新鴻基有限公司
**SUN HUNG KAI & CO. LIMITED**

*(Incorporated in Hong Kong with limited liability)*
**(Stock Code: 86)**

# ANNOUNCEMENT OF 2008 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 2008 as set out below:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2008*

| | *Notes* | **2008** **HK$ Million** | 2007 HK$ Million |
|---|---|---|---|
| Revenue* | | **2,785.4** | 4,630.7 |
| Other income | | **586.4** | 783.7 |
| Total income | | **3,371.8** | 5,414.4 |
| Cost of sales | | **(26.7)** | (44.9) |
| Brokerage and commission expenses | | **(211.6)** | (414.6) |
| Direct cost and operating expenses | | **(609.2)** | (867.2) |
| Administrative expenses | | **(1,061.8)** | (1,397.6) |
| Other expenses | | **(654.6)** | (401.0) |
| Finance costs | | **(210.5)** | (535.0) |
| | | **597.4** | 1,754.1 |
| Net gain on deemed disposal of a listed associate | | **–** | 141.0 |
| Impairment loss on available-for-sale investments | | **(82.4)** | (2.0) |
| (Loss) gain on fair value change of warrants of a listed associate | *3* | **(284.1)** | 36.1 |
| Share of results of associates | | **302.1** | 263.8 |
| Share of results of jointly controlled entities | | **–** | 0.8 |
| Profit before taxation | *4* | **533.0** | 2,193.8 |
| Taxation | *5* | **(45.2)** | (172.9) |
| Profit for the year | | **487.8** | 2,020.9 |
| Profit attributable to: | | | |
| – Equity holders of the Company | | **346.5** | 1,897.6 |
| – Minority interests | | **141.3** | 123.3 |
| | | **487.8** | 2,020.9 |
| Dividends | *6* | **171.1** | 570.4 |
| Earnings per share | *7* | | |
| – Basic (HK cents) | | **20.4** | 124.6 |
| – Diluted (HK cents) | | **N/A** | 118.1 |

* *Revenue is also the Group's turnover.*

## CONSOLIDATED BALANCE SHEET

*As at 31 December 2008*

| | Notes | 2008<br>HK$ Million | 2007<br>HK$ Million |
|---|---|---|---|
| **Non-current Assets** | | | |
| Investment properties | | **129.7** | 58.9 |
| Leasehold interests in land | | **134.6** | 132.5 |
| Property and equipment | | **122.7** | 138.7 |
| Intangible assets | | **1,508.0** | 2,080.1 |
| Goodwill | | **2,384.0** | 2,504.8 |
| Interest in associates | | **3,713.7** | 3,171.2 |
| Interest in jointly controlled entities | | **16.8** | 1.5 |
| Available-for-sale investments | | **247.7** | 1,232.2 |
| Statutory deposits | | **18.4** | 29.7 |
| Deferred tax assets | | **122.3** | 66.3 |
| Loans and advances to consumer finance customers | | **1,743.5** | 1,475.4 |
| Loans and receivables | | **164.2** | 5.8 |
| | | **10,305.6** | 10,897.1 |
| **Current Assets** | | | |
| Inventories | | **–** | 11.3 |
| Trade and other receivables | *8* | **4,417.2** | 5,811.8 |
| Loans and advances to consumer finance customers | | **2,588.4** | 2,145.2 |
| Financial assets at fair value through profit or loss | | **295.8** | 1,170.6 |
| Amounts due from associates | | **62.9** | 137.6 |
| Amounts due from a fellow subsidiary | | **0.3** | – |
| Taxation recoverable | | **29.1** | 3.2 |
| Cash and cash equivalents | | **1,738.9** | 1,639.9 |
| | | **9,132.6** | 10,919.6 |
| **Current Liabilities** | | | |
| Bank and other borrowings due within one year | | **(184.7)** | (555.5) |
| Trade and other payables | *9* | **(1,439.6)** | (2,046.4) |
| Financial liabilities at fair value through profit or loss | | **(37.3)** | (59.1) |
| Amounts due to fellow subsidiaries | | **(1,590.5)** | (19.7) |
| Amounts due to associates | | **(8.1)** | (7.5) |
| Provisions | | **(52.8)** | (74.5) |
| Taxation payable | | **(63.7)** | (128.9) |
| Loan notes | | **–** | (69.2) |
| | | **(3,376.7)** | (2,960.8) |
| **Net Current Assets** | | **5,755.9** | 7,958.8 |
| **Total Assets less Current Liabilities** | | **16,061.5** | 18,855.9 |

| | Notes | **2008** *HK$ Million* | 2007 *HK$ Million* |
|---|---|---|---|
| **Capital and Reserves** | | | |
| Share capital | | **343.2** | 336.0 |
| Reserves | | **11,002.3** | 11,855.6 |
| Equity attributable to equity holders of the Company | | **11,345.5** | 12,191.6 |
| Minority interests | | **1,681.8** | 1,831.8 |
| **Total Equity** | | **13,027.3** | 14,023.4 |
| **Non-current Liabilities** | | | |
| Bonds | | **900.0** | 2,800.0 |
| Bank and other borrowings due after one year | | **1,859.4** | 1,649.6 |
| Provisions | | **14.7** | 4.5 |
| Deferred tax liabilities | | **260.1** | 378.4 |
| | | **3,034.2** | 4,832.5 |
| | | **16,061.5** | 18,855.9 |

