



新鴻基有限公司

SUN HUNG KAI & CO. LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

ANNOUNCEMENT OF 2007 FINAL RESULTS

The Board of Directors (the “Board” or the “Directors”) of Sun Hung Kai & Co. Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007 as set out below:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	NOTES	2007 HK\$'000	2006 HK\$'000 (Note 2)
Revenue*		4,666,849	1,984,356
Other income		783,901	231,346
Total income		5,450,750	2,215,702
Cost of sales		(44,928)	(10,256)
Brokerage and commission expenses		(414,595)	(225,513)
Direct cost and operating expenses		(867,244)	(313,397)
Administrative expenses		(1,397,630)	(643,814)
Other expenses		(400,963)	(81,825)
Finance costs		(535,004)	(216,154)
		1,790,386	724,743
Net gain (loss) on deemed disposal of listed associates	4	141,019	(80,932)
Impairment loss of available-for-sale investments		(2,000)	(58,203)
		1,929,405	585,608
Share of results of associates		263,594	8,165
Share of results of jointly controlled entities		827	1,315
Profit before taxation	5	2,193,826	595,088
Taxation	6	(172,872)	(84,402)
Profit for the year		2,020,954	510,686
Profit attributable to:			
– Equity holders of the Company		1,897,624	451,601
– Minority interests		123,330	59,085
		2,020,954	510,686
Dividends	7	570,362	224,101
Earnings per share	8		
– Basic (HK cents)		124.6	33.6
– Diluted (HK cents)		118.1	33.0

* Revenue is also the Group's turnover.

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	NOTES	2007 HK\$'000	2006 HK\$'000 (Note 2)
Non-current Assets			
Investment properties		58,900	92,600
Leasehold interests in land		132,464	70,908
Property and equipment		138,701	112,782
Intangible assets		2,080,117	2,409,982
Goodwill		2,504,766	2,540,159
Interest in associates		3,171,204	2,515,667
Interest in jointly controlled entities		1,490	2,932
Available-for-sale investments		1,232,249	1,060,578
Statutory deposits		29,729	78,687
Deferred tax assets		66,311	47,415
Amounts due from associates		–	78,000
Loans and advances to consumer finance customers		1,475,395	1,156,998
Loans and receivables		5,806	33,603
		<u>10,897,132</u>	<u>10,200,311</u>
Current Assets			
Inventories		11,341	9,684
Trade and other receivables	9	5,811,839	3,720,049
Loans and advances to consumer finance customers		2,145,159	1,654,167
Financial assets at fair value through profit or loss		1,170,622	360,125
Amounts due from associates		137,559	75,187
Taxation recoverable		3,212	2,628
Cash and cash equivalents		1,639,910	1,089,433
		<u>10,919,642</u>	<u>6,911,273</u>
Current Liabilities			
Bank and other borrowings due within one year		(555,554)	(627,984)
Trade and other payables	10	(2,046,454)	(1,475,294)
Financial liabilities at fair value through profit or loss		(59,084)	(1,972)
Amounts due to a fellow subsidiary		(19,757)	(750,890)
Amounts due to associates		(7,506)	(7,296)
Provisions		(74,483)	(77,340)
Dividend payable		–	(41,802)
Taxation payable		(128,877)	(73,864)
Loan notes		(69,166)	–
		<u>(2,960,881)</u>	<u>(3,056,442)</u>
Net Current Assets		<u>7,958,761</u>	<u>3,854,831</u>
Total Assets less Current Liabilities		<u>18,855,893</u>	<u>14,055,142</u>

	<i>NOTES</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (Note 2)
Capital and Reserves			
Share capital		335,958	298,791
Reserves		<u>11,855,677</u>	<u>8,003,204</u>
Equity attributable to equity holders of the Company		12,191,635	8,301,995
Minority interests		<u>1,831,800</u>	<u>1,938,161</u>
Total Equity		<u>14,023,435</u>	<u>10,240,156</u>
Non-current Liabilities			
Loan notes		—	66,639
Bonds		2,800,000	2,800,000
Bank and other borrowings due after one year		1,649,590	514,588
Provisions		4,517	920
Deferred tax liabilities		<u>378,351</u>	<u>432,839</u>
		<u>4,832,458</u>	<u>3,814,986</u>
		<u>18,855,893</u>	<u>14,055,142</u>

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“New HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on 1 January 2007 and are relevant to the operations of the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (revised)	Presentation of Financial Statements ¹
HKAS 23 (revised)	Borrowing Costs ¹
HKAS 27 (revised)	Consolidated and Separate Financial Statements ³
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation ¹
HKFRS 3 (revised)	Business Combinations ³
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ²

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 July 2009.

The Directors anticipate that the application of these HKFRSs, HKASs and Interpretations will have no material impact on the results and the financial position of the Group.

2. RESTATEMENT OF 2006 COMPARATIVES

The Group acquired UAF Holdings Limited group and Quality HealthCare Asia Limited group (the “Acquisitions”) during the second half of 2006. When preparing the consolidated financial statements for the year ended 31 December 2006, management was in the process of performing valuations on the net assets acquired in the Acquisitions. Thus, the net assets acquired and goodwill arising from the Acquisitions could only be determined provisionally in the 2006 consolidated financial statements.

