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

ANNOUNCEMENT OF 2010 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 2010 as set out below:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Notes	**2010** *HK$ Million*	2009 *HK$ Million*
Revenue *		**3,185.3**	3,097.6
Other income		**56.5**	74.8
Total income		**3,241.8**	3,172.4
Brokerage and commission expenses		**(219.0)**	(224.4)
Direct cost and operating expenses		**(296.4)**	(336.0)
Administrative expenses		**(949.5)**	(888.1)
Bad and doubtful debts		**(109.6)**	(424.9)
Finance costs		**(115.6)**	(101.7)
Other expenses		**(15.0)**	(26.8)
		1,536.7	1,170.5
Loss on disposal of a listed associate	*4*	**(159.3)**	–
Loss on warrants of a listed associate		**–**	(1.2)
Share of results of associates		**210.1**	440.0
Share of results of jointly controlled entities		**5.0**	1.3
Profit before taxation	*5*	**1,592.5**	1,610.6
Taxation	*6*	**(232.3)**	(205.3)
Profit for the year		**1,360.2**	1,405.3
Profit attributable to:			
– Owners of the Company		**1,087.7**	1,258.4
– Non-controlling interests		**272.5**	146.9
		1,360.2	1,405.3
Earnings per share	*8*		
– Basic (HK cents)		**56.8**	72.5
– Diluted (HK cents)		**56.8**	72.5

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 HK$ Million	2009 HK$ Million
Profit for the year	**1,360.2**	1,405.3
Other comprehensive income		
Available-for-sale investments		
– Net fair value changes during the year	**12.2**	50.5
– Reclassification adjustment to profit or loss on disposal	**(2.1)**	(8.0)
	10.1	42.5
Exchange differences arising on translating foreign operations	**48.6**	0.8
Reclassification adjustment to profit or loss on liquidation of subsidiaries	**(6.7)**	–
Reclassification adjustment to profit or loss on disposal of a listed associate	**(320.5)**	–
Revaluation gain on properties transferred from property and equipment to investment properties	**137.5**	–
Share of other comprehensive (expenses) income of associates	**(2.1)**	5.4
Deferred tax relating to components of other comprehensive income	**(22.2)**	0.2
Other comprehensive (expenses) income for the year, net of tax	**(155.3)**	48.9
Total comprehensive income for the year	**1,204.9**	1,454.2
Total comprehensive income attributable to:		
– Owners of the Company	**914.8**	1,307.0
– Non-controlling interests	**290.1**	147.2
	1,204.9	1,454.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	31/12/2010 HK$ Million	31/12/2009 Restated HK$ Million
Non-current Assets			
Investment properties		**288.4**	130.1
Leasehold interests in land		**10.0**	13.0
Property and equipment		**274.6**	248.7
Intangible assets		**1,186.7**	1,354.3
Goodwill		**2,384.0**	2,384.0
Interest in associates		**56.6**	4,185.2
Interest in jointly controlled entities		**116.4**	72.0
Available-for-sale investments		**292.1**	286.2
Statutory deposits		**50.8**	36.0
Deferred tax assets		**94.1**	100.5
Amounts due from associates		**56.2**	56.1
Loans and advances to consumer finance customers		**2,291.9**	1,870.2
Prepaid deposits for acquisition of property and equipment and other receivables		**33.4**	–
		7,135.2	10,736.3
Current Assets			
Trade and other receivables	*9*	**6,676.4**	5,587.2
Loans and advances to consumer finance customers		**3,172.6**	2,524.2
Financial assets at fair value through profit or loss		**641.5**	677.6
Amounts due from associates		**14.1**	3.0
Amounts due from fellow subsidiaries and a holding company		**–**	0.7
Taxation recoverable		**1.4**	2.3
Cash, deposits and cash equivalents		**2,510.1**	1,346.0
		13,016.1	10,141.0
Current Liabilities			
Bank and other borrowings		**(1,693.8)**	(2,206.0)
Trade and other payables	*10*	**(1,373.0)**	(1,557.9)
Financial liabilities at fair value through profit or loss		**(6.3)**	(36.1)
Mandatory convertible notes		**(32.6)**	–
Amounts due to fellow subsidiaries and a holding company		**(766.4)**	(1,568.9)
Amounts due to associates		**(8.4)**	(8.1)
Provisions		**(72.9)**	(12.4)
Taxation payable		**(105.1)**	(74.2)
		(4,058.5)	(5,463.6)
Net Current Assets		**8,957.6**	4,677.4
Total Assets less Current Liabilities		**16,092.8**	15,413.7

	Notes	31/12/2010 HK$ Million	31/12/2009 Restated HK$ Million
Capital and Reserves			
Share capital		**355.1**	350.4
Reserves		**11,003.9**	12,333.0
Equity attributable to owners of the Company		**11,359.0**	12,683.4
Non-controlling interests		**1,863.9**	1,744.7
Total Equity		**13,222.9**	14,428.1
Non-current Liabilities			
Bonds		**500.0**	500.0
Bank and other borrowings		**2,083.5**	242.6
Mandatory convertible notes		**45.9**	–
Provisions		**11.3**	6.0
Deferred tax liabilities		**229.2**	237.0
		2,869.9	985.6
		16,092.8	15,413.7

Notes:

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

In the current year, the Group has applied a number of new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Amendment to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, HKAS 17 required leasehold land to be classified as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement.

