income, with only dividend income recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The application of HKFRS 9 may affect the measurement of the Group's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

#### *HKFRS 15 – Revenue from Contracts with Customers*

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract with customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied. Furthermore, extensive disclosures are required by HKFRS 15.

The application of HKFRS 15 may affect the amount reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

## Disclosure in accordance with section 436 of the Hong Kong Companies Ordinance

The financial information relating to the financial years ended 31st December, 2015 and 2014 included in this announcement of annual results does not constitute the Company's statutory annual financial statements for those financial years 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 (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31st December, 2015 in due course. The Company's auditor has reported on those financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

### (2) REVENUE

	2015 <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
Revenue comprises:		
<b>Continuing operations</b>		
Interest income on loans and advances to consumer finance customers	3,671.8	3,742.5
Interest income received from banks, term loans and others	436.4	364.0
Property rental, hotel operations and management services	422.7	404.5
Income from advisory services and others	48.5	40.8
Dividend income	15.1	18.9
Sale of properties	–	1.0
	<u>4,594.5</u>	<u>4,571.7</u>
<b>Discontinued operations</b>		
Discontinued Business ( <i>note 3</i> )	<u>603.5</u>	<u>1,073.3</u>
	<u><b>5,198.0</b></u>	<u><b>5,645.0</b></u>

### (3) SEGMENTAL INFORMATION

The operating business organised and managed in each segment represents a strategic business unit that offers different products and services for the purpose of resource allocation and assessment of segment performance by the Executive Directors of the Company.

During the year, the operations of businesses of provision of wealth management and brokerage services and corporate finance services which were reported under the segment of "Investment, broking and finance" in previous periods were discontinued ("Discontinued Business") due to disposal of a group of subsidiaries as described in note 10. The operations remained in the "Investment, broking and finance" segment are investment and provision of term loan financing. Accordingly, the segment is redesignated as "Investment and finance" for the purpose of segmental information. The comparative figures were restated to conform to the current year's presentation.



Analysis of the Group's revenue and results from continuing operations is as follows:

	<b>2015</b>				
	<b>Investment and finance HK\$ Million</b>	<b>Consumer finance HK\$ Million</b>	<b>Property rental, hotel operations and management services HK\$ Million</b>	<b>Sale of properties and property based investments HK\$ Million</b>	<b>Total HK\$ Million</b>
Segment revenue	496.3	3,706.4	411.8	–	4,614.5
Less: inter-segment revenue	(8.0)	–	(12.0)	–	(20.0)
Segment revenue from external customers from continuing operations	<u>488.3</u>	<u>3,706.4</u>	<u>399.8</u>	<u>–</u>	<u>4,594.5</u>
Segment results	1,071.8	609.5	624.4	(4.4)	2,301.3
Reversal of impairment loss on interests in associates					17.0
Impairment loss for interest in an associate					(538.7)
Finance costs					(253.9)
Share of results of associates					1,290.0
Share of results of joint ventures	38.4	–	118.7	–	<u>157.1</u>
Profit before taxation					2,972.8
Taxation					<u>(97.5)</u>
Profit for the year from continuing operations					<u>2,875.3</u>

	2014				
	Investment and finance <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Property rental, hotel operations and management services <i>HK\$ Million</i>	Sale of properties and property based investments <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Segment revenue	435.8	3,763.6	389.8	1.0	4,590.2
Less: inter-segment revenue	(11.8)	–	(6.7)	–	(18.5)
Segment revenue from external customers from continuing operations	<u>424.0</u>	<u>3,763.6</u>	<u>383.1</u>	<u>1.0</u>	<u>4,571.7</u>
Segment results	511.0	1,407.7	577.0	(4.2)	2,491.5
Reversal of impairment loss on interests in associates					7.1
Impairment loss for interest in an associate					(14.5)
Finance costs					(262.6)
Share of results of associates					608.1
Share of results of joint ventures	33.0	–	138.9	–	171.9
Profit before taxation					3,001.5
Taxation					(316.5)
Profit for the year from continuing operations					<u>2,685.0</u>

The geographical information of revenue from continuing operations is disclosed as follows:

	2015 <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
Revenue from continuing operations from external customers by location of operations		
Hong Kong	2,858.2	2,732.2
Mainland China	1,697.9	1,802.9
Others	38.4	36.6
	<u>4,594.5</u>	<u>4,571.7</u>

No revenue from transaction with single external customer amounted to 10% or more of the Group's revenue for the year.

(4) **CHANGES IN VALUES OF PROPERTIES**

	2015 <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
<b>Continuing operations</b>		
Changes in values of properties comprise:		
Net increase in fair value of investment properties*	419.0	393.3
Impairment loss reversed for hotel property	17.0	10.5
	<u>436.0</u>	<u>403.8</u>

The reversal of impairment losses was based on the lower of cost and value in use for hotel property. The value in use was determined based on independent professional valuations at 31st December, 2015.

\* The amount recognised in the current year included HK\$203.2 million arising from the revaluation of an investment property upon the disposal of a subsidiary holding the investment property to a joint venture. The details of the disposal are described in note 11.

