新鴻基有限公司
SUN HUNG KAI & CO. LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 86)

ANNOUNCEMENT OF 2015 FINAL RESULTS

LETTER FROM THE CHAIRMAN

2015 was an important milestone for the Group as we achieved a record profit attributable to shareholders. On 2 June 2015 we completed the sale of 70% equity interest in Sun Hung Kai Financial Group Limited to Everbright Securities Financial Holdings Limited ("Everbright Securities") for a total consideration of HK$4,095 million resulting in a gain of HK$3,033.5 million for the Group. Not only did we crystallise the embedded value of the market leading independent wealth management and brokerage platform in Hong Kong, more importantly, we have set the stage for greater growth prospects for this business with its improved market access to Mainland China. We continue to be committed to the wealth management sector through our 30% equity interest.

As a consequence, Sun Hung Kai & Co. Limited (the "Company", with its subsidiaries, "the Group") recorded a profit attributable to shareholders of HK$3,896.5 million for 2015 (2014: HK$1,328.4 million). Based on continuing operations, the profit attributable to shareholders was HK$667.7 million (2014: HK$939.6 million). Earnings per share was HK173.8 cents (2014: HK61.7 cents). The Board of Directors has declared a second interim dividend of HK14 cents. Including the first interim dividend, the total dividend per share was HK26 cents for the year (2014: HK26 cents). In addition, in August 2015, the Board announced a plan to allocate up to HK$1 billion to repurchase the Company's shares on market. For the year and up to this date, a total of 31.9 million shares of the Company were repurchased and cancelled for a consideration of HK$167.7 million. The net asset value per share was HK$8.1 at the end of 2015, an increase of 23% over 2014.

Since the Group's foundation in 1969, we have owned and operated market leading financial services businesses and produced long term capital appreciation for our shareholders. The past year was one where we crystallised a significant release of value from one of our businesses. At the same time, it is also an opportunity for us to reposition ourselves for future growth.

Principal Investments has become a more significant part of the Group's strategy and the benefit is twofold. Firstly, we can seek to generate enhanced returns through investments that allow us to utilise our experience, expertise and relationships from the businesses that we operate. Secondly, the growth plans of our operating businesses can be facilitated through these new investments. Changes are taking place rapidly especially relating to the fintech arena. This is both a threat and an opportunity for our Consumer Finance business and we need to stay at the forefront of any developments. The Principal Investments segment achieved a satisfactory return overall in the volatile environment, with pre-tax profit contribution of HK$469.9 million representing a 10.6% return on the average assets employed. In addition, we have made new investments in the financial sector as well as the healthcare and pharmaceutical sectors through direct investment or partner funds. We remain positive about the continued development and growth of China in the medium term, particularly the continued liberalisation of the financial markets, the disruptive growth in online business models, the rise of the middle class and increased domestic consumption. The Group's investment portfolio is aligned with these macro themes.

From our portfolio of finance businesses, we aim to generate steady returns on capital. At the end of 2015, total loans outstanding amounted to HK$12 billion, generating gross interest income of over HK$4 billion. Through our Structured Finance and Consumer Finance businesses, we provide financing solutions to corporates, small businesses and individuals where their needs are not met by traditional banking channels. In October 2015, Sun Hung Kai Credit Limited ("SHK Credit"), a new subsidiary, was established to focus on the mortgage loan business in Hong Kong, a niche market with solid growth prospects. With a solid balance sheet, household brand recognition, and deep operating experience, the Group is well positioned to capture a significant share of the market. During the year, we have also established a Shanghai based car finance leasing venture. Our Chinese partners possess strong distribution and financial expertise. The venture, LSS Financial Leasing (Shanghai), in which the Group owns a 30% interest, commenced operations in January 2016. Looking ahead, we shall continue to seek growth and diversification opportunities that complement the existing businesses.

This year however, was not without challenges. The Group's Consumer Finance business conducted through United Asia Finance Limited ("UAF") delivered solid results with increased market share in Hong Kong. However, with the slowing economic growth in Mainland China, UAF's business there was confronted with significant challenges amidst an industry wide rationalisation in the difficult credit environment. In particular, small businesses, which had been an important growth driver of UAF's loan portfolio in Mainland China, were adversely affected impacting loan credit quality and our profitability. Management has since revised our operational and credit strategies to reduce overall risk and to realign our cost structure to the current economic environment. However, we have not changed our long term view on the Mainland Chinese consumer finance market. We have continued to invest and improve our infrastructure. UAF China has also become one of the first micro loan companies in Mainland

China to be granted direct access to the nationwide credit database hosted by The People's Bank of China allowing us to greatly enhance our credit approval process. We also established several partnerships with online portals such as Rong360（融360：北京融世紀信息技術有限公司）to utilise their customer profiling data to cultivate the demand for loan products. Though still at the pilot phase, the business volume is encouraging.

Looking ahead, the year 2016 will be another challenging and volatile one for the global economy and financial markets. Nevertheless, given our solid financial position and diversified investment and loan portfolios, we are confident that we will be able to navigate through the near term uncertainties.

On behalf of the Board, I would like to thank our customers, shareholders and business partners for their support and trust. I would also like to express my gratitude to our management team and dedicated staff for their diligence and professionalism. I hope that many more new record years will be set for the Group in the coming years.

GROUP RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2015 as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	**2015** HK$ Million	2014 Restated HK$ Million
Continuing operations			
Revenue		**4,174.1**	4,177.9
Other income	4	**71.6**	56.7
Total income		**4,245.7**	4,234.6
Brokerage and commission expenses		**(55.9)**	(46.3)
Advertising and promotion expenses		**(106.2)**	(123.5)
Direct cost and operating expenses		**(58.1)**	(27.7)
Administrative expenses		**(1,354.0)**	(1,245.0)
Net gain on financial assets and liabilities	5	**1,005.6**	112.1
Net exchange gain		**7.5**	11.9
Bad and doubtful debts	6	**(1,570.9)**	(787.2)
Finance costs		**(478.8)**	(442.1)
Other expenses		**(702.5)**	(12.7)
		932.4	1,674.1
Share of results of associates		**2.4**	5.6
Share of results of joint ventures		**38.4**	33.0
Profit before taxation	7	**973.2**	1,712.7
Taxation	8	**(83.7)**	(303.3)
Profit for the year from continuing operations		**889.5**	1,409.4
Discontinued operations			
Profit for the year from discontinued operations	9	**3,228.8**	388.8
		4,118.3	1,798.2
Profit attributable to:			
– Owners of the Company		**3,896.5**	1,328.4
– Non-controlling interests		**221.8**	469.8
		4,118.3	1,798.2
Earnings per share	11		
From continuing and discontinued operations			
– Basic (HK cents)		**173.8**	61.7
– Diluted (HK cents)		**173.8**	61.7
From continuing operations			
– Basic (HK cents)		**29.8**	43.6
– Diluted (HK cents)		**29.8**	43.6

