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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The Board of Directors (the "Board" or the "Directors") of Sun Hung Kai & Co. Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 as set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30.6.2011	30.6.2010
		Unaudited	Restated
	Notes	***HK$ Million***	*HK$ Million*
Revenue*		**1,743.9**	1,478.7
Other income		**145.8**	119.1
Total income		**1,889.7**	1,597.8
Brokerage and commission expenses		**(104.7)**	(103.2)
Direct cost and operating expenses		**(130.3)**	(145.7)
Administrative expenses		**(565.4)**	(446.1)
Bad and doubtful debts		**(56.1)**	(42.1)
Finance costs		**(74.2)**	(50.6)
Other expenses	*4*	**(41.5)**	(94.8)
		917.5	715.3
Loss on disposal of a listed associate		**–**	(159.3)
Share of results of associates		**10.7**	203.8
Share of results of jointly controlled entities		**1.1**	2.9
Profit before taxation	*4*	**929.3**	762.7
Taxation	*5*	**(168.8)**	(130.0)
Profit for the period		**760.5**	632.7
Profit attributable to:			
– Owners of the Company		**601.3**	492.1
– Non-controlling interests		**159.2**	140.6
		760.5	632.7
Earnings per share	*7*		
– Basic (HK cents)		**28.4**	28.1
– Diluted (HK cents)		**28.4**	28.1

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30.6.2011	30.6.2010
	Unaudited	Unaudited
	HK$ Million	*HK$ Million*
Profit for the period	**760.5**	632.7
Other comprehensive income		
Available-for-sale investments		
– Net fair value changes during the period	**4.5**	(2.1)
– Reclassification adjustment to profit or loss on disposal	**(1.5)**	(0.4)
	3.0	(2.5)
Exchange differences arising on translating foreign operations	**47.1**	11.8
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)
Reclassification adjustment to profit or loss on liquidation of a jointly controlled entity	**(0.2)**	–
Revaluation gain on properties transferred from property and equipment to investment properties	**146.0**	5.4
Share of other comprehensive expenses of associates	**–**	(2.1)
Deferred tax relating to components of other comprehensive income	**(24.1)**	(0.4)
Other comprehensive income (expenses) for the period, net of tax	**171.8**	(315.0)
Total comprehensive income for the period	**932.3**	317.7
Total comprehensive income attributable to:		
– Owners of the Company	**754.7**	172.7
– Non-controlling interests	**177.6**	145.0
	932.3	317.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30.6.2011 Unaudited** *HK$ Million*	31.12.2010 Audited *HK$ Million*
Non-current Assets			
Investment properties		**645.7**	288.4
Leasehold interests in land		**10.0**	10.0
Property and equipment		**218.6**	274.6
Intangible assets		**1,105.6**	1,186.7
Goodwill		**2,384.0**	2,384.0
Interest in associates		**68.2**	56.6
Interest in jointly controlled entities		**116.5**	116.4
Available-for-sale investments		**340.0**	292.1
Statutory deposits		**108.0**	50.8
Deferred tax assets		**91.5**	94.1
Amounts due from associates		**56.2**	56.2
Loans and advances to consumer finance customers		**2,674.9**	2,291.9
Deposits for acquisition of property and equipment and other receivables		**28.4**	33.4
Financial assets at fair value through profit or loss		**200.1**	–
		8,047.7	7,135.2
Current Assets			
Trade and other receivables	*8*	**7,482.9**	6,676.4
Loans and advances to consumer finance customers		**3,842.5**	3,172.6
Financial assets at fair value through profit or loss		**688.5**	641.5
Amounts due from associates		**1.1**	14.1
Taxation recoverable		**1.8**	1.4
Cash, deposits and cash equivalents		**2,879.4**	2,510.1
		14,896.2	13,016.1
Current Liabilities			
Bank and other borrowings		**(2,366.2)**	(1,693.8)
Trade and other payables	*9*	**(1,487.1)**	(1,373.0)
Financial liabilities at fair value through profit or loss		**(6.9)**	(6.3)
Mandatory convertible notes		**(32.7)**	(32.6)
Amounts due to fellow subsidiaries and a holding company		**(767.4)**	(766.4)
Amounts due to associates		**(8.7)**	(8.4)
Provisions		**(41.9)**	(72.9)
Taxation payable		**(187.9)**	(105.1)
		(4,898.8)	(4,058.5)
Net Current Assets		**9,997.4**	8,957.6
Total Assets less Current Liabilities		**18,045.1**	16,092.8