(5) **NET GAIN ON FINANCIAL ASSETS AND LIABILITIES**

The following is an analysis of the net gain on financial assets and liabilities at fair value through profit or loss:

	2015 <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
<b>Continuing operations</b>		
Net realised and unrealised gain on financial assets and liabilities		
Held for trading ( <i>note 8 (Note 1)</i> )	660.2	15.9
Designated as at fair value through profit or loss	341.3	98.6
	<u>1,001.5</u>	<u>114.5</u>

(6) **BAD AND DOUBTFUL DEBTS**

	2015 <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
<b>Continuing operations</b>		
Loans and advances to consumer finance customers		
Impairment loss	1,446.9	787.2
Trade and other receivables		
Reversal of impairment loss	(0.1)	(2.4)
Impairment loss	113.6	0.2
Bad debts written off	11.1	–
	<u>124.6</u>	<u>(2.2)</u>
Bad and doubtful debts recognised in profit or loss	<u>1,571.5</u>	<u>785.0</u>

Since the year ended 31st December, 2014, the economic growth of the People's Republic of China ("PRC") has declined and business activities slowed down generally. Small businesses in Mainland China, both companies and individuals, which accounted for a substantial portion of Mainland China loan book of United Asia Finance Limited ("UAF"), a subsidiary of Sun Hung Kai & Co. Limited ("SHK"), classified as loans and advances to consumer finance customers were especially affected. For unsecured loans, the entire loan amount is written off after 180 days delinquency (or in case of bankruptcy or if a borrower is deceased, whichever is earlier), whilst collection and recovery efforts would still continue and are written back as and when recoveries occur. Delinquencies of UAF's Mainland China loan book increased at a higher rate for the year compared to that of last year, leading to a substantial rise in bad debts written off. These write-offs during 2015 also increased the collective impairment allowance provided for the year.

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

	<b>2015</b> <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
<b>Continuing operations</b>		
Loans and advances to consumer finance customers		
Amounts written off in allowance of impairment	<b>(1,363.7)</b>	(738.9)
Recoveries credited to allowance of impairment	<b>129.5</b>	114.2
	<hr/>	<hr/>
Trade and other receivables		
Amounts written off in allowance of impairment	<b>(4.4)</b>	–
	<hr/>	<hr/>
<b>(7) FINANCE COSTS</b>		
	<b>2015</b> <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
<b>Continuing operations</b>		
Total finance costs included in:		
Cost of sales and other direct costs	<b>225.8</b>	192.8
Finance costs	<b>253.9</b>	262.6
	<hr/>	<hr/>
	<b>479.7</b>	455.4
	<hr/>	<hr/>

(8) PROFIT BEFORE TAXATION

	2015 <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
Profit before taxation from continuing operations has been arrived at after charging:		
Depreciation	78.4	66.5
Amortisation of intangible assets		
Computer software (included in administrative expenses)	1.3	0.3
Other intangible assets (included in other operating expenses)	6.3	6.3
Amortisation of prepaid land lease payments	0.2	0.3
Impairment loss for interests in associates (included in other operating expenses) ( <i>Note 1</i> )	538.7	14.5
Loss on purchase of bonds issued by the Group ( <i>Note 2</i> )	141.5	–
Net loss on disposal/write-off of property, plant and equipment	4.0	2.1
and after crediting:		
Dividend income from listed equity securities	11.6	16.1
Dividend income from unlisted equity securities	3.5	2.8
Gain on disposal of investment properties (included in other income)	1.0	0.8
Net realised gain on disposal of a joint venture (included in other income)	5.7	–
Net realised gain on disposal of an associate (included in other income)	–	12.9
Net realised gain on disposal of available-for-sale financial assets (included in other income)	19.0	1.8
Net realised gain on disposal of subsidiaries (included in other income) ( <i>note 11</i> )	15.9	–

*Notes:*

1. SHK disposed of 70% interest in its wholly-owned subsidiary Sun Hung Kai Financial Group Limited (“SHKFGL”) in June 2015 and classified the remaining 30% equity interest as an associate. Affected by the correction of Hong Kong and China stock markets during the second half of the year, the carrying amount of the 30% equity interest in SHKFGL exceeded the recoverable amount at the reporting date that led to an impairment loss. The recoverable amount was measured at the value in use with a discount rate of 14.6% by estimating the present value of the Group’s share of future cash flows to be generated by the associate. As part of the disposal, the Group was awarded a put option on the 30% equity interest of SHKFGL. This put option recorded a valuation gain of HK\$596.0 million classified under net gain on financial assets and liabilities.
2. In 2013, a securitisation fund owned by the Group issued bonds to an independent third party investment fund which in turn sold units to investors in the PRC. The bonds issued by the Group’s securitisation fund were backed by bonds issued by a Singapore listed company. The Singapore company defaulted on the bonds. In order to facilitate repayment to the PRC investors and to minimise a potentially protracted and costly dispute, a subsidiary of the Group purchased the bonds issued to the independent investment fund for HK\$141.5 million, being the original principal and part of the outstanding interest, during the year. This amount is included in “Other operating expenses”. A judicial manager has been appointed to the Singapore company and the Group is actively pursuing all possible means of recovery of these funds and other costs. Any amounts recovered will in the future be included in “Other income”.