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

	2015	2014
	HK$ Million	*HK$ Million*
Profit for the year	**4,118.3**	1,798.2
Other comprehensive income (expenses) that may be reclassified subsequently to profit or loss		
Available-for-sale investments		
– Net fair value changes during the year	**12.8**	7.2
– Reclassification adjustment to profit or loss on disposal	**(19.0)**	(3.8)
	(6.2)	3.4
Exchange differences arising on translating foreign operations	**(347.0)**	(162.7)
Reclassification adjustment to profit or loss on disposal/ liquidation of subsidiaries	**(9.1)**	0.4
Reclassification adjustment to profit or loss on liquidation of a joint venture	**(1.1)**	–
Share of other comprehensive income of associates	**0.4**	–
Share of other comprehensive income (expenses) of joint ventures	**2.5**	(38.6)
	(360.5)	(197.5)
Other comprehensive income (expenses) that will not be reclassified subsequently to profit or loss		
Revaluation gain on properties transferred from self-owned properties to investment properties arising from the disposal of Sun Hung Kai Financial Group Limited in relation to properties leased to its subsidiaries, net of tax	**111.3**	–
Other comprehensive income (expenses) for the year	**(249.2)**	(197.5)
Total comprehensive income for the year	**3,869.1**	1,600.7
Total comprehensive income attributable to:		
– Owners of the Company	**3,798.3**	1,196.0
– Non-controlling interests	**70.8**	404.7
	3,869.1	1,600.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**31/12/2015 HK$ Million**	31/12/2014 HK$ Million
Non-current Assets			
Investment properties		**1,027.3**	864.9
Leasehold interests in land		**4.6**	9.3
Property and equipment		**478.7**	447.5
Intangible assets		**884.5**	982.9
Goodwill		**2,384.0**	2,384.0
Interest in associates		**1,226.3**	35.7
Interest in joint ventures		**208.2**	198.9
Available-for-sale investments		**104.8**	232.6
Financial assets at fair value through profit or loss		**3,484.6**	603.5
Statutory deposits		**–**	39.9
Deferred tax assets		**543.4**	265.0
Amounts due from associates and joint ventures		**64.9**	64.7
Loans and advances to consumer finance customers	*12*	**2,741.3**	3,308.4
Trade and other receivables	*13*	**1,604.2**	1,468.2
Deposits for acquisition of property and equipment		**0.3**	108.5
		14,757.1	11,014.0
Current Assets			
Financial assets at fair value through profit or loss		**2,245.9**	924.2
Taxation recoverable		**9.6**	11.8
Amounts due from associates and joint ventures		**118.7**	0.2
Loans and advances to consumer finance customers	*12*	**6,080.7**	8,083.3
Trade and other receivables	*13*	**2,008.1**	7,682.7
Bank deposits		**1,501.4**	993.4
Cash and cash equivalents		**5,647.6**	4,051.2
		17,612.0	21,746.8
Current Liabilities			
Financial liabilities at fair value through profit or loss		**177.9**	66.3
Bank and other borrowings		**2,009.1**	3,833.9
Trade and other payables	*14*	**281.3**	2,819.8
Amounts due to fellow subsidiaries and a holding company		**–**	7.5
Amounts due to associates		**0.1**	0.1
Provisions		**31.8**	62.3
Taxation payable		**200.1**	186.0
Notes		**79.6**	71.3
		2,779.9	7,047.2
Net Current Assets		**14,832.1**	14,699.6
Total Assets less Current Liabilities		**29,589.2**	25,713.6

	31/12/2015	31/12/2014
	HK$ Million	*HK$ Million*
Capital and Reserves		
Share capital	**8,752.3**	8,752.3
Reserves	**9,255.3**	6,174.7
Equity attributable to owners of the Company	**18,007.6**	14,927.0
Non-controlling interests	**3,583.2**	3,740.3
Total Equity	**21,590.8**	18,667.3
Non-current Liabilities		
Deferred tax liabilities	**192.5**	201.5
Bank and other borrowings	**4,303.6**	3,196.0
Provisions	**0.2**	11.6
Notes	**3,502.1**	3,637.2
	7,998.4	7,046.3
	29,589.2	25,713.6

Notes:

1. **DISCLOSURE IN ACCORDANCE WITH SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE**

The financial information relating to the financial years ended 31 December 2015 and 2014 included in this announcement of annual results does not constitute the Company's statutory annual financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

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

2. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

In the current year, the Group adopted certain Amendments to Standards that are mandatorily effective for the Group's financial year beginning on 1 January 2015. The adoption of these Amendments has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

New HKFRSs and Amendments in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

HKFRS 9 – Financial Instruments

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

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

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

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

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

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

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

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

3. SEGMENT INFORMATION

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Inter-segment sales are charged at prevailing market rates.

The main reportable and operating segments from continuing operations presented in these financial statements are as follows:

(a) Structured Finance: provision of structured finance.

(b) Consumer Finance: provision of consumer financing.

(c) Mortgage Loans: provision of mortgage loans financing.

(d) Principal Investments: portfolio investments.

(e) Group Management and Support: provision of supervisory and administrative functions to all business segments.

	2015					
	Structured Finance *HK$ Million*	Consumer Finance *HK$ Million*	Mortgage Loans *HK$ Million*	Principal Investments *HK$ Million*	Group Management and Support *HK$ Million*	Total *HK$ Million*
Segment revenue	405.4	3,706.4	2.9	39.2	214.3	4,368.2
Less: inter-segment revenue	–	–	–	–	(194.1)	(194.1)
Segment revenue from external customers	405.4	3,706.4	2.9	39.2	20.2	4,174.1
Segment profit or loss	93.2	609.5	(8.3)	429.1	(191.1)	932.4
Share of results of associates	–	–	–	2.4	–	2.4
Share of results of joint ventures	–	–	–	38.4	–	38.4
Profit before taxation	93.2	609.5	(8.3)	469.9	(191.1)	973.2
Included in segment profit or loss:						
Interest income	400.2	3,671.8	2.9	4.6	14.1	4,093.6
Other income	–	12.8	–	53.4	5.4	71.6
Net gain (loss) on financial assets and liabilities	(5.0)	–	–	1,012.8	(2.2)	1,005.6
Net exchange gain (loss)	–	28.7	–	–	(21.2)	7.5
Bad and doubtful debts	(103.6)	(1,463.3)	(1.2)	–	(2.8)	(1,570.9)
Amortisation and depreciation	–	(52.0)	–	–	(13.1)	(65.1)
Impairment loss						
– Available-for-sale investments	–	(13.8)	–	–	–	(13.8)
– Interest in associates	–	–	–	(538.7)	–	(538.7)
– Amount due from a joint venture	–	–	–	(5.1)	–	(5.1)
Net loss on disposal/write-off of equipment	–	(3.1)	–	–	(0.3)	(3.4)
Finance costs	(189.5)	(285.0)	–	–	(193.9)	(668.4)
Less: inter-segment finance costs	189.5	2.4	–	–	(2.3)	189.6
Finance costs to external suppliers	–	(282.6)	–	–	(196.2)	(478.8)