*Notes:*

## 1. Application of New or Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are or have become effective and are relevant to the operations of the Group.

| | |
|---|---|
| HKAS 39 & HKFRS 7 (Amendments) | Reclassification of Financial Assets |
| HK(IFRIC)-Int 11 | HKFRS 2 – Group and Treasury Share Transactions |

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 or revised standards, amendments or interpretations that have been issued, but are not yet effective, and are relevant to the operations of the Group.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs[1] |
| HKAS 1 (Revised) | Presentation of Financial Statements[2] |
| HKAS 23 (Revised) | Borrowing Costs[2] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[3] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[2] |
| HKFRS 3 (Revised) | Business Combinations[3] |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments[2] |
| HKFRS 8 | Operating Segments[2] |
| HK(IFRIC)-Int 9 and HKAS 39 (Amendments) | Embedded Derivatives[5] |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes[4] |
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners[3] |

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009

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

[4] Effective for annual periods beginning on or after 1 July 2008

[5] Effective for annual periods beginning on or after 30 June 2009

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

## 2. 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, results and assets are conducted in and are relevant to 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: strategic investments and properties holding and rental.

| | 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Wealth management, brokerage and margin finance** *HK$ Million* | **Corporate finance** *HK$ Million* | **Asset management** *HK$ Million* | **Consumer finance** *HK$ Million* | **Principal investments – Healthcare** *HK$ Million* | **Principal investments – Others** *HK$ Million* | **Total** *HK$ Million* |
| Revenue | | | | | | | |
| – Net (loss) profit from financial assets | (437.1) | 15.3 | – | – | – | – | (421.8) |
| – Other revenue | 995.8 | 153.9 | 183.6 | 1,353.3 | 521.3 | 626.6 | 3,834.5 |
| Less: inter-segment revenue | (30.5) | (16.1) | (0.8) | – | – | (579.9) | (627.3) |
| | 528.2 | 153.1 | 182.8 | 1,353.3 | 521.3 | 46.7 | 2,785.4 |
| Segment results | (388.2) | 42.3 | 91.2 | 245.1 | 189.4* | 417.6 | 597.4 |
| Impairment loss on available-for-sale investments | – | – | – | – | – | (82.4) | (82.4) |
| Loss on fair value change of warrants of a listed associate | – | – | – | – | – | (284.1) | (284.1) |
| | (388.2) | 42.3 | 91.2 | 245.1 | 189.4 | 51.1 | 230.9 |
| Share of results of associates | | | | | | | 302.1 |
| Profit before taxation | | | | | | | 533.0 |
| Segment assets | 5,067.8 | 843.2 | 165.4 | 8,664.3 | – | 752.7 | 15,493.4 |
| Interest in associates | | | | | | | 3,713.7 |
| Amounts due from associates | | | | | | | 62.9 |
| Interest in jointly controlled entities | | | | | | | 16.8 |
| Deferred tax assets | | | | | | | 122.3 |
| Taxation recoverable | | | | | | | 29.1 |
| Total assets | | | | | | | 19,438.2 |
| Segment liabilities | (1,265.8) | (11.9) | (12.6) | (4,473.0) | – | (315.7) | (6,079.0) |
| Amounts due to associates | | | | | | | (8.1) |
| Taxation payable | | | | | | | (63.7) |
| Deferred tax liabilities | | | | | | | (260.1) |
| Total liabilities | | | | | | | (6,410.9) |
| Reversal of impairment loss | | | | | | | |
| – Loans and advances to consumer finance customers | – | – | – | 0.3 | – | – | 0.3 |
| – Loans and receivables | – | – | – | – | – | 1.4 | 1.4 |
| – Trade and other receivables | 8.1 | 4.6 | – | – | – | – | 12.7 |
| Capital expenditure | – | – | – | 12.7 | 7.7 | 149.5 | 169.9 |
| Amortisation and depreciation | (0.3) | – | – | (205.5) | (17.0) | (33.0) | (255.8) |
| Impairment loss | | | | | | | |
| – Loans and advances to consumer finance customers | – | – | – | (363.1) | – | – | (363.1) |
| – Loans and receivables | (25.7) | – | – | – | – | – | (25.7) |
| – Trade and other receivables | (46.0) | (62.2) | – | (6.4) | (2.0) | – | (116.6) |
| – Intangible assets | – | – | – | (69.0) | – | – | (69.0) |
| – Available-for-sale investments | – | – | – | – | – | (82.4) | (82.4) |
| Loss on disposal of property and equipment | – | – | – | – | – | (0.7) | (0.7) |