	Notes	**30.6.2011** **Unaudited** ***HK$ Million***	31.12.2010 Audited *HK$ Million*
Capital and Reserves			
Share capital		**355.3**	355.1
Reserves		**11,436.4**	11,003.9
Equity attributable to owners of the Company		**11,791.7**	11,359.0
Non-controlling interests		**2,041.5**	1,863.9
Total Equity		**13,833.2**	13,222.9
Non-current Liabilities			
Bonds		**1,038.7**	500.0
Bank and other borrowings		**2,863.8**	2,083.5
Mandatory convertible notes		**31.5**	45.9
Provisions		**11.3**	11.3
Deferred tax liabilities		**266.6**	229.2
		4,211.9	2,869.9
		18,045.1	16,092.8

Notes:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair value.

A number of new and revised Standards and Interpretations are effective for the financial year beginning on 1 January 2011. The adoption of the new and revised Standards and Interpretations has had no material effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods. Except as mentioned in Note 2 below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2010.

2. **RESTATEMENT OF COMPARATIVES**

In prior years, the net profit ("Net Profit") and net loss ("Net Loss") on financial assets and liabilities at fair value through profit or loss were classified under revenue. In the current period, the Directors of the Company have determined that Net Profit and Net Loss are classified under other income and other expenses respectively. Accordingly, the comparatives of the condensed consolidated income statement are restated: – Net Profit of HK$76.8 million and Net Loss of HK$75.9 million were reclassified from revenue to other income and other expenses respectively.

In the second half of 2010, the Group changed the classification of the impairment loss and bad debts expenses (including reversal of impairment loss and bad debts recovered) for "loans and advances to consumer finance customers" and "trade and other receivables". The comparatives of the condensed consolidated income statement are restated: – a decrease in other income of HK$104.0 million, a decrease in other expenses of HK$146.1 million and an increase in bad and doubtful debts of HK$42.1 million.

In the current period in segment information, the Group has renamed the Corporate Finance segment to Capital Markets segment, changed the bases of cost allocation and reorganised certain components of segments. The comparatives of the segment information are restated. Further details of the restatement are disclosed in Note 3.

3. **SEGMENT INFORMATION**

The following is an analysis of the segment revenue and segment profit or loss:

	Six months ended 30 June 2011					
	Wealth Management and Brokerage *HK$ Million*	**Capital Markets (formerly Corporate Finance)** *HK$ Million*	**Asset Management** *HK$ Million*	**Consumer Finance** *HK$ Million*	**Principal Investments** *HK$ Million*	**Total** *HK$ Million*
Segment revenue	**552.3**	**207.5**	**27.7**	**961.9**	**60.8**	**1,810.2**
Less: inter-segment revenue	**(1.0)**	**(25.7)**	**–**	**–**	**(39.6)**	**(66.3)**
Segment revenue from external customers	**551.3**	**181.8**	**27.7**	**961.9**	**21.2**	**1,743.9**
Segment profit	**207.3**	**110.6**	**(6.5)**	**439.7**	**166.4**	**917.5**
Share of results of associates						**10.7**
Share of results of jointly controlled entities						**1.1**
Profit before taxation						**929.3**
Included in segment profit or loss:						
Net profit (loss) from financial assets and liabilities	**6.5**	**(38.4)**	**(5.7)**	**(0.1)**	**4.8**	**(32.9)**
Segment interest income	**237.3**	**95.9**	**–**	**957.0**	**4.4**	**1,294.6**
Segment finance costs	**(3.9)**	**–**	**(1.6)**	**(66.8)**	**(1.9)**	**(74.2)**

