新鴻基有限公司

SUN HUNG KAI & CO. LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The Board of Directors (the "Board" or the "Directors") of Sun Hung Kai & Co. Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 as set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Unaudited Six months ended	
	Notes	**30.6.2008** *HK$'000*	30.6.2007 *HK$'000*
Revenue*		**1,799,891**	2,012,819
Other income		**218,974**	311,750
Total income		**2,018,865**	2,324,569
Cost of sales		**(26,744)**	(20,746)
Brokerage and commission expenses		**(126,305)**	(161,344)
Direct cost and operating expenses		**(392,150)**	(369,560)
Administrative expenses		**(646,262)**	(633,007)
Other expenses		**(223,279)**	(139,907)
Finance costs		**(109,010)**	(222,339)
		495,115	777,666
Loss on fair value change of warrants of a listed associate	3	**(270,051)**	–
Share of results of associates		**356,628**	150,462
Share of results of jointly controlled entities		**(1)**	808
Profit before taxation		**581,691**	928,936
Taxation	4	**(50,717)**	(84,432)
Profit for the period	5	**530,974**	844,504
Profit attributable to:			
– Equity holders of the Company		**462,336**	747,085
– Minority interests		**68,638**	97,419
		530,974	844,504
Dividend paid	6	**–**	149,421
Earnings per share	7		
– Basic (HK cents)		**27.5**	50.0
– Diluted (HK cents)		**26.7**	48.7

* Revenue is also the Group's turnover.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	**Unaudited 30.6.2008 *HK$'000***	Audited 31.12.2007 *HK$'000*
Non-current Assets			
Investment properties		**137,865**	58,900
Leasehold interests in land		**136,244**	132,464
Property and equipment		**117,252**	138,701
Intangible assets		**1,604,587**	2,080,117
Goodwill		**2,384,023**	2,504,766
Interest in associates		**3,746,793**	3,171,204
Interest in jointly controlled entities		**11,201**	1,490
Available-for-sale investments		**780,537**	1,232,249
Statutory deposits		**25,656**	29,729
Deferred tax assets		**79,453**	66,311
Loans and advances to consumer finance customers		**1,657,754**	1,475,395
Loans and receivables		**7,069**	5,806
		10,688,434	10,897,132
Current Assets			
Inventories		**–**	11,341
Trade and other receivables	*8*	**5,563,621**	5,811,839
Loans and advances to consumer finance customers		**2,314,291**	2,145,159
Financial assets at fair value through profit or loss		**808,574**	1,170,622
Amounts due from associates		**58,848**	137,559
Amounts due from fellow subsidiaries		**10,063**	–
Taxation recoverable		**4,760**	3,212
Cash and cash equivalents		**1,083,412**	1,639,910
		9,843,569	10,919,642
Current Liabilities			
Bank and other borrowings due within one year		**(182,201)**	(555,554)
Trade and other payables	*9*	**(1,684,558)**	(2,046,454)
Financial liabilities at fair value through profit or loss		**(75,846)**	(59,084)
Amounts due to fellow subsidiaries		**(1,350,000)**	(19,757)
Amounts due to associates		**(7,731)**	(7,506)
Provisions		**(25,762)**	(74,483)
Taxation payable		**(192,135)**	(128,877)
Dividend payable		**(428,108)**	–
Loan notes		**–**	(69,166)
		(3,946,341)	(2,960,881)
Net Current Assets		**5,897,228**	7,958,761
Total Assets less Current Liabilities		**16,585,662**	18,855,893

	Notes	Unaudited 30.6.2008 HK$'000	Audited 31.12.2007 HK$'000
Capital and Reserves			
Share capital		**343,123**	335,958
Reserves		**11,630,115**	11,855,677
Equity attributable to equity holders of the Company		**11,973,238**	12,191,635
Minority interests		**1,610,596**	1,831,800
Total Equity		**13,583,834**	14,023,435
Non-current Liabilities			
Bonds		**1,100,000**	2,800,000
Bank and other borrowings due after one year		**1,616,598**	1,649,590
Provisions		**3,812**	4,517
Deferred tax liabilities		**281,418**	378,351
		3,001,828	4,832,458
		16,585,662	18,855,893

Notes:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of available-for-sale investments, financial assets and financial liabilities at fair value through profit or loss, and investment properties, which are measured at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

In the current period, the Group has applied, for the first time, HK(IFRIC)-Int 11 "HKFRS 2 - Group and Treasury Share Transaction", issued by Hong Kong Institute of Certified Public Accountants, which is effective for the Group's financial year beginning on 1 January 2008 and is relevant to the operations of the Group. The adoption of the interpretation 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[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 July 2008.

