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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, 2015**

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, 2015 with the comparative figures for the corresponding period in 2014 are as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
*for the six months ended 30th June, 2015*

		<b>Six months ended 30th June,</b>	
		<b>2015</b>	<b>2014</b>
	<i>Notes</i>	<b>Unaudited HK\$ Million</b>	<b>Unaudited HK\$ Million</b>
<b>Continuing operations</b>			
Revenue	3	2,368.1	2,179.3
Other income		50.8	8.5
Total income		<b>2,418.9</b>	2,187.8
Cost of sales and other direct costs		<b>(171.5)</b>	(140.5)
Brokerage and commission expenses		<b>(25.2)</b>	(21.8)
Selling and marketing expenses		<b>(47.0)</b>	(53.3)
Administrative expenses		<b>(712.3)</b>	(594.2)
Changes in values of properties	4	335.3	221.3
Net profit on financial assets and liabilities	5	238.9	50.0
Net exchange (loss) gain		(7.2)	28.3
Bad and doubtful debts	6	<b>(654.6)</b>	(332.0)
Other operating expenses		<b>(227.6)</b>	(55.4)
Finance costs	7	<b>(125.8)</b>	(133.0)
Share of results of associates		117.3	76.9
Share of results of joint ventures		103.8	86.3
Profit before taxation	8	<b>1,243.0</b>	1,320.4
Taxation	9	<b>(111.3)</b>	(163.5)
Profit for the period from continuing operations		<b>1,131.7</b>	1,156.9
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	10	<b>3,228.9</b>	134.8
Profit for the period		<b>4,360.6</b>	1,291.7

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)**  
*for the six months ended 30th June, 2015*

	<i>Notes</i>	<b>Six months ended 30th June, 2015 Unaudited HK\$ Million</b>	<b>2014 Unaudited HK\$ Million</b>
Attributable to:			
Owners of the Company			
Profit for the period from continuing operations		<b>787.4</b>	701.8
Profit for the period from discontinued operations		<b>1,769.4</b>	77.0
		<u><b>2,556.8</b></u>	<u>778.8</u>
Non-controlling interests			
Profit for the period from continuing operations		<b>344.3</b>	455.1
Profit for the period from discontinued operations		<b>1,459.5</b>	57.8
		<u><b>1,803.8</b></u>	<u>512.9</u>
		<u><b>4,360.6</b></u>	<u>1,291.7</u>
<b>Earnings per share</b>	<i>11</i>		
From continuing and discontinued operations			
Basic		<u><b>HK37.58 cents</b></u>	<u>HK11.45 cents</u>
Diluted		<u><b>HK37.58 cents</b></u>	<u>HK11.45 cents</u>
From continuing operations			
Basic		<u><b>HK11.57 cents</b></u>	<u>HK10.32 cents</u>
Diluted		<u><b>HK11.57 cents</b></u>	<u>HK10.32 cents</u>

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

*for the six months ended 30th June, 2015*

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	2014
	<b>Unaudited</b>	Unaudited
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Profit for the period	<u><b>4,360.6</b></u>	<u>1,291.7</u>
Other comprehensive income (expenses):		
<i>Items that will not be reclassified to profit or loss:</i>		
Share of other comprehensive expenses of associates	<b>(1.1)</b>	(1.8)
Share of other comprehensive expenses of joint ventures	<u>–</u>	<u>(0.2)</u>
	<b>(1.1)</b>	(2.0)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets		
– Net fair value changes during the period	<b>25.2</b>	(23.7)
– Reclassification adjustment to profit or loss on disposal	<u><b>(18.8)</b></u>	<u>–</u>
	<b>6.4</b>	(23.7)
Exchange differences arising on translation of foreign operations	<b>3.0</b>	(156.9)
Reclassification adjustment to profit or loss on disposal/ liquidation of subsidiaries	<b>(9.1)</b>	0.4
Revaluation gain on properties transferred from self-owned properties to investment properties arising from disposal of Sun Hung Kai Financial Group Limited in relation to properties leased to its subsidiaries, net of tax	<b>111.0</b>	–
Share of other comprehensive income of associates	<b>239.1</b>	10.5
Share of other comprehensive (expenses) income of joint ventures	<u><b>(0.3)</b></u>	<u>0.4</u>
	<b>350.1</b>	(169.3)
Other comprehensive income (expenses) for the period, net of tax	<u><b>349.0</b></u>	<u>(171.3)</u>
Total comprehensive income for the period	<u><b>4,709.6</b></u>	<u>1,120.4</u>
Attributable to:		
Owners of the Company	<b>2,853.8</b>	725.5
Non-controlling interests	<u><b>1,855.8</b></u>	<u>394.9</u>
	<b>4,709.6</b>	1,120.4