The valuations of the net assets were completed in the first half of 2007, giving rise to adjustments to the net assets acquired and goodwill arising from the Acquisitions, including additional amortisation of intangible assets. As a result, the comparative figures in the financial statements for the current period are restated as if the adjustments had been recognised on the dates of acquisitions. The effects of the restatements are analysed as follows:

	Year 2006 as previously reported HK\$'000	Adjustments HK\$'000	Year 2006 as restated HK\$'000
Consolidated income statement			
Other income	231,447	(101)	231,346
Direct cost and operating expenses	(240,238)	(73,159)	(313,397)
Taxation	(97,205)	12,803	(84,402)
Profit for the year	<u>571,143</u>	<u>(60,457)</u>	<u>510,686</u>
Profit attributable to:			
– Equity holders of the Company	486,817	(35,216)	451,601
– Minority interests	<u>84,326</u>	<u>(25,241)</u>	<u>59,085</u>
Earnings per share			
– Basic (HK Cents)	36.2	(2.6)	33.6
– Diluted (HK Cents)	<u>35.6</u>	<u>(2.6)</u>	<u>33.0</u>
	31.12.2006		31.12.2006
	as previously	Adjustments	as restated
	reported		as restated
	HK\$'000	HK\$'000	HK\$'000
Consolidated balance sheet			
Intangible assets	25,441	2,384,541	2,409,982
Goodwill	3,475,641	(935,482)	2,540,159
Deferred tax liabilities	<u>(15,544)</u>	<u>(417,295)</u>	<u>(432,839)</u>
Reserves	7,814,415	188,789	8,003,204
Minority interests	<u>1,095,186</u>	<u>842,975</u>	<u>1,938,161</u>

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.

Business segments have been used as a primary reporting format and no geographical segment analysis is presented as most of the Group's major business activities and assets are conducted in Hong Kong.

The main business segments presented in these financial statements are as follows:

- (a) Wealth management, brokerage and margin finance:
 - provision of financial planning and wealth management services,
 - provision of broking services and insurance broking,
 - provision of online financial services and online financial information,
 - provision of securities margin financing, and
 - dealing in securities, funds, leveraged forex, bullion, commodities, futures and options.
- (b) Corporate finance: provision of corporate finance services and structured finance.
- (c) Asset management: provision of asset management including funds marketing and management.
- (d) Consumer finance: provision of consumer financing.
- (e) Principal investments – Healthcare: provision of healthcare services.
- (f) Principal investments – Others: provision of strategic investments and properties holding and rental.

	Wealth management, brokerage and margin finance HK\$'000	Corporate finance HK\$'000	Asset management HK\$'000	Consumer finance HK\$'000	Principal investments– Healthcare HK\$'000	Principal investments– Others HK\$'000	Total HK\$'000
Revenue	2,135,206	211,900	227,264	1,124,942	957,429	793,523	5,450,264
Less: inter-segment revenue	(49,868)	(25,497)	(983)	–	–	(707,067)	(783,415)
	<u>2,085,338</u>	<u>186,403</u>	<u>226,281</u>	<u>1,124,942</u>	<u>957,429</u>	<u>86,456</u>	<u>4,666,849</u>
Segment results	<u>698,968</u>	<u>91,830</u>	<u>111,557</u>	<u>97,804</u>	<u>50,117</u>	<u>879,129</u>	1,929,405
Share of results							
– Associates							263,594
– Jointly controlled entities							827
Profit before taxation							<u>2,193,826</u>
Segment assets	<u>6,546,554</u>	<u>699,167</u>	<u>154,592</u>	<u>8,079,254</u>	<u>884,372</u>	<u>2,073,059</u>	18,436,998
Interest in associates							3,171,204
Amounts due from associates							137,559
Interest in jointly controlled entities							1,490
Deferred tax assets							66,311
Taxation recoverable							3,212
Total assets							<u>21,816,774</u>
Segment liabilities	<u>(2,022,527)</u>	<u>(44,059)</u>	<u>(16,895)</u>	<u>(4,507,260)</u>	<u>(130,467)</u>	<u>(557,397)</u>	(7,278,605)
Amounts due to associates							(7,506)
Taxation payable							(128,877)
Deferred tax liabilities							(378,351)
Total liabilities							<u>(7,793,339)</u>
Reversal of impairment loss							
– Loans and advances to consumer finance customers	–	–	–	198	–	–	198
– Trade and other receivables	12,629	8,688	–	–	–	–	21,317
Capital expenditure	(771)	–	–	(9,093)	(21,238)	(114,574)	(145,676)
Amortisation and depreciation	(2,253)	(1)	–	(238,321)	(32,918)	(21,162)	(294,655)
Impairment loss							
– Loans and advances to consumer finance customers	–	–	–	(88,395)	–	–	(88,395)
– Trade and other receivables	(30,114)	–	–	–	(1,120)	–	(31,234)
– Intangible assets	–	–	–	(84,000)	–	–	(84,000)
– Available-for-sale investments	–	–	–	–	–	(2,000)	(2,000)
Profit (loss) on disposal of property and equipment	<u>–</u>	<u>–</u>	<u>–</u>	<u>5</u>	<u>333</u>	<u>(5,175)</u>	<u>(4,837)</u>

