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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 2016

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, 2016 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31ST DECEMBER, 2016

	Notes	2016 HK\$ Million	2015 HK\$ Million
Continuing operations			
Revenue	(2)	3,974.6	4,594.5
Other income		51.9	83.4
Total income		4,026.5	4,677.9
Cost of sales and other direct costs		(335.2)	(368.1)
Brokerage and commission expenses		(51.0)	(56.0)
Selling and marketing expenses		(120.3)	(106.2)
Administrative expenses		(1,249.3)	(1,411.5)
Changes in values of properties	(4)	580.1	436.0
Net gain on financial assets and liabilities	(5)	753.7	1,001.5
Net exchange gain		8.6	0.9
Bad and doubtful debts	(6)	(893.6)	(1,571.5)
Other operating expenses		(260.1)	(823.4)
Finance costs	(7)	(297.8)	(253.9)
Share of results of associates		2,900.2	1,290.0
Share of results of joint ventures		193.9	157.1
Profit before taxation	(8)	5,255.7	2,972.8
Taxation	(9)	(155.9)	(97.5)
Profit for the year from continuing operations		5,099.8	2,875.3
Discontinued operations			
Profit for the year from discontinued operations		–	3,228.9
Profit for the year		5,099.8	6,104.2

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)
FOR THE YEAR ENDED 31ST DECEMBER, 2016

	<i>Notes</i>	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Attributable to:			
Owners of the Company			
Profit for the year from continuing operations		4,352.9	2,353.1
Profit for the year from discontinued operations		–	1,769.4
		<u>4,352.9</u>	<u>4,122.5</u>
Non-controlling interests			
Profit for the year from continuing operations		746.9	522.2
Profit for the year from discontinued operations		–	1,459.5
		<u>746.9</u>	<u>1,981.7</u>
		<u>5,099.8</u>	<u>6,104.2</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	<i>(10)</i>		
<i>From continuing and discontinued operations</i>			
Basic		<u>63.88</u>	<u>60.52</u>
Diluted		<u>63.87</u>	<u>60.52</u>
<i>From continuing operations</i>			
Basic		<u>63.88</u>	<u>34.54</u>
Diluted		<u>63.87</u>	<u>34.54</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31ST DECEMBER, 2016

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Profit for the year	<u>5,099.8</u>	<u>6,104.2</u>
Other comprehensive income (expenses):		
<i>Items that will not be reclassified to profit or loss:</i>		
Revaluation gain on properties transferred from self-owned properties to investment properties, net of tax	–	111.3
Share of other comprehensive expenses of associates	(422.6)	(427.3)
Share of other comprehensive income of joint ventures	<u>0.4</u>	<u>0.7</u>
	<u>(422.2)</u>	<u>(315.3)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets		
– Net fair value changes during the year	(0.7)	12.8
– Reclassification adjustment to profit or loss on disposal	<u>–</u>	<u>(19.0)</u>
	(0.7)	(6.2)
Exchange differences arising on translation of foreign operations	(491.7)	(347.1)
Reclassification adjustment to profit or loss on disposal/ liquidation of subsidiaries	(0.1)	(9.1)
Reclassification adjustment to profit or loss on liquidation of a joint venture	–	(1.1)
Share of other comprehensive (expenses) income of associates	(106.5)	55.3
Share of other comprehensive (expenses) income of joint ventures	<u>(4.2)</u>	<u>0.6</u>
	<u>(603.2)</u>	<u>(307.6)</u>
Other comprehensive expenses for the year, net of tax	<u>(1,025.4)</u>	<u>(622.9)</u>
Total comprehensive income for the year	<u>4,074.4</u>	<u>5,481.3</u>
Attributable to:		
Owners of the Company	3,658.2	3,694.1
Non-controlling interests	<u>416.2</u>	<u>1,787.2</u>
	<u>4,074.4</u>	<u>5,481.3</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2016

	<i>Notes</i>	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Non-current assets			
Investment properties		8,278.7	7,676.7
Property, plant and equipment		1,043.0	1,097.3
Prepaid land lease payments		4.2	4.6
Goodwill		2,498.7	2,488.9
Intangible assets		888.3	888.4
Interests in associates		11,681.9	9,020.9
Interests in joint ventures		2,422.1	2,156.3
Available-for-sale financial assets		109.5	104.8
Amounts due from associates		248.8	64.9
Loans and advances to consumer finance customers due after one year	<i>(12)</i>	2,521.2	2,741.3
Deposits for acquisition of property, plant and equipment and investments		44.8	48.8
Deferred tax assets		652.5	543.4
Financial assets at fair value through profit or loss		3,632.9	3,484.6
Trade and other receivables	<i>(13)</i>	398.7	1,728.8
		34,425.3	32,049.7
Current assets			
Properties held for sale and other inventories		44.4	179.2
Financial assets at fair value through profit or loss		2,987.5	2,251.2
Prepaid land lease payments		0.1	0.1
Loans and advances to consumer finance customers due within one year	<i>(12)</i>	5,752.2	6,080.7
Trade and other receivables	<i>(13)</i>	3,927.1	2,176.1
Amounts due from associates		112.0	171.3
Amounts due from joint ventures		11.1	9.2
Tax recoverable		1.9	9.6
Bank deposits		1,257.7	1,501.4
Cash and cash equivalents		5,831.9	6,388.8
		19,925.9	18,767.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)
AT 31ST DECEMBER, 2016