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*at 30th June, 2015*

		At 30th June, 2015 Unaudited HK\$ Million	At 31st December, 2014 Audited HK\$ Million
	<i>Notes</i>		
<b>Non-current assets</b>			
Investment properties		7,556.0	7,653.6
Property, plant and equipment		1,102.5	1,061.3
Prepaid land lease payments		4.9	9.3
Goodwill		2,488.9	2,488.9
Intangible assets		892.5	986.6
Interests in associates	10	8,908.7	6,970.4
Interests in joint ventures		2,112.9	2,045.4
Available-for-sale financial assets		118.6	232.6
Statutory deposits		–	39.9
Amounts due from associates		64.8	64.7
Loans and advances to consumer finance customers due after one year	13	2,856.1	3,308.4
Deposits for acquisition of property, plant and equipment		31.1	112.0
Deferred tax assets		363.2	265.0
Financial assets at fair value through profit or loss		1,098.7	603.5
Trade and other receivables	14	1,788.7	1,520.3
		<u>29,387.6</u>	<u>27,361.9</u>
<b>Current assets</b>			
Properties held for sale and other inventories		217.3	298.9
Financial assets at fair value through profit or loss		1,317.6	934.2
Prepaid land lease payments		0.1	0.3
Loans and advances to consumer finance customers due within one year	13	7,524.9	8,083.3
Trade and other receivables	14	2,140.2	7,775.2
Amounts due from associates	10	1,288.2	116.0
Amounts due from joint ventures		2.1	9.9
Tax recoverable		9.6	12.0
Bank deposits		840.9	993.4
Cash and cash equivalents		8,278.0	4,391.9
		<u>21,618.9</u>	<u>22,615.1</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**  
*at 30th June, 2015*

		At 30th June, 2015 Unaudited HK\$ Million	At 31st December, 2014 Audited HK\$ Million
	<i>Notes</i>		
<b>Current liabilities</b>			
Trade and other payables	15	509.4	2,896.1
Financial liabilities at fair value through profit or loss		89.4	66.6
Amount due to a holding company		5.5	6.2
Amounts due to fellow subsidiaries		–	5.2
Amounts due to associates		5.4	5.4
Amounts due to joint ventures		0.1	75.1
Tax payable		204.5	187.5
Bank borrowings due within one year		3,488.5	4,528.6
Notes		76.6	71.3
Provisions		19.5	62.6
Dividend payable		375.1	–
		<u>4,774.0</u>	<u>7,904.6</u>
<b>Net current assets</b>		<u>16,844.9</u>	<u>14,710.5</u>
<b>Total assets less current liabilities</b>		<u>46,232.5</u>	<u>42,072.4</u>
<b>Capital and reserves</b>			
Share capital		4,250.5	4,216.2
Reserves		22,550.5	20,073.0
<b>Equity attributable to owners of the Company</b>		<u>26,801.0</u>	<u>24,289.2</u>
Shares held for employee ownership scheme		(14.1)	(20.2)
Employee share-based compensation reserve		5.8	13.3
Share of net assets of subsidiaries		12,058.7	10,506.9
<b>Non-controlling interests</b>		<u>12,050.4</u>	<u>10,500.0</u>
<b>Total equity</b>		<u>38,851.4</u>	<u>34,789.2</u>
<b>Non-current liabilities</b>			
Bank borrowings due after one year		3,437.9	3,286.0
Notes		3,629.7	3,637.2
Deferred tax liabilities		312.2	347.2
Provisions		1.3	12.8
		<u>7,381.1</u>	<u>7,283.2</u>
		<u>46,232.5</u>	<u>42,072.4</u>

*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 that are mandatorily effective for the Group’s financial year beginning on 1st January, 2015. The adoption of these Amendments has had no material effect on the 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, 2014.

**3. SEGMENTAL INFORMATION**

During the period, the operations of businesses of provision of wealth management and brokerage services and corporate finance services which were reported under the segment of “Investment, broking and finance” in previous periods were discontinued due to disposal of a group of subsidiaries as described in note 10. The operations remained in the “Investment, broking and finance” segment are investment and provision of term loan financing. Accordingly, the segment is redesignated as “Investment and finance” for the purpose of segmental information. The comparative figures of segment profit or loss for the six months ended 30th June, 2014 were restated to conform to the current period presentation.