* *Inclusive of a profit of HK$163.4 million on disposal of the Group's interest in Quality HealthCare Asia Limited.*

| | 2007 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Wealth management, brokerage and margin finance *HK$ Million* | Corporate finance *HK$ Million* | Asset management *HK$ Million* | Consumer finance *HK$ Million* | Principal investments – Healthcare *HK$ Million* | Principal investments – Others *HK$ Million* | Total *HK$ Million* |
| Revenue | | | | | | | |
| – Net profit from financial assets | 303.6 | – | – | 0.3 | – | – | 303.9 |
| – Other revenue | 1,831.6 | 211.9 | 227.3 | 1,124.6 | 957.4 | 757.4 | 5,110.2 |
| Less: inter-segment revenue | (49.9) | (25.5) | (1.0) | – | – | (707.0) | (783.4) |
| | 2,085.3 | 186.4 | 226.3 | 1,124.9 | 957.4 | 50.4 | 4,630.7 |
| Segment results | 699.0 | 91.8 | 111.6 | 97.8 | 50.1 | 703.8 | 1,754.1 |
| Net gain on deemed disposal of a listed associate | – | – | – | – | – | 141.0 | 141.0 |
| Impairment loss on available-for-sale investments | – | – | – | – | – | (2.0) | (2.0) |
| Gain on fair value change of warrants of a listed associate | – | – | – | – | – | 36.1 | 36.1 |
| | 699.0 | 91.8 | 111.6 | 97.8 | 50.1 | 878.9 | 1,929.2 |
| Share of results | | | | | | | |
| – Associates | | | | | | | 263.8 |
| – Jointly controlled entities | | | | | | | 0.8 |
| Profit before taxation | | | | | | | 2,193.8 |
| Segment assets | 6,546.5 | 699.2 | 154.6 | 8,079.2 | 884.4 | 2,073.0 | 18,436.9 |
| Interest in associates | | | | | | | 3,171.2 |
| Amounts due from associates | | | | | | | 137.6 |
| Interest in jointly controlled entities | | | | | | | 1.5 |
| Deferred tax assets | | | | | | | 66.3 |
| Taxation recoverable | | | | | | | 3.2 |
| Total assets | | | | | | | 21,816.7 |
| Segment liabilities | (2,022.5) | (44.0) | (16.9) | (4,507.2) | (130.5) | (557.4) | (7,278.5) |
| Amounts due to associates | | | | | | | (7.5) |
| Taxation payable | | | | | | | (128.9) |
| Deferred tax liabilities | | | | | | | (378.4) |
| Total liabilities | | | | | | | (7,793.3) |
| Reversal of impairment loss | | | | | | | |
| – Interest in associates | – | – | – | – | – | 26.9 | 26.9 |
| – Loans and advances to consumer finance customers | – | – | – | 0.2 | – | – | 0.2 |
| – Trade and other receivables | 12.6 | 8.7 | – | – | – | – | 21.3 |
| Capital expenditure | (0.8) | – | – | (9.1) | (21.2) | (114.6) | (145.7) |
| Amortisation and depreciation | (2.3) | – | – | (238.3) | (32.9) | (21.2) | (294.7) |
| Impairment loss | | | | | | | |
| – Loans and advances to consumer finance customers | – | – | – | (285.7) | – | – | (285.7) |
| – Trade and other receivables | (30.1) | – | – | – | (1.1) | – | (31.2) |
| – Intangible assets | – | – | – | (84.0) | – | – | (84.0) |
| – Available-for-sale investments | – | – | – | – | – | (2.0) | (2.0) |
| Profit (loss) on disposal of property and equipment | – | – | – | – | 0.3 | (5.1) | (4.8) |

## 3. (Loss) Gain 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 31 December 2008, based on the quoted bid price, dropped when compared to the fair value at 1 January 2008. The Group incurred an unrealised loss of HK$284.1 million (2007: HK$36.1 million profit which was classified under revenue in the previous year and has been disclosed separately on the face of the consolidated income statement for 2008) arising from the fair value change. However, the listed associate recorded a profit in the current year relating to the same 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. Profit before Taxation