	Six months ended 30 June 2010					
	Wealth Management and Brokerage *HK$ Million*	Capital Markets (formerly Corporate Finance) *HK$ Million*	Asset Management *HK$ Million*	Consumer Finance *HK$ Million*	Principal Investments *HK$ Million*	Total *HK$ Million*
Segment revenue	516.5	120.2	34.5	787.7	47.0	1,505.9
Less: inter-segment revenue	(2.2)	(0.9)	(0.2)	–	(23.9)	(27.2)
Segment revenue from external customers	514.3	119.3	34.3	787.7	23.1	1,478.7
Segment profit before:	145.5	156.3	9.3	385.3	18.9	715.3
Loss on disposal of a listed associate	–	–	–	–	(159.3)	(159.3)
Segment profit or loss	145.5	156.3	9.3	385.3	(140.4)	556.0
Share of results of associates						203.8
Share of results of jointly controlled entities						2.9
Profit before taxation						762.7
Included in segment profit or loss:						
Net profit (loss) from financial assets and liabilities	9.1	66.7	1.2	(0.1)	(76.0)	0.9
Segment interest income	163.4	49.9	–	779.7	7.5	1,000.5
Segment finance costs	(6.4)	(1.1)	–	(42.3)	(0.8)	(50.6)

As mentioned in Note 2, segment revenue and segment profit or loss for the six months ended 30 June 2010 were restated. Below is the effect of the restatement:

	Six months ended 30 June 2010					
	Wealth Management and Brokerage *HK$ Million*	Capital Markets (formerly Corporate Finance) *HK$ Million*	Asset Management *HK$ Million*	Consumer Finance *HK$ Million*	Principal Investments *HK$ Million*	Total *HK$ Million*
Segment revenue from external customers, as originally stated	472.4	172.3	34.3	787.7	12.9	1,479.6
Reclassification of net (profit) loss on financial assets and liabilities at fair value through profit or loss	65.7	(66.9)	–	–	0.3	(0.9)
Change of bases of cost allocation and reorganisation of segment components	(23.8)	13.9	–	–	9.9	–
Segment revenue from external customers, as restated	514.3	119.3	34.3	787.7	23.1	1,478.7
Segment profit or loss, as originally stated	116.4	147.6	18.9	385.3	(112.2)	556.0
Change of bases of cost allocation and reorganisation of segment components	29.1	8.7	(9.6)	–	(28.2)	–
Segment profit or loss, as restated	145.5	156.3	9.3	385.3	(140.4)	556.0

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2011	30.6.2010
	HK$ Million	*HK$ Million*
Profit before taxation has been arrived at after crediting (charging):		
Dividends from listed investments	**1.5**	3.9
Dividends from unlisted investments	**8.2**	3.8
Interest income	**1,294.6**	1,000.5
Net profit on held for trading investments included in other income		
– Net realised and unrealised profit on derivatives	**4.5**	74.7
– Net profit on dealing in leveraged foreign currencies	**–**	0.5
– Net profit on other dealing activities	**1.3**	1.6
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	**2.4**	0.6
Increase in fair value of investment properties included in other income	**126.9**	5.8
Reversal of impairment loss included in bad and doubtful debts		
– Loans and advances to consumer finance customers	**47.7**	78.0
– Trade and other receivables	**–**	1.6
Amortisation of leasehold interests in land	**(0.2)**	(0.2)
Depreciation of property and equipment	**(24.1)**	(18.8)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	**(11.5)**	(5.5)
– Other intangible assets (included in direct cost and operating expenses)	**(86.5)**	(86.8)
Impairment loss included in bad and doubtful debts		
– Loans and advances to consumer finance customers	**(124.3)**	(142.0)
– Trade and other receivables	**(4.6)**	–
Interest expenses	**(64.1)**	(44.6)
Share of taxation of associates and jointly controlled entities	**(3.3)**	(85.1)