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

	<b>Six months ended 30th June, 2015</b>				
	<b>Investment and finance HK\$ Million</b>	<b>Consumer finance HK\$ Million</b>	<b>Property rental, hotel operations and management services HK\$ Million</b>	<b>Sale of properties and property based investments HK\$ Million</b>	<b>Total HK\$ Million</b>
Segment revenue	236.5	1,946.5	195.6	–	2,378.6
Less: inter-segment revenue	(4.2)	–	(6.3)	–	(10.5)
Segment revenue from external customers from continuing operations	<u>232.3</u>	<u>1,946.5</u>	<u>189.3</u>	<u>–</u>	<u>2,368.1</u>
Segment results	262.7	470.7	404.1	(3.3)	1,134.2
Reversal of impairment loss on interests in associates					13.5
Finance costs					(125.8)
Share of results of associates					117.3
Share of results of joint ventures	43.8	–	60.0	–	103.8
Profit before taxation					1,243.0
Taxation					(111.3)
Profit for the period from continuing operations					<u>1,131.7</u>

Six months ended 30th June, 2014

	Investment and finance <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Property rental, hotel operations and management services <i>HK\$ Million</i>	Sale of properties and property based investments <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Segment revenue	212.6	1,787.5	187.6	1.0	2,188.7
Less: inter-segment revenue	(6.3)	–	(3.1)	–	(9.4)
Segment revenue from external customers from continuing operations	<u>206.3</u>	<u>1,787.5</u>	<u>184.5</u>	<u>1.0</u>	<u>2,179.3</u>
Segment results	248.9	745.0	301.9	(2.5)	1,293.3
Impairment loss for interest in an associate					(3.1)
Finance costs					(133.0)
Share of results of associates					76.9
Share of results of joint ventures	(1.2)	–	87.5	–	<u>86.3</u>
Profit before taxation					1,320.4
Taxation					<u>(163.5)</u>
Profit for the period from continuing operations					<u>1,156.9</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,	
	2015	2014
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue from continuing operations from external customers by location of operations		
Hong Kong	<b>1,397.3</b>	1,338.3
Mainland China	<b>946.8</b>	829.0
Others	<b>24.0</b>	12.0
	<u><b>2,368.1</b></u>	<u>2,179.3</u>



#### 4. CHANGES IN VALUES OF PROPERTIES

	Six months ended 30th June,	
	2015	2014
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<b>Continuing operations</b>		
Changes in values of properties comprise:		
Net increase in fair value of investment properties*	329.6	207.7
Impairment loss reversed for hotel property	5.7	13.6
	<u>335.3</u>	<u>221.3</u>

\* The amount recognised in the current period included HK\$203.2 million arising from the revaluation of an investment property upon the disposal of a subsidiary holding the investment property to a joint venture. The details of the disposal are described in note 8.

#### 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:

	Six months ended 30th June,	
	2015	2014
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<b>Continuing operations</b>		
Net realised and unrealised profit on derivatives	49.7	10.8
Net realised and unrealised profit (loss) on trading in equity securities	121.2	(9.5)
Net realised and unrealised profit on trading in bonds and notes	10.9	5.4
Net realised and unrealised profit on financial assets designated as at fair value through profit or loss	57.1	43.3
	<u>238.9</u>	<u>50.0</u>

## 6. BAD AND DOUBTFUL DEBTS

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<b>Continuing operations</b>		
Loans and advances to consumer finance customers		
Impairment loss	<u>(639.4)</u>	<u>(331.8)</u>
Trade and other receivables		
Reversal of impairment loss	<b>0.1</b>	0.1
Impairment loss	<b>(4.4)</b>	(0.3)
Bad debts written off	<u><b>(10.9)</b></u>	<u>–</u>
	<u><b>(15.2)</b></u>	<u>(0.2)</u>
Bad and doubtful debts recognised in profit or loss	<u><b>(654.6)</b></u>	<u>(332.0)</u>

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

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

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<b>Continuing operations</b>		
Loans and advances to consumer finance customers		
Amounts written off in allowance of impairment	<b>(610.6)</b>	(329.2)
Recoveries credited to allowance of impairment	<u><b>59.8</b></u>	<u>53.2</u>

## 7. FINANCE COSTS

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<b>Continuing operations</b>		
Total finance costs included in:		
Cost of sales and other direct costs	<b>114.5</b>	88.6
Finance costs	<b>125.8</b>	133.0
	<b>240.3</b>	221.6

