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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)

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

The board of directors (“Board”) of Allied Properties (H.K.) Limited (“Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30th June, 2014 with the comparative figures for the corresponding period in 2013 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30th June, 2014

		Six months ended 30th June,	
		2014	2013
	<i>Notes</i>	Unaudited HK\$ Million	Unaudited HK\$ Million
Continuing operations			
Revenue	3	2,701.6	2,355.7
Other income		12.1	17.6
Total income		2,713.7	2,373.3
Cost of sales and other direct costs		(154.3)	(129.8)
Brokerage and commission expenses		(131.4)	(129.2)
Selling and marketing expenses		(56.8)	(52.8)
Administrative expenses		(832.1)	(723.9)
Changes in values of properties	4	221.3	325.8
Net profit (loss) on financial assets and liabilities	5	49.5	(69.9)
Net exchange gain (loss)		40.4	(55.1)
Bad and doubtful debts	6	(328.8)	(222.8)
Other operating expenses		(63.4)	(278.6)
Finance costs	7	(138.8)	(129.5)
Share of results of associates		76.9	(3.4)
Share of results of joint ventures		86.8	144.8
Profit before taxation	8	1,483.0	1,048.9
Taxation	9	(191.3)	(117.8)
Profit for the period from continuing operations		1,291.7	931.1
Discontinued operations			
Loss for the period from discontinued operations	10	–	(9.7)
Profit for the period		1,291.7	921.4

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)
for the six months ended 30th June, 2014

	<i>Notes</i>	Six months ended 30th June, 2014 Unaudited HK\$ Million	2013 Unaudited HK\$ Million
Attributable to:			
Owners of the Company			
Profit for the period from continuing operations		778.8	552.8
Loss for the period from discontinued operations		–	(7.4)
		<u>778.8</u>	<u>545.4</u>
Non-controlling interests			
Profit for the period from continuing operations		512.9	378.3
Loss for the period from discontinued operations		–	(2.3)
		<u>512.9</u>	<u>376.0</u>
		<u>1,291.7</u>	<u>921.4</u>
Earnings per share			
<i>11</i>			
From continuing and discontinued operations			
Basic		<u>HK11.45 cents</u>	<u>HK8.02 cents</u>
Diluted		<u>HK11.45 cents</u>	<u>HK8.02 cents</u>
From continuing operations			
Basic		<u>HK11.45 cents</u>	<u>HK8.13 cents</u>
Diluted		<u>HK11.45 cents</u>	<u>HK8.13 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30th June, 2014

	Six months ended 30th June,	
	2014	2013
	Unaudited	Unaudited
	HK\$ Million	HK\$ Million
Profit for the period	<u>1,291.7</u>	<u>921.4</u>
Other comprehensive income (expenses):		
<i>Item that will not be reclassified to profit or loss:</i>		
Share of other comprehensive (expenses) income of associates	(1.8)	87.1
Share of other comprehensive expenses of joint ventures	<u>(0.2)</u>	<u>–</u>
	<u>(2.0)</u>	<u>87.1</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets		
– Net fair value changes during the period	(23.7)	1.2
Exchange differences arising on translation of foreign operations	(156.9)	82.1
Reclassification adjustment to profit or loss on liquidation of subsidiaries	0.4	31.5
Share of other comprehensive income (expenses) of associates	10.5	(23.8)
Share of other comprehensive income (expenses) of joint ventures	<u>0.4</u>	<u>(1.6)</u>
	<u>(169.3)</u>	<u>89.4</u>
Other comprehensive (expenses) income for the period, net of tax	<u>(171.3)</u>	<u>176.5</u>
Total comprehensive income for the period	<u>1,120.4</u>	<u>1,097.9</u>
Attributable to:		
Owners of the Company	725.5	651.4
Non-controlling interests	<u>394.9</u>	<u>446.5</u>
	<u>1,120.4</u>	<u>1,097.9</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30th June, 2014

