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

ANNOUNCEMENT OF 2011 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 2011 as set out below:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

	Notes	**2011** ***HK$ Million***	2010 Restated *HK$ Million*
Revenue *		**3,593.2**	3,064.1
Other income	*4*	**224.3**	45.8
Total income		**3,817.5**	3,109.9
Brokerage and commission expenses		**(214.4)**	(219.0)
Direct cost and operating expenses		**(260.1)**	(296.4)
Administrative expenses		**(1,218.4)**	(949.5)
Net (loss) gain on financial instruments		**(132.3)**	121.2
Net exchange gain or loss		**(46.0)**	10.7
Bad and doubtful debts		**(184.5)**	(109.6)
Finance costs		**(160.3)**	(115.6)
Other expenses		**(9.5)**	(15.0)
		1,592.0	1,536.7
Loss on disposal of a listed associate		**—**	(159.3)
Share of results of associates		**17.1**	210.1
Share of results of jointly controlled entities		**6.2**	5.0
Profit before taxation	*5*	**1,615.3**	1,592.5
Taxation	*6*	**(278.8)**	(233.0)
Profit for the year		**1,336.5**	1,359.5
Profit attributable to:			
— Owners of the Company		**1,032.4**	1,087.0
— Non-controlling interests		**304.1**	272.5
		1,336.5	1,359.5
Earnings per share	*8*		
— Basic (HK cents)		**48.8**	56.8
— Diluted (HK cents)		**48.8**	56.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010 Restated
	HK$ Million	*HK$ Million*
Profit for the year	**1,336.5**	1,359.5
Other comprehensive income		
Available-for-sale investments		
— Net fair value changes during the year	**(19.2)**	12.2
— Reclassification adjustment to profit or loss on disposal	**(4.3)**	(2.1)
	(23.5)	10.1
Exchange differences arising on translating foreign operations	**109.3**	48.1
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 disposal of a jointly controlled entity	**(0.3)**	—
Revaluation gain on properties transferred from property and equipment to investment properties	**146.0**	137.5
Share of other comprehensive income (expenses) of associates	**0.1**	(2.1)
Deferred tax relating to components of other comprehensive income	**—**	(2.1)
Other comprehensive income (expenses) for the year, net of tax	**231.6**	(135.7)
Total comprehensive income for the year	**1,568.1**	1,223.8
Total comprehensive income attributable to:		
— Owners of the Company	**1,220.4**	933.7
— Non-controlling interests	**347.7**	290.1
	1,568.1	1,223.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	**31/12/2011**	31/12/2010 Restated	1/1/2010 Restated
		HK$ Million	*HK$ Million*	*HK$ Million*
Non-current Assets				
Investment properties		**714.0**	288.4	130.1
Leasehold interests in land		**10.0**	10.0	13.0
Property and equipment		**220.6**	274.6	248.7
Intangible assets		**1,023.5**	1,186.7	1,354.3
Goodwill		**2,384.0**	2,384.0	2,384.0
Interest in associates		**56.7**	56.6	4,185.2
Interest in jointly controlled entities		**122.1**	116.4	72.0
Available-for-sale investments		**316.2**	292.1	286.2
Statutory deposits		**26.9**	50.8	36.0
Deferred tax assets		**92.7**	94.1	100.5
Amounts due from associates		**51.3**	56.2	56.1
Loans and advances to consumer finance customers	*9*	**2,972.6**	2,291.9	1,870.2
Deposits for acquisition of property and equipment and other receivables		**36.5**	33.4	—
Financial assets at fair value through profit or loss		**236.7**	—	—
		8,263.8	7,135.2	10,736.3
Current Assets				
Amounts due from associates		**12.5**	14.1	5,587.2
Loans and advances to consumer finance customers	*9*	**4,583.5**	3,172.6	2,524.2
Financial assets at fair value through profit or loss		**536.0**	641.5	677.6
Trade and other receivables	*10*	**6,345.7**	6,676.4	3.0
Amount due from a fellow subsidiary		**—**	—	0.7
Taxation recoverable		**16.9**	1.4	2.3
Cash, deposits and cash equivalents		**2,736.0**	2,510.1	1,346.0
		14,230.6	13,016.1	10,141.0