The Directors anticipate that the application of these new and revised standards and interpretation will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

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 are conducted in Hong Kong.

	Revenue Six months ended		Segment results Six months ended	
	30.6.2008	30.6.2007	**30.6.2008**	30.6.2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Wealth management, brokerage and margin finance	**434,748**	829,349	**25,345**	285,984
Corporate finance	**89,180**	72,601	**67,227**	47,294
Asset management	**86,759**	86,488	**52,174**	41,205
Consumer finance	**640,817**	537,135	**84,791**	129,282
Principal investments - Healthcare	**521,275**	465,804	**189,414** #	28,884
Principal investments - Others	**27,112**	21,442	**76,164**	245,017
	1,799,891	2,012,819	**495,115**	777,666
Loss on fair value change of warrants of a listed associate *(note 3)*			**(270,051)**	–
Share of results				
– Associates			**356,628**	150,462
– Jointly controlled entities			**(1)**	808
Profit before taxation			**581,691**	928,936

Inclusive of a profit of HK$163,402,000 on disposal of the Group's interest in Quality HealthCare Asia Limited.

Certain businesses in reportable segments presented in prior periods were merged and reclassified in the second half of 2007 in line with the internally reported segments to senior management. The comparative figures for the six months ended 30 June 2007 were changed accordingly. Below is the effect of the changes:

		New designation and reclassification					
	As reported on 30.6.2007	**Wealth management, brokerage and margin finance**	**Corporate finance**	**Asset management**	**Consumer finance**	**Principal investments – Healthcare**	**Principal investments – Others**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
Wealth management	625,076	625,076	–	–	–	–	–
Securities financing and term lending	252,986	204,273	48,713	–	–	–	–
Asset management	86,488	–	–	86,488	–	–	–
Consumer finance	537,135	–	–	–	537,135	–	–
Healthcare	465,804	–	–	–	–	465,804	–
Corporate finance and others	45,330	–	23,888	–	–	–	21,442
	2,012,819	829,349	72,601	86,488	537,135	465,804	21,442
Segment results							
Wealth management	250,881	250,881	–	–	–	–	–
Securities financing and term lending	86,824	52,247	34,672	–	–	–	(95)
Asset management	40,963	–	–	40,963	–	–	–
Consumer finance	120,973	–	–	–	120,973	–	–
Healthcare	37,193	–	–	–	8,309	28,884	–
Corporate finance and others	240,832	(17,144)	12,622	242	–	–	245,112
	777,666	285,984	47,294	41,205	129,282	28,884	245,017

3. LOSS ON FAIR VALUE CHANGE OF WARRANTS OF A LISTED ASSOCIATE

In December 2007, a listed associate of the Group issued new shares by way of open offer to the qualifying shareholders on the basis of one new share for every five shares held together with new warrants of the listed associate in the proportion of one new warrant for every one new share successfully subscribed. The Group subscribed its proportion of the new shares and procured the new warrants. The warrants were recognised by the Group as "financial assets at fair value through profit or loss" at their initial carrying amount representing their fair value at the date of acquisition.

The fair value of the warrants at 30 June 2008 dropped when compared to the fair value at 1 January 2008 and the Group incurred an unrealised loss of HK$270,051,000 (2007: nil) arising from the fair value change. However, the listed associate recorded a profit in the current period as a result of the changes in fair value of the warrants and the Group shared this profit from the associate, which is approximately the same as the loss incurred.

4. TAXATION

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	*HK$'000*
Current tax		
– Hong Kong	**102,665**	109,824
– Other jurisdictions	**562**	784
	103,227	110,608
Under (over) provision in prior years	**3,780**	(424)
	107,007	110,184
Deferred tax		
– Current period	**(39,137)**	(25,752)
– Change of tax rates	**(17,153)**	–
	(56,290)	(25,752)
	50,717	84,432

Hong Kong profits tax is calculated at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in the relevant jurisdictions.

5. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	*HK$'000*
Profit for the period has been arrived at after crediting (charging):		
Dividends from listed investments	**22,675**	13,998
Dividends from unlisted investments	**3,503**	–
Interest income	**820,516**	790,181
Net profit (loss) on held for trading investments included in revenue		
– Net realised and unrealised profit on derivatives	**33,434**	19,964
– Net profit on dealing in leveraged foreign currencies	**1,180**	6,888
– Net profit on other dealing activities	**6,975**	7,813
– Net realised and unrealised (loss) profit on trading in equity securities	**(72,801)**	57,020
Net realised and unrealised (loss) profit on unlisted investment funds included in revenue	**(64,183)**	33,798
Net realised profit (loss) on disposal of investments included in other income (other expenses)		
– Disposal of subsidiaries	**163,402**	50,213
– Disposal of associates	**(28)**	–
– Disposal of available-for-sale investments	**–**	208,315
Discount on acquisition/deemed acquisition of associates included in other income	**1,371**	242
Reversal of impairment loss included in other income		
– Loans and advances to consumer finance customers	**142**	12,097
– Trade and other receivables	**12,587**	17,680
– Loans and receivables	**1,447**	–
Increase in fair value of investment properties included in other income	**6,171**	11,700
Amortisation of leasehold interests in land	**(1,595)**	(965)
Depreciation of property and equipment	**(23,864)**	(19,375)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	**(4,200)**	(2,686)
– Other intangible assets (included in direct cost and operating expenses)	**(109,757)**	(102,649)
Net loss on disposal of equipment	**(442)**	(286)
Impairment loss included in other expenses		
– Intangible assets	**(56,000)**	–
– Loans and advances to consumer finance customers	**(164,886)**	(139,844)
– Trade and other receivables	**(1,963)**	(63)
Interest expenses	**(104,755)**	(219,226)
Share of profit from discontinued operations of a listed associate	**–**	57,136
Share of taxation of associates	**(13,033)**	(16,175)

6. DIVIDEND

No dividend was paid during the period (2007: a dividend of HK10 cents was paid to shareholders as the final dividend of 2006). The final dividend of 2007 was paid in July 2008.

The Board of Directors has declared an interim dividend of HK5 cents per share (2007: HK10 cents per share) payable to the shareholders whose names appear on the register of members of the Company on 9 October 2008. The interim 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.

7. 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 data:

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to equity holders of the Company)	**462,336**	747,085
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share (after deducting shares held for the SHK Employee Ownership Scheme)	**1,683,127**	1,494,086
Effect of dilutive potential ordinary shares:		
– Warrants	**48,729**	40,615
– Non-vested shares for the SHK Employee Ownership Scheme	**183**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,732,039**	1,534,701

8. 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:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Less than 31 days	**169,785**	111,912
31 – 60 days	**3,359**	17,003
61 – 90 days	**8,138**	46,506
Over 90 days	**55,211**	47,069
	236,493	222,490
Trade and other receivables that were not past due nor impaired	**5,327,128**	5,589,349
	5,563,621	5,811,839

9. **TRADE AND OTHER PAYABLES**

The aging analysis of the trade payables is as follows:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Less than 31 days	**1,164,085**	1,396,735
31 – 60 days	**1,882**	6,937
61 – 90 days	**14,826**	2,275
Over 90 days	**14,513**	10,104
	1,195,306	1,416,051
Other payables	**489,252**	630,403
	1,684,558	2,046,454

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group, operating its financial services under the Sun Hung Kai Financial brand, posted a commendable set of results for the six months ended 30 June 2008, taking into account the difficult market environment, including the impact of the U.S. and European credit crisis on global financial markets.

For the period under review, the Group recorded a profit before tax of HK$581.7 million (2007: HK$928.9 million). Profit attributable to equity holders of the Company amounted to HK$462.3 million (2007: HK$747.1 million), while earnings per share were HK27.5 cents (2007: HK50 cents).

Profit for the period included several non-cash charges, which require further explanation. Firstly, there was an impairment charge of HK$56 million relating to the carrying value of intangible assets, specifically the value of the customer relationships of the Group's Consumer Finance business, acquired in 2006. In addition, the Group's profit was also impacted by the ongoing amortisation charges of intangible assets totalling HK$114 million (2007: HK$105.3 million). These charges are of a non-cash nature and do not affect the underlying operating cash flow of the Group.