	<i>Notes</i>	2016 HK\$ Million	2015 <i>HK\$ Million</i>
Current liabilities			
Trade and other payables	(14)	331.1	354.9
Financial liabilities at fair value through profit or loss		115.3	177.9
Amount due to a holding company		11.6	5.7
Amounts due to associates		7.3	5.5
Amounts due to joint ventures		0.1	0.1
Tax payable		141.5	201.2
Bank and other borrowings due within one year		2,749.7	2,579.5
Notes		2,264.0	78.3
Provisions		56.0	32.2
		<u>5,676.6</u>	<u>3,435.3</u>
Net current assets		<u>14,249.3</u>	<u>15,332.3</u>
Total assets less current liabilities		<u>48,674.6</u>	<u>47,382.0</u>
Capital and reserves			
Share capital		4,250.6	4,250.5
Reserves	(15)	26,732.4	23,427.0
Equity attributable to owners of the Company		<u>30,983.0</u>	<u>27,677.5</u>
Shares held for employee ownership scheme		(9.1)	(12.6)
Employee share-based compensation reserve		4.8	6.1
Share of net assets of subsidiaries		11,496.9	11,635.8
Non-controlling interests		<u>11,492.6</u>	<u>11,629.3</u>
Total equity		<u>42,475.6</u>	<u>39,306.8</u>
Non-current liabilities			
Bank and other borrowings due after one year		2,862.6	4,303.6
Notes		2,998.2	3,453.1
Deferred tax liabilities		335.3	317.1
Provisions		2.9	1.4
		<u>6,199.0</u>	<u>8,075.2</u>
		<u>48,674.6</u>	<u>47,382.0</u>

Notes:

(1) Basis of preparation

Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

Except for the amendments to HKFRS 11, amendments to HKAS 16 and HKAS 38, amendments to HKAS 16 and HKAS 41, amendments to HKFRS 10, HKFRS 12 and HKAS 28 and amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle, which are not relevant to the preparation of the Group’s financial statements, the nature and the impact of the amendments are described below.

Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

In addition, the amendments clarify that an entity’s share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The application of the amendments to HKAS 1 has not resulted in any material impact on the financial statements of the Group. 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, 2015.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ²
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ⁴

¹ Effective for annual periods beginning on or after 1st January, 2017.

² Effective for annual periods beginning on or after 1st January, 2018.

³ Effective for annual periods beginning on or after 1st January, 2019.

⁴ Effective for annual periods beginning on or after 1st January, 2017 or 1st January, 2018, as appropriate.

⁵ Effective for annual periods beginning on or after a date to be determined.

Except as described below, the directors of the Company do not anticipate that the application of the new and amendments to HKFRSs will have material impact on the consolidated financial statements.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

Based on the Group's financial instruments and risk management policies as at 31st December, 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale financial assets, which are currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. Furthermore, additional disclosures are required under HKFRS 7 Financial Instruments: Disclosures.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 – Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st December, 2016, the Group has non-cancellable operating lease commitments of HK\$234.6 million. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1st January, 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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

The financial information relating to the financial years ended 31st December, 2016 and 2015 included in this announcement of annual results does not constitute the Company's statutory annual financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31st December, 2016 in due course. The Company's auditor has reported on those financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

(2) Revenue

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Revenue comprises:		
Continuing operations		
Interest income on loans and advances to consumer finance customers	2,961.0	3,671.8
Property rental, hotel operations and management services	437.8	422.7
Interest income received from banks, term loans and others	431.4	436.4
Income from advisory services and others	100.9	48.5
Elderly care services	26.2	–
Dividend income	17.3	15.1
	<u>3,974.6</u>	<u>4,594.5</u>
Discontinued operations	<u>–</u>	<u>603.5</u>
	<u>3,974.6</u>	<u>5,198.0</u>