In accordance with the transitional provisions of HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information which existed at the inception of the leases. Leasehold land that qualifies for the finance lease classification has been reclassified from "leasehold interests in land" to "property and equipment" retrospectively. This resulted in a reclassification of "leasehold interests in land" to "property and equipment" amounting to HK$123.9 million and HK$121.2 million as at 1 January 2009 and 31 December 2009, respectively.

As at 31 December 2010, leasehold land that qualifies for finance lease classification with the carrying amount of HK$119.5 million has been included in property and equipment. The application of the amendments to HKAS 17 has had no impact on the net profit and total equity of the Group.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int-5")

HK Int-5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int-5 for the first time in the current year. HK Int-5 requires retrospective application.

In order to comply with the requirements set out in HK Int-5, the Group has changed its accounting policy on classification of borrowings with a repayment on demand clause. In the past, the classification of such borrowings were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int-5, term borrowings with a repayment on demand clause are classified as current liabilities.

As a result, bank and other borrowings that contain a repayment on demand clause with the aggregate carrying amounts of HK$113.0 million and HK$116.9 million have been reclassified from non-current liabilities to current liabilities as at 31 December 2009 and 1 January 2009, respectively. As at 31 December 2010, bank and other borrowings (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$169.6 million have been classified as current liabilities. The application of HK Int-5 has had no impact on the reported profit or loss for the current and prior years.

New and revised Standards and Interpretations in issue but not yet effective

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

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets [1]
HKAS 24 (Revised)	Related Party Disclosures [2]
HKAS 32 (Amendment)	Classification of Rights Issues [3]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets [2]
HKFRS 9	Financial Instruments [4]

[1] Effective for annual periods beginning on or after 1 January 2012
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 January 2013

The amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Group anticipates that the application of the amendments to HKAS 12 may affect the measurement of the Group's deferred taxation. The management is still in the process of assessing the impact of adoption of the amendments.

HKFRS 9 (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (as revised in November 2010) adds requirements for financial liabilities and for derecognition. HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, an entity may make an irrevocable election to present changes in fair value of equity investments in other comprehensive income, with only dividend income recognised in profit or loss. The applicable of HKFRS 9 might affect the measurement of the Group's financial assets. The management is still in the process of assessing the impact of adoption of HKFRS 9.

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

2. RECLASSIFICATION

To conform to the presentation of the financial statements of the holding companies, the Group has changed the classification of the impairment loss and bad debts (including reversal of impairment and bad debts recovered) for "loans and advances to consumer finance customers" and "trade and other receivables". Such impairment loss and bad debts are now presented as a separate line item in the income statement, "bad and doubtful debts". In order to conform to the current year's classification, the reversal and recovery of HK$167.9 million (2009: HK$83.4 million) was reclassified from "other income" whilst the impairment loss and bad debts of HK$277.5 million (2009: HK$508.3 million) was reclassified from "other expenses".

During the year, the Group has also changed the classification of interest receivable on consumer finance business (previously included in "trade and other receivables") to "loans and advances to consumer finance customers". The Group considers the new presentation is more appropriate. In order to conform to the current year's classification, interest receivable of HK$72.6 million as at 1 January 2009 and $68.0 million as at 31 December 2009 were reclassified from "trade and other receivables" to "loans and advances to consumer finance customers".

3. SEGMENT INFORMATION

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

The main operating 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, 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: strategic investments and properties holding and rental.

	2010					
	Wealth management, brokerage and margin finance *HK$ Million*	**Corporate finance** *HK$ Million*	**Asset management** *HK$ Million*	**Consumer finance** *HK$ Million*	**Principal investments** *HK$ Million*	**Total** *HK$ Million*
Revenue	1,106.8	223.1	71.3	1,659.5	598.2	3,658.9
Net profit from financial assets and liabilities	48.7	72.7	–	–	(0.2)	121.2
Less: inter-segment revenue	(10.3)	(12.0)	(0.2)	–	(572.3)	(594.8)
Segment revenue from external customers	1,145.2	283.8	71.1	1,659.5	25.7	3,185.3
Segment profit before:	403.4	241.3	33.1	744.5	114.4	1,536.7
Loss on disposal of a listed associate	–	–	–	–	(159.3)	(159.3)
Segment profit or loss	403.4	241.3	33.1	744.5	(44.9)	1,377.4
Share of results of associates						210.1
Share of results of jointly controlled entities						5.0
Profit before taxation						1,592.5
Included in segment results:						
Interest income	349.7	101.6	–	1,646.8	0.3	2,098.4
Reversal of impairment loss						
– Interest in associates	–	–	–	–	0.2	0.2
– Loans and advances to consumer finance customers	–	–	–	109.5	–	109.5
– Trade and other receivables	1.9	–	–	–	–	1.9
Amortisation and depreciation	(0.3)	–	–	(187.3)	(39.8)	(227.4)
Impairment loss						
– Intangible assets	–	–	–	(1.0)	–	(1.0)
– Interest in associates	–	–	–	–	(0.3)	(0.3)
– Loans and advances to consumer finance customers	–	–	–	(274.6)	–	(274.6)
– Trade and other receivables	(1.6)	–	–	–	(1.3)	(2.9)
Loss on disposal of property and equipment	–	–	–	–	(3.7)	(3.7)
Finance costs	(13.4)	(1.2)	–	(96.3)	(4.7)	(115.6)