	Six months ended	
	30.6.2011	30.6.2010
	HK$ Million	*HK$ Million*
Analysis of other expenses:		
Impairment loss		
– Intangible assets	**–**	(1.0)
– Amounts due from associates	**–**	(0.3)
Net exchange loss	**–**	(17.6)
Net loss on disposal of equipment and intangible assets	**(2.8)**	–
Net realised and unrealised loss on trading in equity securities	**(24.7)**	(67.1)
Net realised and unrealised loss on unlisted investment funds	**(14.0)**	(8.8)
	(41.5)	(94.8)

5. TAXATION

	Six months ended	
	30.6.2011	30.6.2010
	HK$ Million	*HK$ Million*
Current tax		
– Hong Kong	**119.5**	119.8
– Other jurisdictions	**22.9**	10.7
	142.4	130.5
Under provision in prior years	**10.2**	0.3
	152.6	130.8
Deferred tax		
– Current period	**16.2**	(0.8)
	168.8	130.0

Hong Kong profits tax is calculated at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in the relevant jurisdictions.

6. DIVIDEND

	Six months ended	
	30.6.2011	30.6.2010
	HK$ Million	*HK$ Million*
Dividends recognised as distribution during the period		
– 2010 final dividend of HK18 cents (2009: HK16 cents) per share	**319.6**	280.3
– 2010 special dividend equivalent to HK201.3 cents per share	**–**	3,527.0
	319.6	3,807.3

Subsequent to the end of the reporting period, the Board of Directors has declared an interim dividend of HK10 cents per share (2010: HK10 cents per share) amounting to HK$177.6 million (2010: HK$174.9 million) and would be increased to HK$211.8 million if all the mandatory convertible notes are converted before the ex-dividend date of the interim dividend. The interim dividend will be paid in the form of scrip, with the shareholders being given an option to elect cash in respect of part or all of such dividend.

7. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2011	30.6.2010
	HK$ Million	*HK$ Million*
Earnings		
Earnings for the purposes of basic earnings per share and diluted earnings per share (profit for the period attributable to owners of the Company)	**601.3**	492.1
	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)	**2,114.1**	1,748.9
Effect of dilutive potential ordinary shares:		
– Shares held for the SHK Employee Ownership Scheme	**–**	0.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,114.1**	1,749.2

8. TRADE AND OTHER RECEIVABLES

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

	30.6.2011	31.12.2010
	HK$ Million	*HK$ Million*
Less than 31 days	**1,149.2**	1,116.7
31 – 60 days	**8.2**	10.1
61 – 90 days	**11.0**	4.2
Over 90 days	**19.2**	142.2
	1,187.6	1,273.2
Secured term loans (before impairment)	**1,093.7**	705.2
Margin loans (before impairment)	**5,207.5**	4,524.3
Other receivables (before impairment)	**125.7**	288.9
Prepayments and current portion of leasehold interests in land	**21.5**	33.3
Allowances for impairment	**(153.1)**	(148.5)
	7,482.9	6,676.4

9. TRADE AND OTHER PAYABLES

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

	30.6.2011	31.12.2010
	HK$ Million	*HK$ Million*
Trade payables:		
Less than 31 days	**1,262.4**	1,162.9
31 – 60 days	**8.9**	14.1
61 – 90 days	**9.6**	7.4
Over 90 days	**29.2**	20.9
	1,310.1	1,205.3
Accruals and other payables on demand	**177.0**	167.7
	1,487.1	1,373.0

MANAGEMENT DISCUSSION AND ANALYSIS

Results Overview

Sun Hung Kai & Co. Limited (the "Company"), together with its subsidiaries (the "Group") is pleased to report another solid set of results for the six months ended 30 June 2011. During this period, the Group's revenue totalled HK$1.7 billion, an increase of 18% over the same period in 2010. Profit before taxation was HK$929.3 million (2010: HK$762.7 million), and profit attributable to the owners of the Company amounted to HK$601.3 million, a commendable increase of 22% over the first half of 2010.

The improved set of results was mainly driven by continued growth in the Group's loan books across margin finance, structured finance and consumer finance, as well as fee income increase in the Capital Markets segment.

The Board of Directors has recommended paying an interim dividend of HK10 cents per share (2010: HK10 cents) for the period.