(3) Segmental information

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

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

	2016					
	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>	Others <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Segment revenue	512.0	3,024.2	429.8	–	26.4	3,992.4
Less: inter-segment revenue	(6.0)	–	(11.8)	–	–	(17.8)
Segment revenue from external customers from continuing operations	<u>506.0</u>	<u>3,024.2</u>	<u>418.0</u>	<u>–</u>	<u>26.4</u>	<u>3,974.6</u>
Segment results	1,256.6	726.6	626.6	(8.8)	0.9	2,601.9
Impairment loss on interests in associates						(142.5)
Finance costs						(297.8)
Share of results of associates						2,900.2
Share of results of joint ventures	(55.3)	–	249.2	–	–	193.9
Profit before taxation						5,255.7
Taxation						(155.9)
Profit for the year from continuing operations						<u>5,099.8</u>
	2015					
	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>	Others <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Segment revenue	496.3	3,706.4	411.8	–	–	4,614.5
Less: inter-segment revenue	(8.0)	–	(12.0)	–	–	(20.0)
Segment revenue from external customers from continuing operations	<u>488.3</u>	<u>3,706.4</u>	<u>399.8</u>	<u>–</u>	<u>–</u>	<u>4,594.5</u>
Segment results	1,071.8	609.5	624.4	(4.4)	–	2,301.3
Reversal of impairment loss on interests in associates						17.0
Impairment loss on interest in an associate						(538.7)
Finance costs						(253.9)
Share of results of associates						1,290.0
Share of results of joint ventures	38.4	–	118.7	–	–	157.1
Profit before taxation						2,972.8
Taxation						(97.5)
Profit for the year from continuing operations						<u>2,875.3</u>

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

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Revenue from continuing operations from external customers		
by location of operations		
Hong Kong	3,004.9	2,858.2
Mainland China	958.4	1,697.9
Others	11.3	38.4
	3,974.6	4,594.5

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

(4) Changes in values of properties

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Continuing operations		
Changes in values of properties comprise:		
Net increase in fair value of investment properties*	574.0	419.0
Impairment loss reversed for hotel property	6.1	17.0
	580.1	436.0

The reversal of impairment losses was based on the lower of cost and value in use for hotel property. The value in use was determined based on independent professional valuations at 31st December, 2016.

* The amount recognised in current year included HK\$130.8 million representing the difference between the fair value and previous carrying amount of a property transferred from properties held for sale to investment properties at 31st December, 2016.

(5) Net gain on financial assets and liabilities

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

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Continuing operations		
Net realised and unrealised (loss) gain on financial assets and liabilities		
Held for trading	(138.7)	660.2
Designated as at fair value through profit or loss	892.4	341.3
	753.7	1,001.5

(6) **Bad and doubtful debts**

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Continuing operations		
Loans and advances to consumer finance customers		
Impairment loss, net of reversal	<u>876.6</u>	<u>1,446.9</u>
Trade and other receivables		
Impairment loss, net of reversal	17.0	113.5
Bad debts written off	<u>–</u>	<u>11.1</u>
	<u>17.0</u>	<u>124.6</u>
Bad and doubtful debts recognised in profit or loss	<u>893.6</u>	<u>1,571.5</u>

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

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Continuing operations		
Loans and advances to consumer finance customers		
Amounts written off in allowance of impairment	(1,054.0)	(1,363.7)
Recoveries credited to allowance of impairment	<u>160.2</u>	<u>129.5</u>
Trade and other receivables		
Amounts written off in allowance of impairment	<u>(72.4)</u>	<u>(4.4)</u>

(7) **Finance costs**

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Continuing operations		
Total finance costs included in:		
Cost of sales and other direct costs	193.3	225.8
Finance costs	<u>297.8</u>	<u>253.9</u>
	<u>491.1</u>	<u>479.7</u>

(8) Profit before taxation

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Profit before taxation from continuing operations has been arrived at after charging:		
Depreciation	77.0	78.4
Amortisation of intangible assets		
Computer software (included in administrative expenses)	1.5	1.3
Other intangible assets (included in other operating expenses)	4.1	6.3
Amortisation of prepaid land lease payments	0.2	0.2
Impairment loss on interests in associates (included in other operating expenses) *	142.5	538.7
Loss on purchase of bonds issued by the Group (included in other operating expenses)	–	141.5
Net loss on disposal/write-off of property, plant and equipment	1.2	4.0
and after crediting:		
Dividend income from listed equity securities	13.7	11.6
Dividend income from unlisted equity securities	3.6	3.5
Gain on disposal of investment properties (included in other income)	–	1.0
Net realised gain on disposal of a joint venture (included in other income)	–	5.7
Net realised gain on disposal of an associate (included in other income)	3.9	–
Net realised gain on disposal of available-for-sale financial assets (included in other income)	–	19.0
Net realised gain on disposal of subsidiaries (included in other income)	9.7	15.9