## 8. PROFIT BEFORE TAXATION

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Profit before taxation from continuing operations has been arrived at after charging:		
Amortisation of intangible assets	<b>3.8</b>	3.2
Amortisation of prepaid land lease payments	<b>0.1</b>	0.2
Depreciation	<b>38.0</b>	31.4
Impairment loss for amounts due from joint ventures (included in other operating expenses)	<b>5.3</b>	–
Impairment loss for available-for-sale financial assets (included in other operating expenses)	<b>13.7</b>	0.5
Impairment loss for interest in an associate (included in other operating expenses)	–	3.1
Net loss on disposal of property, plant and equipment	<b>4.1</b>	2.2
Loss on purchase of bonds issued by the Group ( <i>Note 1</i> )	<b>141.5</b>	–
and after crediting:		
Dividend income from listed equity securities	<b>6.4</b>	2.3
Dividend income from unlisted equity securities	<b>3.5</b>	2.8
Interest income (included in revenue)	<b>2,136.2</b>	1,957.6
Net realised profit on disposal of available-for-sale financial assets (included in other income)	<b>18.8</b>	0.3
Net realised profit on disposal of investment properties (included in other income)	<b>1.0</b>	–
Net realised profit on disposal of subsidiaries (included in other income) ( <i>Note 2</i> )	<b>15.9</b>	–
Reversal of impairment loss on interests in associates (included in other income)	<b>13.5</b>	–

*Notes:*

1. In 2013 a securitisation fund owned by the Group issued bonds to an independent third party investment fund which in turn sold units to investors in the PRC. The bonds issued by the Group's securitisation fund were backed by bonds issued by a Singapore listed company. The Singapore company defaulted on the bonds. In order to facilitate repayment to the PRC investors and to minimise a potentially protracted and costly dispute, a subsidiary of the Group purchased the bonds issued to the independent investment fund for HK\$141.5 million, being the original principal and part of the outstanding interest, during the period. This amount is included in "Other operating expenses". A judicial manager has been appointed to the Singapore company and the Group is actively pursuing all possible means of recovery of these funds and other costs. Any amounts recovered will in the future be included in "Other income".
2. On 25th June 2015, the Group disposed of two indirect wholly-owned subsidiaries ("Disposal") engaged in property holding business and investment of securities business respectively to an indirect wholly-owned subsidiary of Allied Kajima Limited, which is a joint venture of the Group. The Disposal does not constitute a disposal of business and accordingly the gain on disposal is eliminated to the extent of the Group's interest in the joint venture.

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

- \* The investment property was revalued before the Disposal and the fair value gain was HK\$203.2 million, which is included in the amount of HK\$329.6 million of net increase in fair value of investment properties in note 4.

## 9. TAXATION

	Six months ended 30th June,	
	2015	2014
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
The income tax charged (credited) from continuing operations comprises:		
Current tax		
Hong Kong	93.0	86.5
PRC	122.8	94.1
	<u>215.8</u>	<u>180.6</u>
Over provision in prior years	(0.3)	(0.1)
	<u>215.5</u>	<u>180.5</u>
Deferred tax		
Current period	(104.2)	(17.0)
	<u>111.3</u>	<u>163.5</u>

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% (2014: 25%).

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

Deferred tax of HK\$5.3 million arising from the revaluation gain on properties transferred from self-owned properties to investment properties was recognised in other comprehensive income during the period (2014: Nil).

## 10. DISCONTINUED OPERATIONS

On 2nd June, 2015, SHK completed the disposal of 70% interest in Sun Hung Kai Financial Group Limited (“SHKFGL”). SHKFGL and its subsidiaries carry out businesses in provision of wealth management and brokerage services and corporate finance services. The proceeds on disposal of HK\$4,095.0 million were received in cash. Upon the disposal, the fair value of the remaining 30% interest in SHKFGL on the disposal date of HK\$1,644.0 million is classified as an interest in associate and the amounts due from the subsidiaries of SHKFGL are classified as amounts due from associates. Such amounts include a 1-year shareholder loan of HK\$1,061.6 million (interest at 6% p.a. for the first 6 months and 8% p.a. thereafter) advanced by the Group to a subsidiary of SHKFGL. The loan is guaranteed by the controlling shareholder of SHKFGL and a subsidiary of SHKFGL after the disposal.