	2009					
	Wealth management, brokerage and margin finance *HK$ Million*	Corporate finance *HK$ Million*	Asset management *HK$ Million*	Consumer finance *HK$ Million*	Principal investments *HK$ Million*	Total *HK$ Million*
Revenue	1,087.5	189.0	105.1	1,511.7	638.9	3,532.2
Net profit from financial assets and liabilities	195.1	12.6	–	–	0.6	208.3
Less: inter-segment revenue	(13.6)	(16.2)	(0.6)	–	(612.5)	(642.9)
Segment revenue from external customers	1,269.0	185.4	104.5	1,511.7	27.0	3,097.6
Segment profit before:	497.2	137.1	36.3	375.0	124.9	1,170.5
Loss on warrants of a listed associate	–	–	–	–	(1.2)	(1.2)
Segment profit	497.2	137.1	36.3	375.0	123.7	1,169.3
Share of results of associates						440.0
Share of results of jointly controlled entities						1.3
Profit before taxation						1,610.6
Included in segment results:						
Interest income	274.8	63.7	–	1,494.2	1.2	1,833.9
Reversal of impairment loss						
– Loans and advances to consumer finance customers	–	–	–	0.3	–	0.3
– Trade and other receivables	38.3	–	–	–	–	38.3
Amortisation and depreciation	(0.3)	–	–	(190.7)	(38.5)	(229.5)
Impairment loss						
– Intangible assets	–	–	–	(24.0)	–	(24.0)
– Interest in associates	–	–	–	–	(2.6)	(2.6)
– Loans and advances to consumer finance customers	–	–	–	(505.5)	–	(505.5)
– Trade and other receivables	(2.8)	–	–	–	–	(2.8)
Loss on disposal of property and equipment	–	–	–	–	(1.9)	(1.9)
Finance costs	(15.7)	(2.7)	–	(81.9)	(1.4)	(101.7)

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

	2010	2009
	HK$ Million	*HK$ Million*
Revenue from external customers by location of operations		
– Hong Kong	**2,938.8**	2,969.8
– PRC and others	**246.5**	127.8
	3,185.3	3,097.6

	31/12/2010	31/12/2009
	HK$ Million	*HK$ Million*
Non-current assets other than financial instruments and deferred tax assets by location of assets		
– Hong Kong	**4,110.6**	4,075.9
– PRC and others	**117.3**	90.2
	4,227.9	4,166.1

4. LOSS ON DISPOSAL OF A LISTED ASSOCIATE

On 28 June 2010, the Group completed the disposal of its entire interest in Tian An China Investments Company Limited, a listed associate, to a subsidiary of Allied Properties (H.K.) Limited ("APL"), a listed holding company. The consideration of the disposal was satisfied by a share entitlement note ("SEN"), which conferred the right to call for the issue of 2,293,561,833 fully paid shares of APL ("APL Share") for nil consideration. The fair value of the SEN was HK$3,807.3 million which was determined based on the market value of the APL Share of HK$1.66 per share at the completion date of the disposal. The Group recognised a loss of HK$159.3 million on the disposal.

The SEN was immediately assigned to the shareholders of the Company on 28 June 2010 as distribution in specie as described in Note 7. Upon the assignment, the right to call for the issue of the relevant APL Share was automatically exercised.

Details regarding the disposal and the distribution are contained in the circular of the Company dated 24 May 2010.

5. PROFIT BEFORE TAXATION

	2010	2009
	HK$ Million	*HK$ Million*
Profit before taxation for the year has been arrived at after crediting (charging):		
Dividends from listed investments	**6.5**	8.5
Dividends from unlisted investments	**3.8**	5.6
Net realised profit on disposal of investments included in other income		
– Disposal of a subsidiary	**29.3**	–
– Liquidation of subsidiaries	**3.7**	–
– Disposal of available-for-sale investments	**2.1**	16.6
Increase in fair value of investment properties included in other income	**5.3**	14.3
Net exchange gain included in other income	**10.7**	37.4
Amortisation of leasehold interests in land	**(0.4)**	(0.5)
Depreciation of property and equipment	**(40.9)**	(36.7)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	**(11.4)**	(11.2)
– Other intangible assets (included in direct cost and operating expenses)	**(174.7)**	(181.1)
Net loss on disposal of property and equipment	**(3.7)**	(1.9)

6. TAXATION

	2010	2009
	HK$ Million	*HK$ Million*
Current tax		
– Hong Kong	**(236.6)**	(192.4)
– Other jurisdictions	**(27.9)**	(13.4)
	(264.5)	(205.8)
Over (under) provision in prior years		
– Hong Kong	**9.1**	(0.5)
– Other jurisdictions	**(0.5)**	(0.1)
	(255.9)	(206.4)
Deferred tax		
– Current year	**16.4**	2.0
– Over (under) provision in prior years	**7.2**	(0.9)
	23.6	1.1
	(232.3)	(205.3)

Hong Kong profits tax is calculated at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

7. DIVIDENDS

	2010	2009
	HK$ Million	*HK$ Million*
The aggregate amount of dividends paid and proposed:		
– 2010 special dividend equivalent to HK201.3 cents (2009: Nil) per share	**3,527.0**	–
– 2010 interim dividend paid of HK10 cents (2009: HK6 cents) per share	**174.9**	104.9
– 2010 final dividend of HK18 cents (2009: HK16 cents) per share proposed after the end of the reporting period	**319.6**	279.8
	4,021.5	384.7