| | **2008** | 2007 |
|---|---|---|
| | ***HK$ Million*** | *HK$ Million* |
| Profit before taxation for the year has been arrived at after crediting (charging): | | |
| Net realised profit on disposal included in other income | | |
| – Disposal of an investment property | **–** | 11.9 |
| – Disposal of subsidiaries | **163.4** | 49.6 |
| – Disposal of associates | **–** | 9.6 |
| – Disposal of available-for-sale investments | **347.7** | 598.2 |
| Discount on acquisition of additional interest in an associate included in share of results of associates | **34.0** | 0.2 |
| Reversal of impairment loss included in other income | | |
| – Interest in associates | **–** | 26.9 |
| – Loans and advances to consumer finance customers | **0.3** | 0.2 |
| – Loans and receivables | **1.4** | – |
| – Trade and other receivables | **12.7** | 21.3 |
| (Decrease) increase in fair value of investment properties included in (other expenses) other income | **(1.7)** | 9.9 |
| Amortisation of leasehold interests in land | **(3.2)** | (2.5) |
| Depreciation of property and equipment | **(40.2)** | (39.4) |
| Amortisation of intangible assets | | |
| – Computer software (included in administrative expenses) | **(8.1)** | (5.3) |
| – Other intangible assets (included in direct cost and operating expenses) | **(204.3)** | (247.5) |
| Net loss on disposal of property and equipment | **(0.7)** | (4.8) |

## 5. Taxation

| | **2008** *HK$ Million* | 2007 *HK$ Million* |
|---|---|---|
| Current tax | | |
| – Hong Kong | **161.0** | 246.7 |
| – Other jurisdictions | **2.6** | 2.6 |
| | **163.6** | 249.3 |
| Under (over) provision in prior years | | |
| – Hong Kong | **3.1** | 0.5 |
| – Other jurisdictions | **–** | (0.1) |
| | **166.7** | 249.7 |
| Deferred tax | | |
| – Current year | **(104.3)** | (77.8) |
| – Under provision in prior years | **–** | 1.0 |
| – Change of tax rate | **(17.2)** | – |
| | **(121.5)** | (76.8) |
| | **45.2** | 172.9 |

Hong Kong profits tax is calculated at the rate of 16.5% (2007: 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.

## 6. Dividends

| | **2008** *HK$ Million* | 2007 *HK$ Million* |
|---|---|---|
| The aggregate amount of dividends paid and proposed: | | |
| – Interim dividend paid of HK5 cents (2007: HK10 cents) per share | **85.5** | 150.4 |
| – Final dividend of HK5 cents (2007: HK25 cents) per share proposed after the balance sheet date | **85.6** | 420.0 |
| | **171.1** | 570.4 |

A final dividend of HK5 cents (2007: HK25 cents) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

The proposed final dividend for the year ended 31 December 2008 has been calculated with reference to the number of shares in issue at 2 April 2009 less the unvested shares held for the SHK Employee Ownership Scheme.

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:

| | **2008** *HK$ Million* | 2007 *HK$ Million* |
|---|---|---|
| **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) | **346.5** | 1,897.6 |
| | ***Million*** | *Million* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share (after deducting shares held for the SHK Employee Ownership Scheme) | **1,697.1** | 1,522.4 |
| Effect of dilutive potential ordinary shares: | | |
| – Warrants | **–** | 84.0 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,697.1** | 1,606.4 |

8. **Trade and Other Receivables**

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

| | **2008** *HK$ Million* | 2007 *HK$ Million* |
|---|---|---|
| Less than 31 days | **208.5** | 111.9 |
| 31 - 60 days | **2.7** | 17.0 |
| 61 - 90 days | **27.2** | 46.5 |
| Over 90 days | **16.6** | 47.1 |
| | **255.0** | 222.5 |

9. **Trade and Other Payables**

| | **2008** *HK$ Million* | 2007 *HK$ Million* |
|---|---|---|
| Aging analysis of trade payables | | |
| Less than 31 days | **1,102.5** | 1,396.7 |
| 31 - 60 days | **3.7** | 6.9 |
| 61 - 90 days | **2.2** | 2.3 |
| Over 90 days | **11.8** | 10.1 |
| | **1,120.2** | 1,416.0 |
| Other payables | **319.4** | 630.4 |
| | **1,439.6** | 2,046.4 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

For the year ended 31 December 2008, the Group recorded a profit before tax of HK$533.0 million (2007: HK$2,193.8 million). Profit attributable to equity holders of the Company amounted to HK$346.5 million (2007: HK$1,897.6 million), while earnings per share was HK20.4 cents (2007: HK124.6 cents).

Profit for the year included several non-cash charges, which require further explanation. Firstly, there was an impairment charge of HK$69.0 million (2007: HK$84.0 million) relating to the carrying value of intangible assets, specifically the value of the customer relationships of the Group's Consumer Finance business, which was acquired in 2006. Furthermore, ongoing amortisation charges of intangible assets totalling HK$212.4 million (2007: HK$252.8 million) also impacted the Group's profit. These charges are of a non-cash nature and do not affect the underlying operating cash flow of the Group.

The 2008 results also include an unrealised loss of HK$284.1 million (2007: HK$36.1 million profit) 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$794.4 million (the Group's share was approximately HK$291.0 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$294.6 million (2007: HK$885.3 million), reflecting both realised and unrealised losses totalling HK$421.8 million (2007: HK$303.9 million profit) as a result of declining market prices.

