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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 2013

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, 2013 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

	Notes	2013 HK\$ Million	2012 HK\$ Million
Continuing operations			
Revenue	(2)	4,949.4	4,078.6
Other income		88.7	151.8
Total income		5,038.1	4,230.4
Cost of sales and other direct costs		(283.0)	(205.6)
Brokerage and commission expenses		(260.7)	(187.8)
Selling and marketing expenses		(125.4)	(124.7)
Administrative expenses		(1,520.1)	(1,334.8)
Changes in values of properties	(4)	471.5	630.1
Net profit on financial assets and liabilities	(5)	75.5	173.5
Net exchange (loss) gain		(77.4)	4.8
Bad and doubtful debts	(6)	(589.6)	(506.0)
Other operating expenses		(312.3)	(115.4)
Finance costs	(7)	(281.7)	(131.6)
Share of results of associates		29.2	169.4
Share of results of joint ventures		223.2	200.0
Profit before taxation	(8)	2,387.3	2,802.3
Taxation	(9)	(228.4)	(295.7)
Profit for the year from continuing operations		2,158.9	2,506.6
Discontinued operations			
Profit for the year from discontinued operations	(10)	319.0	96.0
Profit for the year		2,477.9	2,602.6

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)
FOR THE YEAR ENDED 31ST DECEMBER, 2013

	<i>Notes</i>	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Attributable to:			
Owners of the Company			
Profit for the year from continuing operations		1,283.5	1,640.7
Profit for the year from discontinued operations		310.9	69.7
		<u>1,594.4</u>	<u>1,710.4</u>
Non-controlling interests			
Profit for the year from continuing operations		875.4	865.9
Profit for the year from discontinued operations		8.1	26.3
		<u>883.5</u>	<u>892.2</u>
		<u>2,477.9</u>	<u>2,602.6</u>
Earnings per share	<i>(11)</i>		
<i>From continuing and discontinued operations</i>			
Basic		<u>HK23.44 cents</u>	<u>HK24.67 cents</u>
Diluted		<u>HK23.44 cents</u>	<u>HK24.67 cents</u>
<i>From continuing operations</i>			
Basic		<u>HK18.87 cents</u>	<u>HK23.67 cents</u>
Diluted		<u>HK18.87 cents</u>	<u>HK23.67 cents</u>

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

FOR THE YEAR ENDED 31ST DECEMBER, 2013

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Profit for the year	<u>2,477.9</u>	<u>2,602.6</u>
Other comprehensive income (expenses):		
<i>Item that will not be reclassified to profit or loss:</i>		
Revaluation gain on properties transferred from property, plant and equipment to investment properties	–	30.0
Share of other comprehensive income of associates	153.1	0.8
Share of other comprehensive expenses of joint ventures	(1.8)	–
	<u>151.3</u>	<u>30.8</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets		
– Net fair value changes during the year	(9.7)	(3.7)
– Reclassification adjustment to profit or loss on disposal	(0.1)	(46.6)
– Reclassification upon impairment	10.0	0.7
	<u>0.2</u>	<u>(49.6)</u>
Exchange differences arising on translation of foreign operations	158.1	45.2
Reclassification adjustment to profit or loss on liquidation of subsidiaries	31.6	(0.4)
Reclassification adjustment to profit or loss on disposal of associates and joint ventures	(10.3)	–
Share of other comprehensive expenses of associates	(29.0)	(8.8)
Share of other comprehensive income of joint ventures	34.3	2.0
	<u>184.9</u>	<u>(11.6)</u>
Other comprehensive income for the year, net of tax	<u>336.2</u>	<u>19.2</u>
Total comprehensive income for the year	<u>2,814.1</u>	<u>2,621.8</u>
Attributable to:		
Owners of the Company	1,797.4	1,722.6
Non-controlling interests	1,016.7	899.2
	<u>2,814.1</u>	<u>2,621.8</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2013

	<i>Notes</i>	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Non-current assets			
Investment properties		7,213.0	6,933.5
Property, plant and equipment		894.0	615.3
Prepaid land lease payments		9.8	9.8
Goodwill		2,488.9	2,490.3
Intangible assets		989.6	1,005.0
Interests in associates		6,290.0	6,037.7
Interests in joint ventures		1,871.1	1,659.8
Available-for-sale financial assets		262.9	120.4
Statutory deposits		28.6	26.5
Amounts due from associates		169.6	396.1
Loans and advances to consumer finance customers due after one year	(13)	3,440.5	3,057.6
Deposits for acquisition of property, plant and equipment		75.2	20.4
Deferred tax assets		201.6	106.0
Financial assets at fair value through profit or loss		378.3	912.6
Trade and other receivables	(14)	1,028.1	720.0
		<u>25,341.2</u>	<u>24,111.0</u>
Current assets			
Properties held for sale and other inventories		339.2	370.0
Financial assets at fair value through profit or loss		663.9	482.3
Prepaid land lease payments		0.3	0.3
Loans and advances to consumer finance customers due within one year	(13)	6,603.0	5,236.2
Trade and other receivables	(14)	6,573.4	5,586.4
Amounts due from associates		50.2	52.5
Amounts due from joint ventures		17.7	11.1
Tax recoverable		6.5	17.7
Short-term pledged bank deposits		13.5	74.3
Bank deposits		755.6	467.8
Cash and cash equivalents		4,383.1	5,551.3
		<u>19,406.4</u>	<u>17,849.9</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)
AT 31ST DECEMBER, 2013