	Wealth management, brokerage and margin finance HK\$'000	Corporate finance HK\$'000	Asset management HK\$'000	Consumer finance HK\$'000	Principal investments– Healthcare HK\$'000	Principal investments– Others HK\$'000	Total HK\$'000
Revenue	1,105,865	90,805	166,210	360,643	224,579	496,327	2,444,429
Less: inter-segment revenue	(24,688)	(4,562)	(714)	–	–	(430,109)	(460,073)
	<u>1,081,177</u>	<u>86,243</u>	<u>165,496</u>	<u>360,643^o</u>	<u>224,579[†]</u>	<u>66,218</u>	<u>1,984,356</u>
Segment results	<u>288,718</u>	<u>37,947</u>	<u>41,747</u>	<u>88,668^o</u>	<u>15,769[†]</u>	<u>112,759</u>	<u>585,608</u>
Share of results							
– Associates							8,165
– Jointly controlled entities							1,315
Profit before taxation							<u>595,088</u>
Segment assets	<u>3,997,039</u>	<u>340,062</u>	<u>90,863</u>	<u>7,769,462</u>	<u>831,329</u>	<u>1,361,000</u>	<u>14,389,755</u>
Interest in associates							2,515,667
Amounts due from associates							153,187
Interest in jointly controlled entities							2,932
Deferred tax assets							47,415
Taxation recoverable							2,628
Total assets							<u>17,111,584</u>
Segment liabilities	<u>(2,018,954)</u>	<u>(12,364)</u>	<u>(16,368)</u>	<u>(3,874,615)</u>	<u>(120,759)</u>	<u>(314,369)</u>	<u>(6,357,429)</u>
Amounts due to associates							(7,296)
Taxation payable							(73,864)
Deferred tax liabilities							(432,839)
Total liabilities							<u>(6,871,428)</u>
Reversal of impairment loss							
– Loans and advances to consumer finance customers	–	–	–	17,102	–	–	17,102
– Trade and other receivables	4,895	34	–	–	–	–	4,929
Capital expenditure	(231)	(11)	–	(3,668)	(2,844)	(30,560)	(37,314)
Amortisation and depreciation	(1,958)	(264)	–	(68,029)	(4,081)	(24,712)	(99,044)
Impairment loss							
– Loans and advances to consumer finance customers	–	–	–	(77,396)	–	–	(77,396)
– Trade and other receivables	(645)	(640)	–	–	(1,475)	–	(2,760)
– Intangible assets	(1,071)	–	–	–	–	(452)	(1,523)
– Available-for-sale investments	–	–	–	–	–	(58,203)	(58,203)
Profit (loss) on disposal of property and equipment	<u>1</u>	<u>–</u>	<u>–</u>	<u>17</u>	<u>(264)</u>	<u>(382)</u>	<u>(628)</u>

Certain business in reportable segments presented in prior years were merged and reclassified in 2007 in line with the internally reported segments to senior management. The 2006 comparative figures were changed accordingly. Below is the effect of the changes:

	New designation and reclassification						
	Year 2006 as previously reported HK\$'000	Wealth management, brokerage and margin finance HK\$'000	Corporate finance HK\$'000	Asset management HK\$'000	Consumer finance HK\$'000	Principal investments – Healthcare HK\$'000	Principal investments – Others HK\$'000
Revenue							
Wealth management	800,956	800,956	–	–	–	–	–
Securities financing and term lending	331,671	280,221	51,450	–	–	–	–
Asset management	165,496	–	–	165,496	–	–	–
Consumer finance	360,643	–	–	–	360,643	–	–
Healthcare	224,579	–	–	–	–	224,579	–
Corporate finance and others	101,011	–	34,793	–	–	–	66,218
	<u>1,984,356</u>	<u>1,081,177</u>	<u>86,243</u>	<u>165,496</u>	<u>360,643^a</u>	<u>224,579[†]</u>	<u>66,218</u>
Segment results							
Wealth management	214,714	214,714	–	–	–	–	–
Securities financing and term lending	103,788	74,004	29,886	–	–	–	(102)
Asset management	41,757	–	–	41,757	–	–	–
Consumer finance	159,714	–	–	–	159,714	–	–
Healthcare	17,983	–	–	–	–	17,983	–
Corporate finance and others	120,912	–	8,061	(10)	–	–	112,861
	<u>658,868</u>	<u>288,718</u>	<u>37,947</u>	<u>41,747</u>	<u>159,714</u>	<u>17,983</u>	<u>112,759</u>
Adjustments arising from completion of initial accounting for acquisitions (note 2)	(73,260)	–	–	–	(71,046)	(2,214)	–
	<u>585,608</u>	<u>288,718</u>	<u>37,947</u>	<u>41,747</u>	<u>88,668^a</u>	<u>15,769[†]</u>	<u>112,759</u>
Segment assets							
Wealth management	2,195,156	2,195,156	–	–	–	–	–
Securities financing and term lending	2,133,571	1,801,883	331,630	–	–	–	58
Asset management	90,863	–	–	90,863	–	–	–
Consumer finance	6,616,128	–	–	–	6,616,128	–	–
Healthcare	535,604	–	–	–	–	535,604	–
Corporate finance and others	1,369,374	–	8,432	–	–	–	1,360,942
	<u>12,940,696</u>	<u>3,997,039</u>	<u>340,062</u>	<u>90,863</u>	<u>6,616,128</u>	<u>535,604</u>	<u>1,361,000</u>
Adjustments arising from completion of initial accounting for acquisitions (note 2)	1,449,059	–	–	–	1,153,334	295,725	–
	<u>14,389,755</u>	<u>3,997,039</u>	<u>340,062</u>	<u>90,863</u>	<u>7,769,462</u>	<u>831,329</u>	<u>1,361,000</u>
Segment liabilities							
Wealth management	(1,144,556)	(1,144,556)	–	–	–	–	–
Securities financing and term lending	(884,103)	(874,398)	(9,671)	–	–	–	(34)
Asset management	(16,368)	–	–	(16,368)	–	–	–
Consumer finance	(3,874,615)	–	–	–	(3,874,615)	–	–
Healthcare	(120,759)	–	–	–	–	(120,759)	–
Corporate finance and others	(317,028)	–	(2,693)	–	–	–	(314,335)
	<u>(6,357,429)</u>	<u>(2,018,954)</u>	<u>(12,364)</u>	<u>(16,368)</u>	<u>(3,874,615)</u>	<u>(120,759)</u>	<u>(314,369)</u>

^a Represents revenue and results since acquisition on 24 August 2006.