		At 30th June, 2014 Unaudited HK\$ Million	At 31st December, 2013 Audited HK\$ Million
	<i>Notes</i>		
Non-current assets			
Investment properties		7,490.9	7,213.0
Property, plant and equipment		957.6	894.0
Prepaid land lease payments		9.4	9.8
Goodwill		2,488.9	2,488.9
Intangible assets		978.1	989.6
Interests in associates		6,337.6	6,290.0
Interests in joint ventures		1,956.6	1,871.1
Available-for-sale financial assets		233.8	262.9
Statutory deposits		19.6	28.6
Amounts due from associates		77.7	169.6
Loans and advances to consumer finance customers due after one year	<i>13</i>	3,393.0	3,440.5
Deposits for acquisition of property, plant and equipment and investments		134.5	75.2
Deferred tax assets		224.4	201.6
Financial assets at fair value through profit or loss		280.5	378.3
Trade and other receivables	<i>14</i>	781.7	1,028.1
		<u>25,364.3</u>	<u>25,341.2</u>
Current assets			
Properties held for sale and other inventories		298.9	339.2
Financial assets at fair value through profit or loss		860.9	663.9
Prepaid land lease payments		0.3	0.3
Loans and advances to consumer finance customers due within one year	<i>13</i>	6,856.2	6,603.0
Trade and other receivables	<i>14</i>	9,710.8	6,573.4
Amounts due from associates		90.4	50.2
Amounts due from joint ventures		10.6	17.7
Tax recoverable		3.5	6.5
Short-term pledged bank deposits		1.5	13.5
Bank deposits		1,275.6	755.6
Cash and cash equivalents		4,018.5	4,383.1
		<u>23,127.2</u>	<u>19,406.4</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)
at 30th June, 2014

		At 30th June, 2014 Unaudited <i>HK\$ Million</i>	At 31st December, 2013 Audited <i>HK\$ Million</i>
	<i>Notes</i>		
Current liabilities			
Trade and other payables	15	2,535.2	1,941.1
Financial liabilities at fair value through profit or loss		74.4	60.8
Amount due to a holding company		6.6	5.0
Amounts due to fellow subsidiaries		11.9	324.8
Amounts due to associates		6.0	5.7
Amounts due to joint ventures		75.0	75.0
Tax payable		193.8	142.6
Bank and other borrowings due within one year		5,194.6	2,918.1
Bonds and notes		67.1	366.2
Provisions		25.9	46.1
Dividend payable		306.1	–
		8,496.6	5,885.4
Net current assets		14,630.6	13,521.0
Total assets less current liabilities		39,994.9	38,862.2
Capital and reserves			
Share capital	16	4,216.2	1,360.5
Reserves		18,770.4	21,183.2
Equity attributable to owners of the Company		22,986.6	22,543.7
Shares held for employee ownership scheme		(20.7)	(19.8)
Employee share-based compensation reserve		9.3	10.3
Share of net assets of subsidiaries		9,320.7	9,320.9
Non-controlling interests		9,309.3	9,311.4
Total equity		32,295.9	31,855.1
Non-current liabilities			
Bank and other borrowings due after one year		3,657.4	3,277.3
Bonds and notes		3,682.1	3,332.1
Financial liabilities at fair value through profit or loss		–	42.9
Deferred tax liabilities		347.1	342.3
Provisions		12.4	12.5
		7,699.0	7,007.1
		39,994.9	38,862.2

Notes:

1. BASIS OF PREPARATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the period, the Group adopted certain Amendments to Standards and an Interpretation that are mandatorily effective for the Group’s financial year beginning on 1st January, 2014. The adoption of these Amendments and Interpretation has had no material effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group’s financial statements for the year ended 31st December, 2013.