	2010	2009
	HK$ Million	*HK$ Million*
Dividends recognised as distribution during the year:		
– 2009 final dividend of HK16 cents (2008: HK5 cents) per share	**280.3**	87.8
– 2010 special dividend equivalent to HK201.3 cents (2009: Nil) per share	**3,527.0**	–
– 2010 interim dividend paid of HK10 cents (2009: HK6 cents) per share	**174.9**	104.9
	3,982.2	192.7

The 2009 final dividend and 2010 special dividend were satisfied by the distribution in specie (Note 4). The 2010 final dividend is subject to approval by the shareholders in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

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

	2010	2009
	HK$ Million	*HK$ Million*
Earnings		
Earnings for the purposes of basic earnings per share and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,087.7**	1,258.4

	2010	2009
	Million Shares	*Million Shares*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (after deducting shares held for the SHK Employee Ownership Scheme and including ordinary shares issuable under the mandatory convertible notes)	**1,914.0**	1,734.9
Effect of dilutive potential ordinary shares:		
– Shares held for the SHK Employee Ownership Scheme	**–**	0.1
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,914.0**	1,735.0

9. TRADE AND OTHER RECEIVABLES

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

	Group	
	31/12/2010	31/12/2009
	HK$ Million	*HK$ Million*
Less than 31 days	**1,116.7**	1,198.7
31 – 60 days	**10.1**	10.2
61 – 90 days	**4.2**	9.4
Over 90 days	**142.2**	286.0
	1,273.2	1,504.3
Secured term loans, margin loans and other receivables	**5,518.4**	4,196.2
Prepayments and current portion of leasehold interests in land	**33.3**	37.0
Allowance for impairment	**(148.5)**	(150.3)
	6,676.4	5,587.2

10. TRADE AND OTHER PAYABLES

The ageing analysis of the trade and other payables is as follows:

	Group	
	31/12/2010	31/12/2009
	HK$ Million	*HK$ Million*
Less than 31 days	**1,162.9**	1,280.8
31 – 60 days	**14.1**	9.5
61 – 90 days	**7.4**	7.2
Over 90 days	**20.9**	42.8
	1,205.3	1,340.3
Accruals and other payables on demand	**167.7**	217.6
	1,373.0	1,557.9

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group reported profit before tax of HK$1,592.5 million (2009: HK$1,610.6 million). Profit attributable to owners of the Company amounted to HK$1,087.7 million (2009: HK$1,258.4 million), and earnings per share were HK56.8 cents (2009: HK72.5 cents).

During the year, the Group embarked on a number of strategic initiatives, including the disposal of its interest in Tian An China Investments Company Limited ("Tian An") and the subsequent distribution in specie equivalent to HK$3.8 billion to its shareholders.

If the effects of this disposal are excluded and Tian An's contribution to the Group's earnings is adjusted, the net profit attributable to shareholders increased by a commendable 26.6%, derived mainly from the Group's increase in the corporate finance and consumer finance segments. It further validates the strength of the Group's diversified business mix.

The Board has recommended a final dividend of HK18 cents (2009: HK16 cents). Together with the interim dividend of HK10 cents per share, as well as the special dividend equivalent to HK$2.01 per share from the disposal of Tian An, this will bring total dividends for the year to HK$2.29 (2009: HK22 cents).

MARKET REVIEW

Concerns about the sovereign debt situation in Greece, Spain, Portugal and Ireland took a toll on global financial markets during the first part of the year under review. Many global equity indices initially rose in 2010, but went into an extended period of volatility as investment sentiment worsened. This was compounded by doubts about the pace, and sustainability of recovery in the United States. However the year ended more strongly with the introduction of a second round of "quantitative easing" by the US Federal Reserve in November. Overall, global stock indices generally rose for the year, with emerging markets mostly outperforming developed markets. These emerging markets managed to attract more than HK$700 billion in investment funds, globally – the biggest ever annual inflow of capital – which helped push the MSCI Emerging Markets Index to its pre-crisis level. Inflation, or rather the control of inflation, will be the critical issue for the global economy in 2011.

The Hang Seng Index, after a strong rebound in the latter part of 2009, rose only 5.3% for 2010 as a whole. Continued volatility in 2010 saw an index low of 18,971 on 27 May 2010 and a year high of 24,988 on 8 November 2010, a swing of some 32%. The year ended with the index at 23,035. On the other hand, the Hang Seng China Enterprises Index fell 0.8% in 2010 overall, but gained 33% from its low of 10,726 on 25 May 2010 to the year high of 14,219 on 8 November 2010.

China's Shanghai Stock Exchange Composite Index bucked the uptrend of other global emerging markets by dipping 14% for 2010. The index reached an intraday high of 3,306 for the year on 11 January 2010 but dropped 30% to an intraday low of 2,319 on 2 July 2010 before regaining 21% to close the year at 2,808.

In the mainland, year-on-year growth in the domestic Consumer Price Index rose from 1.5% in January 2010 to 5.1% in November 2010. This led the authorities to raise interest rates twice, in October and December 2010, in conjunction with six increases of the required-reserves ratio for financial institutions. Growth in Gross Domestic Product ("GDP") in China accelerated from 9.2% in 2009 to 11.9% in the first quarter of 2010, and ended slightly higher to 10.3% in 2010.