* Sun Hung Kai & Co. Limited disposed of 70% interest in its wholly-owned subsidiary Sun Hung Kai Financial Group Limited (“SHKFGL”) in June 2015 and classified the remaining 30% equity interest as an associate. Affected by the slow recovery of Hong Kong and China stock markets in 2016 after the stock market correction in the second half of 2015, the carrying amount of the 30% equity interest in SHKFGL exceeded the recoverable amount at the reporting date that led to a further impairment loss of HK\$141.5 million (2015: HK\$538.7 million) included in the amount of impairment loss on interests in associates for the year ended 31st December, 2016. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. The fair value was measured by discounted cash flow approach at the reporting date using a discount rate of 19.7% (2015: 14.6%). As part of the disposal in 2015, the Group was awarded a put right on the 30% equity interest of SHKFGL. This put right recorded a valuation gain during the year of HK\$345.0 million (2015: HK\$596.0 million) classified under net gain on financial assets and liabilities.

(9) **Taxation**

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
The income tax charged (credited) from continuing operations comprises:		
Current tax		
Hong Kong	194.8	174.6
People's Republic of China ("PRC")	83.4	214.5
	278.2	389.1
Over provision in prior years	(0.8)	(1.2)
	277.4	387.9
Deferred tax		
Current year	(121.5)	(290.4)
	155.9	97.5

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.

Deferred tax recognised in other comprehensive income during the year was immaterial (2015: deferred tax of HK\$5.0 million arising from the revaluation gain on properties transferred from self-owned properties to investment properties).

(10) 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:

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	4,352.9	4,122.5
Adjustments to profit in respect of impact of contingently issuable shares under the employee ownership scheme of a subsidiary	(0.2)	–
	<u>4,352.7</u>	<u>4,122.5</u>
Earnings for the purpose of diluted earnings per share	<u>4,352.7</u>	<u>4,122.5</u>
	<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	<u>6,814.5</u>	<u>6,811.9</u>

From continuing operations

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

	2016 <i>HK\$ Million</i>	2015 <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)	4,352.9	2,353.1
Adjustments to profit in respect of impact of contingently issuable shares under the employee ownership scheme of a subsidiary	(0.2)	–
	<u>4,352.7</u>	<u>2,353.1</u>
Earnings for the purpose of diluted earnings per share	<u>4,352.7</u>	<u>2,353.1</u>
	<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	<u>6,814.5</u>	<u>6,811.9</u>

From discontinued operations

No earnings per share from discontinued operations is presented for the year as there is no discontinued operation during the year. Basic earnings per share from discontinued operations for the year ended 31st December, 2015 was HK25.98 cents per share which was calculated based on the profit attributable to owners of the Company from discontinued operations of HK\$1,769.4 million and the weighted average number of 6,811.9 million shares in issue during that year. Diluted earnings per share from discontinued operations for last year was the same as the basic earnings per share.

The computation of diluted earnings per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price of shares for the periods ended 13th June, 2016 and 31st December, 2015. The Company's warrants expired on 13th June, 2016.

(11) Dividend

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Dividend declared		
Interim dividend (in lieu of a final dividend) of HK8 cents per share declared subsequent to the end of the reporting period (2015: interim dividend (in lieu of a final dividend) of HK6 cents per share)	<u>545.0</u>	<u>409.1</u>
Dividend recognised as distribution during the year		
2015 interim dividend (in lieu of a final dividend) of HK6 cents per share (2015: 2014 final dividend of HK5.5 cents per share)	<u>409.1</u>	374.1
Adjustment to 2014 final dividend	<u>–</u>	<u>1.0</u>
	<u>409.1</u>	<u>375.1</u>

The amount of the interim dividend (in lieu of a final dividend) for the year ended 31st December, 2016 has been calculated by reference to 6,812,201,460 shares in issue at 27th March, 2017.

(12) Loans and advances to consumer finance customers

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Hong Kong	6,989.8	6,839.9
Mainland China	2,193.1	2,932.3
Less: impairment allowance	<u>(909.5)</u>	<u>(950.2)</u>
	<u>8,273.4</u>	<u>8,822.0</u>
Analysed for reporting purposes as:		
Non-current assets	<u>2,521.2</u>	2,741.3
Current assets	<u>5,752.2</u>	<u>6,080.7</u>
	<u>8,273.4</u>	<u>8,822.0</u>

The following is an aging analysis for the loans and advances to consumer finance customers that were past due at the end of the reporting period but not impaired:

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Less than 31 days past due	519.6	571.2
31 to 60 days	129.7	147.0
61 to 90 days	58.1	124.7
91 to 180 days	139.8	397.6
Over 180 days	169.8	103.5
	1,017.0	1,344.0