3. SEGMENTAL INFORMATION

As described in more detail in note 10, a subsidiary engaged in the provision of elderly care services (“Discontinued Elderly Care Services Business”) was disposed of in the second half of 2013 and 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. Accordingly, the segment information disclosed below relating to the Group’s continuing operations do not include the amounts for the “Elderly care services”. Prior period 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 by reportable and operating segments is as follows:

	Six months ended 30th June, 2014				
	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	734.9	1,787.5	187.6	1.0	2,711.0
Less: inter-segment revenue	(6.3)	–	(3.1)	–	(9.4)
Segment revenue from external customers from continuing operations	<u>728.6</u>	<u>1,787.5</u>	<u>184.5</u>	<u>1.0</u>	<u>2,701.6</u>
Segment results	416.8	745.0	301.9	(2.5)	1,461.2
Impairment loss for interest in an associate					(3.1)
Finance costs					(138.8)
Share of results of associates					76.9
Share of results of joint ventures	(0.7)	–	87.5	–	86.8
Profit before taxation					1,483.0
Taxation					(191.3)
Profit for the period from continuing operations					<u>1,291.7</u>

Six months ended 30th June, 2013

	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	713.0	1,487.0	175.1	–	2,375.1
Less: inter-segment revenue	(4.3)	–	(15.1)	–	(19.4)
Segment revenue from external customers from continuing operations	<u>708.7</u>	<u>1,487.0</u>	<u>160.0</u>	<u>–</u>	<u>2,355.7</u>
Segment results	211.6	625.5	387.9	5.6	1,230.6
Impairment loss for interests in associates					(193.6)
Finance costs					(129.5)
Share of results of associates					(3.4)
Share of results of joint ventures	4.8	–	140.0	–	144.8
Profit before taxation					1,048.9
Taxation					(117.8)
Profit for the period from continuing operations					<u>931.1</u>

Inter-segment transactions have been entered into on terms agreed by the parties concerned.

The geographical information of revenue is disclosed as follows:

	Six months ended 30th June,	
	2014	2013
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue from continuing operations from external customers by location of operations		
Hong Kong	1,847.2	1,722.7
Mainland China	829.6	618.8
Others	24.8	14.2
	<u>2,701.6</u>	<u>2,355.7</u>

4. CHANGES IN VALUES OF PROPERTIES

	Six months ended 30th June,	
	2014	2013
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Continuing operations		
Changes in values of properties comprise:		
Net increase in fair value of investment properties	207.7	303.2
Impairment loss reversed for properties held for sale	–	7.7
Impairment loss reversed for hotel property	13.6	14.9
	<u>221.3</u>	<u>325.8</u>

5. NET PROFIT (LOSS) ON FINANCIAL ASSETS AND LIABILITIES

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

	Six months ended 30th June,	
	2014	2013
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Continuing operations		
Net realised and unrealised profit (loss) on derivatives	9.8	(44.2)
Net profit on other dealing activities	0.4	0.2
Net profit on dealing in leveraged foreign currencies	0.2	–
Net realised and unrealised loss on trading in equity securities	(9.6)	(66.2)
Net realised and unrealised profit (loss) on trading in bonds and notes	5.4	(6.7)
Net realised and unrealised profit on financial assets designated as at fair value through profit or loss	43.3	47.0
	<u>49.5</u>	<u>(69.9)</u>

6. BAD AND DOUBTFUL DEBTS

	Six months ended 30th June,	
	2014	2013
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Continuing operations		
Loans and advances to consumer finance customers		
Impairment loss	<u>(331.8)</u>	<u>(232.4)</u>
Trade and other receivables		
Reversal of impairment loss	3.4	10.0
Impairment loss	(0.3)	–
Bad debts written off	<u>(0.1)</u>	<u>(0.4)</u>
	<u>3.0</u>	<u>9.6</u>
Bad and doubtful debts recognised in profit or loss	<u>(328.8)</u>	<u>(222.8)</u>