The continued strong growth in the mainland saw economic activity in Hong Kong recover solidly in 2010, with growth in real GDP rising to 6.8% in the final quarter of the year. The local employment market also improved substantially, with the unemployment rate falling steadily from above 5% throughout much of 2009 to a seasonally adjusted 4.0% for the period October to December 2010.

BUSINESS REVIEW

2010 marked an important year for the Group as it embarked on a number of corporate initiatives to align itself for future growth. The disposal of Tian An and a subsequent distribution of HK$3.8 billion in benefits gave shareholders the opportunity to realise the asset value of the Group's holdings in Tian An. It also allowed the Group to focus its effort on further building its financial services businesses.

During the year, the Group also formed a strategic alliance with CVC Capital Partners ("CVC"), in which CVC invested up to HK$2.1 billion in the Company in the form of mandatory convertible notes and warrants. CVC is a leading global private equity firm with extensive business networks that will no doubt create business opportunities for the Group.

On the business front, the Group set a number of milestones across its major business segments during the year. The Group's consumer finance business, which operates under United Asia Finance ("UAF"), has accelerated its business expansion beyond Shenzhen. After some three years of development, UAF's business in mainland China has reached critical mass allowing the Group to continue its nationwide roll out. During the year, UAF China expanded outside of its Shenzhen base into Tianjin, Chengdu, Shenyang and Chongqing. Two outlets, in Dalian and Kunming, have also been opened so far in 2011, and more licenses are expected.

For the Sun Hung Kai Financial business that comprises of Wealth Management and Brokerage, Corporate Finance and Asset Management, market conditions remained volatile during 2010. Whilst the headline market transaction volumes across these three business units increased as a whole, the dynamics in the market are continually changing. On one hand, competition in the local equities broking business continued to increase as commercial banks tried to offset the low margins from their traditional lending businesses. On the other hand, ample new opportunities are emerging in terms of moving beyond our traditional transaction based brokerage model. It is clear to management that future growth in the business can be achieved by focusing on the Group's professional customer advisory and portfolio services, whereby the best interests of the customer base is served through the Group's open architecture and multi-product platform.

In line with this strategy, the Group decided to engage in a number of projects to expand its product and service platform. In April 2010, a business partnership with Australian based Macquarie Bank was established to promote foreign exchange trading services to both the Group's existing and also new customers.

Additional relationships were also established to expand the Group's customer base. In October 2010, the Hong Kong Government made several amendments to the Capital Investment Entrants Scheme, including raising the net equity requirement to HK$10 million and suspending real estate temporarily as an investment class. This change created an opportunity for the wealth management industry. Subsequently, the Group formed an alliance with EK Immigration Consulting Limited in early 2011 to service this growing group of customers, which primarily comprises of high net worth individuals originating from China and looking to emigrate to Hong Kong and globally.

A new specialised service unit has also been set up to expand the Group's market share for the growing investable wealth of high net worth customers: this service was formally introduced under the brand "SHK Private" on 15 March 2011. The Group's new SHK Private client service centre is already in operation. As part of its customer loyalty strategy, SHK Private will also roll out a number of personalised lifestyle programs for its valued clients.

In early 2010, the Group made a strategic decision to undertake a major relocation of the Sun Hung Kai Financial businesses to The Lee Gardens in Causeway Bay. The relocation was completed in January 2011 and it is the first time in many years that the Group has located most of its business units within the same building. Management is confident that the relocation will allow the business to improve productivity and efficiency. At the same time, almost 40,000 square feet office space located in Admiralty, and owned by the Group, has been released, allowing capital to be eventually redeployed in growing the financial services business.

Wealth Management & Brokerage

The Wealth Management and Brokerage business delivered a solid set of results for 2010. Revenue and the contribution to pre-tax earnings were HK$1,145 million and HK$403 million respectively (2009: HK$1,269 million and HK$497 million). The principal reason behind the drop was the decreased contribution from the profit of financial assets, which was higher in 2009 as the market recovered from the depths of the global financial crisis. Excluding this factor, the revenue was in fact steady with a 2% increase, while the contribution to pretax earnings showed a 17% increase.

Trading volumes were generally lower in 2010 as retail investors took a wait-and-see approach due to the jittery market sentiment. It should be noted that whilst the overall daily average turnover on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2010, at HK$69 billion, was 11% higher than 2009, this was mainly driven by an increase in derivative warrants trading which benefited issuers and market makers disproportionately. Equity trading volumes were more subdued. The Group was however pleased to see that its multi products platform continued to provide income diversity. Commission income from non-Hong Kong equities trading also showed more resilience.

Results from non-equity products also showed a significant growth in 2010. Revenue from mutual funds and insurance linked products climbed over 45% compared with the same period last year. Assets under management ("AUM") on the mutual fund platform recorded 12% growth in net inflow. With the launch of the MPF products in September 2010, the Wealth Management division continued to expand its product range to cover corporate and retail clients. With the equity market showing a lack of direction for much of 2010, demand for the Group's absolute-return products also increased.

The Group's strategic partnership in foreign exchange with Australian-based Macquarie Bank led to a number of initiatives in forex business including the launch of FX Trader Pro in September 2010. Supported by the latest online retail margin trading technology developed in the United States, the trading platform is supported by Deutsche Bank prime brokerage with forex liquidity being currently sourced from counterparties including Macquarie, Citibank and Deutsche Bank. With a series of products already in the pipeline, SHK Forex is expected to extend its platform to include a Macquarie designed and built margin trading system as an alternative to FX Trader Pro. The business also continued to enhance its distribution network.