(9) TAXATION

	2015 <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
The income tax charged (credited) from continuing operations comprises:		
Current tax		
Hong Kong	174.6	168.8
PRC	214.5	206.7
	<u>389.1</u>	<u>375.5</u>
Over provision in prior years	(1.2)	(1.2)
	<u>387.9</u>	374.3
Deferred tax		
Current year	(290.4)	(57.8)
	<u>97.5</u>	<u>316.5</u>

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

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

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

(10) DISCONTINUED OPERATIONS

On 2nd June, 2015, SHK completed the disposal of 70% interest in SHKFGL. SHKFGL and its subsidiaries carry out businesses in provision of wealth management and brokerage services and corporate finance services. The proceeds on disposal of HK\$4,095.0 million were received in cash. Upon the disposal, the fair value of the remaining 30% interest in SHKFGL on the disposal date of HK\$1,644.0 million is classified as an interest in associate and the amounts due from the subsidiaries of SHKFGL are classified as amounts due from associates. Such amounts included a 1-year shareholder loan of HK\$1,061.6 million (interest at 6% per annum for the first 6 months and 8% per annum thereafter) advanced by the Group to a subsidiary of SHKFGL. The loan was guaranteed by the controlling shareholder of SHKFGL and a subsidiary of SHKFGL and was secured by a share charge over the shares of SHKFGL owned by the controlling shareholder after the disposal. The loan was fully repaid in October 2015.

The profit from discontinued operations (the consolidated profit of SHKFGL up to the date of the disposal and the profit on disposal of SHKFGL) is analysed as follows. The comparative figures in the consolidated statement of profit or loss have been restated to represent those operations that have been discontinued in the current year as discontinued operations.

	<b>2015</b> <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
Revenue	<b>603.5</b>	1,073.3
Other income	<b>0.3</b>	152.1
	<hr/>	<hr/>
Total income	<b>603.8</b>	1,225.4
Cost of sales and other direct costs	<b>(8.2)</b>	(25.4)
Brokerage and commission expenses	<b>(167.7)</b>	(236.7)
Selling and marketing expenses	<b>(5.5)</b>	(10.8)
Administrative expenses	<b>(199.1)</b>	(485.1)
Net gain on financial assets and liabilities	<b>2.1</b>	2.5
Net exchange (loss) gain	<b>(4.3)</b>	5.7
Bad and doubtful debts	<b>11.9</b>	(11.1)
Other operating expenses	<b>(4.5)</b>	(13.3)
Finance costs	<b>(4.8)</b>	(9.2)
Share of results of joint ventures	<b>1.8</b>	4.2
	<hr/>	<hr/>
Profit before taxation	<b>225.5</b>	446.2
Taxation	<b>(30.1)</b>	(55.9)
	<hr/>	<hr/>
Profit after taxation	<b>195.4</b>	390.3
Profit on disposal of SHKFGL	<b>3,033.5</b>	–
	<hr/>	<hr/>
Profit for the year from discontinued operations	<b>3,228.9</b>	390.3
	<hr/>	<hr/>
Attributable to:		
Owners of the Company	<b>1,769.4</b>	220.2
Non-controlling interests	<b>1,459.5</b>	170.1
	<hr/>	<hr/>
	<b>3,228.9</b>	390.3
	<hr/>	<hr/>

The profit on disposal of SHKFGL is as follows:

	<i>HK\$ Million</i>
Cash consideration received	4,095.0
Net assets disposed of	(2,805.4)
Retained interest in an associate	1,644.0
Put right for the retained interest in an associate procured on disposal*	111.0
Call option for club membership procured on disposal	9.3
Release of reserves and non-controlling interests on disposal	9.1
Transaction costs	(29.5)
	<hr/>
Profit on disposal of SHKFGL	<b>3,033.5</b>
	<hr/>

The profit on disposal of SHKFGL included HK\$802.4 million attributable to measuring the 30% retained interests in SHKFGL at its fair value at the date when control was lost. The fair value of the 30% retained interests is based on a business valuation report prepared by an independent qualified professional valuer, Norton Appraisals Limited. The valuation used the discounted cash flow approach and is based on certain key assumptions including an average growth rate of 32.4% from 2015 to 2020, a sustainable growth rate of 3%, a non-controlling interest discount rate of 9% and a discount rate of 13.3%.

- \* The Group may, during the option periods (which are the periods of six months commencing on the third and fifth anniversaries of the completion date) or following the occurrence of certain trigger events, exercise its put right to require the buyer to buy some or all of the shares it holds in SHKFGL at a price per share equal to the consideration per share paid by the buyer for the acquisition of the 70% interest plus a pre-agreed annualised yield of 8.8% compounding less dividends. Further details have been disclosed in the Company's circular dated 27th February, 2015 and Company's announcement dated 2nd June, 2015. The fair value of the put right at the disposal date is determined by an option model with certain key assumption including a volatility of 56%, risk free rate of 0.6% and equity growth rate of 4.7%.