The profit from discontinued operations (the consolidated profit of SHKFGL up to the date of the disposal and the profit on disposal of SHKFGL) is analysed as follows:

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	2014
	<b>Unaudited</b>	Unaudited
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Revenue	<b>603.5</b>	522.3
Other income	<b>0.3</b>	3.6
	<hr/>	<hr/>
Total income	<b>603.8</b>	525.9
Cost of sales and other direct costs	<b>(8.2)</b>	(13.8)
Brokerage and commission expenses	<b>(167.7)</b>	(109.6)
Selling and marketing expenses	<b>(5.5)</b>	(3.5)
Administrative expenses	<b>(199.1)</b>	(237.9)
Net profit (loss) on financial assets and liabilities	<b>2.1</b>	(0.5)
Net exchange (loss) gain	<b>(4.3)</b>	12.1
Bad and doubtful debts	<b>11.9</b>	3.2
Other operating expenses	<b>(4.5)</b>	(8.0)
Finance costs	<b>(4.8)</b>	(5.8)
Share of results of joint ventures	<b>1.8</b>	0.5
	<hr/>	<hr/>
Profit before taxation	<b>225.5</b>	162.6
Taxation	<b>(30.1)</b>	(27.8)
	<hr/>	<hr/>
Profit for the period	<b>195.4</b>	134.8
Profit on disposal of SHKFGL	<b>3,033.5</b>	–
	<hr/>	<hr/>
Profit for the period from discontinued operations	<b>3,228.9</b>	134.8
	<hr/>	<hr/>
Attributable to:		
Owners of the Company	<b>1,769.4</b>	77.0
Non-controlling interests	<b>1,459.5</b>	57.8
	<hr/>	<hr/>
	<b>3,228.9</b>	134.8
	<hr/>	<hr/>

The profit on disposal of SHKFGL is as follows:

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

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

\* The Group may, during the option period (which is the period of six months commencing on the third anniversary of the completion date) or following the occurrence of certain trigger events, exercise its put right to require the buyer to buy some or all of the shares it holds in SHKFGL at a price per share equal to the consideration per share paid by the buyer for the acquisition of the 70% interest plus a pre-agreed annualised yield. Further details have been disclosed in the Company's circular dated 27th February, 2015.

## 11. EARNINGS PER SHARE

### From continuing and discontinued operations

The calculation of basic and diluted earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	<b>2014</b>
	<b><i>HK\$ Million</i></b>	<b><i>HK\$ Million</i></b>
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	<b>2,556.8</b>	778.8
Adjustments to profit in respect of shares held for the employee ownership scheme of a subsidiary	<b>(0.1)</b>	–
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share	<b>2,556.7</b>	778.8
	<hr/>	<hr/>
	<b><i>Million shares</i></b>	<b><i>Million shares</i></b>
<u>Number of shares</u>		
Weighted average number of shares in issue for the purpose of basic and diluted earnings per share	<b>6,804.1</b>	6,802.3
	<hr/>	<hr/>

**From continuing operations**

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share (profit from continuing operations attributable to owners of the Company)	<b>787.4</b>	701.8
Adjustments to profit in respect of shares held for the employee ownership scheme of a subsidiary	<b>(0.1)</b>	–
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share	<b>787.3</b>	701.8
	<hr/>	<hr/>
	<i>Million shares</i>	<i>Million shares</i>
<u>Number of shares</u>		
Weighted average number of shares in issue for the purpose of basic and diluted earnings per share	<b>6,804.1</b>	6,802.3
	<hr/>	<hr/>

**From discontinued operations**

Basic earnings per share from discontinued operations is HK26.01 cents per share (2014: HK1.13 cents per share) which is calculated based on the profit attributable to owners of the Company from discontinued operations of HK\$1,769.4 million (2014: HK\$77.0 million) and the weighted average number of 6,804.1 million (2014: 6,802.3 million) shares in issue during the period. Diluted earnings per share from discontinued operations for both periods 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 the periods ended 30th June, 2015 and 2014.



## 12. DIVIDEND

The Board does not recommend the declaration of an interim dividend (2014: Nil).

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	2014
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Dividends recognised as distribution during the period:		
2014 final dividend of HK5.5 cents per share (2014: 2013 final dividend of HK4.5 cents per share)	<b>374.1</b>	306.1
Adjustments to 2014 final dividend	<b>1.0</b>	–
	<b><u>375.1</u></b>	<b><u>306.1</u></b>

The Company did not pay any dividend during the current and prior period. The final dividend of 2014 was paid in July 2015.

## 13. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	<b>At</b>	<b>At</b>
	<b>30th June,</b>	31st December,
	<b>2015</b>	2014
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Hong Kong	<b>6,848.6</b>	7,081.6
Mainland China	<b>4,378.0</b>	5,066.7
Less: impairment allowance	<b>(845.6)</b>	(756.6)
	<b><u>10,381.0</u></b>	<b><u>11,391.7</u></b>
Analysed for reporting purposes as:		
Non-current assets	<b>2,856.1</b>	3,308.4
Current assets	<b>7,524.9</b>	8,083.3
	<b><u>10,381.0</u></b>	<b><u>11,391.7</u></b>