	2014					
	Structured Finance *HK$ Million*	Consumer Finance *HK$ Million*	Mortgage Loans *HK$ Million*	Principal Investments *HK$ Million*	Group Management and Support *HK$ Million*	Total *HK$ Million*
Segment revenue	375.8	3,763.6	–	32.7	187.0	4,359.1
Less: inter-segment revenue	–	–	–	–	(181.2)	(181.2)
Segment revenue from external customers	375.8	3,763.6	–	32.7	5.8	4,177.9
Segment profit or loss	102.7	1,407.7	–	190.6	(26.9)	1,674.1
Share of results of associates	–	–	–	5.6	–	5.6
Share of results of joint ventures	–	–	–	33.0	–	33.0
Profit before taxation	102.7	1,407.7	–	229.2	(26.9)	1,712.7
Included in segment profit or loss:						
Interest income	353.4	3,742.5	–	–	11.1	4,107.0
Other income	0.5	6.5	–	45.6	4.1	56.7
Net gain (loss) on financial assets and liabilities	(42.5)	–	–	171.6	(17.0)	112.1
Net exchange gain (loss)	–	35.7	–	–	(23.8)	11.9
Bad and doubtful debts	–	(787.2)	–	–	–	(787.2)
Amortisation and depreciation	–	(39.6)	–	(0.1)	(12.2)	(51.9)
Impairment loss						
– Available-for-sale investments	–	(2.0)	–	–	–	(2.0)
– Amount due from a joint venture	–	–	–	–	(8.5)	(8.5)
Net loss on disposal/write-off of equipment	–	(0.2)	–	–	(2.0)	(2.2)
Finance costs	(165.3)	(263.8)	–	–	(189.7)	(618.8)
Less: inter-segment finance costs	165.3	13.0	–	–	(1.6)	176.7
Finance costs to external suppliers	–	(250.8)	–	–	(191.3)	(442.1)

The Wealth Management and Brokerage segment and Capital Markets segment reported in previous consolidated financial statements were removed from the above analysis as the segments were disposed of during the year. In order to present the Group's earnings driver more clearly, the Group Management and Support section, previously grouped under Principal Investments segment, is now presented as a separate segment. In addition, a new segment Mortgage Loans was established during the year. The comparative figures of segment profit or loss for the year ended 31 December 2014 were restated to conform to the current year's presentation.

The geographical information of revenue and non-current assets are disclosed as follows:

	2015 *HK$ Million*	2014 *HK$ Million*
Revenue from external customers by location of operations		
– Hong Kong	**2,438.8**	2,341.3
– Mainland China	**1,697.9**	1,802.9
– Others	**37.4**	33.7
	4,174.1	4,177.9

	31/12/2015 HK$ Million	31/12/2014 HK$ Million
Non-current assets other than financial assets and deferred tax assets by location of assets		
– Hong Kong	**4,185.8**	4,233.8
– Mainland China	**593.6**	603.1
– Others	**–**	0.1
	4,779.4	4,837.0

4. OTHER INCOME

	2015 HK$ Million	2014 HK$ Million
Net realised gain on disposal of investments		
– Disposal of a joint venture	**5.7**	–
– Disposal of available-for-sale investments	**19.0**	1.8
Increase in fair value of investment properties	**38.2**	43.0
Bad debts recovery	**–**	0.5
Miscellaneous income	**8.7**	11.4
	71.6	56.7

5. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES

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

	2015 HK$ Million	2014 HK$ Million
Net realised and unrealised gain on financial assets and liabilities		
– Held for trading	**664.3**	13.5
– Designated as at fair value through profit or loss	**341.3**	98.6
	1,005.6	112.1

6. BAD AND DOUBTFUL DEBTS

	2015 HK$ Million	2014 HK$ Million
Loans and advances to consumer finance customers		
– Impairment loss	**(1,446.9)**	(787.2)
Trade and other receivables		
– Impairment loss	**(113.1)**	–
– Bad debts written off	**(10.9)**	–
	(124.0)	–
Bad and doubtful debts recognised in profit or loss	**(1,570.9)**	(787.2)

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

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

	2015	2014
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Amounts written off in allowance of impairment	**(1,363.7)**	(738.9)
– Recoveries credited to allowance of impairment	**129.5**	114.2
Trade and other receivables		
– Amounts written off in allowance of impairment	**(4.4)**	—

7. PROFIT BEFORE TAXATION

	2015	2014
	HK$ Million	*HK$ Million*
Profit before taxation for the year has been arrived at after crediting (charging):		
Dividends from listed investments	**11.4**	15.9
Dividends from unlisted investments	**3.5**	2.8
Amortisation of leasehold interests in land	**(0.2)**	(0.3)
Depreciation of property and equipment	**(57.3)**	(45.0)
Amortisation of intangible assets		
– Intangible assets acquired in business combination (included in direct cost and operating expenses)	**(6.3)**	(6.3)
– Computer software (included in administrative expenses)	**(1.3)**	(0.3)
Net loss on disposal/write-off of equipment (included in other expenses)	**(3.4)**	(2.2)

8. TAXATION

	2015	2014
	HK$ Million	*HK$ Million*
Current tax		
– Hong Kong	**(172.4)**	(166.4)
– PRC	**(214.5)**	(206.7)
	(386.9)	(373.1)
Over provision in prior years	**1.1**	1.2
	(385.8)	(371.9)
Deferred tax	**302.1**	68.6
	(83.7)	(303.3)

Hong Kong profits tax is calculated at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year. 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 year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

9. DISPOSAL OF A SUBSIDIARY

On 2 June 2015, the Company completed the disposal of 70% interest in Sun Hung Kai Financial Group Limited ("SHKFGL"). SHKFGL and its subsidiaries carry out businesses in Wealth Management and Brokerage segment and Capital Markets segment. The proceeds on disposal of HK$4,095.0 million were received in cash. Upon the disposal, the fair value of the remaining 30% interest in SHKFGL on the disposal date of HK$1,644.0 million is classified as an interest in associate and the amounts due from the subsidiaries of SHKFGL are classified as amounts due from associates. Such amounts included a 1-year shareholder loan of HK$1,061.6 million (interest at 6% p.a. for the first 6 months and 8% p.a. thereafter) advanced by the Group to a subsidiary of SHKFGL. The loan was guaranteed by the controlling shareholder of SHKFGL and a subsidiary of SHKFGL and was secured by a share charge over the shares of SHKFGL owned by the controlling shareholder after the disposal. The loan was fully repaid in October 2015.