Market Review

During the period under review, global markets continued to be affected by the lacklustre rebound in US economic growth, the ongoing European debt crisis, and Japan's massive earthquake in March 2011. Nevertheless, high energy prices and looming inflation necessitated increases in interest rates in a number of countries, including China, the Euro-zone, Brazil and India.

In China, CPI growth more than doubled to 6.4% year-on-year in June 2011. In this situation, government policy sought to strike a balance between maintaining growth and taming inflation. The benchmark one-year deposit rate was raised twice by a total of 50 bps to 3.25%, while the reserve requirement ratio for banks was raised six times to a high of 21.5%. Liquidity tightened in both the Hong Kong and Mainland China markets.

For Hong Kong, real GDP growth eased to 5.1% year-on-year in the second quarter of 2011 from 7.2% year-on-year for the first three months. Unemployment fell, staying below the 4% mark seasonally adjusted throughout the first half of 2011. However inflation surged, with CPI growth almost doubling to 5.6% year-on-year over the six months to June 2011. Increases were also seen in property prices, with the Centaline Property Centa-City Index rising 12.5% to 98.42 for May 2011. The Hong Kong government responded by introducing a series of measures, including higher down payments on apartments. Bank mortgage rates increased, with HSBC hiking its rate to HIBOR plus 1.5%-2.0% by the end of the period under review.

Local equity markets lacked direction for much of the first half of 2011, ending the six months a bit weaker overall. Hong Kong's Hang Seng Index ("HSI") peaked at 24,419 in January 2011, hit a low of 21,599 in June, and closed at 22,398, a fall of 2.8% overall for the six months. The Hang Seng China Enterprises Index ("HSCEI") peaked at 13,684 in April, but overall fell slightly by 0.9% over the same six months. Trading activity in the Hong Kong market was moderate, with average daily turnover of HK$74 billion, steady compared with the second half of 2010. Retail investor participation was relatively subdued. Retail brokers made up 39% of market trading volume in the first half of 2011, compared with 43% during the second half of 2010.

Business Review

Against this backdrop, performance within the Group's five business segments was somewhat mixed. However, the balance and diversity of our business model has enabled us to continue delivering a steady growth in profit. With retail trading activity levels in the market relatively subdued, market participants and corporate clients made greater use of our platform for raising both debt and equity. This, coupled with strong existing relationships with our clients, has led to increased demand for margin as well as structured financing solutions. The relatively healthy Hong Kong and Mainland China economies also saw a marked increase in demand for consumer finance loans. As at June 2011, the Group's total gross loans outstanding (including consumer finance, margin finance and secured term loans) amounted to HK$13.2 billion, increasing from HK$11.2 billion at the end of 2010. The resulting increase in overall interest income more than offset the decline in commission income.

Wealth Management and Brokerage

The segment's revenue and contribution to pre-tax earnings were HK$551.3 million and HK$207.3 million respectively, increases of 7% and 42% from the same period last year. The main driver was the growth in interest income from the Group's margin finance loan book. In a period where there was generally tighter liquidity in the equities market, demand for margin loans was robust. At the end of June 2011, the Group's margin finance loan balance was HK$5.2 billion, up from HK$4.5 billion at the end of 2010. Interest income from the loan book increased by 45% on a year-on-year basis to HK$237.3 million.

With relatively subdued trading by retail investors, the segment's revenue excluding interest income declined 11% during the first half of 2011. Hong Kong shares secondary trading accounted for 48% of total commissions. Management believes that the longer term model for fee income growth lies in product diversification and client segmentation.

In February 2011, a strategic alliance was formed with EK Immigration Consulting Limited, a market leader in immigration consulting, to service investors applying for the Hong Kong Capital Investment Entrant Scheme ("CIES"). In October 2010, the government had raised the net equity requirement of the scheme to HK$10 million and suspended real estate as an investment asset. These changes created new opportunities for wealth management companies. Progress has been satisfactory on CIES client acquisition. To date, the total AUM under CIES exceeded HK$1 billion, an increase of 40% from 2010. As the market adjusts to the new requirements, applications are expected to increase further.