The Group's margin lending book exceeded HK$4.4 billion, growing by 32% over 2009. The segment's interest income increased by 27%. This growth was mainly driven by an increased demand from the Group's corporate and high net worth clients. Management sees ample opportunities for the Group to continue to increase its high net worth client base and the launch of the SHK Private service is in line with this strategic direction.

Asset Management

The Asset Management industry generally showed improvement in 2010. Including performance gains, Dow Jones Indices estimated current industry AUM to have grown to US$1.7 trillion as at 31 December 2010 from US$1.5 trillion as at 31 December 2009.

Hedge funds, measured by the Dow Jones Credit Suisse Hedge Fund Index, were up 10.95% in 2010, posting a positive performance in seven out of twelve months during the year. The Group's flagship funds also outperformed the index with SHK Corporate Arbitrage Manager Fund posting a gain of 13.93%, and the SHK Recovery Fund 19.41%, as at 31 December 2010.

The Group's Asset Management division recorded revenue of HK$71 million and a pre-tax profit contribution of HK$33 million for 2010. Total AUM, including its affiliated funds, remained stable at US$531 million as at 31 December 2010.

For 2011, SHK Fund Management will seek to build on its model of offering customised solutions and to connect top tier global funds and investment managers with Asia Pacific investors. The Group also seeks to further capitalise on strategic tie-ups and alliances to leverage on the robust growth opportunities in Asia.

Corporate Finance

Capital market activities were buoyant in 2010. A total of 113 companies listed directly on the main board of the Hong Kong Exchange or transferred from the Growth Enterprise Market, an increase of 55% from the previous year. Total funds raised (including IPOs) in 2010 amounted to HK$850 billion compared with HK$642 billion in 2009.

The Group's Corporate Finance division reported pleasing results for 2010, as it continued to establish and enhance its capability in Hong Kong's and China's small to mid cap corporate segment. The revenue and the contribution to pre-tax profit was HK$284 million and HK$241 million, an increase of 53% and 76%, respectively, on a year on year basis. A big contributor to this increase was the HK$73 million gain from financial assets, resulting from the gains on the derivative component of the Group's structured loans business, which contained equity linked structures.

The structured finance loans business is an important part of the Group's unique "debt plus equity" one stop shop funding solution offered to corporate clients. As at 31 December 2010, the Group's secured term loans balance stood at HK$648.6 million, compared against HK$545.5 million at the end of 2009. Interest income from the segment increased by 59% to HK$101.6 million.

Fee income in 2010 was steady as the Group continued to engage in primary offerings and secondary placements. Initial public offering activities were buoyant and the Group also acted as placing agent and/or underwriter in a number of equity and debt placements and rights issues or open offers for Hong Kong and mainland China corporations across various sectors, such as resources, real estate, media, energy and industrial. The Group will continue to seek mandates for fund raising and corporate advisory services opportunities from PRC, local and overseas enterprises.

Consumer Finance

The Group's consumer finance segment, reflecting the results from the 58% owned UAF, delivered another record set of financial results. The segment's revenue increased by 10% to HK$1,659 million in 2010, whilst contribution to profit before tax almost doubled to HK$744.5 million. This result mainly reflected the increased contribution from the China business, as well as an improvement in credit quality which led to much lower delinquency rates. Total impairment charges, which include bad debts written off, movement to impairment allowance and bad debts recovered, decreased 76% to HK$109 million.

Also included in the results were non-cash amortisation charges of HK$174.7 million (2009: HK$181.1 million) on intangible assets, stemming from the Group's acquisition of its interest in UAF in 2006. On a stand alone basis UAF's after tax profit set a new record of HK$794 million. That said, this is lower than the forecast level of HK$1,001.5 million, which was projected when the Group acquired UAF in 2006. In spite of the strong performance in 2010, the difference from the forecast reflected lower interest yields, higher impairment allowances on loans, and an increase of operating overheads resulting from the additional establishment costs relating to the rapid expansion of UAF's China business. The Group remains confident of UAF's long term growth prospects and business.

The consumer finance gross loan principal balance as at 31 December 2010 increased by 20% to HK$5.9 billion (31 December 2009: HK$4.9 billion), with growth accelerating towards the end of the year. UAF's loan business in mainland China was the main driver of this growth. Loans in China as a proportion of gross loan balance increased from 6.8% in 2009 to 13%; it has more than doubled on an absolute basis.

UAF in Shenzhen has developed into a growing profit contributor after its third year of operation. The Shenzhen operation boasts 668 staff in total, and eight branches were added during the year, bringing to 28 the total branch network in the city. Management hopes to replicate the success of UAF Shenzhen in other locations in China. The Group has been granted licenses to operate in six other cities or provinces, marking an important step in the national expansion of UAF. Shenyang and Chongqing commenced their businesses during the first half of the year whilst Tianjin and Chengdu followed in the second half of the year. This expansion continued into 2011 with more branch openings in Kunming and Dalian. Further licenses are expected to be issued in the coming year.