	<i>Notes</i>	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Current liabilities			
Trade and other payables	(15)	1,941.1	1,421.7
Financial liabilities at fair value through profit or loss		60.8	52.7
Amount due to a holding company		5.0	5.9
Amounts due to fellow subsidiaries		324.8	201.4
Amounts due to associates		5.7	5.6
Amounts due to joint ventures		75.0	40.1
Tax payable		142.6	104.3
Bank and other borrowings due within one year		2,918.1	4,735.4
Bonds and notes		366.2	–
Provisions		46.1	34.8
		<hr/> 5,885.4 <hr/>	<hr/> 6,601.9 <hr/>
Net current assets		<hr/> 13,521.0 <hr/>	<hr/> 11,248.0 <hr/>
Total assets less current liabilities		<hr/> 38,862.2 <hr/>	<hr/> 35,359.0 <hr/>
Capital and reserves			
Share capital		1,360.5	1,360.8
Share premium and reserves	(16)	21,183.2	19,531.9
Equity attributable to owners of the Company		<hr/> 22,543.7 <hr/>	<hr/> 20,892.7 <hr/>
Equity elements of warrants		–	57.6
Shares held for employee ownership scheme		(19.8)	(25.2)
Employee share-based compensation reserve		10.3	8.9
Share of net assets of subsidiaries		9,320.9	9,305.3
Non-controlling interests		<hr/> 9,311.4 <hr/>	<hr/> 9,346.6 <hr/>
Total equity		<hr/> 31,855.1 <hr/>	<hr/> 30,239.3 <hr/>
Non-current liabilities			
Bank and other borrowings due after one year		3,277.3	1,526.9
Bonds and notes		3,332.1	3,194.3
Financial liabilities at fair value through profit or loss		42.9	8.0
Deferred tax liabilities		342.3	379.0
Provisions		12.5	11.5
		<hr/> 7,007.1 <hr/>	<hr/> 5,119.7 <hr/>
		<hr/> 38,862.2 <hr/>	<hr/> 35,359.0 <hr/>

Notes:

(1) APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

During the year, the Group adopted certain new and revised Standards and 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, 2013 except that the Group had early adopted the amendments to HKAS 1 “Presentation of Financial Statements” (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012) since 1st January, 2012. The adoption of these Standards and Amendments has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods. Except as described below, 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, 2012.

Amendments to HKAS 1 – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. As a result, the consolidated income statement and consolidated statement of comprehensive income are renamed as consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income during the year. As required by the amendments, the items of other comprehensive income are also grouped into two categories in the consolidated statement of profit or loss and other comprehensive income: (a) items that will not be reclassified subsequently to profit or loss and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements and HK(SIC) – Int 12 “Consolidated – Special Purpose Entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

On 16th October, 2013, China Elite Holdings Limited (“China Elite”, a wholly-owned subsidiary of the Company), acquired additional 27,300,000 shares in Tian An China Investments Company Limited (“TACI”), which is listed on The Stock Exchange of Hong Kong Limited and China Elite’s interests in TACI increased from 46.85% to 48.66%. The Group’s 48.66% interest in TACI gives the Group 48.66% of the voting rights in TACI, and the remaining voting rights are held by two shareholders holding significant percentages of the voting rights of TACI and numerous other shareholders. The Group is not aware of these other shareholders having contractual arrangements to consult any of the others or make collective decisions. Decisions about the relevant activities of TACI require the approval of a majority of votes cast at relevant shareholders’ meetings.

As at 31st December, 2013, the board composition of TACI comprised five executive directors, three non-executive directors and four independent non-executive directors, totalling twelve directors. Of these directors, a non-executive director of TACI is also an executive director of each of Allied Group Limited (“AGL”, the ultimate holding company of the Company) and the Company, and an executive director of TACI is also an executive director of AGL. China Elite has resolved that whilst the Company’s direct or indirect shareholding in TACI is less than 50%, China Elite will not, without prior public notice required under applicable legislation, exercise its power as a shareholder of TACI to seek to appoint another director to the board of directors of TACI who is or has within the previous twelve months been an employee or a director of China Elite, its holding company or any subsidiary of its holding companies.

The Group has considered whether TACI is a subsidiary when preparing its consolidated financial statements for the year ended 31st December, 2013 in view of the provisions of HKFRS 10 and has concluded that it does not have unilateral ability to direct the relevant activities of TACI based on the above facts and circumstances, and accordingly, the Group continues to account for its interest in TACI as an associate.

The directors of the Company (“Directors”) have determined that the application of HKFRS 10 does not have material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

HKFRS 11 – Joint Arrangements

HKFRS 11 replaces HKAS 31 “Interests in Joint Ventures”, and the guidance contained in a related interpretation, HK(SIC) – Int 13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separated entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The Directors have determined that the application of HKFRS 11 does not have material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive and in accordance with HKFRS 12 additional disclosure for the Group's interests in other entities, including interests in subsidiaries, interests in associates and interests in joint ventures has been provided in the annual consolidated financial statements for the years ending 31st December, 2013 and thereafter.

HKFRS 13 – Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those required in the current standards. In accordance with the transitional provisions of HKFRS 13, additional information was disclosed in the notes to the consolidated financial statements.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities Disclosures

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. Additional information was disclosed in the notes to the consolidated financial statements in accordance with the amendments.