In March 2011, we successfully launched SHK Private, a signature account under the Sun Hung Kai Financial umbrella, aiming to further expand and segment the Group's clients by offering differentiated premium wealth management services, an area which has traditionally been dominated by international private banks.

A new dedicated branch has been set up in 18 Hysan Avenue with distinct branding and team of investment consultants. Three months into the business this unit is already close to breakeven, which is encouraging given the substantial costs of establishing any new platform. Currently the team has about 25 investment consultants and the target is to double the number of investment consultants in the near future. A full range of personalised premium products and services are offered to this new client segment in creating, accumulating and protecting their wealth.

In May SHK MasterChoice Discretionary Portfolio Management Services was launched and became available exclusively to Sun Hung Kai Financial customers. It is managed by SHK Fund Management Limited, with Look's Asset Management Limited ("Look's Asset Management") appointed as the investment adviser. This service caters for a growing class of high net worth investors demanding discretionary portfolio management services, with the benefit of advice from a prominent investment adviser.

Whilst product and service innovation continues at Sun Hung Kai Financial, the Group also intends to expand our team of investment consultants. A recruitment campaign is underway, with the Group's open product platform, innovation and strong brand appealing to entrepreneurial sales professionals. This should be an important growth driver for the Group as our cost base is highly scalable and any net new addition should benefit the bottom line directly.

Capital Markets

The Capital Markets segment captures the Group's businesses that provide equity and debt fundraising solutions to our corporate and institutional clients. The segment includes the Group's corporate finance, structured lending, equity capital markets, and corporate and institutional sales businesses.

Revenue from this business segment reached HK$181.8 million, a strong 52% increase from HK$119.3 million same period last year. However, contribution to pre-tax profit amounted to HK$110.6 million (2010: HK$156.3 million). The drop in profit is attributable to unrealised mark-to-market losses on positions resulting from underwriting activities during the period.

The Corporate Finance unit had an encouraging first half. For the Hong Kong market as a whole, total funds raised in the first six months of 2011 amounted to HK$300 billion, a strong year-on-year increase of 79%, but only half the amount raised during the second half of 2010. The share price performance of IPOs in the first half was also mixed, reflecting increased caution among investors. Although fundraising conditions have generally tightened since the very strong second half of 2010, the Group has performed well as it continues to build up its reputation in the mid to small-cap corporate sector. During the first half of 2011, the unit was involved in over 10 IPO-related transactions, three placing exercises and four financial advisory services. The segment's revenue excluding interest income saw an increase of 24%, reflecting a satisfactory growth in fee income.

The Group's structured credit unit has benefited from generally tighter equity fundraising conditions. The structured loan book reached HK$1.1 billion, up from HK$705 million at the end of 2010, with interest income almost doubling to HK$95.9 million. The ability to fund our corporate customers will further enhance the Group's relationships and potentially result in future corporate finance transactions.

Asset Management

The Group's asset management segment posted a net loss of HK$6.5 million during the first half of the year. This result takes into account unrealised mark-to-market valuations of various investments into affiliated funds. The total assets under management (including affiliated funds) as at 30 June 2011 amounted to US$453 million.

One of the Group's strategic objectives is to build its funds platform through strategic tie-ups and alliances with counterparties that will assist in accelerating our growth as well as build our expertise in the sector. In this context, Sun Hung Kai Financial launched the SHK MasterChoice Discretionary Portfolio Management Service in May 2011, appointing Look's Asset Management as the investment adviser. The service combines SHK Fund Management's investment portfolio management expertise with the professional advice of Look's Asset Management to customise investment portfolios for our clients.

Consumer Finance

The Group's consumer finance business, operating under United Asia Finance Limited (together with its subsidiaries, "UAF"), performed satisfactorily in the first half of 2011 delivering another set of record interim profits, mainly driven by strong growth in the Mainland China loans business.

Revenue overall increased by 22% to HK$961.9 million as a result of 130% revenue growth in Mainland China and 8% revenue increase in Hong Kong. Contribution to pre-tax profit from the consumer finance segment amounted to HK$439.7 million (2010: HK$385.3 million), after an amortisation charge on intangible assets of HK$86.5 million incurred from the Group's acquisition of UAF five years ago.