The loan business in Hong Kong also saw healthy growth during 2010. The Hong Kong economy benefited substantially from robust retail consumption and the strengthening of consumer confidence. UAF's business in Hong Kong had an increase of 12% in loan balances and much lower credit delinquency due to the strength of the Hong Kong economy. UAF had a total of 43 branches in Hong Kong at the end of 2010.

In the fourth quarter of 2010 UAF re-launched the "SHK Finance" brand targeting the mortgage loan business. A new service centre at Langham Place, Mongkok, was opened and its loan generation performance was satisfactory. Management is confident that the household brand of SHK Finance will have strong awareness among potential customers, resulting in increased demand for its mortgage products, especially in a tightening mortgage environment.

Looking ahead, robust growth is anticipated for the loan business in mainland China as personal income levels continue to rise, and consumer awareness of UAF's loan services grows. UAF will strengthen its presence by continuing to build its branch coverage. China will be the major growth driver for UAF going forward, although the Group will not neglect its market leading position in Hong Kong.

Principal Investments

The Principal Investment segment, which included the Group's strategic investment, rental and property holdings, recorded a loss of HK$45 million. During the year, the Group disposed of its entire interest in Tian An in order to streamline its balance sheet and corporate structure. Details are given in Note 4. Excluding this loss, which was non-cash in nature, the contribution from this segment remained steady. Looking ahead, market conditions remain somewhat uncertain. Management will take a prudent approach to seeking out private investments with sound business models and fundamentals which would be complementary to the Group's financial service activities.

OUTLOOK

Conditions in financial markets may remain somewhat uncertain in coming months, given the potential for global interest rates to increase, and some significant geo-political uncertainties. Whilst it is difficult to anticipate the impact of these factors on the Group's businesses, management remains cautiously optimistic and will continue to emphasize the building of diversified income sources. Recent alliances and initiatives to further develop new products and clientele, are important aspects of the Group's strategy; successful execution will be critical.

Management is also optimistic about prospects for its consumer finance business under UAF. However, it is worth noting that the record growth in profit achieved in 2010 may not be repeated should the local economy deteriorate due to unforeseen global events. For UAF's China loan business, growth should remain robust as the Group continues its branch network expansion throughout China, against a favourable backdrop of strong consumer demand. The China loan business should progressively account for a larger proportion of the Group's business as a whole.

FINANCIAL REVIEW

Financial Resources and Gearing Ratio

As at 31 December 2010, the equity attributable to owners of the Company amounted to HK$11,359.0 million, representing a decrease of HK$1,324.4 million or approximately 10% from 31 December 2009. The decrease was largely attributed to the distribution in specie of the Company's investment in Tian An, as set out in Notes 4 and 7.

The Group continued to maintain a strong cash position and had short-term bank deposits, bank balances, treasury bills and cash amounting to HK$2,510.1 million (at 31 December 2009: HK$1,346.0 million). The Group's total bank and other borrowings, short-term loans due to fellow subsidiaries, three-year bonds and the financial liability element of mandatory convertible notes amounted to HK$5,118.2 million (at 31 December 2009: HK$4,513.3 million). Of this, HK$2,488.8 million (at 31 December 2009: HK$3,770.7 million) is repayable within one year, and HK$2,629.4 million (at 31 December 2009: HK$742.6 million) repayable after one year.

The liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities), increased to 3.2 times as at 31 December 2010 compared to 1.9 times as at 31 December 2009.

The Group's gearing ratio (calculated on the basis of the Group's total bank and other borrowings, short-term loans due to fellow subsidiaries, three-year bonds and financial liability element of mandatory convertible notes over the equity attributable to owners of the Company) was approximately 45% as at 31 December 2010 (at 31 December 2009: approximately 36%). The higher gearing ratio is largely due to the decrease in equity attributable to owners of the Company as a result of the distribution in specie as mentioned above.

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

During the year, the appointed trustee of the SHK Employee Ownership Scheme ("EOS") acquired 0.4 million shares of the Company through purchases on the Stock Exchange for the shares awarded under the scheme. The Company also issued 26.6 million shares under the 2010 interim scrip dividend scheme. The Company repurchased 3.3 million shares during the year for a total consideration (including expenses) of HK$16.3 million.

Other than the three-year bonds, the financial liability element of mandatory convertible notes, secured installment loans or those borrowings repayable over one year, the Group's bank and other borrowings and short-term loans due to fellow subsidiaries were on a short-term basis and in HK dollars and Renminbi as at 31 December 2010. 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. The Group closely monitors this risk.

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

On 28 June 2010, the Group completed the disposal of its entire interest in Tian An, a listed associate, to a subsidiary of Allied Properties (H.K.) Limited, a listed holding company. The Group recognised a loss of HK$159.3 million on the disposal. Details regarding the disposal are set out in Note 4.

In April 2010, the Group also disposed of 49% ownership interest in a wholly-owned subsidiary engaging leveraged foreign exchange trading business at a consideration of HK$141.1 million. The Group recognised a gain of HK$29.3 million on the disposal.

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

Segment Information

Detailed segment information in respect of the Group's segment revenue and results are shown in Note 3.