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 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
HKFRS 9	Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle ³

¹ Effective for annual periods beginning on or after 1st January, 2014

² Mandatory effective date has not yet been fixed

³ Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions

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

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKAS 32 are effective for annual periods beginning on or after 1st January, 2014, with retrospectively application required. The management anticipates that the application of the above amendments will not have material impact to the amounts reported in 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.

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. 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.

HKFRS 9 is available for application but the mandatory effective date has not yet been fixed. The application of HKFRS 9 might affect the measurement of the Group’s financial assets. The management is still in the process of assessing the impact of the adoption of HKFRS 9.

(2) REVENUE

	2013	2012
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue comprises:		
Continuing operations		
Interest income on loans and advances to consumer finance customers	3,121.1	2,568.5
Interest income received from banks, term loans, margin loans and others	677.1	543.5
Income from corporate finance and others	407.3	306.7
Property rental, hotel operations and management services	368.7	322.2
Securities broking	254.0	203.6
Net trading profit from forex, bullion, commodities and futures	111.7	117.6
Dividend income	9.5	16.5
	4,949.4	4,078.6
Discontinued operations		
Discontinued Elderly Care Services Business (note (3))	143.1	154.4
	5,092.5	4,233.0

(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 provision of discontinued elderly care services business which were reported under the segment of “Elderly care services” in previous years were discontinued (“Discontinued Elderly Care Services Business”) due to the disposal of a subsidiary engaged in provision of elderly care services business as described in note (10). Accordingly, the segment information disclosed below relating to the Group’s continuing operations do not include the amounts for the “Elderly care services”. Prior year figures have been restated to re-present the “Elderly care services” operation as a discontinued operation.

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

	2013				
	Investment, broking and finance HK\$ Million	Consumer finance HK\$ Million	Property rental, hotel operations and management services HK\$ Million	Sale of properties and property based investments HK\$ Million	Total HK\$ Million
Segment revenue	1,474.7	3,136.8	365.5	–	4,977.0
Less: inter-segment revenue	(12.0)	–	(15.6)	–	(27.6)
Segment revenue from external customers from continuing operations	<u>1,462.7</u>	<u>3,136.8</u>	<u>349.9</u>	<u>–</u>	<u>4,949.4</u>
Segment results	687.3	1,223.5	616.8	4.4	2,532.0
Reversal of impairment loss on interests in associates					16.2
Impairment loss for interest in an associate					(145.8)
Reversal of impairment loss on amounts due from associates					14.2
Finance costs					(281.7)
Share of results of associates					29.2
Share of results of joint ventures	6.7	–	216.5	–	223.2
Profit before taxation					2,387.3
Taxation					(228.4)
Profit for the year from continuing operations					<u>2,158.9</u>

	2012				
	Investment, broking 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	1,199.3	2,581.6	334.3	–	4,115.2
Less: inter-segment revenue	(7.4)	–	(29.2)	–	(36.6)
Segment revenue from external customers from continuing operations	<u>1,191.9</u>	<u>2,581.6</u>	<u>305.1</u>	<u>–</u>	<u>4,078.6</u>
Segment results	643.9	1,147.7	766.3	(1.6)	2,556.3
Reversal of impairment loss on interest in an associate					9.3
Impairment loss for amounts due from associates					(1.1)
Finance costs					(131.6)
Share of results of associates					169.4
Share of results of joint ventures	1.3	–	198.7	–	<u>200.0</u>
Profit before taxation					2,802.3
Taxation					<u>(295.7)</u>
Profit for the year from continuing operations					<u>2,506.6</u>

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

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Revenue from continuing operations from external customers by location of operations		
Hong Kong	3,538.8	3,123.0
Mainland China	1,329.7	942.5
Others	80.9	13.1
	<u>4,949.4</u>	<u>4,078.6</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**

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Continuing operations		
Changes in values of properties comprise:		
Net increase in fair value of investment properties	442.9	613.6
Impairment loss reversed for properties held for sale	7.8	3.9
Impairment loss reversed for hotel property	20.8	12.6
	<u>471.5</u>	<u>630.1</u>

The reversal of impairment losses was based on the lower of cost and value in use for hotel property and, the lower of cost and net realisable value for properties held for sale. The value in use and net realisable values were determined based on independent professional valuations at 31st December, 2013.

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

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

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Continuing operations		
Net realised and unrealised profit (loss) on derivatives	17.6	(11.9)
Net profit on other dealing activities	1.1	1.3
Net realised and unrealised (loss) profit on trading in equity securities	(29.1)	156.4
Net realised and unrealised profit on trading in bonds and notes	1.4	5.3
Net realised and unrealised profit on financial assets and liabilities designated as at fair value through profit or loss	84.5	22.4
	<u>75.5</u>	<u>173.5</u>

(6) **BAD AND DOUBTFUL DEBTS**

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Continuing operations		
Loans and advances to consumer finance customers		
Impairment loss	567.3	350.8
Trade and other receivables		
Reversal of impairment loss	(10.3)	(0.1)
Impairment loss	32.2	155.3
Bad debts written off	0.4	–
	<u>22.3</u>	<u>155.2</u>
Bad and doubtful debts recognised in profit or loss	<u>589.6</u>	<u>506.0</u>