At the end of the period, gross consumer finance loans amounted to HK$6.9 billion (31 December 2010: HK$5.9 billion). Total impairment charges dropped to HK$124.3 million (2010: HK$142.0 million), benefiting from a continued robust labour market in Hong Kong as well as an improvement in our credit control both in Hong Kong and Mainland China.

The growth in loan businesses in Mainland China accelerated during the period with the gross principal balance breaking the HK$1 billion mark at the end of the period (about 15% of UAF's total). Five more branches were added in Shenzhen, and one more in Shenyang. Loan business also commenced in Yunnan province, and Dalian, in March 2011. A total of 40 branches in Mainland China, consisting of 33 in Shenzhen, two in Shenyang, and one each in Chongqing, Tianjin, Chengdu, Kunming, and Dalian, were in operation at the end of the period.

The launch of loan businesses outside Shenzhen has seen start-up costs increase. Other than these initial costs, expenses have been well managed. Performance of the loan businesses in the new cities outside Shenzhen has been encouraging, returning a profit after around nine months of operation. As UAF starts to add branches within the new cities, profitability for the Mainland China business should continue to increase. The Group is also pleased that UAF has obtained a licence to start a loan business in Beijing, and a subsidiary (with a local partner holding 20% stake) is being formed for its imminent launch. UAF is optimistic that more licenses will be obtained in due course.

UAF's Hong Kong businesses continued to progress well with two new branches opened during the period. Gross principal loan balances in Hong Kong grew by 15% during the first half of 2011. UAF had a total of 45 branches in Hong Kong at the end of the period.

To fund the rapid expansion of UAF in Mainland China, UAF has established a US$3 billion Medium Term Note programme and in April 2011 issued a RMB500 million three-year bond under this programme at a rate of 4%. This serves to match our RMB funding needs for the anticipated loan growth in China.

Principal Investments

During the first half of 2011, this segment recorded a profit of HK$166.4 million, versus a loss of HK$140.4 million during the first half of 2010. The substantial improvement was mainly due to the lack of any accounting impact from the Tian An restructuring as was the case last year. In addition, with the relocation of the Sun Hung Kai Financial businesses to The Lee Gardens last year, approximately 27,000 out of 32,000 square feet (saleable area) of the Group's self-owned office space in Admiralty has been reclassified as investment properties during the first half of 2011. A HK$126.9 million gain was recorded from the revaluation of the Group's investment property portfolio during the first half of 2011.

In order to better reflect the underlying performance of the Group's different business segments, short-term gains or losses from financial assets under the Group's proprietary investment portfolio have been reclassified from the Wealth Management and Brokerage segment to Principal Investments. The effect and comparison of the reclassification is further explained in Note 3 to the condensed consolidated financial statements.

We will continue to focus on investments that potentially generate attractive returns for the Group and at the same time deliver synergies with the Group's four other business segments.

Outlook

Various factors, including the ongoing sovereign debt crisis in Europe, and the downgrade of US sovereign debt, have led to increased volatility in global financial markets of late. Whilst it is difficult to assess the impact on the Group's five business segments at this stage, management is confident that, with our balanced portfolio of businesses and strong balance sheet, we are well positioned to capitalise on the gradual but continued liberalisation of the Chinese financial industry. The Group remains vigilant on costs and will continue to take a prudent approach as we seek opportunities for sustained growth.

Financial Review

Financial Resources and Gearing Ratio

As at 30 June 2011, the equity attributable to owners of the Company amounted to HK$11,791.7 million, representing an increase of HK$432.7 million or approximately 4% from 31 December 2010.

The Group continued to maintain a strong cash position and had short-term bank deposits, bank balances and cash amounting to HK$2,879.4 million (at 31 December 2010: HK$2,510.1 million). The Group's total bank and other borrowings, short-term loans due to fellow subsidiaries, bonds and the financial liabilities element of mandatory convertible notes amounted to HK$7,095.6 million (at 31 December 2010: HK$5,118.2 million). Of this, HK$3,161.6 million (at 31 December 2010: HK$2,488.8 million) is repayable within one year, and HK$3,934.0 million (at 31 December 2010: HK$2,629.4 million) is repayable after one year.