If the above-mentioned profit or loss items were excluded, the Group would have achieved a profit before tax of HK$1,236.2 million (2007: HK$2,226.7 million).

The Directors recommended the declaration of a final dividend of HK5 cents per share. The proposed final dividend, together with the 2008 interim dividend paid of HK5 cents per share, represents a total dividend for 2008 of HK10 cents (2007: HK35 cents) per share.

## MARKET REVIEW

The worsening global financial crisis fuelled a sharper than expected economic downturn over 2008, particularly during the second half of the year. Frozen credit markets and declining corporate earnings led to diminishing investor confidence, and ultimately, a widespread sell-off in equities markets internationally. Despite a range of government stimuli aimed at supporting markets and boosting economic confidence, investor sentiment remained fickle, with many exiting the markets in favour of cash and other low risk instruments, thus exacerbating the markets' steep declines.

This deteriorating global environment significantly impacted Hong Kong and China. During the year, Hong Kong's benchmark indices plunged on the back of the broader economic meltdown, with the Hang Seng Index ("HSI") closing at 14,387 points, a 48% decline from 31 December 2007. The Hang Seng China Enterprises Index dropped 51% to 7,892 points during the same period.

Hit by an export slowdown, softening domestic consumption, and falling asset prices, growth in Hong Kong declined in 2008, for the first time since 2003. Hong Kong's gross domestic product ("GDP") was lower in each of the last three quarters of 2008, with the most significant contraction in the final quarter. This left GDP in the fourth quarter of 2008 some 9.4 percentage points below the corresponding period of 2007.

In China, the benchmark Shanghai Stock Exchange Composite Index finished at 1,821 points for 2008, representing a 65% drop from its 2007 close. Critically, GDP growth in China also fell to 9% for 2008, as exports contracted sharply. This was the first year of single digit growth since 2004. China has responded with a range of measures, including monetary expansion and a large fiscal stimulus, to support its economic growth.

## BUSINESS REVIEW

Despite a year of unprecedented turmoil, the Group's diversified business platform, which consists of Wealth Management & Brokerage; Asset Management; Corporate Finance; Consumer Finance; and Principal Investments; was instrumental in cushioning the impact of the financial crisis on the Group. The Group remains in a strong financial position as a result of its long-term, balanced approach to growth, and its commitment to a disciplined balance sheet leaves the Company well-placed to capture future growth opportunities.

### Wealth Management & Brokerage

Building on its successful customer recruitment strategy, the Group's integrated Wealth Management & Brokerage division opened almost 8,500 new accounts during a challenging year. Investors demand for capital preservation and lower risk profiles helped the Wealth Management division achieve a steady performance, which partially offset the declining turnover and commission levels experienced by the Brokerage division, a downward trend echoed at financial institutions globally.

To improve co-ordination and strengthen its overall retail platform within the Wealth Management & Brokerage division, the Group integrated its execution only service, SHK Online, with SHKFG's online platform, forming a new e-Business unit. The new e-Business unit will streamline the Group's online trading operations, while capitalising on an investor trend towards do-it-yourself trade execution by offering a range of enhanced products and services. The Group's broader online trading platform turned in a steady performance over 2008. This helped mitigate the reduced revenue for SHK Online, which was impacted by the global financial crisis.

A sharp contraction in demand for commodities during the second half, combined with a stronger U.S. dollar, sent oil prices plunging to their lowest levels since 2004, bottoming out at US$32.4, down from an intra-year high of US$147.3. Pleasingly, the Group's trading volumes of overseas commodities almost doubled for the year on the back of increased demand for hedging instruments, with a 336% increase in Euro Futures contracts and a 93% gain in USD Futures contracts. The Group's leveraged foreign exchange business also showed significant growth with an 18% rise in contracts, while precious metals saw a 10% increase in London Gold contracts as investors flocked to more traditional instruments.

Riding on this increasing demand, the Group further developed its investor education "simulation game" platform. Gold Trader formed the most recent instalment of the Group's simulation game experience, which also includes the popular FX Trader and Futures Trader platforms.

China Xin Yongan Futures Company Limited, the Group's 25% owned joint venture (75% owned by 浙江省永安期貨經紀有限公司 Zhe Jiang Province Yongan Futures Broker Company Limited) doubled its paid-up capital to accommodate an increase in trading volume and a larger client base. The joint venture achieved close to 100% return on equity for shareholders in the first full year of operation.

The Group's securities broking and third party execution business slowed in line with the overall market, as the initial public offering ("IPO") boom witnessed in previous years subsided. According to Hong Kong Exchanges and Clearing Limited, main board listings dropped almost 43% to just 47 for 2008, a number which included the movement of 18 companies from the Growth Enterprise Market. During the 12 months ended 31 December 2008, the Group participated in 20 issues of new share offerings, sub-underwriting and placements for clients, compared with 101 in 2007.