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

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Amounts written off in allowance of impairment	(519.3)	(366.7)
Recoveries credited to allowance of impairment	87.5	69.1
	<hr/>	<hr/>
Trade and other receivables		
Amounts written off in allowance of impairment	(139.5)	(0.3)
	<hr/>	<hr/>
(7) FINANCE COSTS		
	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Continuing operations		
Total finance costs included in:		
Cost of sales and other direct costs	150.7	105.9
Finance costs	281.7	131.6
	<hr/>	<hr/>
	432.4	237.5
	<hr/>	<hr/>
(8) PROFIT BEFORE TAXATION		
	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Profit before taxation from continuing operations has been arrived at after charging:		
Depreciation	74.3	67.8
Amortisation of intangible assets		
Computer software (included in administrative expenses)	31.0	29.7
Other intangible assets (included in other operating expenses)	6.3	14.5
Amortisation of prepaid land lease payments	0.3	0.4
Impairment loss for interest in an associate (included in other operating expenses) (<i>Note 1</i>)	145.8	–
Loss on liquidation of subsidiaries (included in other operating expenses) (<i>Note 2</i>)	31.6	–
Net loss on disposal/written off of property, plant and equipment and intangible assets	–	0.1
and after crediting:		
Dividend income from listed equity securities	5.7	7.0
Dividend income from unlisted equity securities	3.8	9.5
Net profit on disposal/written off of property, plant and equipment	0.2	–
Net realised profit on disposal of a joint venture (included in other income)	0.5	–
Net realised profit on disposal of associates (included in other income)	30.1	0.3
Net realised profit on disposal of available-for-sale financial assets (included in other income)	0.6	96.4
Net realised profit on liquidation of subsidiaries (included in other income)	–	3.8
Profit on disposal of investment properties (included in other income)	–	0.5
	<hr/>	<hr/>

Notes:

1. During the year, as a result of the operating losses incurred by an Australian listed associate and the decrease in share price of this associate, the Directors had performed an impairment testing on the interest in this Australian listed associate to estimate the recoverable amount of this associate. The carrying amount of this associate was in excess of its recoverable amount. Accordingly, impairment loss of HK\$145.8 million, as determined by comparing the carrying amount of the associate and its fair value, was charged to the profit or loss during the year.
2. The losses were mainly derived from the liquidation of a subsidiary in the Philippines that ceased operations many years ago.

(9) TAXATION

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
The income tax charged (credited) from continuing operations comprises:		
Current tax		
Hong Kong	209.0	197.8
PRC and other jurisdictions	153.2	92.5
	362.2	290.3
Over provision in prior years	(2.3)	(5.1)
	359.9	285.2
Deferred tax		
Current year	(88.6)	10.5
Over provision in prior years	(42.9)	–
	(131.5)	10.5
	228.4	295.7

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 15th October, 2013, Wah Cheong Development (B.V.I.) Limited (“Wah Cheong”), an indirect wholly-owned subsidiary of the Company, entered into a share agreement (“Share Agreement”) with SkyOcean Investment Holdings Limited (“SkyOcean”) to dispose of its entire interest in Allied Overseas Limited (“AOL”), which was engaged in Discontinued Elderly Care Services Business, previously reported under the elderly care services segment.

According to the Share Agreement, Wah Cheong had agreed to sell 166,165,776 shares of AOL, being 74.52% of the then issued share capital of AOL and 11,877,153 warrants of AOL to SkyOcean for a total cash consideration of HK\$1,473.6 million. Further details are set out in the Company’s joint announcement with AGL dated 30th October, 2013. The Share Agreement was completed on 30th December, 2013.

Profit for the year from discontinued operations is analysed as follows:

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Profit of Discontinued Elderly Care Services Business	31.3	96.0
Expenses incurred on disposal of AOL	(2.8)	–
Gain on disposal of AOL	290.5	–
	<hr/>	<hr/>
Profit for the year from discontinued operations	319.0	96.0
	<hr/>	<hr/>
Attributable to:		
Owners of the Company	310.9	69.7
Non-controlling interests	8.1	26.3
	<hr/>	<hr/>
	319.0	96.0
	<hr/>	<hr/>

An analysis of the results of the Discontinued Elderly Care Services Business for the year ended 31st December, 2013, with the comparatives for illustrative purpose, is as follows:

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Revenue	143.1	154.4
Other income	5.3	3.7
	<hr/>	<hr/>
Total income	148.4	158.1
Cost of sales and other direct costs	(3.4)	(3.5)
Brokerage and commission expenses	(0.2)	(0.2)
Administrative expenses	(91.9)	(102.7)
Net (loss) profit on financial assets and liabilities	(10.3)	54.3
Net exchange loss	(2.8)	(0.1)
Bad and doubtful debts	(0.1)	(0.2)
Other operating expenses	(6.9)	(8.8)
	<hr/>	<hr/>
Profit before taxation	32.8	96.9
Taxation	(1.5)	(0.9)
	<hr/>	<hr/>
Profit for the year	31.3	96.0
	<hr/>	<hr/>
Profit for the year from discontinued operations include the following:		
Depreciation	1.2	1.1
	<hr/>	<hr/>

(11) 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\$1,594.4 million (2012: HK\$1,710.4 million) and on the weighted average number of 6,803.0 million (2012: 6,932.2 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\$1,283.5 million (2012: HK\$1,640.7 million) and on the weighted average number of 6,803.0 million (2012: 6,932.2 million) shares in issue during the year.