(13) 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:

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Less than 31 days	35.3	19.0
31 to 60 days	7.3	8.2
61 to 90 days	6.1	5.6
91 to 180 days	0.7	3.6
Over 180 days	0.4	0.9
	49.8	37.3
Term loans and trade and other receivables without aging	4,287.3	3,945.6
Less: impairment allowances	(56.9)	(115.6)
	4,280.2	3,867.3
Trade and other receivables at amortised cost	45.6	37.6
Prepayments	4,325.8	3,904.9
	4,325.8	3,904.9
Analysed for reporting purposes as:		
Non-current assets	398.7	1,728.8
Current assets	3,927.1	2,176.1
	4,325.8	3,904.9

(14) 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:

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Less than 31 days	43.1	70.8
31 to 60 days	9.4	9.1
61 to 90 days	8.5	7.2
91 to 180 days	1.8	0.2
Over 180 days	0.9	0.6
	<hr/>	<hr/>
	63.7	87.9
Accrued staff costs, other accrued expenses and other payables without aging	267.4	267.0
	<hr/>	<hr/>
	331.1	354.9
	<hr/> <hr/>	<hr/> <hr/>

(15) Reserves

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Property revaluation reserve	335.0	335.0
Investment revaluation reserve	292.3	431.4
Translation reserve	(439.5)	131.9
Capital and other reserves	42.4	21.0
Accumulated profits	25,957.2	22,098.6
Dividend reserve	545.0	409.1
	<hr/>	<hr/>
	26,732.4	23,427.0
	<hr/> <hr/>	<hr/> <hr/>

DIVIDEND

The Board has declared an interim dividend of HK8 cents per share (in lieu of a final dividend) for the year ended 31st December, 2016 (2015 interim dividend (in lieu of a final dividend): HK6 cents per share) payable on or around Tuesday, 2nd May, 2017 to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Tuesday, 18th April, 2017.

It should be noted that the Company undertook share repurchases for cancellation during the year at an aggregate consideration (before expenses) of approximately HK\$10.6 million.

CLOSURE OF REGISTER OF MEMBERS

(1) For determining the entitlement to the interim dividend

For determining the entitlement to the interim dividend (in lieu of a final dividend) for the year ended 31st December, 2016, the register of members of the Company will be closed from Wednesday, 12th April, 2017 to Tuesday, 18th April, 2017 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to qualify for the interim dividend (in lieu of a final dividend), all transfer forms accompanied by the relevant share certificates 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, 11th April, 2017.

(2) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (“2017 AGM”)

The 2017 AGM is scheduled to be held on Friday, 26th May, 2017. For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Tuesday, 23rd May, 2017 to Friday, 26th May, 2017 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at the 2017 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 22nd May, 2017.

FINANCIAL HIGHLIGHTS

	2016	2015
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue	3,974.6	4,594.5
Profit for the year attributable to owners of the Company from continuing operations	4,352.9	2,353.1
Profit for the year attributable to owners of the Company (continuing and discontinued operations)	4,352.9	4,122.5
Equity attributable to owners of the Company	30,983.0	27,677.5
Return on equity attributable to owners of the Company	14.0%	14.9%
Gearing ratio	12.2%	9.1%
	<i>HK cents</i>	<i>HK cents</i>
Earnings per share	63.88	60.52

FINANCIAL REVIEW

Financial Results

The revenue of the Group for the year from continuing operations was HK\$3,974.6 million (2015: HK\$4,594.5 million). The decrease is mainly due to lower interest income arising from the consumer finance business.

The profit attributable to the owners of the Company for the year from continuing operations was HK\$4,352.9 million (2015: HK\$2,353.1 million), an increase of 85%.

The profit attributable to the owners of the Company for the year from continuing and discontinued operations was HK\$4,352.9 million, an increase of HK\$230.4 million (2015: HK\$4,122.5 million, which included the attributable profit of HK\$1,769.4 million from the one-off gain on disposal of 70% interest in Sun Hung Kai Financial Group Limited (“SHKFGL”) and its profit contribution up to the sale date).

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

- higher contribution from associate Tian An China Investments Company Limited (“TACI”);
- better performance of the consumer finance business; and
- share of profit from APAC Resources Limited (“APAC”), which became an associate of the Group from February 2016.

Earnings per share

Earnings per share from continuing and discontinued operations amounted to HK63.88 cents (2015: HK60.52 cents).

Material Acquisitions and Disposals

In February 2016, the acquisition of approximately 23.9% of the total issued share capital of APAC (stock code: 1104) at a consideration of HK\$484.0 million was completed. APAC is treated as an associate of the Company. Details of the acquisition are contained in the joint announcements dated 16th December, 2015 and 29th February, 2016 made by the Company and Allied Group Limited (“AGL”). Subsequent to the acquisition, the Group acquired additional interests in APAC and the Group’s shareholdings in APAC increased from approximately 23.9% to approximately 28.44% as at 31st December, 2016 and was approximately 28.69% as at the date of this announcement.