[†] Represents revenue and results since acquisition on 29 September 2006.

4. NET GAIN (LOSS) ON DEEMED DISPOSAL OF LISTED ASSOCIATES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
(a) – Exercise of unlisted warrants of a listed associate conferring rights to subscribe for up to 78,800,000 new shares by a subscriber	–	(67,875)
– Share placing and top-up subscription of new shares by the listed associate in April 2006	–	(13,377)
– Subscription of new shares of the listed associate by third parties in November 2007	141,019	–
(b) Exercise of warrants and share options by another listed associate	<u>–</u>	<u>320</u>
	<u>141,019</u>	<u>(80,932)</u>

5. PROFIT BEFORE TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before taxation for the year has been arrived at after crediting (charging):		
Net realised profit (loss) on disposal included in other income (other expenses)		
– Disposal of an investment property	11,902	(146)
– Disposal of subsidiaries	49,581	10,753
– Deemed disposal of a subsidiary	–	248
– Disposal of associates	9,611	–
– Disposal of available-for-sale investments	598,227	149,045
Net gain (loss) on deemed disposal of listed associates	141,019	(80,932)
Discount on acquisition of associates included in other income	242	21,634
Reversal of impairment loss included in other income		
– Interest in associates	26,873	–
– Loans and advances to consumer finance customers	198	17,102
– Trade and other receivables	21,317	4,929
Increase in fair value of investment properties included in other income	9,900	13,200
Amortisation of leasehold interests in land	(2,522)	(1,622)
Depreciation of property and equipment	(39,407)	(24,038)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	(5,272)	(4,225)
– Other intangible assets (included in direct cost and operating expenses)	(247,454)	(69,159)
Net loss on disposal of property and equipment	<u>(4,837)</u>	<u>(628)</u>

6. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax		
– Hong Kong	246,657	93,979
– Other jurisdictions	<u>2,621</u>	<u>1,072</u>
	249,278	95,051
Under (over) provision in prior years		
– Hong Kong	465	59
– Other jurisdictions	<u>(67)</u>	<u>58</u>
	249,676	95,168
Deferred tax		
– Current year	(77,809)	(11,324)
– Under provision in prior years	<u>1,005</u>	<u>558</u>
	(76,804)	(10,766)
	<u><u>172,872</u></u>	<u><u>84,402</u></u>

Hong Kong profits tax is calculated at the rate of 17.5% (2006: 17.5%) of the estimated assessable profits for the year. 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.

7. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The aggregate amount of dividends paid and proposed:		
– Interim dividend paid of HK10 cents (2006: HK5 cents) per share	150,396	74,694
– Final dividend of HK25 cents (2006: HK10 cents) per share proposed after the balance sheet date	419,952	149,407
– Adjustment to 2006 final dividend	<u>14</u>	<u>–</u>
	<u><u>570,362</u></u>	<u><u>224,101</u></u>

The final dividend of HK25 cents (2006: HK10 cents) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The final dividend will be paid in the form of scrip, with the shareholders being given an option to elect cash in respect of part or all of such dividend.

The amount of proposed final dividend for the year ended 31 December 2007 has been calculated by reference to shares in issue at 9 April 2008.

8. EARNINGS PER SHARE

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

	2007 HK\$'000	2006 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share and diluted earnings per share (profit for the year attributable to equity holders of the Company)	<u>1,897,624</u>	<u>451,601</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,522,436	1,343,597
Effect of dilutive potential ordinary shares:		
– Warrants	<u>83,943</u>	<u>23,160</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,606,379</u>	<u>1,366,757</u>

9. TRADE AND OTHER RECEIVABLES

The aging analysis of the trade receivables, secured term loans and margin loans that were past due at the balance sheet date but not impaired were as follows:

	2007 HK\$'000	2006 HK\$'000
Less than 31 days	111,912	216,612
31-60 days	17,003	13,432
61-90 days	46,506	9,465
Over 90 days	<u>47,069</u>	<u>86,371</u>
	<u>222,490</u>	<u>325,880</u>



10. TRADE AND OTHER PAYABLES

	2007 HK\$'000	2006 HK\$'000
Aging analysis of trade payables:		
Less than 31 days	1,396,735	1,016,219
31-60 days	6,937	7,801
61-90 days	2,275	2,787
Over 90 days	<u>10,104</u>	<u>9,226</u>
	1,416,051	1,036,033
Other payables	<u>630,403</u>	<u>439,261</u>
	<u><u>2,046,454</u></u>	<u><u>1,475,294</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group, operating under the brand of Sun Hung Kai Financial (“SHKF”), has performed strongly over 2007. During the year, the Group recorded a 268.6% increase in profit before tax to HK\$2,193.8 million (2006: HK\$595.1 million). Consolidated profit attributable to equity holders of the Company increased by 320.2% to HK\$1,897.6 million (2006: HK\$451.6 million). Earnings per share (EPS) increased by 270.8% to HK124.6 cents (2006: HK33.6 cents). Revenue was HK\$4,666.8 million for the year, against HK\$1,984.4 million for the previous year.

BUSINESS REVIEW

Wealth Management and Brokerage

Securities broking continued to constitute a key component of our revenue. The Group participated in 101 issues of sub-underwriting, placements and initial public offerings (“IPO”), thanks to the IPO boom and numerous H-share launches, which generated substantial income. Third party execution provided to non-exchange participants produced solid revenues, while institutional and investment bank clients remained a valuable source of income.