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

	Six months ended 30th June,	
	2014	2013
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Continuing operations		
Loans and advances to consumer finance customers		
Amounts written off in allowance of impairment	(329.2)	(249.0)
Recoveries credited to allowance of impairment	<u>53.2</u>	<u>40.8</u>
Trade and other receivables		
Amounts written off in allowance of impairment	<u>(54.3)</u>	<u>(137.0)</u>

7. FINANCE COSTS

	Six months ended 30th June,	
	2014	2013
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Continuing operations		
Total finance costs included in:		
Cost of sales and other direct costs	88.6	69.2
Finance costs	<u>138.8</u>	<u>129.5</u>
	<u>227.4</u>	<u>198.7</u>

8. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2014	2013
	HK\$ Million	HK\$ Million
Profit before taxation from continuing operations has been arrived at after charging:		
Amortisation of intangible assets	17.0	18.4
Amortisation of prepaid land lease payments	0.2	0.2
Depreciation	43.3	35.7
Impairment loss for available-for-sale financial assets (included in other operating expenses)	0.5	–
Impairment loss for intangible assets (included in other operating expenses)	0.4	–
Impairment loss for interests in associates (included in other operating expenses) (<i>Note</i>)	3.1	193.6
Net loss on disposal/write-off of property, plant and equipment and intangible assets	4.9	0.3
and after crediting:		
Dividend income from listed equity securities	2.3	1.5
Dividend income from unlisted equity securities	2.8	3.8
Interest income (included in revenue)	2,129.8	1,790.2
Net realised profit on disposal of available-for-sale financial assets (included in other income)	<u>0.3</u>	<u>0.6</u>

Note: During the period ended 30th June, 2014, as a result of the operating losses incurred by the Australian listed associates and the decrease in share prices of these associates, the Directors had performed an impairment testing on the interests in these Australian listed associates to estimate the recoverable amounts of these associates. The carrying amounts of these associates were in excess of their recoverable amounts. Accordingly, impairment loss of HK\$3.1 million (2013: HK\$193.6 million), as determined by comparing the carrying amounts of the associates and their respective recoverable amounts, was charged to the profit or loss during the period.

9. TAXATION

	Six months ended 30th June,	
	2014	2013
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
The income tax charged (credited) from continuing operations comprises:		
Current tax		
Hong Kong	107.7	110.1
PRC and other jurisdictions	94.7	73.6
	202.4	183.7
Under (over) provision in prior years	7.9	(1.0)
	210.3	182.7
Deferred tax		
Current period	(19.0)	(22.0)
Over provision in prior years	–	(42.9)
	(19.0)	(64.9)
	191.3	117.8

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

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2013: 25%).

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

10. DISCONTINUED OPERATIONS

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

Further details of the Share Agreement are set out in the Company’s joint announcement with Allied Group Limited dated 30th October, 2013. The Share Agreement was completed on 30th December, 2013.

HK\$ Million

Profit for the period ended 30th June, 2013 from discontinued operations include the following:

Depreciation	0.6
Impairment loss for property, plant and equipment	0.3
Interest income	27.0
	<u>27.9</u>

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\$778.8 million (2013: HK\$545.4 million) and on the weighted average number of 6,802.3 million (2013: 6,803.5 million) shares in issue during the period.

From continuing operations

The calculation of 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\$778.8 million (2013: HK\$552.8 million) and on the weighted average number of 6,802.3 million (2013: 6,803.5 million) shares in issue during the period.

From discontinued operations

No loss per share from discontinued operations is presented for the period as there is no discontinued operation during the period. Basic loss per share from discontinued operations for the period ended 30th June, 2013 was HK0.11 cents per share which is calculated based on the loss attributable to owners of the Company from discontinued operations of HK\$7.4 million and the weighted average number of 6,803.5 million shares in issue during that period. Diluted loss per share from discontinued operations for last period was the same as the basic loss per share.

The computation of diluted earnings (loss) 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 the periods ended 30th June, 2014 and 2013.