In February 2016, Sun Hung Kai & Co. Limited (“SHK”) group divested its 25% stake in China Xin Yongan Futures Company Limited and realised total proceeds of HK\$57.9 million including interest on principal. A gain on disposal of HK\$3.9 million was recognised as other income.

In March 2016, SHK group completed the sale of its minority interest in Sinolending Ltd. for a consideration of US\$34.5 million. Sinolending is a peer-to-peer lending service company and operates under the name dianrong.com in mainland China. As the sale price is in line with the carrying value, there was no material effect on profit or loss from the sale for the year.

In May 2016, SHK group disposed of its commercial office space in Tian An Centre, Shanghai for a total consideration of RMB84.3 million (equivalent to HK\$100.7 million). The transaction was carried out through the sale of two wholly-owned subsidiaries of SHK group, Hing Yip Holdings Limited and Sing Hing Investment Limited, and the assignment of the respective shareholder’s loans to the purchaser, a subsidiary of TACI. Further details are included in the joint announcement dated 6th May, 2016 made by SHK and TACI. A gain of HK\$18.9 million was booked by SHK from the sale. The Group recognised a net realised gain on disposal of HK\$9.7 million after elimination of HK\$9.2 million to the extent of the Group’s interest in the associate, TACI.

In May 2016, SHK group formed a joint venture, which is classified as an interest in an associate in the consolidated financial statements, with three partners to acquire the holding company of the Sofitel Paris Le Faubourg, a hotel located in the 8th district of Paris near major tourist attractions such as the Louvre Museum. The acquisition consideration was agreed at EUR118.9 million and the enterprise value for the holding company was EUR162.3 million. Taking into account debt financing, deal expenses and pre-funded interest reserves, the amount invested by SHK group was approximately EUR43.2 million (equivalent to approximately HK\$382.0 million) for its 50% interest in the joint venture.

In August 2016, the Group acquired the entire interest of Cautious Base Limited which engaged in elderly care services business at a consideration of HK\$20.0 million.

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

Financial Resources, Liquidity and Capital Structure

During the year, the Group purchased part of the 6.375% US dollar denominated notes (“6.375% Notes”) with a total nominal value of US\$9.7 million (2015: US\$19.4 million) from the market at a consideration of HK\$81.7 million (2015: HK\$153.5 million). In May 2016, the Group made an exchange offer for the exchange of the 6.375% Notes with the 4.75% US dollar denominated notes (“4.75% Notes”) at an exchange ratio of 1.05375. The holders of the 6.375% Notes with a nominal value of US\$115.5 million (including intra-group holdings of US\$35.2 million) accepted the exchange offer to exchange for the 4.75% Notes with a nominal value of US\$121.6 million (including intra-group holdings of US\$37.0 million). In addition, the Group issued new 4.75% Notes with a nominal value of US\$240.0 million at par.

The 4.75% Notes are listed on The Stock Exchange of Hong Kong Limited and are issued to professional investors only. The 4.75% Notes are guaranteed by SHK. The nominal value of the 4.75% Notes after eliminating the intra-group holdings was US\$321.6 million or equivalent to HK\$2,493.8 million at the reporting date.

The nominal value of the 6.375% Notes outstanding after eliminating the intra-group holdings was US\$225.8 million or equivalent to HK\$1,751.8 million at the reporting date (2015: US\$315.8 million or equivalent to HK\$2,447.5 million).

The nominal value of the 3% US dollar denominated notes was US\$60.0 million or equivalent to HK\$465.3 million (2015: US\$60.0 million or equivalent to HK\$465.0 million) at the reporting date.

The nominal value of the 6.9% Renminbi denominated notes after eliminating the intra-group holdings was RMB495.0 million or equivalent to HK\$552.7 million (2015: RMB495.0 million or equivalent to HK\$590.8 million) at the reporting date.

At the end of the reporting period, the Group’s net borrowings amounted to HK\$3,784.9 million (2015: HK\$2,524.3 million), representing bank and other borrowings and notes totalling HK\$10,874.5 million (2015: HK\$10,414.5 million) less bank deposits, bank balances and cash of HK\$7,089.6 million (2015: HK\$7,890.2 million) and the Group had equity attributable to owners of the Company of HK\$30,983.0 million (2015: HK\$27,677.5 million). Accordingly, the Group’s gearing ratio of net borrowings to equity attributable to owners of the Company was 12.2% (2015: 9.1%). At the end of the reporting period, the current ratio (current assets/current liabilities) of the Group was 3.5 times, which decreased from the 5.5 times applicable at the end of the preceding year.