From discontinued operations

Basic earnings per share for the discontinued operations is HK4.57 cents per share (2012: HK1.00 cent per share) is calculated based on the profit attributable to owners of the Company from discontinued operations of HK\$310.9 million (2012: HK\$69.7 million) and the weighted average number of 6,803.0 million (2012: 6,932.2 million) shares in issue during the year. Diluted earnings per share from discontinued operations for both years were 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 2013 and 2012.

(12) DIVIDEND

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Dividend proposed		
Proposed final dividend of HK4.5 cents per share (2012: HK3 cents per share)	306.1	204.1
Adjustment to 2011 final dividend	—	(5.6)
	<u>306.1</u>	<u>198.5</u>
Dividend recognised as distribution during the year		
2012 final dividend of HK3 cents per share (2012: 2011 final dividend of HK1.5 cents per share)	204.1	107.6
Adjustment to 2011 final dividend	—	(5.6)
	<u>204.1</u>	<u>102.0</u>

A final dividend of HK4.5 cents (2012: HK3 cents) per share has been recommended by the Board and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

The amount of the proposed final dividend for the year ended 31st December, 2013 has been calculated by reference to 6,802,320,707 shares in issue at 26th March, 2014.

(13) LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Loans and advances to consumer finance customers	10,642.7	8,753.5
Less: impairment allowance	(599.2)	(459.7)
	10,043.5	8,293.8
Analysed for reporting purposes as:		
Non-current assets	3,440.5	3,057.6
Current assets	6,603.0	5,236.2
	10,043.5	8,293.8

(14) 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:

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Less than 31 days	1,050.1	957.9
31 to 60 days	8.3	8.0
61 to 90 days	6.0	5.7
91 to 180 days	9.1	2.5
Over 180 days	32.7	51.2
	1,106.2	1,025.3
Term loans, margin loans and trade and other receivables without aging	6,632.5	5,569.6
Impairment allowances	(184.2)	(302.1)
	7,554.5	6,292.8
Trade and other receivables at amortised cost	7,554.5	6,292.8
Prepayments	47.0	13.6
	7,601.5	6,306.4
Analysed for reporting purposes as:		
Non-current assets	1,028.1	720.0
Current assets	6,573.4	5,586.4
	7,601.5	6,306.4

(15) 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:

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Less than 31 days	1,560.6	1,059.6
31 to 60 days	9.3	12.4
61 to 90 days	6.6	9.5
91 to 180 days	8.4	26.9
Over 180 days	4.2	19.8
	<hr/>	<hr/>
	1,589.1	1,128.2
Accrued staff costs, other accrued expenses and other payables without aging	352.0	293.5
	<hr/>	<hr/>
	1,941.1	1,421.7
	<hr/>	<hr/>

(16) SHARE PREMIUM AND RESERVES

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Share premium	2,670.8	2,670.8
Property revaluation reserve	274.0	274.0
Investment revaluation reserve	299.7	273.1
Capital redemption reserve	184.9	184.6
Translation reserve	790.5	610.4
Capital reserve	5.9	(6.0)
Accumulated profits	16,651.3	15,320.9
Dividend reserve	306.1	204.1
	<hr/>	<hr/>
	21,183.2	19,531.9
	<hr/>	<hr/>

DIVIDEND

The Board has recommended a final dividend of HK4.5 cents per share for the year ended 31st December, 2013 (2012: HK3 cents per share) payable to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Friday, 20th June, 2014.

CLOSURE OF REGISTERS OF MEMBERS AND WARRANT HOLDERS

(1) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (“2014 AGM”)

The 2014 AGM is scheduled to be held on Friday, 6th June, 2014. For determining the entitlement to attend and vote at the 2014 AGM, the register of members and the register of warrant holders of the Company will be closed from Wednesday, 4th June, 2014 to Friday, 6th June, 2014 (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 2014 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 Tuesday, 3rd June, 2014.

(2) For determining the entitlement to the proposed final dividend

The proposed final dividend is subject to the approval by the Shareholders at the 2014 AGM. For determining the entitlement to the proposed final dividend for the year ended 31st December, 2013, the register of members and the register of warrant holders of the Company will be closed from Wednesday, 18th June, 2014 to Friday, 20th June, 2014 (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 proposed 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, 17th June, 2014. Subject to approval by the Shareholders at the 2014 AGM, dividend warrants are expected to be despatched to the Shareholders by post on or around Wednesday, 16th July, 2014.

FINANCIAL REVIEW

Financial Results

The revenue of the Group for 2013 (including continuing and discontinued operations) was HK\$5,092.5 million, an increase of HK\$859.5 million when compared with the year 2012. The increase in revenue mainly resulted from increased revenue of the investment, broking and finance business as well as the consumer finance business.

The profit attributable to the owners of the Company for the year (including continuing and discontinued operations) was HK\$1,594.4 million (2012: HK\$1,710.4 million). Earnings per share (including continuing and discontinued operations) amounted to HK23.44 cents (2012: HK24.67 cents).

The decrease in profit attributable to owners of the Company was mainly due to

- a lower fair value gain on revaluation of investment properties of the Group;
- a decreased contribution from a listed associate, Tian An China Investments Company Limited (“Tian An”);
- losses, including a provision for impairment loss, in respect of interests in Australian listed associates.

This decrease was mitigated by the disposal of the Group’s interest in Allied Overseas Limited (“AOL”) which recorded a gain on disposal of HK\$290.5 million.