12. DIVIDEND

The Board does not recommend the declaration of an interim dividend (2013: Nil).

	Six months ended 30th June,	
	2014	2013
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Dividends recognised as distribution during the period:		
2013 final dividend of HK4.5 cents per share		
(2013: 2012 final dividend of HK3 cents per share)		
	306.1	204.1

The Company did not pay any dividend during the current and prior period. The final dividend of 2013 was paid in July 2014.

13. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	At 30th June, 2014 <i>HK\$ Million</i>	At 31st December, 2013 <i>HK\$ Million</i>
Loans and advances to consumer finance customers	10,899.7	10,642.7
<i>Less:</i> impairment allowance	(650.5)	(599.2)
	<u>10,249.2</u>	<u>10,043.5</u>
Analysed for reporting purposes as:		
Non-current assets	3,393.0	3,440.5
Current assets	6,856.2	6,603.0
	<u>10,249.2</u>	<u>10,043.5</u>

14. TRADE AND OTHER RECEIVABLES

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

	At 30th June, 2014 <i>HK\$ Million</i>	At 31st December, 2013 <i>HK\$ Million</i>
Less than 31 days	1,635.6	1,050.1
31 to 60 days	8.7	8.3
61 to 90 days	4.8	6.0
91 to 180 days	6.7	9.1
Over 180 days	34.4	32.7
	<u>1,690.2</u>	<u>1,106.2</u>
Term loans, margin loans and trade and other receivables without aging	8,873.8	6,632.5
Impairment allowances	(126.9)	(184.2)
	<u>10,437.1</u>	<u>7,554.5</u>
Trade and other receivables at amortised cost Prepayments	55.4	47.0
	<u>10,492.5</u>	<u>7,601.5</u>
Analysed for reporting purposes as:		
Non-current assets	781.7	1,028.1
Current assets	9,710.8	6,573.4
	<u>10,492.5</u>	<u>7,601.5</u>

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:

	At 30th June, 2014 <i>HK\$ Million</i>	At 31st December, 2013 <i>HK\$ Million</i>
Less than 31 days	2,172.0	1,560.6
31 to 60 days	8.2	9.3
61 to 90 days	6.9	6.6
91 to 180 days	8.4	8.4
Over 180 days	8.8	4.2
	2,204.3	1,589.1
Accrued staff costs, other accrued expenses and other payables without aging	330.9	352.0
	2,535.2	1,941.1

16. SHARE CAPITAL

Under the Hong Kong Companies Ordinance (Cap. 622) (“New CO”) with effect from 3rd March, 2014, the concept of authorised share capital no longer exists and the Company’s shares no longer have a par value. The balances of the share premium and capital redemption reserve were transferred to share capital pursuant to the adoption of the New CO.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2014 (2013: Nil). Accordingly, there will be no closure of the registers of members and warrant holders of the Company.

FINANCIAL REVIEW

Financial Results

The revenue of the Group for the period from continuing operations was HK\$2,701.6 million (2013: HK\$2,355.7 million), an increase of 14.7%. The increase was mainly due to higher interest income from the consumer finance business and an increase in financial services fees from the investment, broking and finance division.

The profit attributable to the owners of the Company for the period from continuing operations was HK\$778.8 million (2013: HK\$552.8 million), an increase of HK\$226.0 million. Earnings per share from continuing and discontinued operations amounted to HK11.45 cents (2013: HK8.02 cents).

The increase in profit was primarily due to:–

- increased contributions from the Group’s investment, broking and finance division, consumer finance division and listed associate, Tian An China Investments Company Limited (“Tian An”); and
- lower impairment losses provided for interests in Australian listed associates.

The increase in profit is pleasing considering a smaller revaluation gain in the value of the Group’s properties from HK\$325.8 million in the last period to HK\$221.3 million during the period, being a decrease of HK\$104.5 million.