The results for the period also included an unrealised loss of HK$270 million arising from the fair value change of warrants of our listed associate, Tian An China Investments Company Limited ("Tian An"). Pursuant to an open offer of shares in Tian An in December 2007, the Company was allotted 89,409,119 new warrants for 89,409,119 new shares successfully subscribed by the Company. In accordance with HKAS 39 "Financial Instruments: Recognition and Measurement", all warrants were classified as "financial assets at fair value through profit or loss", which were initially recognised at fair value at the allotment date and subsequently reassessed at each balance sheet date. The fluctuating value of these warrants will continue to affect future income statements until they are sold or exercised. This loss however, is completely offset by our share of results of Tian An, which saw an unrealised gain of HK$757.1 million (the Group's share was approximately HK$277 million) as a result of the change in fair value of these warrants issued pursuant to the open offer. Consequently there is no net financial impact to the overall profitability of the Group.

The Group's short-term investments in equity, funds and other financial instruments excluding the warrants of a listed associate amounted to HK$793.4 million (2007: HK$885.3 million), reflecting both realised and unrealised losses totalling HK$95.4 million (2007: HK$125.5 million profit) as a result of declining market prices. The performance of the Group's short-term investments should improve when market conditions stabilise.

Without the above-mentioned profit or loss items, the Group would have achieved a profit attributable to equity holders of the Company of HK$727.7 million (2007: HK$726.9 million).

The Board has declared an interim dividend of HK5 cents per share (2007: HK10 cents per share) for the period under review.

MARKET REVIEW

As the market turmoil continued to deepen, the first half of 2008 presented a challenging period for investors and financial institutions globally. Unprecedented headwinds stemming from the widespread credit crunch buffeted financial markets, with increasing volatility, declining equity values and softening investor sentiment combining to produce a significant drop in activity across all areas of the financial markets.

In Hong Kong, the Hang Seng Index ("HSI") underwent a deep correction, falling to a low of 20,572 in intraday trading on 18 March 2008, 26% below its 2007 close. The Hang Seng China Enterprises Index also fell to a low of 10,449 on the same day, down 35% from its 2007 close. The global slowdown gradually spilled over into the Hong Kong economy. The growth rate of gross domestic product ("GDP") fell to 4.2% year-on-year ("YOY") in the second quarter, compared with a revised 7.3% YOY in the first three months of 2008. At the same time, unemployment fell to a decade low of 3.2% at the end of July, continuing to place inflationary pressure on the local economy.

In China, the benchmark Shanghai Stock Exchange Composite Index fell to a low of 2,736 on 30 June 2008, 48% below its 2007 close. Despite the weakness in the financial markets, China's economic growth remained robust, with GDP in real terms rising 10.4% in the first half of 2008 over the same period last year. Economic activity in China is expected to remain generally solid, driven by increased infrastructure spending and continued strength in domestic consumption.

BUSINESS REVIEW

Against this financial backdrop, the Group continued to build its business operations and strengthen its platforms across its five core focus areas, namely, Wealth Management & Brokerage; Asset Management; Corporate Finance; Consumer Finance; and Principal Investments. While the remainder of the year is expected to be characterised by continued global volatility and uncertainty, the Group, with its ample capital base and diversified business operations, remains well-placed to weather the storm and build on the success which has made Sun Hung Kai Financial Hong Kong's leading non-bank financial institution.

Wealth Management and Brokerage

With equity market volumes declining considerably from the end of 2007, the Group's diversification strategy and integrated Wealth Management & Brokerage platform allowed management to shift its focus to products less exposed to market volatility. The division launched a series of savings initiatives and new products aimed at capturing a larger slice of a retail market seeking capital preservation, a move which helped to offset declining turnover and commission levels.

The Brokerage division's customer recruitment strategy enjoyed commendable results, with approximately 17,000 new accounts opened during the 12-month period to 30 June 2008. During the first half of 2008, SHK Online, the Group's self-directed internet execution service, was able to maintain its momentum, and matched its 2007 first half performance in terms of both revenue and profitability. The reduction in revenue generated from stock trading was mitigated to some extent by an increase in activity on the Group's HSI Futures trading platform.