The Group's increasingly stringent loan policies, which reflect the challenges posed by the current operating environment, coupled with declining investor confidence and lower trade volumes in the fourth quarter of 2008, saw the Group's margin lending slow during the year, with its loan book dropping to approximately HK$2,246.5 million (2007: HK$3,116.5 million).

During 2008, the Group's Research division attended approximately 200 company visits and corporate presentations; published nearly 500 equity comments and analyses; distributed close to 340 strategy, sector and company reports and conducted numerous seminars and press conferences. The team's top 20 calls of 2008 outperformed the HSI by between 45% and 141%.

The Group's Wealth Management division executed a series of strategic business initiatives during the year, aimed at strengthening its sales force and expanding its market share. A high profile recruitment drive was launched as the year drew to a close, and the division soft-launched its flagship SHK Wealth Management Centre in Causeway Bay, one of Hong Kong's premier business and leisure districts. The Group also stepped up its involvement in investment seminars, and deepened its existing business relationships to ensure the division is prepared for the inevitable market turnaround.

The Wealth Management division's investment-linked product business grew in terms of number of policies. However, its revenue from wealth management products fell by approximately 30% as a result of the adverse market conditions during the second half of the year.

The Group's Insurance division performed steadily during the first half of 2008, although declining premiums globally, a contraction in insured property values and a general slowdown in demand for insurance across all sectors impacted the division during the final stages of the year. On a positive note, the division's customer retention ratio exceeded 95%, a strong result in a difficult market. The Group will continue to identify new business opportunities as it focuses on promoting credit and professional liability insurance, while striving to enhance its customer service by improving operational efficiency.

**Asset Management**

The Group's Asset Management division experienced a challenging second half, with the market downturn combined with increased hedge fund redemptions globally presenting a difficult operating environment. Nonetheless, the Group's largest hedge fund, the SHK Corporate Arbitrage Manager Fund, generated a positive return of approximately 19% over 2008, while the majority of the Group's other global funds outperformed many equity indices. Connecting top tier hedge fund managers to Asia Pacific investors remains the Group's core value proposition, and it plans to further extend this solid business model with the launch of two or more global hedge funds on its Asset Management platform.

**Corporate Finance**

During the year, 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 division was also appointed as Independent Financial Adviser to Shanghai Zendai Property Limited on its discloseable and connected transactions. Furthermore, it 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.

In addition, the division completed secondary placements for several listed companies, including TS Telecom Technologies Ltd., Sino Katalytics Investment Corporation and Dore Holdings Limited, and underwrote numerous fund raising exercises. The Group will continue to seek mandates for fundraising and corporate advisory opportunities from local and mainland enterprises.

The Group's Institutional Sales unit, which services institutional clients in Hong Kong, China, Taiwan and Japan with primary and secondary deals, has continued to identify new business relationships in the Asia Pacific and Europe markets, and remains poised to capitalise on the opportunities presented by a market recovery.

The weaker equity and debt capital markets benefited the Group's structured finance business over 2008. During the period under review, the Group's loan book saw a 35% increase to HK$802.8 million (2007: HK$596.3 million).

As part of the Group's broader China strategy, an investment consultancy company was established with Guangdong Zhongshun Paper Industry Group Company Limited to capture capital market business opportunities in the Pearl River Delta region. The Group has also strengthened its network in major cities such as Beijing, Shanghai, Nanjing, Guangzhou and Shenzhen to support its business development strategy in these respective locations.

**Consumer Finance**

During the year under review, United Asia Finance Limited ("UAF"), the Group's Consumer Finance division, achieved double-digit growth in both its loan portfolio and interest income. UAF's profit after tax reached a record high, although this represented a modest increase when compared with 2007, which included a gain on disposal of The Hong Kong Building and Loan Agency Limited ("HKBLA"). Excluding the HKBLA gain in 2007, profit for the year would have increased by 20%.

Profit attributable to the equity holders of UAF of HK$763.8 million was forecast for 2008 when UAF was acquired by the Group in 2006. This compares to an actual profit of HK$505.9 million for 2008. 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 include establishment costs, and the expansion of its China operations. The drop in interest yield and the higher impairment allowances may 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.

UAF added two branches in Hong Kong and eight in Shenzhen during the period under review, extending the company's total branch network to 53 outlets, comprising 41 in Hong Kong and 12 in China. Since making its debut in the mainland market in mid-2007, UAF has demonstrated promising growth and potential. UAF will continue to allocate management resources to reinforce its position in the mainland and to expand its capabilities to tap further market opportunities.

The global financial turmoil, particularly over the final quarter of 2008, adversely affected UAF's performance, leading to weaker growth in its loan business and higher charges related to bad debt provisions. With unemployment expected to continue rising and financial markets likely to remain strained during 2009, UAF will continue to adopt a cautious approach to ensure potential loan delinquencies are minimised, while at the same time enhancing its marketing platform to help alleviate the effects of the weakening economic environment.