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

	2015 ***HK$ Million***	2014 *HK$ Million*
Revenue	**603.5**	1,073.3
Other income	**0.3**	152.1
Total income	**603.8**	1,225.4
Brokerage and commission expenses	**(167.7)**	(236.7)
Advertising and promotion expenses	**(5.5)**	(10.8)
Direct cost and operating expenses	**(11.2)**	(32.8)
Administrative expenses	**(199.1)**	(485.1)
Net gain on financial assets and liabilities	**2.1**	2.5
Net exchange gain (loss)	**(4.3)**	5.7
Bad and doubtful debts	**11.9**	(11.1)
Finance costs	**(6.4)**	(13.0)
Other expenses	**–**	(3.6)
	223.6	440.5
Share of results of joint ventures	**1.8**	4.2
Profit before taxation	**225.4**	444.7
Taxation	**(30.1)**	(55.9)
Profit for the year from discontinued operations	**195.3**	388.8
Profit on disposal of SHKFGL	**3,033.5**	–
Profit for the year from discontinued operations (attributable to owners of the Company)	**3,228.8**	388.8

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

The cash flows from discontinued operations is analysed as follows:

	2015	2014
	HK$ Million	*HK$ Million*
Net cash from operating activities	**67.0**	410.7
Net cash (used in) from investing activities	**(9.5)**	117.3
Net cash from (used in) financing activities	**58.5**	(80.0)
Net cash inflows	**116.0**	448.0

The consolidated net assets of SHKFGL at the date of disposal were as follows:

	HK$ Million
Non-current Assets	
Equipment	30.0
Intangible assets	87.6
Interest in joint ventures	43.2
Available-for-sale investments	11.9
Statutory deposits	45.3
Deferred tax assets	2.9
Trade and other receivables	7.4
Deposits for acquisition of equipment	1.5
	229.8
Current Assets	
Financial assets at fair value through profit or loss	0.2
Taxation recoverable	2.1
Amounts due from joint ventures	0.3
Amounts due from fellow subsidiaries and a holding company	5.6
Trade and other receivables	6,994.9
Cash and cash equivalents	539.3
	7,542.4
Current Liabilities	
Bank borrowings	(58.5)
Trade and other payables	(3,666.4)
Amounts due to fellow subsidiaries and a holding company	(1,155.9)
Provisions	(22.4)
Taxation payable	(47.5)
	(4,950.7)
Net Current Assets	2,591.7
Non-current Liabilities	
Deferred tax liabilities	(4.1)
Provisions	(12.0)
	(16.1)
Net assets disposed of	2,805.4
Net cash inflow arising on disposal	
– Cash consideration	4,095.0
– Expenses incurred	(12.6)
– Cash and cash equivalents disposed of	(539.3)
	3,543.1

The profit on disposal of SHKFGL is as follows:

	HK$ Million
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 on disposal	9.1
Transaction costs	(29.5)
Profit on disposal of SHKFGL	3,033.5

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

Upon the completion of the disposal of 70% interest in SHKFGL, the properties that were rented to the subsidiaries of SHKFGL and classified as property and equipment with carrying amount of HK$16.2 million before the disposal were transferred to investment properties measured at fair value of HK$132.5 million as the properties were continued to be rented to the subsidiaries of SHKFGL. The difference of HK$111.3 million between the carrying amount and the fair value of the properties was recognised in revaluation reserve, net of deferred tax of HK$5.0 million.

10. DIVIDENDS

	2015 ***HK$ Million***	2014 *HK$ Million*
The aggregate amount of dividends declared and proposed:		
– 2015 interim dividend paid of HK12 cents (2014: HK10 cents) per share	**269.3**	211.4
– 2014 special dividend paid of HK2 cents per share	**–**	42.3
– 2015 second interim dividend of HK14 cents per share declared after the reporting date (2014: proposed 2014 final dividend of HK14 cents per share)	**311.0**	315.5
	580.3	569.2
Dividends recognised as distribution during the year:		
– 2014 final dividend paid of HK14 cents (2014: 2013 final dividend of HK12 cents) per share	**314.1**	254.0
– 2014 special dividend paid of HK2 cents per share	**–**	42.3
– 2015 interim dividend paid of HK12 cents (2014: HK10 cents) per share	**269.3**	211.4
	583.4	507.7

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following information:

	2015	2014
	HK$ Million	*HK$ Million*
Earnings for the purposes of basic and diluted earnings per share		
Earnings from continuing operations and discontinued operations (profit for the year attributable to owners of the Company)	**3,896.5**	1,328.4
Less: earnings from discontinued operations (profit for the year from discontinued operations attributable to owners of the Company)	**(3,228.8)**	(388.8)
Earnings from continuing operations (profit for the year from continuing operations attributable to owners of the Company)	**667.7**	939.6

	2015	2014
	Million Shares	*Million Shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,241.4**	2,152.5
Effect of dilutive potential ordinary shares:		
– Shares held for the SHK Employee Ownership Scheme	**–**	0.1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,241.4**	2,152.6

Basic earnings per share and diluted earnings per share for the discontinued operations are both HK144.0 cents per share (2014: both HK18.1 cents per share).

12. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	31/12/2015	31/12/2014
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Hong Kong	**6,839.9**	7,081.6
– Mainland China	**2,932.3**	5,066.7
Less: impairment allowance	**(950.2)**	(756.6)
	8,822.0	11,391.7
Analysed for reporting purposes as:		
– Non-current assets	**2,741.3**	3,308.4
– Current assets	**6,080.7**	8,083.3
	8,822.0	11,391.7

13. TRADE AND OTHER RECEIVABLES

	31/12/2015	31/12/2014
	HK$ Million	*HK$ Million*
Trade receivables – accounts receivable from exchanges, brokers and clients	**146.5**	1,811.3
Less: impairment allowance	**–**	(11.8)
	146.5	1,799.5
Secured term loans	**3,123.7**	2,727.2
Unsecured term loans	**301.0**	623.6
Less: impairment allowance	**(95.9)**	(4.8)
	3,328.8	3,346.0
Margin loans	**–**	3,903.0
Less: impairment allowance	**–**	(119.9)
	–	3,783.1
Other receivables		
– Deposits	**74.5**	72.1
– Dividend receivable on behalf of clients	**–**	60.9
– Payments on behalf of customers^	**21.3**	0.3
– Claims from counter parties and other receivables	**21.8**	63.8
Less: impairment allowance	**(17.0)**	–
	100.6	197.1
Trade and other receivables at amortised cost	**3,575.9**	9,125.7
Prepayments	**36.3**	24.9
Current portion of leasehold interests in land	**0.1**	0.3
	3,612.3	9,150.9
Analysed for reporting purposes as:		
– Non-current assets	**1,604.2**	1,468.2
– Current assets	**2,008.1**	7,682.7
	3,612.3	9,150.9

^ Payments on behalf of customers represented payments made by the Group to reimburse the beneficiaries of the guarantees (the "Holders") for losses the Holders incurred because the customers failed to make payments when due in accordance with the term of the corresponding debt instruments.

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

	31/12/2015	31/12/2014
	HK$ Million	*HK$ Million*
Less than 31 days	**0.1**	1,820.1
31 – 60 days	**0.5**	4.1
61 – 90 days	**–**	1.5
91 – 180 days	**–**	2.6
Over 180 days	**–**	23.3
	0.6	1,851.6
Term loans, margin loans and trade and other receivables without ageing*	**3,688.2**	7,410.6
Impairment allowances	**(112.9)**	(136.5)
Trade and other receivables at amortised cost	**3,575.9**	9,125.7

* No ageing analysis is disclosed for term loans financing, as, in the opinion of the management, the ageing analysis does not give additional value in view of the nature of the term loans financing business.