During the year, 55,791 (2015: 17,122,877) warrants were exercised, resulting in the issuance of 55,791 (2015: 17,122,877) ordinary shares at a subscription price of HK\$2.00 per share. The remaining 1,373,393,014 warrants which have not been exercised expired on 13th June, 2016.

During the year, the Company repurchased 7,306,000 own shares at an aggregate consideration (before expenses) of approximately HK\$10.6 million, details of which are outlined in the section “Purchase, Sale or Redemption of Securities” below.

	2016 <i>HK\$ Million</i>	2015 <i>HK\$ Million</i>
Bank loans are repayable as follows:		
On demand or within one year	2,054.9	1,995.1
More than one year but not exceeding two years	1,753.4	2,240.9
More than two years but not exceeding five years	1,074.2	2,027.7
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	210.8	73.2
More than one year but not exceeding two years	450.8	65.2
More than two years but not exceeding five years	9.2	446.0
	5,553.3	6,848.1
Other borrowings are repayable as follows:		
Within one year	24.0	–
Over five years	35.0	35.0
	59.0	35.0
Renminbi denominated notes are repayable as follows:		
Within one year	6.3	6.7
More than one year but not exceeding five years	551.5	588.7
US dollar denominated notes are repayable as follows:		
Within one year	2,257.7	71.6
More than one year but not exceeding five years	2,446.7	2,864.4
	5,262.2	3,531.4
	10,874.5	10,414.5

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

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

Segment Information

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

Risk of Foreign Exchange Fluctuation

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

Contingent Liabilities

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

	2016	2015
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Indemnities on banking facility made available to joint venture	104.7	–
Financial guarantees under loan guarantee business*	81.9	139.2
	186.6	139.2

* The Group had provided guarantees to lenders of its loan guarantee customers to guarantee the repayment of debts owed by the loan guarantee customers to their lenders. At 31st December, 2016, the outstanding guarantee amount was HK\$81.9 million (2015: HK\$139.2 million).

Pledge of Assets

At the end of the reporting period, certain of the Group's investment properties, land and buildings and properties held for sale with an aggregate carrying value of HK\$6,827.4 million (2015: HK\$6,153.8 million) together with certain securities in respect of a listed subsidiary with investment cost of HK\$276.6 million (2015: HK\$276.6 million) were pledged to secure loans and general banking facilities to the extent of HK\$1,762.3 million (2015: HK\$1,242.4 million) granted to the Group. Facilities amounting to HK\$840.8 million (2015: HK\$584.4 million) were utilised at the end of the reporting period.

OPERATIONAL REVIEW

Properties

Hong Kong

- The Group's rental income from its Hong Kong property portfolio was at a steady level compared to 2015.
- The net gain in the value of the Group's property portfolio, including investment properties owned by SHK and a gain arising from the reclassification of a piece of land in Houston from properties held for sale to investment properties, was HK\$580.1 million during the year, higher than that of 2015 by HK\$144.1 million.
- The hotel division reported a decrease in average room rates and occupancies, resulting in a decreased contribution.
- During the year, Allied Kajima Limited ("AKL"), the Group's 50% joint venture, has acquired the adjacent building to Century Court in Wanchai, forming an addition to the redevelopment of Century Court into a boutique hotel. While demolition of Century Court has finished, demolition of the adjacent block is expected to be started in the second quarter of 2017. The new boutique hotel will be added to AKL's existing portfolio, which includes Allied Kajima Building, Novotel Century Hong Kong hotel and Sofitel Philippine Plaza Hotel. Synergy is expected between the new boutique hotel and the existing Novotel hotel which is located diagonally opposite to it.

Mainland PRC

- The profit attributable to the owners of TACI was HK\$5,713.0 million (2015: HK\$2,600.0 million).
- The increase in profit of TACI was mainly due to a gain of HK\$3,937.7 million on disposal of subsidiaries carrying non-core assets and a gain of HK\$1,588.6 million on purchase of a 90.65% interest in Dan Form Holdings Company Limited ("Dan Form"), a Hong Kong listed company which mainly holds investment properties in Hong Kong.
- There are a total of 15 cyberparks over 12 cities. The overall contribution of TACI's cyberpark unit has been low. The slowing Chinese economy affected sales and leasing of the commercial components of TACI's cyberparks but sales of the residential component has been quite brisk, especially the smaller sized apartments.
- TACI's urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen has commenced leasing and pre-sales of phase 1 since November 2014. Sales and leasing of phase 1 have been encouraging and this project has continued to contribute to its performance. Phase 2 with GFA of approximately 582,600m² is under construction and expected to be completed in 2018.