Charges on Group Assets

Listed shares held by the Group with an aggregate value of HK$1.4 million were pledged for bank loans and overdrafts. Properties of the Group with a total book value of HK$341.2 million were pledged by subsidiaries to banks for instalment loans granted to them with a total outstanding balance of HK$163.4 million as at 31 December 2010. The entire share capital 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 end of the reporting period, the Group had guarantees as follows:

	Group	
	31/12/2010	31/12/2009
	HK$ Million	*HK$ Million*
Guarantees for banking facilities granted to a jointly controlled entity	**1,661.0**	–
Indemnities on banking guarantees made available to a clearing house and regulatory body	**4.5**	4.5
Other guarantees	**3.0**	3.0
	1,668.5	7.5

(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 China Investments Company Limited ("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. SHKS 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 (being the nominee of GBA) 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. On 24 February 2010 the Court of Appeal struck out the claims of GBA and LPI, and awarded costs of the appeal and the strike out application as against GBA and LPI to SHKS. Subsequently, GBA, LPI and WE sought to amend their claims which was opposed by SHKS and is pending a determination by the Court. 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 the Intermediate People's Court of Wuhan City, Hubei Province ("IPC") (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. Judgment was awarded by the IPC in Tian An and SHKS' favour on 16 July 2009 which judgment was being appealed against by Ms. Cheung. On 24 November 2010, the Higher People's Court of Hubei Province (湖北省高級人民法院) ordered that the case be remitted back to the IPC for retrial. 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). The HK Writ was not served on Ms. Cheung and lapsed on 3 June 2009. A further writ of summons was issued by Tian An and SHKS in the High Court of Hong Kong against Ms. Cheung on 4 June 2009 ("the 2nd HK Writ") seeking the same relief as the HK Writ. The 2nd HK writ expired on 3 June 2010, and a further writ of summons was issued by Tian An and SHKS in the High Court of Hong Kong against Ms. Cheung on 4 June 2010. The Company does not consider it presently appropriate to make any provision with respect to this action.

MATERIAL LITIGATION UPDATE

(a) On 14 October 2008, a writ of summons was issued by Sun Hung Kai Investment Services Limited ("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 ("Ms. Chan") and Ng Yee Mei ("Ms. Ng"), 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 the amounts owing, SHKIS 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. Summary judgment against all the defendants was granted by Master C Chan on 25 May 2009, but judgment with respect to Ms. Chan and Ms. Ng only was overturned on appeal by the judgment of Suffiad J dated 7 August 2009. SHKIS' appeal of that judgment to the Court of Appeal was heard on 6 May 2010, and was dismissed. The trial will be heard on a date to be fixed.

(b) 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 2010, the Group's total headcount stood at 2,540 (including Investment Consultants), an approximate increase of 27.3% as compared to 31 December 2009. The bulk of the increase stemmed from UAF's business expansion in Hong Kong and China. Twelve branches were opened in mainland China and SHK Finance Limited was re-launched in Hong Kong in November 2010. Staff costs (including Directors' emoluments), contributions to retirement benefit schemes and expenses recognised for the EOS amounted to approximately HK$488.8 million (2009: HK$472.0 million).

The Group operates different compensation schemes to reflect different job roles within the organisation. For sales staff and Investment Consultants, the package may consist of either a base pay and commission/bonus/incentive or alternatively, may consist of commission/incentive. For non-sales staff, the compensation comprises either a fixed salary with discretionary bonus/share-based incentive or fixed salary, as appropriate.

FINAL DIVIDEND

The Board has recommended a final dividend of HK18 cents (2009: HK16 cents) per share payable to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 25 May 2011. Excluding the 2010 special dividend equivalent to HK$2.01 per share from the disposal of Tian An satisfied by the distribution in specie, the total dividend of the Company for the year 2010 would be HK28 cents (2009: HK22 cents) per share.

The final dividend will be paid in the form of scrip, with the Shareholders being given an option to elect cash in respect of part or all of such dividend (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting listing of and permission to deal in the new shares of the Company to be issued thereto. A circular giving full details of the Scrip Dividend Scheme and the election form will be sent to the Shareholders as soon as practicable. Dividend warrants and/or share certificates for the scrip shares are expected to be sent to the Shareholders on or around 21 June 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2011 to 25 May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend and to attend the Company's 2011 Annual General Meeting, 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 19 May 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2010, the Company has applied the principles of, and complied with, the applicable code provisions, of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except for certain deviations which are summarised below:

(a) Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and performed by different individuals. Under the current organisational 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. Rizal Wijono. The Executive Chairman oversees the management of the corporate administrative functions, principal investments, as well as the Group's interest 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. Rizal Wijono.

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 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 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) review (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The reasons for the above deviations had been set out in the Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31 December 2009. 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 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 2010 Annual Report to be sent to the Shareholders before end of April 2011.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2010, the Company repurchased a total of 3,318,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$16,263,190. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price Highest	Purchase price Lowest	Aggregate consideration (before expenses)
		(HK$)	*(HK$)*	*(HK$)*
July	3,318,000	4.95	4.74	16,263,190

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 2010.

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 2010, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated income statement and the related notes thereto for the year ended 31 December 2010 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, 28 March 2011

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

Executive Directors:
Messrs. Lee Seng Huang *(Chairman)*, Joseph Tong Tang and Peter Anthony Curry

Non-Executive Directors:
Messrs. Goh Joo Chuan, Patrick Lee Seng Wei, Ming Cheng, Leung Pak To, Roy Kuan and Ho Chi Kit *(alternate to Mr. Roy Kuan)*

Independent Non-Executive Directors:
Messrs. David Craig Bartlett, Alan Stephen Jones, Carlisle Caldow Procter and Peter Wong Man Kong