14. TRADE AND OTHER PAYABLES

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

	31/12/2015	31/12/2014
	HK$ Million	*HK$ Million*
Less than 31 days	**68.4**	2,480.3
31 – 60 days	**8.5**	8.4
61 – 90 days	**7.1**	11.4
91 – 180 days	**0.2**	9.5
Over 180 days	**0.1**	3.6
	84.3	2,513.2
Accrued staff costs, other accrued expenses and other payables without ageing	**197.0**	306.6
	281.3	2,819.8

MANAGEMENT DISCUSSION AND ANALYSIS

Following the sale of the Group's 70% equity interest in Sun Hung Kai Financial Group Limited ("SHKFGL Transaction"), the Group's earnings drivers have been repositioned. The Group's strategy is to achieve a steady growth in profit as well as long term value accretion for shareholders through our financing and investment strategy.

The Group will continue to develop our finance businesses through expansion in China when appropriate as well as expansion into other market segments and related businesses. Building upon our operating expertise in financial services and with a view to achieving higher returns on capital, we will actively seek investments in new financial platforms.

Results Overview

During the year 2015, the Group achieved record earnings driven from the HK$3,033.5 million gain from the SHKFGL Transaction, which was completed on 2 June 2015. SHKFGL's contribution to the Group up to the completion date has been classified under discontinued operations and 2014 comparatives have been restated accordingly. After the completion date, SHKFGL became a 30% owned associate of the Group and its contribution is included under Principal Investments.

The Group's revenue, mainly consisting of interest income, was HK$4,174.1 million, similar to the level achieved in 2014. Total operating expenses increased by 9% as a result of an increase in general administrative expenses. Finance costs amounted to HK$478.8 million (2014: HK$442.1 million) with higher average borrowing costs.

Bad and doubtful debt expenses amounted to HK$1,570.9 million (2014: HK$787.2 million) and the increases were from the Structured Finance and Consumer Finance businesses, especially the latter in view of a weak Mainland Chinese economy. This had an adverse impact on the overall performance of the Group's finance business.

Loan Balances and Interest Income

(HK$ Million)	31 Dec 2015	31 Dec 2014	*Change*
Loan Balances by Segment			
Consumer Finance	8,608.7	11,391.7	*-24%*
Structured Finance	3,328.8	3,346.0	*-1%*
Mortgage Loans	213.3	–	
Total	**12,150.8**	**14,737.7**	***-18%***
Interest Income by Segment for the year			
Consumer Finance	3,671.8	3,742.5	*-2%*
Structured Finance	400.2	353.4	*13%*
Mortgage Loans	2.9	–	
Others	18.7	11.1	*68%*
Total	**4,093.6**	**4,107.0**	

Given the weak economic conditions in Mainland China, the Group has adopted a revised credit approach and reduced the average loan size of the portfolio. Total loan balances and the corresponding interest income from Mainland China were lower than 2014 as a result. The Hong Kong consumer finance business remained solid during the year.

In October 2015, a new business, SHK Credit, was launched to focus on the non-bank mortgage market in Hong Kong. Business momentum since then remained strong and we anticipate that it will become a significant part of the Group's total loan portfolio in the coming years.

Overall, the results of the Group's finance business were affected by the higher bad debt expenses during the year. However, the investment business had a satisfactory performance.

The Group's pre-tax profit amounted to HK$973.2 million (2014: HK$1,712.7 million).

Profit from discontinued operations was HK$3,228.8 million (2014: HK$388.8 million) reflecting the profit from SHKFGL and includes the sale gain.

Based on continuing operations, the Group's profit attributable to owners of the Company was HK$667.7 million (2014: HK$939.6 million).

Business Review

Segment Information

The following changes were made to the Group's segment information presentation during 2015:

– The Wealth Management and Brokerage and Capital Markets segments have been removed from the analysis as these units which are under SHKFGL were deconsolidated.

– The newly launched SHK Credit business is reported separately under Mortgage Loans.

– To present the Group's earnings drivers more clearly, the Group Management and Support section, previously included under Principal investments, is now presented as a separate segment. It reflects support and treasury costs that are not fully allocated to other business segments.

Contribution to pre-tax profit by segment:

(HK$ Million)	**2015**	**2014**	***Change***
Structured Finance	93.2	102.7	*-9%*
Consumer Finance	609.5	1,407.7	*-57%*
Mortgage Loans	(8.3)	–	
Principal Investments	469.9	229.2	*105%*
Group Management and Support	(191.1)	(26.9)	
Total	**973.2**	**1,712.7**	***-43%***

Structured Finance

The Structured Finance business provides funding solutions to corporates and high net worth individuals. At the end of 2015, total loans outstanding amounted to HK$3,328.8 million (2014: HK$3,346 million). Interest income increased by 13% in 2015 reflecting the higher average loan balance during the year as we also facilitated shorter term bridging loans.

(HK$ Million)	2015	2014	*Change*
Revenue	**405.4**	**375.8**	**8%**
Operating costs	(14.1)	(65.3)	*-78%*
Cost to income (% Revenue)	3.5%	17.4%	
Finance costs^	(189.5)	(165.3)	*15%*
Bad and doubtful debts	(103.6)	–	
Loss from financial asset and liabilities	(5.0)	(42.5)	
Pre-tax Contribution	**93.2**	**102.7**	***-9%***

^ Includes internal

68% of the portfolio represents loans to investment holding companies. The remainder is business related loans. 91% of the loan book is secured and 42% is due within one year.

A provision for bad debts of HK$103.6 million was recorded during 2015 (2014: nil). This included a small provision for a previous loan, as well as a provision for a current loan backed by real estate collateral. The total provision amount is equivalent to approximately 3% of the total Structured Finance loan portfolio.

A HK$5.0 million loss from financial assets (2014: HK$42.5 million) was incurred as a result of a mark-to-market valuation of a small equity position from a previous debt-plus-equity loan.

Liquidity conditions for medium sized enterprises are likely to remain tight in the current market and there should be a healthy demand for alternative funding solutions. With a solid financial position, the Group is well positioned to capitalise on opportunities when they arise.

Mortgage Loans

Sun Hung Kai Credit Limited ("SHK Credit") is an 86% owned subsidiary of the Group. Business commenced in October 2015 providing mortgage services and lending solutions to home owners and property investors in Hong Kong. The business is funded by the Group's internal cash resources.

As at 31 December 2015, total loans outstanding amounted to HK$213.3 million. A small loss of HK$8.3 million was incurred as a result of the set up costs. We are pleased with the progress of the business and expect it to be profitable in 2016. Additional marketing and a new branch is planned for 2016.

SHK Credit offers mortgage and property equity loan products to home owners and investors who seek flexible and personalised financing options that traditional banks cannot provide. Customer demand is diverse and not necessarily driven by property purchases. Property is the largest asset class of most Hong Kong households' net worth. By utilising property assets as security, SHK Credit can offer lending solutions to a risk segment lower than the unsecured personal loans segment, thereby adding diversification to the Group's total loan portfolio. With our strong balance sheet and brand recognition, we are optimistic that this business will become a more substantial part of the Group's loan business in the near future.

Consumer Finance

United Asia Finance Limited ("UAF"), a 58% indirectly owned subsidiary, conducts consumer finance business through an extensive branch network in Hong Kong and Mainland China. It offers both unsecured and secured loan products to individual consumers and small businesses.