Financial Resources, Liquidity and Capital Structure

The Group is principally financed by cash inflow from operating activities and banking facilities granted by the banks. 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.

On 26th March, 2014, Sun Hung Kai & Co. (BVI) Limited, a subsidiary of Sun Hung Kai & Co. Limited (“Sun Hung Kai”), further issued US\$60 million 3% US dollar denominated notes at par for a net consideration of HK\$449.1 million.

During the period, the Group purchased part of the 6.375% US dollar denominated notes with a total nominal value of US\$3 million from the market at a consideration of HK\$23.7 million. The nominal value of the 6.375% US dollar denominated notes after eliminating the intra-group holdings was US\$341.5 million or equivalent to HK\$2,646.8 million at the reporting date (at 31st December, 2013: US\$344.5 million or equivalent to HK\$2,671.4 million).

The 4% Renminbi denominated notes matured in April 2014 and the outstanding balance was repaid. The nominal value of the 6.9% Renminbi denominated notes was RMB500 million or equivalent to HK\$624.7 million at the reporting date (at 31st December, 2013: RMB500.0 million or equivalent to HK\$640.5 million).

At 30th June, 2014, the Group's net borrowings amounted to HK\$7,317.5 million (at 31st December, 2013: HK\$5,066.3 million), representing bank and other borrowings, amounts due to fellow subsidiaries and bonds and notes totalling HK\$12,613.1 million (at 31st December, 2013: HK\$10,218.5 million) less bank deposits, bank balances and cash of HK\$5,295.6 million (at 31st December, 2013: HK\$5,152.2 million) and the Group had equity attributable to owners of the Company of HK\$22,986.6 million (at 31st December, 2013: HK\$22,543.7 million). Accordingly, the Group's gearing ratio of net borrowings to equity attributable to owners of the Company was 31.8% (at 31st December, 2013: 22.5%).

During the period, 2,112 warrants were exercised, resulting in the issuance of 2,112 ordinary shares at a subscription price of HK\$2.00 per share. Accordingly 1,390,577,655 warrants were outstanding at 30th June, 2014. Exercise in full of the outstanding warrants would result in the issue of 1,390,577,655 additional shares with an aggregate subscription value of approximately HK\$2,781.2 million.

	At 30th June, 2014 <i>HK\$ Million</i>	At 31st December, 2013 <i>HK\$ Million</i>
Bank loans and overdrafts are repayable as follows:		
On demand or within one year	4,787.9	2,444.4
More than one year but not exceeding two years	1,686.6	1,521.4
More than two years but not exceeding five years	1,929.1	1,713.6
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	254.1	203.5
More than one year but not exceeding two years	118.4	225.2
More than two years but not exceeding five years	–	12.4
	8,776.1	6,120.5
Preference shares issued to non-controlling interests are repayable as follows:		
Within one year	2.1	–
More than two years but not exceeding five years	41.7	42.3
Other borrowings repayable within one year	8.8	9.0
Other borrowings with a repayment on demand clause repayable within one year	23.3	23.6
Amounts due to fellow subsidiaries	11.9	324.8
Renminbi denominated notes are repayable as follows:		
Within one year	7.1	366.2
More than one year but not exceeding five years	620.9	643.1
US dollar denominated notes are repayable as follows:		
Within one year	60.0	–
More than one year but not exceeding five years	3,061.2	2,689.0
	3,837.0	4,098.0
	12,613.1	10,218.5

At 30th June, 2014, the current ratio (current assets/current liabilities) of the Group was 2.7 times (at 31st December, 2013: 3.3 times).

Other than the preference shares issued to non-controlling interests, 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.

Material Acquisition and Disposal

There were no material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the period.