#### 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, 2015 <i>HK\$ Million</i>	At 31st December, 2014 <i>HK\$ Million</i>
Less than 31 days	18.4	1,834.2
31 to 60 days	6.5	10.0
61 to 90 days	6.2	5.8
91 to 180 days	2.9	6.5
Over 180 days	1.8	25.6
	<hr/>	<hr/>
	35.8	1,882.1
Term loans, margin loans and trade and other receivables without aging	3,898.6	7,526.1
Less: impairment allowances	(9.4)	(138.8)
	<hr/>	<hr/>
Trade and other receivables at amortised cost	3,925.0	9,269.4
Prepayments	3.9	26.1
	<hr/>	<hr/>
	3,928.9	9,295.5
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Non-current assets	1,788.7	1,520.3
Current assets	2,140.2	7,775.2
	<hr/>	<hr/>
	3,928.9	9,295.5
	<hr/>	<hr/>

#### 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, 2015 <i>HK\$ Million</i>	At 31st December, 2014 <i>HK\$ Million</i>
Less than 31 days	78.5	2,482.1
31 to 60 days	6.9	9.0
61 to 90 days	4.6	11.5
91 to 180 days	5.1	9.6
Over 180 days	0.4	3.9
	<hr/>	<hr/>
	95.5	2,516.1
Accrued staff costs, other accrued expenses and other payables without aging	413.9	380.0
	<hr/>	<hr/>
	509.4	2,896.1
	<hr/>	<hr/>

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2015 (2014: 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\$2,368.1 million (2014: HK\$2,179.3 million), an increase of 8.7%. The increase was mainly due to higher interest income from the consumer finance business and an increase in income from the investment and finance division.

The profit for the period (including continuing and discontinued operations) was HK\$4,360.6 million (2014: HK\$1,291.7 million), which included HK\$3,033.5 million gain on disposal of 70% interest in Sun Hung Kai Financial Group Limited (“SHKFGL”) to Everbright Securities Company Limited (“Everbright Securities”).

The profit attributable to the owners of the Company for the period from continuing and discontinued operations was HK\$2,556.8 million (2014: HK\$778.8 million), an increase of HK\$1,778.0 million.

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

- gain on disposal of 70% interest in SHKFGL mentioned above; and
- higher revaluation gains from the Group’s Hong Kong property portfolio.

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

### *Earnings per share*

Earnings per share from continuing and discontinued operations amounted to HK37.58 cents (2014: HK11.45 cents).

## **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.

During the period, the Group purchased part of the 6.9% Renminbi denominated notes with a total nominal value of RMB5.0 million from the market at a consideration of HK\$6.5 million. The nominal value of the 6.9% Renminbi denominated notes after eliminating the intra-group holdings was RMB495.0 million or equivalent to HK\$618.8 million (at 31st December, 2014: RMB500.0 million or equivalent to HK\$624.9 million) at the reporting date.

The nominal value of the 6.375% US dollar denominated notes after eliminating the intra-group holdings was US\$335.2 million or equivalent to HK\$2,598.4 million (at 31st December, 2014: US\$335.2 million or equivalent to HK\$2,600.1 million) at the reporting date.

The nominal value of the 3% US dollar denominated notes was US\$60.0 million or equivalent to HK\$465.1 million (at 31st December, 2014: US\$60.0 million or equivalent to HK\$465.4 million) at the reporting date.

The Group's cash position was much strengthened with the sales proceeds from the SHKFGL transaction. At 30th June, 2015, the Group's net borrowings amounted to HK\$1,513.8 million (at 31st December, 2014: HK\$6,143.0 million), representing bank borrowings, amounts due to fellow subsidiaries and notes totalling HK\$10,632.7 million (at 31st December, 2014: HK\$11,528.3 million) less bank deposits, bank balances and cash of HK\$9,118.9 million (at 31st December, 2014: HK\$5,385.3 million) and the Group had equity attributable to owners of the Company of HK\$26,801.0 million (at 31st December, 2014: HK\$24,289.2 million). Accordingly, the Group's gearing ratio of net borrowings to equity attributable to owners of the Company was 5.6% (at 31st December, 2014: 25.3%).

During the period, 17,108,662 warrants were exercised, resulting in the issuance of 17,108,662 ordinary shares at a subscription price of HK\$2.00 per share. Accordingly 1,373,463,020 warrants were outstanding at 30th June, 2015. Exercise in full of the outstanding warrants would result in the issue of 1,373,463,020 additional shares with an aggregate subscription value of approximately HK\$2,746.9 million.