## (11) DISPOSAL OF SUBSIDIARIES

On 25th June 2015, the Group disposed of two indirect wholly-owned subsidiaries ("Disposal") engaged in property holding business and investment of securities business respectively to an indirect wholly-owned subsidiary of Allied Kajima Limited, which is a joint venture of the Group. The Disposal does not constitute a disposal of business and accordingly the gain on disposal is eliminated to the extent of the Group's interest in the joint venture.

	<i>HK\$ Million</i>
Net assets disposed of:	
Investment property*	640.0
Deposits for acquisition of property, plant and equipment	1.4
Trade and other receivables	0.1
Trade and other payables	(1.0)
Deferred tax liabilities	(32.8)
	<hr/>
	607.7
Total consideration	(640.5)
Transaction costs	1.0
	<hr/>
Gain on disposal of subsidiaries	(31.8)
Unrealised gain	15.9
	<hr/>
Net realised gain on disposal of subsidiaries	<u>(15.9)</u>

- \* The investment property was revalued before the Disposal and the fair value gain was HK\$203.2 million, which is included in the amount of HK\$419.0 million of net increase in fair value of investment properties in note 4.



## (12) EARNINGS PER SHARE

### From continuing and discontinued operations

The calculation of basic and diluted earnings per share from continuing and discontinued operations is based on the profit attributable to owners of the Company of HK\$4,122.5 million (2014: HK\$2,023.8 million) and on the weighted average number of 6,811.9 million (2014: 6,802.3 million) shares in issue during the year.

### From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations is based on the profit attributable to owners of the Company from continuing operations of HK\$2,353.1 million (2014: HK\$1,803.6 million) and on the weighted average number of 6,811.9 million (2014: 6,802.3 million) shares in issue during the year.

### From discontinued operations

Basic earnings per share from discontinued operations is HK25.98 cents (2014: HK3.24 cents) per share which is calculated based on the profit attributable to owners of the Company from discontinued operations of HK\$1,769.4 million (2014: HK\$220.2 million) and the weighted average number of 6,811.9 million (2014: 6,802.3 million) shares in issue during the year. Diluted earnings per share from discontinued operations for both years was the same as the basic earnings per share.

The computation of diluted earnings per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price of shares for 2015 and 2014.

## (13) DIVIDEND

	2015 <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
Dividend declared and proposed		
Interim dividend (in lieu of a final dividend) of HK6 cents per share declared subsequent to the end of the reporting period (2014: proposed final dividend of HK5.5 cents per share)	<u>409.1</u>	<u>374.1</u>
Dividend recognised as distribution during the year		
2014 final dividend of HK5.5 cents per share (2014: 2013 final dividend of HK4.5 cents per share)	374.1	306.1
Adjustment to 2014 final dividend	<u>1.0</u>	<u>–</u>
	<u>375.1</u>	<u>306.1</u>

The amount of the interim dividend (in lieu of a final dividend) for the year ended 31st December, 2015 has been calculated by reference to 6,818,693,669 shares in issue at 23rd March, 2016.

**(14) LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS**

	<b>2015</b> <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Hong Kong	<b>6,839.9</b>	7,081.6
Mainland China	<b>2,932.3</b>	5,066.7
Less: impairment allowance	<b>(950.2)</b>	(756.6)
	<b>8,822.0</b>	11,391.7
Analysed for reporting purposes as:		
Non-current assets	<b>2,741.3</b>	3,308.4
Current assets	<b>6,080.7</b>	8,083.3
	<b>8,822.0</b>	11,391.7

**(15) TRADE AND OTHER RECEIVABLES**

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

	<b>2015</b> <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
Less than 31 days	<b>19.0</b>	1,834.2
31 to 60 days	<b>8.2</b>	10.0
61 to 90 days	<b>5.6</b>	5.8
91 to 180 days	<b>3.6</b>	6.5
Over 180 days	<b>0.9</b>	25.6
	<b>37.3</b>	1,882.1
Term loans, margin loans and trade and other receivables without aging	<b>3,945.6</b>	7,526.1
Impairment allowances	<b>(115.6)</b>	(138.8)
Trade and other receivables at amortised cost	<b>3,867.3</b>	9,269.4
Prepayments	<b>37.6</b>	26.1
	<b>3,904.9</b>	9,295.5
Analysed for reporting purposes as:		
Non-current assets	<b>1,728.8</b>	1,520.3
Current assets	<b>2,176.1</b>	7,775.2
	<b>3,904.9</b>	9,295.5

**(16) TRADE AND OTHER PAYABLES**

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

	<b>2015</b> <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
Less than 31 days	<b>70.8</b>	2,482.1
31 to 60 days	<b>9.1</b>	9.0
61 to 90 days	<b>7.2</b>	11.5
91 to 180 days	<b>0.2</b>	9.6
Over 180 days	<b>0.6</b>	3.9
	<hr/>	<hr/>
	<b>87.9</b>	2,516.1
Accrued staff costs, other accrued expenses and other payables without aging	<b>267.0</b>	380.0
	<hr/>	<hr/>
	<b>354.9</b>	2,896.1
	<hr/> <hr/>	<hr/> <hr/>