Material Acquisitions and Disposals

On 15th October, 2013, Wah Cheong Development (B.V.I.) Limited (“Wah Cheong”), a wholly-owned subsidiary of the Company, entered into a share agreement to dispose of its entire interest in AOL (“Disposal”) at a consideration of HK\$1,473.6 million. The Disposal was completed on 30th December, 2013 and the gain on disposal was HK\$290.5 million. Further details of the Disposal are set out in the joint announcement of the Company with Allied Group Limited dated 30th October, 2013.

During the year, Sun Hung Kai & Co. Limited (“Sun Hung Kai”) disposed of two associates – Eurasia Mattress & Furniture Co. Ltd. and Tianjin Eurasia Mattress & Furniture Co. Ltd. for HK\$48.7 million and at a profit of HK\$30.1 million and it also disposed of a joint venture, Shenzhen Oriental Venture Capital Management Co., Ltd for HK\$6.2 million and at a profit of HK\$0.5 million.

Apart from the above, there were no material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the year.

Financial Resources, Liquidity and Capital Structure

On 2nd May, 2013, UA Finance (BVI) Limited, a subsidiary of Sun Hung Kai, further issued RMB500 million 6.9% 5-year Renminbi denominated notes at par for a net consideration of HK\$625.3 million. During the year, the Group purchased part of the 4% 3-year Renminbi denominated notes with a total nominal value of RMB116.9 million (2012: RMB49.0 million) from the market at a consideration of HK\$147.8 million (2012: HK\$56.0 million). The nominal value of the notes after eliminating the intra-group holdings was RMB784.1 million or equivalent to HK\$1,004.4 million at the reporting date (2012: RMB401.0 million or equivalent to HK\$498.8 million).

During the year, the Group purchased part of the US dollar denominated notes with a total nominal value of US\$5 million (2012: US\$4 million) from the market at a consideration of HK\$39.6 million (2012: HK\$31.2 million) and then sold part of the notes with a total nominal value of US\$3.5 million for HK\$27.9 million. The nominal value of the notes outstanding after eliminating the intra-group holdings was US\$344.5 million or equivalent to HK\$2,671.4 million at the reporting date (2012: US\$346.0 million or equivalent to HK\$2,681.8 million).

During the year, a subsidiary of Sun Hung Kai issued at par 687,500 preference shares of HK\$145 each of which 287,500 shares were issued to non-controlling interests. As the preference shares carry a fixed dividend rate and the subsidiary is bound to redeem the preference shares upon the request by the holders of the preference shares at a determinable future date, the preference shares are classified as financial liabilities under bank and other borrowings.

At the end of the reporting period, the Group's net borrowings amounted to HK\$5,066.3 million (2012: HK\$3,564.6 million), representing bank and other borrowings, amounts due to fellow subsidiaries and bonds and notes totalling HK\$10,218.5 million (2012: HK\$9,658.0 million) less bank deposits, bank balances and cash of HK\$5,152.2 million (2012: HK\$6,093.4 million) and the Group had equity attributable to owners of the Company of HK\$22,543.7 million (2012: HK\$20,892.7 million). Accordingly, the Group's gearing ratio of net borrowings to equity attributable to owners of the Company was 22.5% (2012: 17.1%). At the end of the reporting period, the current ratio (current assets/current liabilities) of the Group was 3.3 times, which increased from the 2.7 times applicable at the end of the preceding year.

During the year, 11,863 warrants were exercised, resulting in the issuance of 11,863 ordinary shares at a subscription price of HK\$2.00 per share. Accordingly 1,390,579,767 warrants were outstanding at 31st December, 2013. Exercise in full of the outstanding warrants would result in the issue of 1,390,579,767 additional shares with an aggregate subscription value of approximately HK\$2,781.2 million.

During the year, the Company repurchased 1,512,000 own shares at an aggregate consideration of approximately HK\$1.8 million, details of which are outlined in the section “Purchase, Sale or Redemption of Securities” below.

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Bank loans and overdrafts are repayable as follows:		
On demand or within one year	2,444.4	3,783.2
More than one year but not exceeding two years	1,521.4	1,248.4
More than two years but not exceeding five years	1,713.6	278.5
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	203.5	605.4
More than one year but not exceeding two years	225.2	188.5
More than two years but not exceeding five years	12.4	126.4
	6,120.5	6,230.4
Preference shares issued to non-controlling interests		
repayable in the third to fifth year	42.3	–
Other borrowings repayable within one year	9.0	8.7
Other borrowings with a repayment on demand clause		
repayable within one year	23.6	23.2
Amounts due to fellow subsidiaries	324.8	201.4
Renminbi denominated bonds and notes are repayable as follows:		
Within One year	366.2	–
More than one year but not exceeding five years	643.1	500.9
US dollar denominated notes repayable within five years	2,689.0	2,693.4
	4,098.0	3,427.6
	10,218.5	9,658.0

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 preference shares issued to non-controlling interests, US dollar denominated notes and Renminbi denominated bonds and 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.