The Group's liquidity, as demonstrated by the current ratio (current assets/current liabilities) decreased to 3.0 times as at 30 June 2011 (at 31 December 2010: 3.2 times).

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, bonds and financial liabilities element of mandatory convertible notes over the equity attributable to owners of the Company) was approximately 60% as at 30 June 2011 (at 31 December 2010: approximately 45%).

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

During the period ended 30 June 2011, the appointed trustee of the SHK Employee Ownership Scheme ("EOS") acquired 2.0 million shares of the Company through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the shares awarded under the scheme. The Company also issued 0.9 million shares under the 2010 final scrip dividend scheme.

Other than the bonds, the financial liability element of mandatory convertible notes, and 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 30 June 2011. 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 exposures to cater for its present and potential investment activities and recurring operating 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

There were no material acquisitions or disposals of subsidiaries, associates or jointly controlled entities during the period.

Segment Information

Detailed segment information in respect of the revenue and profit or loss is shown in Note 3 to the condensed consolidated financial statements.

Charges on Group Assets

Listed shares held by the Group with an aggregate value of HK$89.2 million were pledged for bank loans and overdrafts. Properties of the Group with a total book value of HK$604.0 million were pledged by subsidiaries to banks for installment loans granted to them with a total outstanding balance of HK$154.7 million as at 30 June 2011. 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:

	30.6.2011	31.12.2010
	HK$ Million	*HK$ Million*
Guarantees for banking facilities granted to a jointly controlled entity	**550.6**	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
	558.1	1,668.5

(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. The retrial shall take place on a date to be fixed. 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.

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 30 June 2011, the Group's headcount stood at 2,901 (including Investment Consultants), representing an approximate increase of 32.3% as compared with 30 June 2010. The bulk of the increase stemmed from UAF's business expansion in Hong Kong and Mainland China. Staff costs (including Directors' emoluments), contributions to retirement benefit schemes and expenses recognised for the EOS amounted to approximately HK$317.5 million (2010: HK$232.1 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 a base pay and commission/bonus/incentive or alternatively, may consist of commission/incentive. For non-sales staff, the compensation comprises either a base salary with discretionary bonus/share-based incentive or base salary, as appropriate.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK10 cents per share (2010: HK10 cents per share) for the period under review. The interim dividend will be paid in the form of scrip, with an option to elect cash in respect of part or all of such dividend (the "Scrip Dividend Scheme"), to shareholders whose names appear on the register of members of the Company on 21 September 2011. A circular giving full details of the Scrip Dividend Scheme and the election form will be sent to shareholders as soon as practicable. The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares of the Company to be issued. Dividend warrants and/or share certificates for the scrip shares are expected to be sent to shareholders on or around 19 October 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 September 2011 to 21 September 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim 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 16 September 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2011, 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 the 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 the other two Executive Directors, Mr. Joseph Tong Tang and Mr. Peter Anthony Curry, together with 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 Mr. Peter Anthony Curry is also the Group Chief Financial Officer. 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 the decision-making process across the Company. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. An appropriate balance can be maintained by the operation of the Board, which holds at least four regular meetings a year to discuss business and operational issues of the Group.

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

Code provisions B.1.3 and C.3.3 stipulate that the terms of reference of the remuneration committee and 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 line with 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 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; (iii) promote (as opposed to ensure under the code provision) 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 Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to their respective terms of reference adopted by the Company. The Board will review the Terms of Reference at least once a year and make appropriate changes if considered necessary.

Further details of the reasons for the above deviations are set out in the "Corporate Governance Report" of the Company's annual report for the financial year ended 31 December 2010.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2011, the Company repurchased a total of 49,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$274,140. 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$)*
June	49,000	5.60	5.56	274,140

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2011.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited condensed consolidated financial report for the six months ended 30 June 2011. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

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

Hong Kong, 24 August 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, Leung Pak To, Ming Cheng, 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