**(17) RESERVES**

	<b>2015</b> <i>HK\$ Million</i>	2014 <i>HK\$ Million</i>
Property revaluation reserve	<b>335.0</b>	274.0
Investment revaluation reserve	<b>431.4</b>	376.1
Translation reserve	<b>131.9</b>	699.5
Capital and other reserves	<b>21.0</b>	23.0
Accumulated profits	<b>22,098.6</b>	18,326.3
Dividend reserve	<b>409.1</b>	374.1
	<hr/>	<hr/>
	<b>23,427.0</b>	20,073.0
	<hr/> <hr/>	<hr/> <hr/>

## **DIVIDEND**

The Board has declared an interim dividend of HK6 cents per share (in lieu of a final dividend) for the year ended 31st December, 2015 (2014 final dividend: HK5.5 cents per share) payable on or around Wednesday, 27th April, 2016 to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Friday, 15th April, 2016.

## **CLOSURE OF REGISTERS OF MEMBERS AND WARRANT HOLDERS**

### **(1) For determining the entitlement to the interim dividend**

For determining the entitlement to the interim dividend (in lieu of a final dividend) for the year ended 31st December, 2015, the register of members and the register of warrant holders of the Company will be closed from Wednesday, 13th April, 2016 to Friday, 15th April, 2016 (both days inclusive), during which period no transfer of shares and warrants of the Company will be registered. In order for a Shareholder to qualify for the interim dividend (in lieu of a final dividend), all transfer forms accompanied by the relevant share certificates or in the case of warrant holders, all subscription forms accompanied by the relevant warrant certificates and exercise money, must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 12th April, 2016.

### **(2) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (“2016 AGM”)**

The 2016 AGM is scheduled to be held on Thursday, 26th May, 2016. For determining the entitlement to attend and vote at the 2016 AGM, the register of members and the register of warrant holders of the Company will be closed from Tuesday, 24th May, 2016 to Thursday, 26th May, 2016 (both days inclusive), during which period no transfer of shares and warrants of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at the 2016 AGM, all transfer forms accompanied by the relevant share certificates or in the case of warrant holders, all subscription forms accompanied by the relevant warrant certificates and exercise money, must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 23rd May, 2016.

## FINANCIAL HIGHLIGHTS

	<b>2015</b>	2014
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue	<b>4,594.5</b>	4,571.7
Profit for the year attributable to owners of the Company (continuing and discontinued operations)	<b>4,122.5</b>	2,023.8
Equity attributable to owners of the Company	<b>27,677.5</b>	24,289.2
Return on equity attributable to owners of the Company	<b>14.9%</b>	8.3%
Gearing ratio	<b>9.1%</b>	25.3%
	<i>HK cents</i>	<i>HK cents</i>
Earnings per share	<b>60.52</b>	29.75

## FINANCIAL REVIEW

### Financial Results

The revenue of the Group for the year from continuing operations was HK\$4,594.5 million (2014: HK\$4,571.7 million), no material change compared to the year before.

The profit for the year (including continuing and discontinued operations) was HK\$6,104.2 million (2014: HK\$3,075.3 million), which included HK\$3,033.5 million gain on disposal of 70% interest in Sun Hung Kai Financial Group Limited (“SHKFGL”) to Everbright Securities Financial Holdings Limited (“Everbright Securities”), a wholly-owned subsidiary of the Shanghai listed Everbright Securities Company Limited.

The profit attributable to the owners of the Company for the year from continuing and discontinued operations was HK\$4,122.5 million (2014: HK\$2,023.8 million), an increase of HK\$2,098.7 million.

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

- gain on disposal of 70% interest in SHKFGL mentioned above; and
- higher contribution from associate Tian An China Investments Company Limited (“TACI”).

The disposal of 70% interest in SHKFGL by Sun Hung Kai & Co. Limited (“SHK”) was completed on 2nd June, 2015. SHKFGL’s contribution to the Group up to the completion date was classified under discontinued operations and all 2014 comparative figures were reclassified accordingly. SHKFGL became a 30% owned associate of the Group and its contribution has been grouped under share of results of associates. In order to present the Group’s segmental information more clearly after the disposal of SHKFGL, the segment previously named as “Investment, broking and finance” is re-designated as “Investment and finance”.

### *Earnings per share*

Earnings per share from continuing and discontinued operations amounted to HK60.52 cents (2014: HK29.75 cents).