**Principal Investments**

The Group's principal associated company Tian An is mainly engaged in high-end residential and commercial property development in China, along with property management and hotel operations. Tian An turned in a solid performance for the period under review, with profit attributable to equity holders of Tian An remaining steady at HK$711.1 million (2007: HK$703.0 million). Tian An's revenue for the year ended 31 December 2008 was HK$473.3 million (2007: HK$670.7 million for continuing operations and HK$192.5 million for discontinued operations), a decrease of 29% compared to the continuing operations of 2007.

Profit for 2008 included several non-cash items, including a gain of HK$794.4 million representing the change in fair value of a derivative financial instrument liability in respect of warrants issued by Tian An. This item has been discussed in the "Results" section of the Management Discussion and Analysis. In addition, Tian An also noted an exchange loss of HK$109.6 million mainly on its Hong Kong Dollar and United States Dollar bank deposits during 2008, due to the fact its functional currency is Renminbi. It also experienced a decrease in fair value of its investment properties of HK$187.3 million compared to a gain of HK$171.5 million in 2007. If these non-cash items are excluded, as well as the profit of HK$137.8 million from the discontinued cement operation in 2007, the profit attributable to equity holders of Tian An for 2008 would have decreased by 57%.

Total gross floor area ("GFA") sales for Tian An declined slightly to 93,400 $m^2$ in 2008 (2007: 102,400 $m^2$). A total GFA of approximately 180,700 $m^2$ (2007: 87,900 $m^2$) of residential/commercial property was completed during the year under review, representing an increase of 105% (mainly from jointly controlled entities) over the previous year. By the end of 2008, a total GFA of approximately 403,800 $m^2$ (2007: 363,000 $m^2$) was under construction, representing an 11% increase over 2007. Tian An currently has an attributable GFA landbank of approximately 6,157,100 $m^2$, consisting of 290,100 $m^2$ of completed investment properties and 5,867,000 $m^2$ of properties for development.

While the China property sector will likely remain flat with occasional bright spots over 2009, Tian An remains confident in the long-term growth prospects of the property market. Tian An's strong cash position will allow it to capitalise on the opportunities presented by the recovery of the property market as it occurs.

During the period under review, the Group continued to crystallise the value of its investment portfolio, with the disposal of its interest in Quality HealthCare Asia Limited ("QHA") to a direct wholly-owned subsidiary of Allied Properties (H.K.) Limited, a sale which generated a gain of HK$163.4 million.

As part of its unlisted investments portfolio strategy, the Group will continue to identify and evaluate potential opportunities which offer attractive valuations, focusing on industries that demonstrate strong underlying fundamentals, stable cashflows and sound management.

## OUTLOOK

With the global financial landscape undergoing a fundamental reorganisation and the international economy contracting markedly, we expect a challenging year ahead. Accordingly, we will remain focused on our core businesses, take advantage of our balance sheet to look at potential acquisitions and maintain an appropriate cost containment discipline to emerge stronger from this financial crisis.

## FINANCIAL REVIEW

### Financial Resources and Gearing Ratio

As of 31 December 2008, the equity attributable to equity holders of the Company amounted to HK$11,345.5 million, representing a decrease of HK$846.1 million or approximately 7% from the previous year. The Group continued to maintain a strong cash position and had short-term bank deposits, bank balances, treasury bills and cash amounting to HK$1,738.9 million (at 31 December 2007: HK$1,639.9 million). The Group's total bank and other borrowings, loan notes, short-term loans and three-year bonds due to fellow subsidiaries amounted to HK$4,494.1 million (at 31 December 2007: HK$5,074.3 million). Of this, HK$1,734.7 million (at 31 December 2007: HK$624.7 million) is repayable within one year, and HK$2,759.4 million (at 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 2.70 times as at 31 December 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, short-term loans and three-year bonds due to fellow subsidiaries over the equity attributable to equity holders of the Company) improved to approximately 40% as at 31 December 2008 (at 31 December 2007: approximately 42%).

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

During the year, 35.8 million shares of par value HK$0.2 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 also issued a total of 16.0 million shares under the 2007 final scrip dividend and 2008 interim scrip dividend schemes. The Company repurchased 15.6 million shares during the year for a total consideration (including expenses) of HK$49.0 million. The appointed trustee of the SHK Employee Ownership Scheme ("EOS") also acquired 3.9 million shares of the Company through purchases on the Stock Exchange for the awarded shares of the scheme.

Other than the three-year bonds and secured instalment loans, the Group's bank and other borrowings and short-term loans due to a fellow subsidiary were on a short-term basis and in HK dollars as at 31 December 2008. They were charged at floating interest rates. There are no known seasonal factors in the Group's borrowing profiles.

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

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

On 26 June 2008, the Group 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% 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 year.