Both our IPO financing and margin lending reached an all-time high. Our IPO subscriptions for our margin financing clients soared 93% for the year compared with 2006, to finish at HK\$232.5 billion in aggregate.

SHK Online, the Group’s self-directed execution service, experienced strong revenue growth over 2007. Leveraging its market leader position and capitalising on buoyant market conditions, SHK Online was able to more than double its revenue, posting a 150% gain in its bottom-line profit compared with 2006.

Throughout 2007, we remained generally positive on the local equities market. Our research team attended more than 320 company visits and corporate presentations and published more than 370 equity comments and analyses, as well as almost 440 strategy, sector and company reports. It also held press conferences and conducted numerous seminars. Our top 20 calls of 2007 outperformed the Hang Seng Index by between 33% and 90%. Of the team's recommendations, 70% were 'Buy' calls and the remainder were 'Neutral' or 'Sell' ratings.

Increasing global demand, and some supply constraints, pushed the prices of many commodities to new highs during 2007. Oil climbed to the US\$99.29 mark (partly reflecting a declining US dollar) and gold prices peaked at US\$845.4 per ounce in the second half of the year. There was significant growth in our trading volumes of precious metals and overseas commodities. Moreover, our turnover of Hang Seng Index futures and options ensured we maintained our leading position as the Hang Seng Index hit its historic high.

The Group's Minibond Series also continued to impress on the back of strong demand for structured products among third party intermediaries in Hong Kong and Macau. Through our partnership with investment bank Lehman Brothers, we have issued more than 30 credit-linked notes and two fund-linked notes since 2002, raising more than HK\$13 billion in total. Our responsibilities include product origination, sales, marketing and relationship management with over 20 intermediaries in Hong Kong and Macau. We will continue to explore new asset classes to increase our product offering across different platforms, and will actively seek to broaden our distribution network over 2008.

The Group's income from mutual funds and unit-linked products continued to demonstrate healthy gains over 2007, building on our results for 2006. Our mutual funds assets under management ("AUM") cumulative total surged more than 50% compared with 2006, with revenue increasing by almost 100%. Our unit-linked products also showed solid growth with revenue increasing by more than 20% compared with 2006.

Despite the tough environment posed by Hong Kong's general insurance industry last year, the Insurance Broking division managed to achieve its budget. The continued softening of the market, combined with increased operating costs, keen competition from banks and a shortage of professional personnel, presented great challenges to the industry. Looking ahead, we will redouble our efforts to expand our product range and distribution channels, while working on programmes to enhance our customer loyalty and broaden our market presence in China.

Our newly established 25% owned joint venture, China Xin Yongan Futures Company Limited (75% owned by 浙江省永安期貨經紀有限公司 Zhe Jiang Province Yongan Futures Broker Company Limited), obtained the necessary regulatory approvals and commenced business in May 2007. Results so far have been very encouraging, with the company breaking even in August and turning a profit for the rest of the year.

Asset Management

The fund management business experienced another year of strong growth in 2007. Assets under management/advisory grew 34% from approximately US\$650 million at the end of 2006 to US\$870 million at the end of 2007.

We currently offer seven hedge funds: five are global funds and two are Asia-focused funds overseen by experienced in-house portfolio managers. Last year, we launched our first private equity fund – the SHK Asian Opportunities Fund – and successfully raised US\$100 million in our first closing. Tribridge Capital Management (Cayman) Limited, approximately 30% owned by the Group, also enjoyed solid growth over 2007, with its flagship fund, Tribridge AF1, growing its AUM to US\$130 million from US\$40 million.

Corporate Finance

During the year, the Corporate Finance division returned strong results across the board. We successfully launched and sponsored the IPOs of Wuyi International Pharmaceutical Company Limited and Xinjiang Tianye Water Saving Irrigation System Company Limited on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

We were also appointed Independent Financial Adviser to a number of companies, including Shanghai Zendai Property Limited on its discloseable and connected transaction, Everest International Investment Limited on its open offer, China Food Limited on its discloseable and connected transaction and continuing connected transactions and Jiuzhou Development Company Limited on its continuing connected transactions. Furthermore, we were the Financial Adviser to Maxable International Enterprises Limited on the unconditional mandatory cash offer for the securities of World Trade Bun Kee Limited; and to Gold City Assets Holdings Limited on the conditional mandatory cash offer for the securities of TS Telecom Technologies Limited.

During the year, the division was actively involved in the secondary placement of existing shares and new shares of listed companies, as well as underwriting numerous IPOs.

The development of our Institutional Sales units in the Asia-Pacific region has been very pleasing. The Group was active in promoting Hong Kong primary and secondary deals to institutional investors from Hong Kong, mainland China, Singapore, Taiwan, and Japan. The Group is pleased to report that an encouraging number of accounts were opened in 2007, and we remain committed to exploring potential relationships in a number of markets, notably Europe, over the next year.

Finally, our structured corporate lending business remained competitive, despite the rise in alternative funding channels from the buoyant capital markets and hedge funds. With tighter credit and weaker capital markets, this part of the business should improve its performance over the coming year.

On the China front, we widened our geographical footprint with the establishment of an investment consultancy company in Guangzhou, with a branch in Shenzhen. This will also allow us to develop our advisory relationships with local financial institutions and enterprises on the mainland, and provide a source for potential principal investment opportunities for the Group.