### **Material Acquisitions and Disposals**

- (a) On 1st February, 2015, SHK entered into a sale and purchase agreement with Everbright Securities to dispose of 70% equity interest in SHKFGL (“SHKFGL Disposal”) at a consideration of HK\$4,095.0 million. The transaction was completed on 2nd June, 2015 and the gain on disposal was HK\$3,033.5 million. Further details of the SHKFGL Disposal are set out in the circular of the Company dated 27th February, 2015 and the announcement of the Company dated 2nd June, 2015. SHKFGL has become a 30% associate of SHK with a carrying value of HK\$1,644.0 million upon completion of the transaction. During the year, an impairment of HK\$538.7 million, included in “other operating expense” was incurred from the revaluation of this equity stake. As part of the transaction, SHK negotiated a put option on the 30% equity interest of SHKFGL to Everbright Securities. This put option recorded a valuation gain of HK\$596.0 million classified under gain on financial assets. The net gain of HK\$57.3 million implicitly reflects the guaranteed return from the option, and timing differences.
- (b) On 5th June, 2015, AP Development Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of its entire interest in King Policy Development Limited (“KP”) to Allied Kajima Limited (“KP Disposal”), which is a joint venture of the Company. The KP Disposal was completed on 25th June, 2015 and the consideration received was HK\$640.5 million. KP holds a block of serviced apartments, Century Court, in Wanchai. Before the disposal, the Century Court was revalued at market value and the fair value gain was HK\$203.2 million. The gain on KP Disposal was HK\$15.9 million based on the property revalued amount.

Other than the above disposals, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year.

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

During the year, the Group purchased part of the 6.375% US dollar denominated notes (“6.375% Notes”) with a total nominal value of US\$19.4 million (2014: US\$9.3 million) from the market at a consideration of HK\$153.5 million (2014: HK\$75.9 million). The nominal value of the 6.375% Notes outstanding after eliminating the intra-group holdings was US\$315.8 million or equivalent to HK\$2,447.5 million at the end of the reporting period (2014: US\$335.2 million or equivalent to HK\$2,600.1 million).

The nominal value of the 3% US dollar denominated notes was US\$60.0 million or equivalent to HK\$465.0 million (2014: US\$60.0 million or equivalent to HK\$465.4 million) at the end of the reporting period.

During the year, the Group purchased part of the 6.9% Renminbi denominated notes (“6.9% Notes”) with a total nominal value of RMB5.0 million from the market at a consideration of HK\$6.4 million. The nominal value of the 6.9% Notes after eliminating the intra-group holdings was RMB495.0 million or equivalent to HK\$590.8 million (2014: RMB500.0 million or equivalent to HK\$624.9 million) at the end of the reporting period.

At the end of the reporting period, the Group’s net borrowings amounted to HK\$2,524.3 million (2014: HK\$6,143.0 million), representing bank and other borrowings, amounts due to fellow subsidiaries and notes totalling HK\$10,414.5 million (2014: HK\$11,528.3 million) less bank deposits, bank balances and cash of HK\$7,890.2 million (2014: HK\$5,385.3 million) and the Group had equity attributable to owners of the Company of HK\$27,677.5 million (2014: HK\$24,289.2 million). Accordingly, the Group’s gearing ratio of net borrowings to equity attributable to owners of the Company was 9.1% (2014: 25.3%). At the end of the reporting period, the current ratio (current assets/current liabilities) of the Group was 5.5 times, which increased from the 2.9 times applicable at the end of the preceding year.

During the year, 17,122,877 warrants were exercised, resulting in the issuance of 17,122,877 ordinary shares at a subscription price of HK\$2.00 per share. Accordingly 1,373,448,805 warrants were outstanding at 31st December, 2015. Exercise in full of the outstanding warrants would result in the issue of 1,373,448,805 additional shares with an aggregate subscription value of approximately HK\$2,746.9 million.

	<b>2015</b>	2014
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Bank loans are repayable as follows:		
On demand or within one year	<b>1,995.1</b>	4,152.2
More than one year but not exceeding two years	<b>2,240.9</b>	1,434.3
More than two years but not exceeding five years	<b>2,027.7</b>	1,851.7
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	<b>73.2</b>	350.0
More than one year but not exceeding two years	<b>65.2</b>	17.2
More than two years but not exceeding five years	<b>446.0</b>	9.2
	<b>6,848.1</b>	7,814.6
Other borrowings repayable over five years	<b>35.0</b>	–
Amounts due to fellow subsidiaries	–	5.2
Renminbi denominated notes are repayable as follows:		
Within one year	<b>6.7</b>	7.0
More than one year but not exceeding five years	<b>588.7</b>	621.6
US dollar denominated notes are repayable as follows:		
Within one year	<b>71.6</b>	64.3
More than one year but not exceeding five years	<b>2,864.4</b>	3,015.6
	<b>3,566.4</b>	3,713.7
	<b>10,414.5</b>	11,528.3

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

Other than the US dollar denominated notes and Renminbi denominated notes, most of the bank and other borrowings of the Group and the amount due to a fellow subsidiary are charged at floating interest rates. There are no known seasonal factors in the Group's borrowing profile.

### Segment Information

Detailed segmental information in respect of the revenue and profit or loss is shown in note 3 to the consolidated financial information.

### Risk of Foreign Exchange Fluctuation

The Group is required to maintain foreign currency exposure to cater for its recurring operating activities and present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. However, the Group will closely monitor this risk exposure as required.