Hong Kong Business

In Hong Kong, UAF's core unsecured personal loans business performed well with an increased overall market share and business volume. The profitability of this business achieved a record high in 2015 despite keen market competition. As part of its strategy to add to the "Online to Offline" presence, UAF launched the first "One Click to Loan" mobile App in September 2015 which enables customers to complete the entire loan transaction on the mobile application platform. As a market leader in consumer finance, UAF is committed to providing innovative customer service to consumers.

However, overall there was a drop in the Hong Kong loan book due to a reduction in the mortgage loan portfolio. With the tight regulatory stance from the government on bank related funding for the property market, UAF will focus its business on unsecured loans going forward in order to maintain our funding flexibility and advantage.

For 2016, we have seen a steady start to the year for the Hong Kong business. However, drawing on our experience from previous cycles, the unemployment rate is a risk factor for the business and management will remain vigilant to adjust our strategy should there be any deterioration in the operating environment.

Mainland China Business

The downturn in economic activity in Mainland China has hurt the financial results of our business there. The small business enterprises segment which we had focused upon was especially affected. Under this difficult operating environment, UAF has tightened up credit to small businesses in order to reduce its risk exposure and in the meantime, its business strategy is focused on the marketing of smaller loans to salaried workers which is considered to be a more resilient customer group. Promotion campaigns were launched to target specific clusters of customers based on our analysis of demographic and social factors. By reducing the average loan size, we aim to reduce the overall credit risk of our portfolio. As a result of this strategy, the average loan outstanding balance per account reduced from RMB57,835 as of the end of 2014 to RMB34,895 as of the end of 2015.

During 2015, UAF China originated 74,209 loans which was a number higher than the total in 2014. However, the total loan amount originated was RMB4,350.7 million, which was 28% lower than 2014 as we reduced approval amounts. As a result of the revised approach and also the write off of delinquent balances, the gross loan balance in China declined by 42%. The decline in the loan book has also contributed to a much higher Charge Off ratio.

In the near term, the environment in Mainland China is likely to remain challenging. With the new credit strategy, UAF China's Charge Off amounts have peaked in the third quarter of 2015, and we are likely to maintain our conservative approach under current economic conditions. Cost rationalisation measures have also been put in place as we position the business for an eventual recovery.

Branch network as at 31 December 2015

City/Province	Newly opened during 2015	Closed during 2015	Number of branches at year end
Hong Kong	–	–	50
Shenzhen	–	–	43
Shenyang	3	–	12
Chongqing	–	(2)	10
Tianjin	–	(1)	6
Chengdu	2	(1)	12
Yunnan province	3	–	13
Dalian	–	(2)	7
Beijing	1	–	7
Wuhan	3	(1)	11
Shanghai	3	–	10
Fuzhou	1	–	6
Harbin	–	–	5
Nanning	3	–	5
Qingdao	2	–	4
Jinan	1	–	2
Guangzhou*	2	–	3
Foshan*	1	–	1
Dongguan*	1	–	1
Total	**26**	**(7)**	**208**

* Loan marketing branches

During the year, UAF closed seven underperforming branches and added 26 new branches to expand our business reach. A total of 208 branches were operating at the end of 2015. UAF's loan marketing and guarantee business launched in October 2014 has expanded to a five-branch operation at the year end and achieved a satisfactory business volume with HK$188.6 million (2014: HK$31.7 million) loans originated during the year.

As economic headwinds in Mainland China persist, the China business's profitability is likely to remain subdued in the coming year. While we see this period as a short term setback, the industry has begun to consolidate and with more rational competition, this should improve the return profile for UAF in the future. With a solid financial position and the experience of managing through past cycles, we are confident in the medium term prospects as the Mainland economy stabilises.

Segment results and key metrics

(HK$ Million)	2015	2014	*Change*
Revenue	**3,706.4**	**3,763.6**	***-2%***
Operating Costs	(1,373.2)	(1,344.9)	*2%*
Cost to income (% Revenue)	37.0%	35.7%	
Finance cost^	(285.0)	(263.8)	*8%*
Bad and doubtful debts	(1,463.3)	(787.2)	*86%*
Other (expenses) income – net	(4.1)	4.3	
Exchange gain	28.7	35.7	
Pre-tax Contribution	**609.5**	**1,407.7**	***-57%***

^ Includes internal

Pre-tax contribution for 2015 amounted to HK$609.5 million, a drop of 57% over last year as a result of the drop in loan business in Mainland China. Revenue declined by 2% on a slower loan business. A HK$28.7 million exchange gain was recorded during the year (2014: HK$35.7 million), from a lower translation of RMB denominated debt into Hong Kong dollars.

Total bad and doubtful debts expenses increased to HK$1,463.3 million (2014: HK$787.2 million) during the year. The charges include bad debts written off net of recoveries, as well as the charges to the impairment allowance (which is calculated based on the historical charge off rates and loan growth amount). For unsecured loans, the entire loan amount is written off after a six month delinquency. During the period, bad debts written off, net of recoveries (the "Charge Off") amounted to HK$1,234.2 million (2014: HK$624.7 million) of which HK$967.1 million (2014: HK$353.7 million) was incurred in the China loan business, undermining the business's profitability.

Bad and doubtful debts and impairment allowances

(HK$ Million)		2015	2014
a.	Amount written off	**(1,363.7)**	(738.9)
b.	Recoveries	**129.5**	114.2
c.	Charge to impairment allowance^	**(229.1)**	(162.5)
Total charges for bad and doubtful debts		**(1,463.3)**	(787.2)
Impairment allowance at year end		**949.0**	756.6
Gross loan balance		**9,557.7**	12,148.3
Net charge off (a+b) as % of average gross loans		**11.4%**	5.5%
Impairment allowance as % of year end gross loans		**9.9%**	6.2%

^ HK$17.6 million (2014: nil) incurred in guarantee business

Aging analysis for loans and advances to consumer finance customers that were past due but not impaired:

(HK$ Million)	**As at 31 December 2015**	Note	As at 31 December 2014	Note
Less than 31 days	**562.1**	6.5%	805.2	7.1%
31 – 60 days	**147.0**	1.7%	278.3	2.4%
61 – 90 days	**124.7**	1.5%	101.6	0.9%
91 – 180 days	**397.6**	4.6%	232.8	2.1%
Over 180 days	**103.5**	1.2%	36.9	0.3%
Total	**1,334.9**	15.5%	1,454.8	12.8%

Note: amount as a % of net loan balance.

Key Operating Data	**2015**	**2014**	***Change***
Loan balances (HK$ Million)			
Net loan balance	8,608.7	11,391.7	*-24%*
Gross loan balance	9,557.7	12,148.3	*-21%*
– Hong Kong	6,625.4	7,081.6	*-6%*
– Mainland China	2,932.3	5,066.7	*-42%*
Guaranteed loans	139.2	30.2	
Loan book metrics			
Total return on loans			
(revenue/average gross loan balance)	34.2%	33.0%	
– Hong Kong	29.4%	28.2%	
– Mainland China	42.3%	40.6%	
Net charge-off ratio			
(on average gross loan balance)	11.4%	5.5%	
– Hong Kong	3.9%	3.9%	
– Mainland China	24.2%	8.0%	
Average gross balance per loan (HK$)	51,890	67,770	*-23%*
– Hong Kong (HK$)	58,224	64,875	*-10%*
– Mainland China (RMB)	34,895	57,835	*-40%*

Principal Investments

For the year 2015, the Principal Investments segment made a pre-tax contribution of HK$469.9 million, equivalent to 10.6% of average assets allocated to the segment, a reasonable return overall given volatile financial markets. The year end carrying value was HK$7,593.9 million.