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

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

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Guarantees for banking facilities granted to a joint venture	–	5.8
Indemnities on banking guarantees made available to a clearing house and regulatory body	4.5	4.5
Other guarantees	–	3.0
	4.5	13.3

(b) On 15th October, 2013, Wah Cheong entered into a share agreement (“Share Agreement”) with SkyOcean Investment Holdings Limited (“SkyOcean”) to dispose of its entire interest in AOL. According to the Share Agreement, Wah Cheong had agreed to sell 166,165,776 shares of AOL (“Sale Shares”), being 74.52% of the then issued share capital of AOL and 11,877,153 warrants of AOL (“Sale Warrants”) to SkyOcean for a total consideration of HK\$1,473.6 million. For the purpose of determining the consideration for the Sale Shares and the Sale Warrants, SkyOcean and Wah Cheong have taken in account the then estimated market value of the bonds, and cash held by Attractive Gain Limited (“Attractive Gain”, an indirect wholly-owned subsidiary of AOL), being approximately HK\$630,668,000. In this regard, SkyOcean required a warranty from Wah Cheong that the bonds would be able to maintain such value for a certain period of time. Accordingly, Wah Cheong has warranted that Attractive Gain will be able to pay in cash not less than HK\$630,668,000 to AOL, the intermediate holding companies between Attractive Gain and AOL, being LHY Limited and Cautious Base Limited or any other members of the AOL group as directed by any of them, by way of repayment of shareholder’s loan, loans to shareholder, distribution of dividend, reduction of capital or other appropriate methods, within twelve months from the date of the Share Agreement.

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\$7,680.9 million (2012: HK\$6,969.0 million), bank deposits of HK\$12.0 million (2012: HK\$69.8 million), listed investments belonging to the Group with fair values of HK\$9.3 million (2012: HK\$49.9 million) and listed investments belonging to margin clients with fair values of HK\$1,350.1 million* (2012: HK\$927.6 million) together with certain securities in respect of a listed subsidiary with investment cost of HK\$1,334.0 million (2012: HK\$1,642.7 million), were pledged to secure loans and general banking facilities to the extent of HK\$3,821.6 million (2012: to secure settlement of the equity forward contracts and loans and general banking facilities to the extent of HK\$3,859.2 million) granted to the Group. Facilities amounting to HK\$1,413.6 million (2012: HK\$2,032.2 million) were utilised at the end of the reporting period.

At the end of the reporting period, bank deposits of HK\$1.5 million (2012: HK\$4.5 million) were pledged to secure a guarantee facility issued to third parties by a bank to extent of HK\$2.0 million (2012: HK\$2.0 million) and a letter of credit to the extent of HK\$nil (2012: HK\$3.0 million).

* *Based on the terms of its margin loan agreements, Sun Hung Kai Investment Services Limited ("SHKIS"), a subsidiary of the Group, is able to repledge clients' securities for margin financing arrangements with other financial institutions as provided by the Securities and Futures Ordinance. Securities belonging to clients are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited. The fair value of the listed securities at 31st December, 2013 was HK\$13,039.3 million (2012: HK\$13,817.6 million). The collateral held can be sold at SHKIS's discretion to settle any outstanding amounts owed by the margin clients. Margin clients receivables are repayable on demand and bear interest at commercial rates.*

OPERATIONAL REVIEW

Properties

Hong Kong

- The Group's rental income from its Hong Kong property portfolio increased by 11.3% resulting from strong rental rates.
- The net gain in the value of the Group's property portfolio, including properties owned by Sun Hung Kai, was HK\$471.5 million during the year, lower than 2012 which was HK\$630.1 million.
- The Group's Ibis North Point, a 275-room budget hotel, was able to maintain a stable profit, despite less favourable operating conditions compared to 2012.
- Allied Kajima Limited, 50% indirectly owned by the Group and holding various properties including Allied Kajima Building, Novotel Century Hong Kong hotel and Sofitel Philippine Plaza Hotel, contributed a profit increase of 4.5% compared to 2012.

Mainland China

- The profit attributable to the owners of Tian An was HK\$337.6 million (2012: HK\$401.4 million), representing a decrease of 16%.
- Rental income continued to increase and was up by 3% as compared with 2012. Shenzhen Tian An Park Place, being Tower 3 of Tian An Golf Garden (Phase 3), will be retained as investment property and is expected to enter the apartment rental market in the first quarter of 2014 after internal renovations are completed.
- There are now a total of 14 cyberparks over 12 cities. The southern cyberparks have been progressing well. The eastern and northern cyberparks are at various phases of construction, while Tianjin Tian An Cyber Park (Phase 1), Wuxi Tian An Intelligent Park (Phase 1 Part 1), Nanjing Tian An Cyber Park (Phase 1) and Nantong Tian An Cyber Park (Phase 1 Part 1) have completed their construction works and Tian An has commenced sales and letting of these projects.
- Tian An's urban renewal project in Huawei New City Area in the Longgang District of Shenzhen has been renamed "Tian An Cloud Park". This is a large scale cyber park of approximately 4 times Tian An's standard size. Construction works of all seven towers of phase 1 of the project with gross floor area of approximately 531,600 m² (including basement) have reached the superstructure stage. Tian An has been clearing the land for future phases. Although this would mean an increased outlay of capital, it is expected to reduce complications when Tian An starts developing these phases.
- The cement division of Tian An, conducted through Allied Cement Holdings Limited ("Allied Cement"), reported a higher profit contribution for the full year 2013. Subsequent to the year end, Tian An has sold 56.06% in Allied Cement at a consideration of HK\$532.8 million. The gain on the sale amounted to approximately HK\$84 million and will be accounted for by Tian An in 2014. The proceeds are intended to be used as working capital, in particular, for investment in assets that may offer better returns. After the completion of the sale, Tian An held approximately 18.94% of the issued share capital of Allied Cement.