### Contingent Liabilities

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

	<b>2015</b>	2014
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Indemnities on banking guarantee made available to a regulatory body	–	1.5
Financial guarantees under loan guarantee business*	<u>139.2</u>	<u>30.2</u>
	<u><b>139.2</b></u>	<u><b>31.7</b></u>

\* The Group provided guarantees to lenders of its loan guarantee customers to guarantee the repayment of debts owed by the loan guarantee customers to their lenders. At 31st December, 2015, the outstanding guarantee amount was HK\$139.2 million (2014: HK\$30.2 million).

### Pledge of Assets

At the end of the reporting period, certain of the Group's investment properties, hotel property, land and buildings and properties held for sale with an aggregate carrying value of HK\$6,153.8 million (2014: HK\$5,658.1 million), listed securities belonging to the Group with fair values of HK\$nil (2014: HK\$69.3 million), and listed securities belonging to margin clients with fair values of HK\$nil (2014: HK\$1,563.5 million) together with certain securities in respect of a listed subsidiary with investment cost of HK\$276.6 million (2014: HK\$276.6 million) were pledged to secure loans and general banking facilities to the extent of HK\$1,242.4 million (2014: HK\$3,093.0 million) granted to the Group. Facilities amounting to HK\$584.4 million (2014: HK\$859.9 million) were utilised at the end of the reporting period.



## **Event After The Reporting Period**

On 16th December, 2015, an indirect wholly-owned subsidiary of the Group entered into the sale and purchase agreement to acquire approximately 23.9% of the total issued share capital of APAC Resources Limited, which is listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 1104), at a consideration of approximately HK\$484.0 million (“Acquisition”). On 29th February, 2016, all of the conditions of the sale and purchase agreement were fulfilled and the Acquisition was completed. Following the completion, the Group owned approximately 23.9% equity interest in APAC Resources Limited.

## **OPERATIONAL REVIEW**

### **Properties**

#### *Hong Kong*

- The Group’s rental income from its Hong Kong property portfolio increased by 4.8% when compared to 2014.
- The Group disposed in June 2015 of its interest in the serviced apartments, Century Court, to Allied Kajima Limited (“AKL”), being the Group’s 50% owned joint venture at a consideration of HK\$640.5 million. The total gain arising from this transaction including the HK\$203.2 million property revaluation gain before the disposal was HK\$219.1 million.
- The net gain in the value of the Group’s property portfolio, including investment properties owned by SHK and Century Court prior to disposal, was HK\$436.0 million during the year, higher than that of 2014 by HK\$32.2 million.
- Due to the decrease in the number of tourists from mainland China, the hotel division reported decrease in average room rates and occupancies, resulting in a decreased contribution.
- AKL added Century Court to its existing portfolio, which includes Allied Kajima Building, Novotel Century Hong Kong hotel and Sofitel Philippine Plaza Hotel. Century Court will be redeveloped into a boutique hotel and synergy is expected between the property and the existing Novotel hotel which is located diagonally opposite to it. Demolition work has commenced in the first quarter of 2016.

## *Mainland PRC*

- The profit attributable to the owners of TACI (including continuing and discontinued operations) was HK\$2,600.0 million (2014: HK\$1,284.5 million).
- The increase in profit of TACI was mainly due to gains of HK\$3,012.8 million on disposal of non-core assets. In 2014, TACI's disposal of non-core assets produced gains of HK\$1,229.5 million.
- There are a total of 15 cyberparks over 12 cities. The overall contribution of TACI's cyberpark unit has been below its expectations as the slowing Chinese economy affected sales and leasing. The cyberparks on the Pearl River Delta have been the exception and TACI will concentrate on developing new cyberparks and urban renewal projects in this region where it has ample manpower and marketing resources.
- TACI's urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen is a large scale cyberpark approximately 4 times TACI's standard size. Construction works of the superstructure of all seven towers of phase 1 of the project with GFA of approximately 531,600 m<sup>2</sup> (including basement) were fully completed in 2015. Sales and leasing for phase 1 have been encouraging and this project has started to contribute to TACI's performance.

## **Financial Services**

### *Investment and Finance*

- The profit attributable to owners of SHK was HK\$3,896.5 million (2014: HK\$1,328.4 million), with profit before taxation and discontinued operations amounting to HK\$973.2 million (2014: HK\$1,712.7 million).
- SHK completed the disposal of 70% interest in SHKFGL. The benefits of this transaction are: (1) SHK realised a gain on disposal of HK\$3,033.5 million, (2) it frees up significant amount of cash for re-investment, (3) SHK continues to participate in the future growth through the retained 30% interest in SHKFGL, and (4) downside is protected by a put right (please refer to note 10 regarding discontinued operations on page 15 of this announcement).
- SHK's structured finance division provides funding solutions to corporates and high net worth individuals. At 31st December, 2015, the aggregate structured finance loan balance was HK\$3,328.8 million (2014: HK\$3,346.0 million). Interest income increased by 13% in 2015 reflecting the higher average loan balance during the year as the division also facilitated shorter term bridging loans.
- The carrying value of SHK's investment portfolio, including the 30% stake in SHKFGL, amounted to HK\$7,593.9 million at the end of December 2015 and this division contributed a total pre-tax contribution of HK\$469.9 million to SHK (2014: HK\$229.2 million).
- Sun Hung Kai Credit Limited, an 86% owned subsidiary of SHK, commenced business in October 2015 providing mortgage services and lending solutions to home owners and property investors in Hong Kong. The business is funded by SHK's internal cash resources.