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 indemnities on banking guarantees made available to a clearing house and regulatory body of HK\$4.5 million (at 31st December, 2013: HK\$4.5 million).
- (b) 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 Investment") to dispose of its entire interest in SkyOcean International Holdings Limited ("SkyOcean International", formerly known as Allied Overseas Limited). For the purpose of determining the consideration for the disposal, SkyOcean Investment and Wah Cheong have taken into account the then estimated market value of the bonds, and cash held by Attractive Gain Limited ("Attractive Gain", an indirect wholly-owned subsidiary of SkyOcean International), being approximately HK\$630,668,000. In this regard, SkyOcean Investment 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 SkyOcean International, the intermediate holding companies between Attractive Gain and SkyOcean International, being LHY Limited and Cautious Base Limited or any other members of the SkyOcean International 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. During the period, HK\$630,668,000 was paid in cash by Attractive Gain to SkyOcean International and the warranty given by Wah Cheong was extinguished accordingly.

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\$5,544.2 million (at 31st December, 2013: HK\$7,680.9 million), bank deposits of HK\$nil (at 31st December, 2013: HK\$12.0 million), listed investments belonging to the Group with fair values of HK\$29.4 million (at 31st December, 2013: HK\$9.3 million), and listed investments belonging to margin clients with fair values of HK\$1,716.1 million (at 31st December, 2013: HK\$1,350.1 million) together with certain securities in respect of a listed subsidiary with investment cost of HK\$275.7 million (at 31st December, 2013: HK\$1,334.0 million) were pledged to secure loans and general banking facilities to the extent of HK\$2,919.7 million (at 31st December, 2013: HK\$3,821.6 million) granted to the Group. Facilities amounting to HK\$1,556.7 million (at 31st December, 2013: HK\$1,413.6 million) were utilised at the end of the reporting period.

At the end of the reporting period, bank deposits of HK\$1.5 million (at 31st December, 2013: HK\$1.5 million) were pledged to secure a guarantee facility issued to third parties by a bank to the extent of HK\$2.0 million (at 31st December, 2013: HK\$2.0 million).

OPERATIONAL REVIEW

Properties

Hong Kong

- The Group's rental income from its Hong Kong property portfolio increased by 13.7% resulting from strong rental rates.
- The net gain in the value of the Group's property portfolio, including investment properties owned by Sun Hung Kai, was HK\$221.3 million during the period, lower than that of the same period of 2013 by HK\$104.5 million.
- The hotel division reported an improved result as compared with corresponding period of last year, with increases in both occupancies and average room rates.

Mainland PRC

- The profit attributable to the owners of Tian An was HK\$189.8 million (2013: HK\$86.5 million), representing an increase of 119%.

The increase in profit of Tian An was mainly due to a realised gain on disposal of the shares in its listed subsidiary, Allied Cement Holdings Limited ("Allied Cement"), of HK\$81.6 million and an unrealised gain on holding the remaining shares of HK\$78.8 million, totalling HK\$160.4 million before tax, or HK\$117.8 million after tax. After its sale of approximately 56.06% of Allied Cement at the consideration of HK\$532.8 million in February 2014, Tian An has a remaining interest of approximately 18.94%.

- 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), Nantong Tian An Cyber Park (Phase 1 Part 1) and Jiangyin Tian An Cyber Park (Phase 1) have completed their construction works and Tian An is in the process of either obtaining sale approvals, commencing sales or letting for these projects.
- Tian An's urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen is a large scale cyber park of approximately 4 times Tian An's standard size. Construction works of the superstructures of all seven towers of phase 1 of the project with gross floor area of approximately 531,600m² (including basement) are progressing well and the development should be completed by the middle of 2015. Tian An is obtaining approval for the pre-sale of this phase in the second half of 2014. Tian An has been clearing the land for future phases. Although this means an increased outlay of resources either through capital injection or loans, it is expected to reduce complication when Tian An starts developing these phases.