	At <b>30th June,</b> <b>2015</b> <i>HK\$ Million</i>	At 31st December, 2014 <i>HK\$ Million</i>
Bank loans are repayable as follows:		
On demand or within one year	<b>2,769.3</b>	4,152.2
More than one year but not exceeding two years	<b>2,315.9</b>	1,434.3
More than two years but not exceeding five years	<b>1,122.0</b>	1,851.7
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	<b>177.6</b>	350.0
More than one year but not exceeding two years	<b>60.8</b>	17.2
More than two years but not exceeding five years	<b>480.8</b>	9.2
	<b>6,926.4</b>	7,814.6
Amounts due to fellow subsidiaries	–	5.2
Renminbi denominated notes are repayable as follows:		
Within one year	<b>6.8</b>	7.0
More than one year but not exceeding five years	<b>616.1</b>	621.6
US dollar denominated notes are repayable as follows:		
Within one year	<b>69.8</b>	64.3
More than one year but not exceeding five years	<b>3,013.6</b>	3,015.6
	<b>3,706.3</b>	3,713.7
	<b>10,632.7</b>	11,528.3

At 30th June, 2015, the current ratio (current assets/current liabilities) of the Group was 4.5 times (at 31st December, 2014: 2.9 times).

Other than the US dollar denominated notes and Renminbi denominated notes, most of the bank 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**

On 1st February, 2015, SHK entered into a sale and purchase agreement with Everbright Securities to dispose of 70% equity interest in SHKFGL (“SHKFGL Disposal”) for a consideration of HK\$4,095.0 million. The transaction was completed on 2nd June, 2015 and the gain on disposal was HK\$3,033.5 million. Further details of the SHKFGL Disposal are set out in the circular of the Company dated 27th February, 2015.

On 5th June, 2015, AP Development Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of its entire interest in King Policy Development Limited (“KP”) to Allied Kajima Limited (“KP Disposal”), which is a joint venture of the Company. The KP Disposal was completed on 25th June, 2015 and the consideration received was HK\$640.5 million. KP holds a block of serviced apartments, Century Court, in Wanchai. Before the disposal, the Century Court was revalued at market value and the fair value gain was HK\$203.2 million. The gain on KP Disposal was HK\$15.9 million based on the property revalued amount.

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

## **Segment Information**

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

## **Risk of Foreign Exchange Fluctuation**

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

## Contingent Liabilities

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

	At 30th June, 2015 <i>HK\$ Million</i>	At 31st December, 2014 <i>HK\$ Million</i>
Indemnities on banking guarantees made available to a regulatory body	–	1.5
Guarantees for banking facilities granted to an associate*	500.0	–
Financial guarantees under loan guarantee business	46.0	30.2
	<u>546.0</u>	<u>31.7</u>

\* The controlling shareholder of SHKFGL shall indemnify the Group against any loss, liability or cost incurred on the guarantees.

## Pledge of Assets

At the end of the reporting period, certain of the Group's investment properties, hotel property, land and buildings and properties held for sale with an aggregate carrying value of HK\$6,438.0 million (at 31st December, 2014: HK\$5,658.1 million), listed securities belonging to the Group with fair values of HK\$nil (at 31st December, 2014: HK\$69.3 million), and listed securities belonging to margin clients with fair values of HK\$nil (at 31st December, 2014: HK\$1,563.5 million) together with certain securities in respect of a listed subsidiary with investment cost of HK\$276.6 million (at 31st December, 2014: HK\$276.6 million) were pledged to secure loans and general banking facilities to the extent of HK\$1,392.2 million (at 31st December, 2014: HK\$3,093.0 million) granted to the Group. Facilities amounting to HK\$814.1 million (at 31st December, 2014: HK\$859.9 million) were utilised at the end of the reporting period.

## OPERATIONAL REVIEW

### Properties

#### *Hong Kong*

- Rental income from the Group's Hong Kong property portfolio increased by 5.4% when compared to the corresponding period of 2014.
- Due to the decrease in the number of tourists from mainland China, the hotel division reported a decrease in average room rates and occupancies, resulting in a decreased contribution to the Group.

- In June 2015, the Group disposed of its interest in the serviced apartments, Century Court, to Allied Kajima Limited (“AKL”), being the Group’s 50% owned joint venture, for a consideration of HK\$640.5 million. The total gain arising from this transaction was HK\$219.1 million. Century Court will undergo redevelopment into a boutique hotel and synergy is expected between the property and the existing Novotel hotel which is located adjacent to it. Demolition work is planned to start in the last quarter of 2015. AKL’s portfolio now includes Century Court, Allied Kajima Building, Novotel Century Hong Kong hotel and Sofitel Philippine Plaza Hotel.
- The net gain in the value of the Group’s property portfolio, including investment properties owned by SHK, was HK\$335.3 million during the period, higher than that of the same period of 2014 by HK\$114.0 million.