## *Consumer Finance*

- Pre-tax profit of United Asia Finance Limited (“UAF”), the 58% owned subsidiary of SHK, for the year amounted to HK\$609.5 million, a decrease of 57% from 2014. This is due to a significant increase in bad and doubtful debts incurred from its mainland China business. Total bad and doubtful debts increased by 86% to HK\$1,463.3 million.
- UAF has been addressing this higher bad debt ratio problem in mainland China by revising its operational and credit strategies to reduce overall risk. Measures included tightening up credit to small businesses which segment is more affected by the downturn in economic activities and revising the strategy to focus on smaller loans to salaried workers which segment is considered a more resilient customer group.
- Cost rationalisation measures have also been put in place.
- UAF’s business in Hong Kong remained steady with good profitability. This was in spite of its overall volume in Hong Kong dropping slightly, caused mainly by reduction in the mortgage loan portfolio. UAF will focus its business on unsecured loans going forward in order to maintain its funding flexibility and advantage.
- At the end of the year, the consolidated consumer finance gross loan balance amounted to HK\$9.6 billion, representing a decrease of 21% from the end of 2014. UAF had 158 branches on the mainland, including 5 branches on loan marketing and guarantee business, and 50 branches in Hong Kong at the end of 2015.

## **Employees**

The total number of headcount of the Group as at 31st December, 2015 was 6,853 (2014: 8,104). The decrease in headcount was due primarily to the reclassification of SHKFGL as a 30% owned associate post the SHKFGL Disposal. Total staff costs (including continuing and discontinued operations), including Directors’ emoluments, amounted to HK\$1,051.6 million (2014: HK\$1,172.1 million). The Group reviews remuneration packages from time to time. In addition to salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme. The Group recognises the importance of continuing professional education and development, and appropriate courses are arranged on a periodical basis as well as subsidies are granted to employees who take job-related courses.

## **LONG TERM CORPORATE STRATEGIES**

The Group will continue its businesses of investment, structured finance, consumer finance, property and related businesses and other investments. The Group's policy has been to adopt the following long term strategies:–

1. To maintain the organic growth of its core businesses;
2. To maintain a balance between the demands of short term returns and long term capital appreciation; and
3. To seek investment opportunities that assist in strengthening and broadening its earnings base.

## **BUSINESS OUTLOOK**

It is expected that the slowdown of mainland China's economy is likely to remain and global economy is forecast to have slow growth.

In the near term, the earnings outlook for the consumer finance business on the mainland remains challenging and the Group will maintain a conservative approach under the current economic conditions. The unemployment rate is a risk factor for the Hong Kong consumer finance businesses and the management will remain vigilant to adjust the strategy should there be any deterioration in the local operating environment.

For the structured finance business, it is expected that the liquidity conditions for medium size enterprises are likely to remain tight in the current market and there should be healthy demand for funding solutions.

The last quarter of 2015 saw the Hong Kong property market starting to consolidate and the property prices went downwards. It is expected that the market will be challenging in 2016.

After the downward adjustments of property prices in most cities in China since 2014, there have been various measures by the mainland authorities to support the property market. Market prices for residential properties have increased substantially in first-tier cities, while those in suburban areas and lower-tier cities are now improving. TACI is pleased with the improving sentiment and is confident of the longer term prospects of the property market in China.

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

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the year ended 31st December, 2015, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (“CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

### **Code Provisions B.1.2 and C.3.3**

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

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

The terms of reference of the audit committee (“Audit Committee”) adopted by the Company are in compliance with the code provision C.3.3 of the CG Code which was in force during the year 2015 except that the Audit Committee (i) shall recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the co-ordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The reasons for the above deviations are set out in the Corporate Governance Report to be contained in the Company’s Annual Report for the financial year ended 31st December, 2015 (“2015 Annual Report”). The Board has reviewed the terms during the year under review and considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Further information on the Company’s corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company’s 2015 Annual Report which will be sent to the Shareholders by the end of April 2016.

### **AUDIT COMMITTEE REVIEW**

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2015.

## **SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31st December, 2015.

## **APPRECIATION**

The Board would like to thank all the staff for their effort and contribution in 2015, and would like to express appreciation to the Shareholders for their continued support.

On behalf of the Board  
**Allied Properties (H.K.) Limited**  
**Arthur George Dew**  
*Chairman*

Hong Kong, 23rd March, 2016

*As at the date of this announcement, the Board comprises Messrs. Lee Seng Hui (Chief Executive), Li Chi Kong and Mark Wong Tai Chun being the Executive Directors; Mr. Arthur George Dew (Chairman) being the Non-Executive Director; and Messrs. Steven Samuel Zoellner, Alan Stephen Jones and David Craig Bartlett being the Independent Non-Executive Directors.*