Financial Services

Broking and Finance

- Sun Hung Kai recorded a profit attributable to its owners of HK\$1,051.6 million (2012: HK\$1,036.4 million).
- The revenue from the wealth management and brokerage division of Sun Hung Kai reported a substantial increase, while the structured finance business grew significantly in 2013 due to strong demand from corporate customers for debt financing. The term loan portfolio reached a record and exceeded HK\$3 billion in the third quarter of 2013, although it stood at HK\$2,356.6 million at end of 2013 after some loan repayments, still 36% higher compared with the balance at the end of 2012.

- Sun Hung Kai entered into a long-term strategic partnership with China Everbright Bank in June 2013. This agreement provides the bank's high net worth individuals in mainland China with a complete cross-border wealth management solution through Sun Hung Kai's financial services platform including a variety of overseas investment channels, asset allocation strategies and advice from Sun Hung Kai's investment consultants.

Consumer Finance

- United Asia Finance Limited ("UAF"), a 58% owned subsidiary of Sun Hung Kai, continued its expansion both in Hong Kong and in mainland China.
- At 31st December, 2013, UAF had a total of 105 branches across twelve cities/provinces in mainland China and 49 branches in Hong Kong.
- At the end of the year, the consolidated net consumer finance loan balance amounted to HK\$10.0 billion, a 21% increment over the balance at the end of 2012.
- UAF intends to pursue additional money lending licenses in mainland China markets that possess good potential for growth and is also exploring new products to reach a broader customer base.
- In May 2013, UAF group issued its second dim sum bond and raised RMB500 million, with the final subscription significantly exceeding its launch size. This was a second drawdown from the US\$3 billion medium term note programme established in March 2011.

Investments

- During the year, the Group incurred losses totalling HK\$311.5 million in respect of its interests in two Australian listed associates, Tanami Gold NL ("Tanami") and Eurogold Limited ("Eurogold"), including its share of losses totalling HK\$147.1 million and an impairment loss recognised for its interest in Tanami amounting to HK\$145.8 million. The Tanami losses and impairment were principally as a result of Tanami closing its Coyote operating gold mine early in the year because of the substantial decline in the gold price. However, Tanami has now restructured its operations, the mine is on care and maintenance and Tanami is repositioning itself as an explorer. Tanami's recent rights issues have placed that company on a stronger financial position. The Group has supported Tanami over recent years with loans and underwritings of rights issues and these activities have earned the Group significant offsetting income totalling HK\$193 million reflected in both past years as well as the 2013 income statement. Eurogold's principal asset is a 24.3% stake in Dragon Mining Limited, an Australian listed Scandinavian gold producer which is currently restructuring its operations to improve its performance. Eurogold is currently suspended because it is now solely a holding company.
- During the year, the Group disposed of its interest in AOL at a consideration of HK\$1,473.6 million. The disposal was completed in December, 2013 and the gain on disposal was HK\$290.5 million. The Group has utilised the sales proceeds to early repay some of its bank and other borrowings and as working capital.

Employees

The total number of headcount of the Group as at 31st December, 2013 was 6,708 (2012: 6,194) including investment consultants. The increase in headcount was due primarily to the expansion of UAF's business in mainland China during the year under review. Total staff costs (including continuing and discontinued operations), including Directors' emoluments, amounted to HK\$1,031.5 million (2012: HK\$879.7 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.

LONG TERM CORPORATE STRATEGIES

The Group will continue its businesses of investment, broking and 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

Looking ahead for 2014, global financial markets are hopefully moving from uncertainty and towards a modest recovery as the US Federal Reserve has signalled its plan to taper its economic stimulus package. As various tightening measures in mainland China continue, short term growth may slow but the longer term growth trend should be sustainable. We foresee the local property market will continue to be influenced by the measures implemented by the government. Overall, we expect the local economy to experience moderate growth during 2014.

With the Group's stable and strong financial position, we will continue to adopt a prudent approach in implementing the Group's stated strategies to achieve sustainable long term growth for the benefit of the Group and all its shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31st December, 2013, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Rules Governing

the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

Code Provision A.5.6

Code provision A.5.6 of the CG Code, which came into effect on 1st September, 2013, stipulates that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report.

The Company adopted the Board Diversity Policy on 27th November, 2013 as the Board had taken more time to discuss and formulate the same.

Code Provisions B.1.2 and C.3.3

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

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

The terms of reference of the audit committee (“Audit Committee”) adopted by the Company are in compliance with the code provision C.3.3 of the CG Code except that the Audit Committee (i) shall recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have 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, 2013 (“2013 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 2013 Annual Report which will be sent to the Shareholders by the end of April 2014.

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, 2013.

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, 2013 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

Save for the Company's purchases of its own shares on The Stock Exchange of Hong Kong Limited as disclosed below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31st December, 2013.

Month	Number of shares repurchased	Purchase consideration per share		Aggregate consideration paid (before expenses) HK\$
		Highest HK\$	Lowest HK\$	
April	808,000	1.23	1.16	968,180
May	220,000	1.21	1.21	266,200
June	484,000	1.20	1.07	547,400
	<u>1,512,000</u>			<u>1,781,780</u>

APPRECIATION

The Board would like to thank all the staff for their effort and contribution in 2013, 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, 26th March, 2014

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.