Consumer Finance

United Asia Finance Limited (“UAF”) demonstrated solid gains in its loan portfolio in 2007, largely driven by Hong Kong’s robust economic growth. Interest income recorded a double-digit rate of increase as compared with 2006. However, the bottom-line contribution was slightly lower in 2007 than in 2006.

Profit attributable to the equity holders of UAF of HK\$650.3 million was forecast for 2007 when UAF was acquired by the Group in 2006. This compares to the actual profit of HK\$467.6 million for 2007. The difference is mainly due to a drop in interest yield compared to the forecast, higher impairment allowances on loans, increased expenditure on operating overheads, which included establishment costs and a delayed roll out for its China operations. There was a gain on disposal of The Hong Kong Building and Loan Agency Limited (“HKBLA”) not projected. The drop in interest yield and the higher impairment allowances might have a continuing effect on the profit forecast made at the time of acquisition for the remainder of the forecast period to the end of 2010.

While profits have been lower than initially forecasted, partially due to the delayed commencement of its China business, UAF eventually launched its first branch in Shenzhen during the middle of 2007 before building on its market debut with a further three branch openings during the year. The UAF brand and services have both been well received by consumers in China, and since then, UAF’s loan business has been growing at a promising pace. UAF will continue to develop the required infrastructure for its China activities to meet the demands posed by rapid business growth in this market. UAF is working to expand its China network to a total of 10 outlets by the end of 2008. UAF’s Hong Kong and China network now stands at 45 branches.

The Consumer Finance business will continue to provide a diversified income stream to the Group, which is distinct from the Wealth Management & Brokerage business and is less affected by market volatility.

Principal Investments

Our key healthcare investment, Quality HealthCare Asia Limited (“QHA”), returned satisfactory results during a year in which its management placed significant emphasis on positioning the company for a long-term growth strategy. Revenue (exclusive of interest income) climbed to HK\$947.7 million, a 6% increase compared with HK\$893.7 million in 2006, although net profit decreased from HK\$65.1 million in 2006 to HK\$63.2 million last year, largely as a result of escalating costs, particularly in rental and staff overheads. QHA’s business development initiatives resulted in a 5% increase in the number of corporate clients enrolled, and QHA’s management also implemented a series of technology solutions aimed at automating internal processes and enhancing data integration, resulting in improved accuracy

and efficiency. QHA's capacity in third party administration is also improving, and it will continue to expand this service throughout China and Hong Kong. Where appropriate, QHA will devote additional resources to branding and communication programmes to enhance the community's awareness and recognition of QHA's services and its service offering. QHA is also well positioned to participate in Hong Kong's healthcare reform programme. As the private healthcare sector gears up for significant market expansion, QHA's management will support the Government's initiatives to develop sustainable healthcare financing programmes and services that meet community needs.

Our China real estate investment, Tian An China Investments Company Limited ("Tian An"), performed strongly over 2007, driven by a booming China property market. Profit attributable to equity holders of Tian An, including continuing and discontinued operations, climbed 12.7 times to close the year at HK\$703 million (2006: HK\$51.5 million). Excluding a 2006 provision for additional PRC Land Appreciation Tax ("LAT") of HK\$297.4 million before minority interests, the profit attributable to equity holders of Tian An would have increased by 110%. This increase was largely due to gains from disposals of development and non-core assets, a substantial increase in rental income and the lack of need for provisions for LAT as compared with the previous year. Tian An achieved total gross floor area ("GFA") sales of 102,400 square metres, compared with 79,100 square metres in 2006. Residential and commercial property GFA completed during the year showed a 5% increase compared with 2006, while GFA under construction jumped 29% from the preceding year. While Tian An has enjoyed a commendable 2007, it faces a deteriorating operating environment in 2008 as the China government moves to tighten credit and rein in inflation, while restricting investments in property by controlling fund inflows. However, Tian An's management remains confident in the long-term prospects of the China property market.

In addition to these two major investments, our other smaller direct investments continued to perform satisfactorily, and management will take the opportunity to maximise returns through disposals when appropriate.

THE YEAR AHEAD

While the past year was one of streamlining and reinvention, 2008 began with unprecedented levels of volatility stemming from the global credit rout. With the United States' economy teetering on a recession, the coming year is likely to provide a sharp contrast to the relatively easy conditions of 2007. You can rest assured that the Group's record results, diversified businesses and ample capital base strongly position SHKF to meet these upcoming challenges, and so write the next chapter in our almost four decade history.

FINANCIAL REVIEW

Financial Resources and Gearing Ratio

The equity attributable to equity holders of the Company amounted to HK\$12,191.6 million as at 31 December 2007, representing an increase of HK\$3,889.6 million or approximately 46.9% from that of 31 December 2006. We continued to maintain a strong cash and bank balance position and had

short-term bank deposits, bank balances, treasury bills and cash amounting to HK\$1,639.9 million (at 31 December 2006: HK\$1,089.4 million). The Group's total bank and other borrowings, loan notes, short-term loans and three-year bonds due to a fellow subsidiary amounted to HK\$5,074.3 million (at 31 December 2006: HK\$4,709.2 million) with HK\$624.7 million (at 31 December 2006: HK\$1,328 million) repayable within one year (mainly utilised to support margin loans and consumer financing) and HK\$4,449.6 million (at 31 December 2006: HK\$3,381.2 million) repayable after one year.

The liquidity of the Group as demonstrated by the current ratio (current assets/current liabilities) strengthened to 3.69 times as at 31 December 2007 compared to 2.26 times as at 31 December 2006.