**Segment Information**

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

**Charges on Group Assets**

Listed shares with an aggregate value of HK$1,033.0 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$205.9 million were pledged by subsidiaries to banks for instalment loans granted to them with a total outstanding balance of HK$124.6 million as at 31 December 2008. The share of a wholly-owned subsidiary, UAF Holdings Limited, was 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:

| | **2008** *HK$ Million* | 2007 *HK$ Million* |
|---|---|---|
| Indemnities on banking guarantees made available to a clearing house and regulatory body | **4.5** | 5.5 |
| Other guarantees | **3.0** | 1.4 |
| | **7.5** | 6.9 |

(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 the end of 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.

## MATERIAL LITIGATION UPDATE

(i) On 25 February 2009, the Market Misconduct Tribunal ("MMT") made findings and orders following the conduct of proceedings relating to May and June 2003 dealings in the securities of QPL International Holdings Limited. The MMT's determinations of misconduct against two Group employees resulted also in adverse determinations against the Company's indirect wholly-owned subsidiaries, Sun Hung Kai Investment Services Limited ("SHKIS") and Cheeroll Limited ("Cheeroll") (now known as Sun Hung Kai Strategic Capital Limited). The MMT ordered that the companies not again perpetrate any form of market misconduct, that they pay the Government's and the Securities and Futures Commission ("SFC")'s costs, and recommended that the SFC take disciplinary action against SHKIS. Both companies are presently appealing aspects of the MMT's findings and orders.

(ii) On 14 October 2008, a writ of summons was issued by SHKIS in the High Court of Hong Kong against Quality Prince Limited, Allglobe Holdings Limited, the Personal Representative of the Estate of Lam Sai Wing, Chan Yam Fai Jane and Ng Yee Mei, seeking recovery of (a) the sum of HK$50,932,876.64; (b) interest; (c) legal costs; and (d) further and/or other relief. Having sold collateral for the partial recovery of amounts owing, the Plaintiff filed a Statement of Claim in the High Court of Hong Kong on 24 October 2008 claiming (a) the sum of HK$36,030,376.64; (b) interest; (c) legal costs; and (d) further and/or other relief. An application for summary judgment against the Defendants has been made and is scheduled to be heard on 6 May 2009.

(iii) Details of proceedings relating to Chang Zhou Power Development Company Limited, a mainland PRC joint venture, are set out in the "Contingent Liabilities" section above.

## HUMAN RESOURCES

As at 31 December 2008, the total headcount of the Group stood at 1,789 employees (2007: 2,819 employees). This reduction in headcount followed the Group's disposal of its interest in QHA during 2008. Staff costs (including Directors' emoluments), contributions to retirement benefit schemes and expenses recognised for the EOS amounted to approximately HK$604.6 million (2007: HK$837.5 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.

## FINAL DIVIDEND

The Board has recommended a final dividend of HK5 cents (2007: HK10 cents) per share payable to shareholders of the Company whose names appear on the register of members of the Company on 10 June 2009, making a total dividend for the year 2008 of HK10 cents (2007: HK35 cents) per share. This is in line with the Company's strategy of maintaining a payout ratio of at least 30% of profit after tax. The final dividend is expected to be dispatched on 25 June 2009.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 June 2009 to 10 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer forms accompanied by the relevant share certificates, 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 4 June 2009.

## CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 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 separate 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, Brokerage & Capital Markets 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 growing businesses of the Group to be overseen by the appropriately qualified and experienced senior executives in those fields. Furthermore, it enhances communications and speeds up decision making processes 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 can be maintained by the operation of the Board, which holds at least four regular meetings 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 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; and (iii) promote (as opposed to ensure under the code provision) the co-ordination 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 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 2007. 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 of the Company's 2008 Annual Report to be sent to the shareholders of the Company before the end of April 2009.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2008, the Company repurchased a total of 15,567,000 shares on the Stock Exchange at an aggregate consideration of HK$48,798,790. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

| Month | Number of shares repurchased | Purchase price Highest | Purchase price Lowest | Aggregate consideration |
|---|---|---|---|---|
| | | *(HK$)* | *(HK$)* | *(HK$)* |
| August | 925,000 | 5.74 | 5.52 | 5,182,340 |
| September | 4,790,000 | 4.28 | 3.20 | 17,924,110 |
| October | 2,333,000 | 3.70 | 2.70 | 7,341,950 |
| November | 6,538,000 | 3.11 | 1.94 | 15,623,280 |
| December | 981,000 | 2.80 | 2.66 | 2,727,110 |
| | 15,567,000 | | | 48,798,790 |

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2008.

## 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 2008, including the accounting principles and practices adopted by the Group.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2008 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on the preliminary announcement.

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

Hong Kong, 2 April 2009

*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, Fevzi Timucin Engin (also as alternate to Mr. Abdulhakeem Abdulhussain Ali Kamkar), Josefh Kamal Eskandar (alternate to Mr. Fevzi Timucin Engin) 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.*