Portfolio composition and return

(HK$ Million)	**Period end value**	**Average value**	**Pre-tax contribution (2015)**	**Return on average value**	**Pre-tax contribution (2014)**
Principal Portfolio	4,522.0	2,333.4	333.5	*14.3%*	126.9
Long Term Investment Portfolio	2,094.2	1,186.8	75.6	*6.4%*	38.6
Real Estate Portfolio	977.7	897.9	60.8	*6.8%*	63.7
Total	**7,593.9**	**4,418.1**	**469.9**	***10.6%***	**229.2**

Principal Portfolio

For the year 2015, the Principal Portfolio achieved a profit of HK$333.5 million, or a 14.3% return over the average balance, a satisfactory return given that the Hang Seng Index declined 7.2% during the year. The portfolio includes externally managed partner funds as well as an internally managed portfolio of market positions and direct investments.

Partner funds account for around half of the Principal Portfolio's carrying value. We invest in a selection of partner hedge and private equity funds chosen based on their track records, strategic fit as well as access to deals and co-investment opportunities. For our internally managed assets, our team manages a multi asset class portfolio aimed towards enhancing returns.

CMI – through a convertible bond subscription, we invested in a minority position in CM International Holding Pte. Ltd. ("CMI"), an investment holding company under China Minsheng Investment Co., Ltd., a leading large scale investment company. It is dedicated to lead and guide the investment of China's private capital, the driving of economic transition and upgrading of the national economy. Its approach is complementary to our existing investment and growth strategy and allows us to diversify our portfolio and to work with leading partners. With our experience in diversified financial service businesses, we look forward to further cooperation opportunities with them.

WuXi PharmaTech – together with a group of investors, through a special purpose vehicle we invested in a deal to privatise WuXi PharmaTech (Cayman) Inc. The deal was successfully completed in December 2015. This is a special situation investment in a market leading enterprise in a sector with very strong industry dynamics.

Crowdnetic – we have invested in a small equity interest in Crowdnetic Corporation and obtained the rights to form a joint venture together in China. Crowdnetic is a leading provider of technology and market data solutions to the marketplace-lending and securities-based crowdfunding industries.

Long Term Investment Portfolio

This portfolio consists of associates and available-for-sale investments that have sound investment or strategic value to the Group. The year end carrying value was HK$2,094.2 million. Most of the associated companies are financial services firms. This portfolio contributed to HK$75.6 million to profit. Some notable investments include:

Sun Hung Kai Financial – Subsequent to the stake sale, Sun Hung Kai Financial Group Limited is classified as a 30% owned associate of the Group. In 2015, the strong market sentiment that started the year took a turn in the second half. However, synergies and ample cost savings opportunities are expected at Sun Hung Kai Financial as a part of Everbright Securities and the Company continues to render our full support to their business. Sun Hung Kai Financial accounts for the majority of the value of the Long Term Investment Portfolio. The accounting treatment of the revaluation of our stake has resulted in a net gain of HK$57.3 million. Details are explained later in this announcement under "Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures".

LSS Financial Leasing (Shanghai) – The Company invested in a 30% stake of financial leasing company 陸金申華融資租賃(上海)有限公司, with Lujiazui International Trust Co. Ltd (a financial services firm) and Shanghai Shenhua Holdings Co. Ltd (a well-established conglomerate who operates multi car dealerships) as our partners. This venture is an effective way for the Group to diversify its financing business in China. Initially focusing on financing for car leases and the car manufacturing supply chain, its offering will include financing services for other industries as well.

Real Estate Portfolio

This consists of commercial real estate mainly in Hong Kong and recurring income is generated from rental. Total revaluation gain of HK$38.3 million was also recorded during the period (2014: HK$43.7 million).

Outlook

The outlook for earnings for 2016 will be challenging. As the Chinese economy continues to consolidate and undergo transformation, UAF China's recovery will be closely tied to economic environment in China. On the positive side, the Group's Hong Kong loan businesses including Structured Finance and Consumer Finance are expected to perform steadily barring any rapid deterioration of the local economy. The newly launched Mortgage Loans business should contribute to overall growth in our finance business as the business expands.

For the Group's investment business, despite the volatile mark-to-market movements, with our portfolio of existing investments and newly added positions, we are confident of their long term prospects and hope to crystallise their values at the appropriate time.

Keeping the short term challenges in mind, management remains optimistic of the Group's long term prospects and will continue to seek new opportunities through its financing and investment model to position the business for continued value accretion.

Financial Review

Financial Resources, Liquidity and Capital Structure

(HK$ Million)	As at 31 December 2015	As at 31 December 2014	*Change*
Equity attributable to owners of the Company	18,007.6	14,927.0	*21%*
Total cash position	7,149.0	5,044.6	*42%*
Total borrowings	9,894.4	10,738.4	*-8%*
Net debt	2,745.4	5,693.8	*-52%*
Net debt to equity ratio	15.2%	38.1%	
Net asset value per share	HK$8.1	HK$6.6	*23%*

The Group's cash position was strengthened with the sale proceeds from the SHKFGL Transaction. As total borrowings were lower in 2015, the net debt to equity ratio declined.

In view of an uncertain operating environment, upcoming debt repayment obligations as well as future growth plans, the Group is likely to maintain a prudent financial position in the short term.

For the year 2015, the Company repurchased and cancelled 24.6 million shares involving a total consideration (including expenses) of HK$134.7 million. In August, the Board has approved a plan to utilise up to HK$1 billion to repurchase the Company's shares on the market. The buyback program will continue as long as the shares trade below the Company's intrinsic value.

As at 31 December 2015, total borrowings of the Group amounted to HK$9,894.4 million (31 December 2014: HK$10,738.4 million). Of this amount, 21% is repayable within one year (31 December 2014: 36.4%). The Group maintains a balanced mix of funding from various sources. Fixed coupon US dollar denominated notes amounted to HK$2,986.3 million and RMB-denominated notes equivalent to HK$595.4 million were outstanding at the end of the period. Bank borrowings are at floating interest rates and these are denominated in Hong Kong dollars, US dollars and RMB. There are no known seasonal factors in the Group's borrowing profiles.