#### *Mainland PRC*

- The profit attributable to the owners of Tian An China Investments Company Limited (“TACI”) was HK\$210.0 million (2014: HK\$189.8 million).
- The increase in profit of TACI was mainly due to an increase in revaluation gains in respect of its investment property portfolio and higher recognised property development sales.
- There are a total of 14 cyberparks over 12 cities. The overall contribution of TACI’s cyberpark unit has been below its expectations as the slowing Chinese economy affected sales and leasing.
- TACI’s urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen is a large scale cyberpark approximately 4 times TACI’s standard size. Construction works of the superstructure of all seven towers of phase 1 of the project with GFA of approximately 531,600m<sup>2</sup> (including basement) are progressing well, of which a total GFA of 193,200m<sup>2</sup> was completed in the first half of 2015. The remaining portion of phase 1 has recently been completed. Sales and leasing to date have been encouraging and total sales to date for phase 1 amount to approximately HK\$2,670 million. TACI hopes this project will contribute to its performance this year.

### **Financial Services**

#### *Investment and finance*

- The profit attributable to owners of SHK, the Group’s investment and finance arm, was HK\$3,630.6 million (2014: HK\$610.3 million).
- SHK completed the disposal of 70% interest in SHKFGL. The benefits of this transaction are: (1) SHK realised a gain on disposal of HK\$3,033.5 million, (2) it frees up significant amount of cash for re-investment, (3) SHK continues to participate in the future growth through the retained 30% interest in SHKFGL, and (4) downside is protected by a put right (please refer to note 10 regarding discontinued operations on page 15 of this announcement).



- SHK's structured finance division is a growing contributor to SHK's earnings. At 30th June, 2015, the aggregate structured finance loan balance was HK\$3,650.3 million, a 9% increase over the end of 2014 and pre-tax profit contribution during the period increased by 51%.
- The carrying value of SHK's investment portfolio amounted to HK\$5,139.8 million at the end of June 2015 and this division contributed a total pre-tax contribution of HK\$295.9 million to SHK (2014: HK\$95.0 million).

### *Consumer finance*

- Pre-tax profit of United Asia Finance Limited ("UAF"), the 58% indirectly owned subsidiary of SHK, for the period amounted to HK\$470.7 million, a decrease of 37% over the same period last year. This is due to a significant increase in bad and doubtful debts incurred from its mainland China business. Total bad and doubtful debts increased by 94% to HK\$643.3 million.
- UAF is addressing this higher bad debt ratio problem by revising its marketing and collection strategies on the mainland.
- In order to avoid significant capital required in setting up operations in individual cities, UAF has set up two branches in Guangzhou and Foshan to provide loan marketing and guarantee business. This asset light business model should allow UAF to expand across the mainland with more flexibility in the future.
- With the slowing China economy and deteriorating operational environment, UAF will exercise caution in the expansion of its mainland business.
- UAF's business in Hong Kong remained steady with good profitability. This was in spite of its overall volume in Hong Kong dropping slightly, caused mainly by slowdown in the property loan business.
- At the end of the period, the consolidated consumer finance gross loan balance amounted to HK\$11.2 billion, representing an increase of 3.0% year on year since June 2014 and a 7.6% decrease since the end of 2014. UAF had 153 branches on the mainland and 50 branches in Hong Kong at the period end.

### **Employees**

The total number of headcount of the Group at 30th June, 2015 was 7,251 (at 31st December, 2014: 8,104) including sales consultants. The net decrease in headcount reflects the reclassification of SHKFGL as a 30% owned associate after the Group's sale of its 70% equity interest. 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**

It is expected that the slowdown of mainland China's economy is likely to continue and major economies in the world are forecast to have slow growth.

The earnings outlook for the consumer finance business on the mainland remains challenging. The structured finance and the Hong Kong consumer finance businesses are expected to have a stable performance this year.

The Hong Kong property market prices may rise moderately due to sustained demand and shortage in supply, although the slowdown of the mainland economy may affect the local market.

As for the mainland property market, following the introduction of government measures, the sentiment in the short term may appear to be encouraging but significant and sustained market improvement is yet to be seen. However, the longer term prospect of the property market in China is expected to be positive.

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the six months ended 30th June, 2015, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

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

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

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

The terms of reference of the audit committee (“Audit Committee”) adopted by the Company are in compliance with the code provision C.3.3 of the CG Code 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, 2014. 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, 2015. 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**

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, 2015.

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

Hong Kong, 26th August, 2015

*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.*