The Group's gearing ratio (calculated on the basis of the Group's total bank and other borrowings, loan notes, short-term loans and three-year bonds due to a fellow subsidiary over the equity attributable to equity holders of the Company) also improved to around 41.6% at year-end (at 31 December 2006: 56.7% restated).

Capital Structure, Bank Borrowings and Exposure to Fluctuations in Exchange Rates

During the year, 19,834,636 shares of HK\$0.2 each in the Company were issued for HK\$116.6 million as a result of the exercises of the Company's warrants by warrant holders. The Company also issued 166,000,000 new shares of HK\$0.2 each at a subscription price of HK\$11.5 per share in November 2007, pursuant to a placing and subscription agreement dated 31 October 2007 between the Company, AP Emerald Limited as the vendor and Dubai Ventures L.L.C. as the placee. The Company has not made any share repurchase during the year.

Other than the three-year bonds, the remaining balance of 4% loan notes and secured instalment loans, the Group's bank and other borrowings were on a short-term basis and in HK dollars as at 31 December 2007. They were charged at floating interest rates. There are no known seasonal factors in the Group's borrowing profiles.

The fluctuation in exchange rates and market prices does not impose a significant risk to the Group, as its level of foreign currency exposure is relatively immaterial.

Material Acquisitions and Disposals of Subsidiaries, Associates and Jointly Controlled Entities

Onspeed Investments Limited (an indirect non wholly-owned subsidiary of the Company, held through its interest in UAF) completed its disposal of the entire issued share capital of Island New Finance Limited ("INFL") and the assignment of a loan for an aggregate consideration of HK\$248.9 million on 31 May 2007. As of the completion date, INFL was beneficially interested in approximately 74.99% of the issued share capital of HKBLA.

The Group also completed the disposal of its 22.43% interest in Yu Ming Investments Limited to a fellow subsidiary for a consideration of HK\$166.9 million on 31 August 2007.

Other than the above disposals, there were no material acquisitions or disposals of subsidiaries, associates or jointly controlled entities during the year.

Segment Information

Detailed segment information in respect of the Group's revenue and segment results are shown in note 3 to the consolidated financial statements.

Charges on Group Assets

Listed shares with an aggregate value of HK\$5,717 million were pledged by subsidiaries for bank loans and overdrafts. Investment properties, buildings and interests in land of the Group with a total book value of HK\$205 million were pledged by subsidiaries to banks for instalment loans granted to them with a total outstanding balance of HK\$166.7 million as at 31 December 2007.

Contingent Liabilities

(a) At balance sheet date, the Group had guarantees as follows:

	2007 HK\$'000	2006 HK\$'000
Indemnities on banking guarantees made available to a clearing house and regulatory body	5,540	5,540
Other guarantees	<u>1,400</u>	<u>12,098</u>
	<u>6,940</u>	<u>17,638</u>

(b) In 2001 an order was made by the Hubei Province Higher People's Court in China (the "2001 Order", and the "Hubei Court" respectively) enforcing a CIETAC award of 19 July 2000 (the "Award") by which Sun Hung Kai Securities Limited ("SHKS"), a wholly-owned subsidiary of the Company, was required to pay US\$3,000,000 to Chang Zhou Power Development Company Limited (the "JVC"), a mainland PRC joint venture. SHKS had disposed of all of its beneficial interest in the JVC to its listed associate, Tian An, in 1998 and disposed of any and all interest it might hold in the registered capital of the JVC (the "Interest") to Long Prosperity Industrial Limited ("LPI") in October 2001. Subsequent to those disposals, SHKS' equity interest in the JVC in the amount of US\$3,000,000 was frozen in accordance with a notice issued by the Hubei Court further to the 2001 Order. The Company has recently become aware of the following:

(i) On 29 February 2008, a writ of summons with general indorsement of claim was issued by Global Bridge Assets Limited ("GBA"), LPI and Walton Enterprises Limited ("WE") (the "2008 Writ") in the High Court of Hong Kong against SHKS ("HCA 317/2008"). In the 2008 Writ, (a) GBA claims against SHKS for damages for alleged breaches of a guarantee, alleged breaches of a collateral contract, for a collateral warranty, and for negligent and/or reckless and/or fraudulent misrepresentation; (b) LPI claims against SHKS damages for alleged breaches of a contract dated 12 October 2001; and (c) WE claims against SHKS for the sum of US\$3,000,000 under a shareholders agreement and/or pursuant to the Award and damages for alleged wrongful breach of a shareholders agreement. GBA, LPI and WE

also claim against SHKS interest on any sums or damages payable, costs, and such other relief as the Court may think fit. As at the date of this announcement, the 2008 Writ has not been served on SHKS. If served, it shall be vigorously defended. Among other things, pursuant to a 2001 deed of waiver and indemnification, LPI waived and released SHKS from any claims including any claims relating to or arising from the Interest, the JVC or any transaction related thereto, covenanted not to sue, and assumed liability for and agreed to indemnify SHKS from any and all damages, losses and expenses arising from any claims by any entity or party arising in connection with the Interest, the JVC or any transaction related thereto. While a provision has been made for legal costs, the Company does not consider it presently appropriate to make any other provision with respect to HCA 317/2008.

- (ii) On 20 December 2007, a writ (the “Mainland Writ”) was issued by 張麗娜 against Tian An and SHKS and was accepted by a mainland PRC court, 湖北省武漢市中級人民法院 ((2008) 武民商外初字第8號), claiming the transfer of a 28% shareholding in the JVC, and RMB19,040,000 plus interest thereon for the period from January 1999 to end 2007 together with related costs and expenses. As at the date of this announcement, the Mainland Writ has not been served on SHKS. If served, it shall be vigorously defended. While a provision has been made for legal costs, the Company does not consider it presently appropriate to make any other provision with respect to this writ.