The Group maintained foreign currency positions to cater for its present and potential investment and operating activities. Any exchange risks are closely monitored by the Group and held within approved limits.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 2 June 2015, the Group completed the sale of 70% equity interest of SHKFGL to Everbright Securities ("SHKFGL Transaction" mentioned above). Total consideration was HK$4,095.0 million and a gain of HK$3,033.5 million was recognised. For more details of the transaction please refer to the Company's circular dated 27 February 2015, the announcement dated 2 June 2015 and Note 9. SHKFGL has become a 30% associate of the Group under the Principal Investments segment with a carrying value of HK$1,644.0 million upon completion of the transaction. During the year, an impairment of HK$538.7 million, included in "other expense", was incurred from the revaluation of this equity stake. As part of the transaction, the Group negotiated a put option on the 30% equity interest of SHKFGL to Everbright Securities. This put option recorded a valuation gain of HK$596.0 million classified under gain on financial assets. Both of these items are recorded under Principal Investments – Long Term Investments, with a net positive impact of HK$57.3 million. This net gain implicitly reflects the guaranteed return from the option, and timing differences.

Sun Hung Kai Venture Capital Limited, an indirectly wholly-owned subsidiary of the Company, has invested in a joint venture in Shanghai providing car finance leasing service. The venture, LSS Financial Leasing (Shanghai) Co., Ltd. (陸金申華融資租賃(上海)有限公司) has a registered capital of RMB200 million and the Group has invested RMB60 million for an equity interest of 30%. Shanghai Shenhua Holdings Co, Ltd. and Lujiazui International Trust Co., Ltd. hold the remaining 45% and 25% respectively. Further details on the venture can be found in the Company's announcement dated 7 September 2015.

Charges on Group Assets

Properties of the Group with a total book value of HK$475.0 million were pledged by subsidiaries to banks for facilities granted to them with a total outstanding loan balance of HK$14.0 million as at 31 December 2015.

Contingent Liabilities

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

	31/12/2015	31/12/2014
	HK$ Million	*HK$ Million*
Indemnities on banking guarantee made available to a regulatory body	–	1.5
Financial guarantees under loan guarantee business*	**139.2**	30.2
	139.2	31.7

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

Human Resources

As at 31 December 2015, the Group's headcount was 5,880, compared to 7,197 at 31 December 2014. This net decrease in headcount mainly reflects the reclassification of SHKFGL as a 30% owned associate post the Group's sale of its 70% equity interest and a reduction of headcount at UAF. Staff costs based on continuing operations (including Directors' emoluments), contributions to retirement benefit schemes and expenses recognised for the SHK Employee Ownership Scheme amounted to approximately HK$845.0 million (2014: HK$815.5 million).

The Group operates various compensation schemes to reflect job roles within the organization. For sales staff/sales consultants, packages consist of a base pay and commission/bonus/performance-based incentives as appropriate. For non-sales staff, the compensation comprises either a base salary with bonus/share-based/performance-based incentives or base salary, as appropriate.

SECOND INTERIM DIVIDEND

The Board has declared a second interim dividend (in lieu of a final dividend) for the year ended 31 December 2015 of HK14 cents per share payable to shareholders of the Company whose names appear on the register of members of the Company on 8 April 2016, making a total dividend for the year 2015 of HK26 cents (2014: HK26 cents) per share. Dividend warrants for the second interim dividend is expected to be despatched on or around Thursday, 21 April 2016.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "2016 AGM") is scheduled to be held on Wednesday, 25 May 2016. The notice of the 2016 AGM will be published on the website of the Company (www.shkco.com.hk) and the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk), and dispatched to the shareholders around the middle of April 2016.

CLOSURES OF REGISTER OF MEMBERS

The register of member of the Company will be closed on the following time periods during which no transfer of shares of the Company will be registered:

Events		Book close period
For entitlement to the second interim dividend	:	7 April 2016 and 8 April 2016 (Ex-dividend date being 5 April 2016) (Record date being 8 April 2016)
For attendance to the 2016 AGM	:	23 May 2016 – 25 May 2016 inclusive

In order to qualify for entitlement to the second interim dividend or/and attendance to the 2016 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Secretaries Limited, for registration not later than 4:30 p.m. on the following dates:

Events		Last date of lodgment of transfer documents
For entitlement to the second interim dividend	:	6 April 2016
For attendance to the 2016 AGM	:	20 May 2016

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2015, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "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:

(a) Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisational structure of the Company, the functions of a chief executive are performed by the Group Executive Chairman, Mr. Lee Seng Huang, in conjunction with the Group Deputy Chief Executive Officer, Mr. Simon Chow Wing Charn. The Group Executive Chairman oversees the Group's Principal Investments, as well as the Group's interest in UAF whose day-to-day management lies with its designated Managing Director. Mr. Chow assists the Group Executive Chairman in driving the performance of other business segments of the Group as well as exploring new areas of growth.

The Board believes that this structure spreads the workload that would otherwise be borne by an individual chief executive, allowing the growing businesses of the Group to be overseen by appropriately qualified and experienced senior executives in those fields. Furthermore, it enhances communication and speeds up the decision-making process across the Company. The Board also considers that this structure will not impair the balance of power and authority between the Board and management of the Company. An appropriate balance can be maintained by the operation of the Board, which holds at least four regular meetings a year to discuss business and operational issues of the Group.

(b) 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 adopted by the Company are in compliance with the code provision B.1.2 of the CG Code, except that the Remuneration Committee should 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 adopted by the Company are in compliance with the code provision C.3.3 of the CG Code, except that the Audit Committee should (i) recommend (as opposed to implement under the code provision) the policy on engaging the external auditor to supply non-audit services; (ii) scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective internal control system; (iii) promote (as opposed to ensure under the code provision) co-ordination between the internal audit and external auditor; and (iv) check (as opposed to ensure under the code provision) whether the internal audit is adequately resourced and has appropriate standing within the Company.

The reasons for the above deviations had been set out in the Corporate Governance Report contained in the Company's annual report for the financial year ended 31 December 2014. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to their respective terms of reference as adopted by the Company. The Board will review the terms of reference at least annually and would make appropriate changes if considered necessary.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2015 annual report which will be issued before end April 2016.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2015, the Company repurchased a total of 24,583,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration (before expenses) of HK$134,291,260. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price Highest	Purchase price Lowest	Aggregate consideration (before expenses)
		(HK$)	*(HK$)*	*(HK$)*
March	1,097,000	6.68	6.59	7,268,910
May	130,000	7.75	7.73	1,006,700
June	1,586,000	7.75	6.86	11,530,910
July	7,003,000	6.90	5.25	42,102,130
August	9,680,000	5.05	4.50	46,300,520
September	1,037,000	5.25	4.61	5,126,630
October	895,000	5.58	5.22	4,779,270
November	1,964,000	5.28	5.13	10,199,750
December	1,191,000	5.24	4.92	5,976,440
	24,583,000			134,291,260

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2015.

AUDIT COMMITTEE REVIEW

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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

On behalf of the Board
Sun Hung Kai & Co. Limited
Lee Seng Huang
Group Executive Chairman

Hong Kong, 17 March 2016

As at the date of this announcement, the Board comprises:

Executive Directors:
Messrs. Lee Seng Huang *(Group Executive Chairman)*, Simon Chow Wing Charn and Peter Anthony Curry

Non-Executive Director:
Mr. Jonathan Andrew Cimino *(Mr. Joseph Kamal Iskander as his alternate)*

Independent Non-Executive Directors:
Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Jacqueline Alee Leung and Mr. Peter Wong Man Kong