Surging demand for commodities and a weaker U.S. dollar during the period under review saw oil peak at a record US$143.67 per barrel, with gold also surpassing its previous highs to reach US$1,030.80 per ounce. The Group's trading volumes of overseas commodities futures doubled during the first half, with precious metals and foreign currencies also proving popular among investors looking for alternative investment opportunities.

As a result of tighter credit conditions and weaker capital markets, the Group's margin lending business remained relatively stable, with its loan book growing 4.5% to approximately HK$2.8 billion compared with the first half of 2007.

The first six months of 2008 saw 23 initial public offerings ("IPO") in Hong Kong, representing a 28% drop in volume from the first half of 2007; these IPOs raised a total of HK$50.4 billion, a decrease of 49%. During this period, nine companies cancelled their IPOs during the subscription period, while several other companies announced the indefinite postponement of their planned listings. Consequently, the Group's fee income derived from primary and secondary placements, underwriting and IPOs softened significantly.

During the first half, the Group's Research division attended more than 110 company visits and corporate presentations and published more than 210 equity comments and analyses, as well as almost 150 strategy, sector and company reports. The team's top 20 calls of the first half of 2008 outperformed the HSI by between 10% and 48%.

The Group's Wealth Management division recorded pleasing revenue growth during the period. Combined revenue from the Group's mutual fund platform, which offers more than 2,500 funds, along with sales in unit-linked products climbed steadily, increasing more than 10% when compared with the same period last year. Several initiatives aimed at expanding the Group's revenue streams and boosting the productivity of its Investment Consultants were also adopted.

As at 30 June 2008, the business had finalised plans to open a flagship Wealth Management Centre. Aimed at enhancing the client servicing capability of the business while providing a high-profile channel to attract new customers, it will be the first of a series of Wealth Management Centres to be rolled out across Hong Kong. In addition, a new financial planning education platform was established in Hong Kong along with a supporting integrated advertising campaign, both of which will continue to evolve over the remainder of the year.

The Group's Insurance division turned in a solid performance over the first half of 2008, growing its revenue through a strategic focus on financial risk platforms, the construction sector and employee benefits insurance products. In addition, the division's Macau business also showed improved results. However, soft market conditions, increasing costs and a shortage of experienced staff are expected to create a generally challenging environment over the second half of the year.

Once again, it was pleasing to see the Group's recent efforts recognised by the industry, with several awards commending its excellence in innovation, strong brand management and leading customer service. Notably, the Group was named "Best Broker in Hong Kong" by leading financial publication *FinanceAsia* for the second year running. *The Asset* also recognised the Group with its "Trailblazer 2008" award, following last year's successful launch of Asia's first residential property derivative in conjunction with partner ABN AMRO.

Asset Management

The Group's Asset Management division experienced a reasonably steady first half despite the continued performance challenges and widespread redemptions in the industry. Assets under management held directly and through associates continued to work towards the US$1 billion mark.

The Group established a pioneering private equity enterprise, Shenzhen Oriental Venture Capital Management Co. Ltd., with strategic partner Shenzhen Oriental Fortune Capital Co. Ltd., a leading mainland private equity investment management firm. The joint venture will seek new investment opportunities through a recently-established RMB900 million private equity capital fund, one of the largest onshore mainland private equity funds. In addition, the Group linked with Dubai-based investment advisor Algebra Capital Limited during the first half, finalising plans to launch a new fund in October 2008 focusing on the Middle East and North Africa markets.

The difficult market conditions, which may continue for some time, have presented the Group with an opportunity to attract seasoned industry professionals, who will play a key role in building the Group's service and product platform going forward.

Corporate Finance

During the first half of 2008, the Corporate Finance division successfully launched and sponsored the IPO of iOne Holdings Limited, a financial printing services provider, by way of placement and public offer on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group was also involved in the placement of new shares for numerous companies. Furthermore, the Group acted as underwriter for the IPOs of Artini China Co. Ltd., Tianyi Fruit Holdings Limited and iOne Holdings Limited, as well as acting as underwriter for the open offer of Long Success International (Holdings) Limited and for the rights issue of Sino Katalytics Investment Corporation.

The Group also completed secondary placements for several local companies and underwrote numerous fund raising exercises. It will continue to actively seek mandates for fundraising and corporate advisory opportunities from local and mainland enterprises.

Building on a strong performance over 2007, the Group's structured finance business continued to improve as a result of the weaker equity and debt capital markets, with its loan book increasing 49.5% to more than HK$900 million against the same period last year.