Financial Services

Investment and Finance

- The profit attributable to owners of SHK was HK\$1,109.6 million (2015: HK\$3,896.5 million). If profit from discontinued operations in 2015 was excluded, SHK registered a 66% increase in profit attributable to its owners compared to HK\$667.7 million in 2015.
- SHK relied on the consistent performance of its principal investments division which included the structured finance business to anchor its earnings. An improved performance from UAF and a net valuation gain of HK\$203.5 million from the 30% stake in SHKFGL contributed to a better result in 2016.
- Sun Hung Kai Credit Limited (“SHK Credit”), an 86% owned subsidiary of SHK, provides mortgage services and funding solutions to home owners and property investors in Hong Kong. SHK Credit has become profitable in its first full year of operations and is already amongst the top three non-bank institutions for new mortgage loan origination in this market segment.

Consumer Finance

- The profit attributable to owners of United Asia Finance Limited (“UAF”), the 58% owned subsidiary of SHK, for the year amounted to HK\$623.8 million, an increase of 18% from 2015.
- UAF has implemented a strategic restructuring of its mainland China business since mid-2015 in the wake of an economic downturn and its result has continued to recover. The cost savings from operational streamlining and revamping of underperforming branches have markedly brought down operating costs over the last two consecutive half yearly periods. An adjustment of marketing strategy to focus resources and effort to promote small consumer loans to salaried workers in mainland China as the prime customer segment has effectively diversified the underlying credit risk.
- For UAF’s business in Hong Kong, it continued to focus primarily on unsecured personal loan business. The increased amount and proportion of unsecured loans generated higher weighted average yield. Whilst the charge off has increased, it was more than compensated by the higher yield.
- At the end of the year, the consolidated consumer finance gross loan balance amounted to HK\$8.6 billion, representing a decrease of 10% from the end of 2015. At the end of 2016, UAF had 107 branches in mainland China, including 5 branches on loan marketing business, and 50 branches in Hong Kong.

Investments

- The Group has diversified its investments through the acquisition in February 2016 of a 23.9% interest in APAC, a Hong Kong listed company which is an established natural resource investment and commodity trading house owning strategic interests in natural resource companies. The Group has acquired further interest in APAC and currently holds 28.69% in APAC. The Group's investment in APAC contributed an equity accounted profit of HK\$118.3 million during the year.

Employees

The total number of headcount of the Group as at 31st December, 2016 was 5,271 (2015: 6,853). This net decrease in headcount reflects mainly the reduction at UAF in the number of branches in mainland China. Total staff costs (including continuing and discontinued operations), including Directors' emoluments, amounted to HK\$877.9 million (2015: HK\$1,051.6 million). The Group reviews remuneration packages from time to time. In addition to salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme. The Group recognises the importance of continuing professional education and development, and appropriate courses are arranged on a periodical basis as well as subsidies are granted to employees who take job-related courses.

LONG TERM CORPORATE STRATEGIES

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

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

BUSINESS OUTLOOK

It is expected that the slowdown of mainland China's economy may continue in 2017 and economic and political volatility in the global environment could escalate, consequent on several world events. At the same time, the market is expecting the US interest rate hike will induce inflation and interest rate pressure to the local economy.

The consumer finance businesses in Hong Kong are expected to remain solid barring any rapid deterioration in the economy. The consumer finance businesses in mainland China seem to have turned around satisfactorily.

For the structured finance business, market competition for private corporate debt has intensified but with the Group's experience, network, and market position, we remain confident in our ability to seek profitable financing opportunities.

The local government introduced additional measures in November 2016 to try to slow down the rising residential property market, but the shortage in the supply of land has caused record land prices. It is expected that downturn of the property market may happen if mortgage interest rates increase substantially in 2017.

For the mainland property market, there have been various measures by the authorities to regulate the high housing demand and cool down the overheated property market, so as to restore a healthy and stable property market.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31st December, 2016, 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 effective risk management and internal control systems; 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, 2016 ("2016 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 2016 Annual Report which will be sent to the Shareholders by the end of April 2017.

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, 2016.

SCOPE OF WORK OF MESSRS. 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, 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. 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 Messrs. 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, 2016.

Month	Number of shares repurchased	Purchase consideration per share		Aggregate consideration paid (before expenses) HK\$
		Highest HK\$	Lowest HK\$	
January	758,000	1.37	1.33	1,025,840
April	2,672,000	1.50	1.48	3,968,560
May	3,876,000	1.50	1.44	5,649,160
	<u>7,306,000</u>			<u>10,643,560</u>

APPRECIATION

The Board would like to thank all the staff for their effort and contribution in 2016, 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, 27th March, 2017

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.