HUMAN RESOURCES

As of 31 December 2007, the total headcount of the Group stood at approximately 2,800. Staff costs (including Directors’ emoluments), contributions to retirement benefit schemes and the SHK Employee Ownership Scheme (“EOS”) amounted to approximately HK\$867.5 million (2006: HK\$369.4 million).

We operate different compensation schemes, reflecting the different roles within the organisation. For sales personnel, the package may consist of either a base pay and commission/bonus/sales incentive, or alternatively, it may be a straight commission arrangement. For non-sales personnel, compensation is comprised of either a straight base pay, or where appropriate, a base pay with a performance-based bonus.

The EOS was formally adopted on 18 December 2007, and was established to help attract, recognise and retain talent. Under the EOS, selected employees or directors of the Group (the “Selected Grantees”) are to be awarded shares of the Company, which have been purchased by the appointed scheme trustee. Upon management’s recommendation, the number of shares awarded to the Selected Grantees (other than a Director of the Company) shall be determined, with the vesting dates for various tranches, by a committee (comprising four members of the Group’s senior management) delegated with the necessary authority by the Board. Any EOS award to a Selected Grantee who is a Director of the Company shall be subject to the Board’s approval following a recommendation from the Remuneration Committee of the Board. The details of the EOS were set out in the announcement of the Company dated 28 December 2007.

FINAL DIVIDEND

The Board has recommended a final dividend of HK25 cents per share (2006: HK10 cents per share) payable to shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on 5 June 2008, making a total dividend for the year 2007 of HK35 cents per share (2006: HK15 cents per share), an increase of approximately 133.3%. This increase in dividend is in line with the Company’s strategy of maintaining a payout ratio of at least 30% of profit after tax.

The final dividend will be paid in the form of scrip, with the Shareholders being given an option to elect cash (the “Scrip Dividend Scheme”) in respect of part or all of such dividend. The price at which the shares of the Company will be issued under the Scrip Dividend Scheme will be the average of the closing prices of the shares of the Company for the five consecutive trading days ending 5 June 2008. The proposed scrip dividend is conditional upon the Stock Exchange granting listing of, and permission to deal in, the new shares of the Company to be issued. The Scrip Dividend Scheme may affect the price of the warrants of the Company and where appropriate, such adjustment will be announced in due course.

A circular giving full details of the Scrip Dividend Scheme and a form of election will be sent to the Shareholders in due course.

CLOSURE OF REGISTERS OF MEMBERS AND WARRANT HOLDERS

The register of members and the register of warrant holders of the Company will be closed from 2 June 2008 to 5 June 2008, both days inclusive, during which period no transfer of shares or warrants of the Company will be registered. In order to qualify for the final dividend, all transfer forms accompanied by the relevant share certificates or in the case of warrant holders, all subscription forms accompanied by the relevant warrant certificates and exercise money, must be lodged with the Company’s registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 30 May 2008. The final dividend is expected to be dispatched on or around 31 July 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2007, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, 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 officer (“CEO”) should be separate and should not be performed by the same individual.

Under the current organisation structure of the Company, the functions of a CEO were performed by the Executive Chairman, Mr. Lee Seng Huang, in conjunction with another Executive Director, Mr. Joseph Tong Tang, and a senior executive, Mr. Christophe Lee Kin Ping. The Executive Chairman oversees the management of the corporate administrative functions, as well as the Group's interests in its principal investments in UAF and QHA (whose day-to-day management lies with their designated Managing Director and CEO respectively). Mr. Joseph Tong Tang acts as the CEO of Wealth Management, Capital Markets & Brokerage and Asset Management is headed by Mr. Christophe Lee Kin Ping.

The Board believes that this structure spreads the workload that would otherwise be borne by an individual CEO, allowing the faster growing businesses of the Group to be overseen by the appropriately qualified and experienced senior executives in those fields. Further, it can enhance communications and speed 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 the management of the Company. An appropriate balance of power and authority can be maintained by the operation of the Board, which comprises a majority of Independent Non-Executive Directors and meets regularly at least four times a year to discuss the business and operational issues of the Group.

(b) Code Provisions B.1.3 and C.3.3

Code provisions B.1.3 and C.3.3 stipulate that the terms of reference of the remuneration committee and the 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.1.3, except that the Remuneration Committee should review (as opposed to determine under the code provision) and 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, except that the Audit Committee should (i) recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) scrutinise (as opposed to ensure under the code provision) whether management has discharged its duty to have an effective internal control system; and (iii) promote (as opposed to ensure under the code provision) the coordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The reasons for the above deviations were set out in the Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31 December 2006. 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 terms of reference 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 2007 Annual Report which will be sent to the Shareholders before the end of April 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2007.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the Group's financial statements for the year ended 31 December 2007, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the preliminary announcement of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2007 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
Executive Chairman

Hong Kong, 9 April 2008

As at the date of this announcement, the Board comprises Messrs. Lee Seng Huang (Chairman) and Joseph Tong Tang being the Executive Directors; Messrs. Abdulhakeem Abdulhussain Ali Kamkar, Amin Rafie Bin Othman (also as alternate to Mr. Abdulhakeem Abdulhussain Ali Kamkar) and Patrick Lee Seng Wei being the Non-Executive Directors; and Messrs. David Craig Bartlett, Alan Stephen Jones, Carlisle Caldwell Procter and Peter Wong Man Kong being the Independent Non-Executive Directors.