Consumer Finance

The Group's Consumer Finance division, United Asia Finance Limited ("UAF"), achieved a double-digit rate of increase both in loan portfolio and interest income during the first half of the year. However, the division's profit after tax for the period was lower when compared with the same period in 2007, when a gain was recorded from the disposal of The Hong Kong Building and Loan Agency Limited ("HKBLA"). Excluding the HKBLA gain in May 2007, profit for the current interim period would have increased by 19%.

While competition in the Hong Kong market remained intense, management continued to broaden UAF's distribution network both in Hong Kong and China. Currently, UAF has 41 local branches in Hong Kong, with four new branches in Shenzhen boosting UAF's mainland presence to a total of eight branches. The China business continues to grow at a satisfactory pace as UAF's branch network gradually builds towards critical mass.

Principal Investments

During the period, the Company disposed of its interest in Quality HealthCare Asia Limited ("QHA") to a direct wholly-owned subsidiary of Allied Properties (H.K.) Limited, as management crystallised the value of its investments and redeployed the capital into other investment opportunities. The sale generated a gain of approximately HK$163 million.

The China government's moves to tighten credit, rein in inflation and restrict investment in property by controlling fund inflows, has created a challenging operating environment for Tian An. Tian An's revenue in the first half of 2008 reached HK$210.7 million (2007: HK$244.4 million for continuing operations and HK$192.5 million for discontinued operations). The profit attributable to equity holders of Tian An was HK$957.4 million (2007: HK$335.7 million), representing a 185% increase. This increase, highlighted earlier, included a gain of HK$757.1 million, representing the change in fair value of a derivative financial instrument liability in respect of the warrants. On an adjusted basis (excluding this change in fair value, and the profit of HK$137.8 million from its discontinued cement operations in the corresponding period last year), profits attributable to equity holders of Tian An would have shown a slight increase.

On the Group's unlisted investments portfolio, the Group continues to focus on industries with strong underlying fundamentals, including the coking coal sector in China, while evaluating an increasing number of distressed opportunities presented by the current debt markets environment.

FINANCIAL REVIEW

Financial Resources and Gearing Ratio

The equity attributable to equity holders of the Company amounted to HK$11,973.2 million as at 30 June 2008, representing a decrease of HK$218.4 million or approximately 1.8% from that of 31 December 2007. The Group continued to maintain a strong cash position and had short-term bank deposits, bank balances, treasury bills and cash amounting to HK$1,083.4 million (31 December 2007: HK$1,639.9 million). The Group's total bank and other borrowings, loan notes, a short-term loan and three-year bonds due to fellow subsidiaries amounted to HK$4,248.8 million (31 December 2007: HK$5,074.3 million). Of this, HK$1,532.2 million (31 December 2007: HK$624.7 million) is repayable within one year, and HK$2,716.6 million (31 December 2007: HK$4,449.6 million) repayable after one year.

The liquidity of the Group as demonstrated by the current ratio (current assets/current liabilities) decreased to 2.49 times as at 30 June 2008 compared to 3.69 times as at 31 December 2007.

The Group's gearing ratio (calculated on the basis of the Group's total bank and other borrowings, loan notes, a short-term loan and three-year bonds due to fellow subsidiaries over the equity attributable to equity holders of the Company) improved to approximately 35.5% at the period end (31 December 2007: 41.6%).

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

During the period ended 30 June 2008, 35,821,207 shares of par value HK$0.20 each in the capital of the Company were issued for HK$210.6 million as a result of the exercise of the Company's warrants by warrant holders. The Company did not make any share repurchase during the period.

Other than the three-year bonds and secured instalment loans, the Group's bank and other borrowings and a short-term loan due to a fellow subsidiary were on a short-term basis and in HK dollars as at 30 June 2008. They were charged at floating interest rates. There are no known seasonal factors in the Group's borrowing profiles.

The fluctuations in exchange rates and market prices do 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

On 26 June 2008, the Company completed its disposal of the entire issued share capital of Wah Cheong Development (B.V.I.) Limited ("Wah Cheong") and the assignment of a HK$271.4 million loan for an aggregate consideration (before expenses) of HK$470.7 million. As of the completion date of the disposal, Wah Cheong was beneficially interested in approximately 51.15% of the issued capital of QHA.