Financial Services

Broking and finance

- Sun Hung Kai, the Group's broking and finance arm, recorded a profit attributable to its owners of HK\$610.3 million (2013: HK\$380.2 million).
- The increase in profit of Sun Hung Kai was driven by an encouraging operating performance in addition to strong gains from its portfolio in principal investments and foreign exchange.
- The commission income of the wealth management and brokerage division of Sun Hung Kai remained steady, while its margin book and interest income enjoyed a steady increase providing a stable income base. The loan balance was HK\$3,962 million at the end of June 2014, up 4% year-on-year. IPO margin loans outstanding as at the period end amounted to another HK\$1,864.3 million. The division's interest income increased by 18%.
- The structured finance business under the capital markets division grew satisfactorily in the first half of 2014 and its term loan portfolio was HK\$2,732.3 million at the end of June 2014, an increase of 16% from 2013 year end. Interest income also increased by 17%.
- A sale and purchase agreement has been signed for the sale of Sun Hung Kai's office space in Macau. Upon the completion of the transaction, a pre-tax gain of HK\$139.0 million at Sun Hung Kai's level is expected to be reported in the second half of 2014.

Consumer finance

- United Asia Finance Limited (“UAF”) delivered satisfactory results in the first half of 2014 with growth in revenue and profit. Revenue rose by 20% for the period under review and pre-tax profit increased by 19% to HK\$745 million.
- At the end of the period, the consolidated consumer finance loan balance amounted to HK\$10.9 billion, a 2.4% half yearly growth since the end of 2013 and 20% year-on-year increase since June 2013.
- During the period, UAF added 10 new branches to its network in mainland China, bringing the total number of branches to 115 across 13 cities in mainland China. It will also continue to introduce new products offerings utilising its market knowledge of the consumer finance industry.
- Despite keen competition, UAF’s local businesses remain stable as the domestic economy enjoys lively growth in private consumption. At the end of the period, UAF had 50 branches in Hong Kong.

Investments

- During the period, the Group incurred losses totalling HK\$12.1 million (2013: HK\$273.2 million) including impairment losses amounting to HK\$3.1 million (2013: HK\$193.6 million) for interests in its Australian listed associates, Tanami Gold NL (“Tanami”) and Eurogold Limited (“Eurogold”).
- Tanami reached an agreement in July 2014 with ABM Resources NL (“ABM”) subject to conditions precedent to lease its Coyote Gold Processing Plant and associated infrastructure to ABM, together with an option to purchase same. Eurogold’s principal asset is a 24.3% stake in Dragon Mining Limited, an Australian listed Scandinavian gold producer. The trading of Eurogold shares is still suspended because it is regarded solely as a holding company.

Employees

The total number of headcount of the Group at 30th June, 2014 was 7,128 (at 31st December, 2013: 6,708) including investment/sales consultants. The Group reviews remuneration packages from time to time. In addition to salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme.

BUSINESS OUTLOOK

The movement of global financial markets is still hinged on when the US Federal Reserve will reduce its quantitative easing measures, although to a lesser extent. While the Shanghai-Hong Kong Stock Connect Scheme is expected to be formally launched by October 2014, we are of the view that this scheme will act as new driver to the local financial markets.

With weak sales sentiment, there have been downward adjustments of property prices in most cities of the mainland in the first half of 2014. Some local governments have relaxed the policy of restricting the number of homes that can be purchased in order to support the property market. Nevertheless, the monetary policy on the mainland was still tight in the first half of 2014. Put it simply, the sentiment in the short term appears to be encouraging but is still negative. However, the longer term growth trend of the property market in China should be sustainable. The Hong Kong property market prices continue to rise moderately due to the shortage in the supply.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2014, 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 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 were set out in the Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31st December, 2013. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2014. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and on the interim results announcements of the listed associates, as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF 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 six months ended 30th June, 2014.

Month	Number of shares repurchased	Purchase consideration per share		Aggregate consideration paid
		Highest (HK\$)	Lowest (HK\$)	(before expenses) (HK\$)
January	100,000	1.26	1.26	126,000

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

Hong Kong, 27th August, 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.