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

Segment Information

Detailed segment information in respect of the Group's revenue and segment results are shown in note 2 to the condensed consolidated financial statements.

Charges on Group Assets

Listed shares with an aggregate value of HK$2,950.7 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$208.7 million were pledged by subsidiaries to banks for instalment loans granted to them with a total outstanding balance of HK$132.3 million as at 30 June 2008. The shares of a wholly-owned subsidiary, UAF Holdings Limited, were also pledged as a share mortgage for the bonds issued by the Group.

Contingent Liabilities

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

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Indemnities on banking guarantees made available to a clearing house and regulatory body	5,540	5,540
Other guarantees	3,000	1,400
	8,540	6,940

(b) In 2001 an order was made by the Hubei Province Higher People's Court in China (the "2001 Order") enforcing a CIETAC award of 19 July 2000 (the "Award") by which Sun Hung Kai Securities Limited ("SHKS") was required to pay US$3 million 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 SHKS' 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' registered interest in the JVC in the amount of US$3 million was frozen further to the 2001 Order. The Company is party to the following litigation relating to the JVC:

(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 an alleged collateral warranty, and for alleged 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 million 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. The 2008 Writ was served on SHKS on 29 May 2008. It is being 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 Cheung Lai Na (張麗娜) ("Ms. Cheung") 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. The Mainland Writ is being 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.

(iii) On 4 June 2008, a writ of summons was issued by Tian An and SHKS in the High Court of Hong Kong against Ms. Cheung (the "HK Writ"), seeking declarations that (a) Ms. Cheung is not entitled to receive or obtain the transfer of 28% or any of the shareholding in the JVC from Tian An and SHKS; (b) Ms. Cheung is not entitled to damages or compensation; (c) Hong Kong is the proper and/or the most convenient forum to determine the issue of Ms. Cheung's entitlement to any shareholding in the JVC; (d) further and alternatively, that Ms. Cheung's claim against Tian An and SHKS in respect of her entitlement to the shareholding in the JVC is scandalous, vexatious and/ or frivolous; and (e) damages, interest and costs as well as further or other relief (together with related costs and expenses). As at the date of this Announcement the HK Writ has not been served on Ms. Cheung. The Company does not consider it presently appropriate to make any provision with respect to this action.

HUMAN RESOURCES

As at 30 June 2008, the total headcount of the Group stood at approximately 1,740. Staff costs (including Directors' emoluments), contributions to retirement benefit schemes and expenses recognised for the SHK Employee Ownership Scheme amounted to approximately HK$368.8 million (2007: HK$396.5 million).

The Group operates 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 discretionary bonus/share-based incentive.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK5 cents per share (2007: HK10 cents per share) for the period. The interim dividend will be paid in the form of scrip, with an option to elect cash in respect of part or all of such dividend (the "Scrip Dividend Scheme"), to shareholders whose names appear on the register of members of the Company on 9 October 2008. A circular giving full details of the Scrip Dividend Scheme and the election form will be sent to shareholders as soon as practicable. The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares of the Company to be issued. Dividend warrants and/or share certificates for the Scrip shares are expected to be sent to shareholders on or around 10 November 2008.

CLOSURE OF REGISTERS OF MEMBERS AND WARRANT HOLDERS

The registers of members and warrant holders of the Company will be closed from 6 October 2008 to 9 October 2008, both days inclusive, during which period no transfers of shares or warrants will be registered. In order to qualify for the interim 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 3 October 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2008, the Company has applied the principles, 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 separated and should not be performed by the same individual.

Under the current organisation structure of the Company, the functions of a CEO are 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 interest in its principal investment in UAF (whose day-to-day management lies with its designated Managing Director). 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 fast 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 decision making processes across the Company.

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

Code provisions B.1.3 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.1.3, 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 auditor 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; (iii) promote (as opposed to ensure under the code provision) the coordination between the internal and external auditors; and (iv) check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The Board 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.

The reasons for the above deviations are set out in the "Corporate Governance Report" contained in the Company's annual report for the financial year ended 31 December 2007.

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 period under review.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim condensed consolidated financial report for the six months ended 30 June 2008. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and on the interim results announcement of the listed associate, as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

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

Hong Kong, 12 September 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 Caldow Procter and Peter Wong Man Kong being the Independent Non-Executive Directors.