	Notes	**31/12/2011** **HK$ Million**	31/12/2010 Restated HK$ Million	1/1/2010 Restated HK$ Million
Current Liabilities				
Bank and other borrowings		**(1,646.4)**	(1,695.7)	(2,242.7)
Trade and other payables	*11*	**(1,023.7)**	(1,358.8)	(1,547.0)
Financial liabilities at fair value through profit or loss		**(14.9)**	(6.3)	(36.1)
Mandatory convertible notes		**—**	(32.6)	—
Amount due to an associate of a holding company		**(24.7)**	—	—
Amounts due to fellow subsidiaries and a holding company		**(1,256.2)**	(767.8)	(1,573.1)
Amounts due to associates		**(2.2)**	(8.4)	(8.1)
Provisions		**(46.5)**	(72.9)	(12.4)
Taxation payable		**(100.6)**	(105.1)	(74.2)
		(4,115.2)	(4,047.6)	(5,493.6)
Net Current Assets		**10,115.4**	8,968.5	4,647.4
Total Assets less Current Liabilities		**18,379.2**	16,103.7	15,383.7
Capital and Reserves				
Share capital		**421.9**	355.1	350.4
Reserves		**11,665.6**	11,010.1	12,320.3
Equity attributable to owners of the Company		**12,087.5**	11,365.2	12,670.7
Non-controlling interests		**2,315.5**	1,862.9	1,743.7
Total Equity		**14,403.0**	13,228.1	14,414.4
Non-current Liabilities				
Deferred tax liabilities		**204.6**	224.0	250.7
Bank and other borrowings		**3,203.5**	2,044.8	209.9
Mandatory convertible notes		**—**	45.9	—
Amount due to an associate of a holding company		**—**	47.2	—
Provisions		**12.3**	11.3	6.0
Bonds		**555.8**	502.4	502.7
		3,976.2	2,875.6	969.3
		18,379.2	16,103.7	15,383.7

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.

HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (as revised in 2009) has changed the definition of a related party. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the Company's ultimate holding company and its subsidiaries are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures in note to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

HKAS 12 (Amendment) Deferred Tax: Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

In current year, the Group has adopted the amendments to HKAS 12 retrospectively in advance of its mandatory effective date (i.e. from 1 January 2012). The adoption resulted in a change in accounting policy in the current year regarding the measurement of deferred tax of investment properties of the Group. The adoption of the amendments resulted in a decrease in the current year's taxation of HK$27.9 million, an increase in other comprehensive income for the year of HK$23.3 million and an increase in basic and diluted earnings per share of HK1.3 cents. The adjustments to prior periods are as follows:

	As previously reported *HK$ Million*	**Adjustments** *HK$ Million*	**As restated** *HK$ Million*
Consolidated income statement for the year ended 31 December 2010			
— Taxation	(232.3)	(0.7)	(233.0)
— Profit for the year	1,360.2	(0.7)	1,359.5
— Profit attributable to owners of the Company	1,087.7	(0.7)	1,087.0
— Basic earnings per share (HK cents)	56.8	—	56.8
— Diluted earnings per share (HK cents)	56.8	—	56.8

	As previously reported *HK$ Million*	Adjustments *HK$ Million*	As restated *HK$ Million*
Consolidated statement of financial position as at 1 January 2010			
— Deferred tax liabilities	(237.0)	(13.7)	(250.7)
— Retained earnings	(6,163.4)	12.7	(6,150.7)
— Non-controlling interests	(1,744.7)	1.0	(1,743.7)
Consolidated statement of financial position as at 31 December 2010			
— Deferred tax liabilities	(229.2)	5.2	(224.0)
— Exchange reserve	(11.3)	0.5	(10.8)
— Revaluation reserve	(359.4)	(20.1)	(379.5)
— Retained earnings	(3,213.6)	13.4	(3,200.2)
— Non-controlling interests	(1,863.9)	1.0	(1,862.9)

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 1 (Amendment)	Presentation of Items of Other Comprehensive Income [1]
HKAS 27 (2011)	Separate Financial Statements [2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [2]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities [3]
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities [2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [4]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement [2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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.

In June 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HK(SIC) — Int 12 "Consolidation — Special Purpose Entities" has been withdrawn upon the issuance of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) — Int 13 "Jointly Controlled Entities — Non-monetary Contributions by Venturers" has been withdrawn upon the issuance of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have impact on amounts reported in the consolidated financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those required in the current standards.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

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. RESTATEMENT OF COMPARATIVES

In addition to the restatements arising from the change of accounting policy as stated in Note 1 above, the Group has made the following reclassification of comparatives in its consolidated financial statements.

In prior years, the net gain or loss on financial instruments ("Net Gain or Loss") were classified under revenue. The net exchange gain and net exchange loss were classified under other income and other expenses respectively. In the current year, the Directors have determined that the Net Gain or Loss and the net exchange gain and loss are classified as two separate items in the consolidated income statement. Accordingly, the comparatives of the consolidated income statement are restated: — Net Gain or Loss of HK$121.2 million and net exchange gain of HK$10.7 million were reclassified out of revenue and other income respectively.

In the current year, accrued interest expense of the Group as at 31 December 2010 amounting to HK$14.3 million (1/1/2010: HK$10.8 million) which was included in trade and other payables in prior years was reclassified to respective financial liabilities. In consistent with the current presentation, which is considered to be more appropriate, the comparatives of bank and other borrowings, amount due to an associate of a holding company, amounts due to fellow subsidiaries and bonds were restated.

In the current year 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 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 reportable and operating segments presented in these financial statements are as follows:

(a) Wealth Management and Brokerage:

- 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) Capital Markets: 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, properties holding and rental.

	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*
Brokerage/commission revenue	**569.3**	**25.5**	**—**	**—**	**—**	**594.8**
Non brokerage/commission revenue	**515.2**	**303.1**	**52.8**	**2,084.3**	**117.6**	**3,073.0**
Segment revenue	**1,084.5**	**328.6**	**52.8**	**2,084.3**	**117.6**	**3,667.8**
Less: inter-segment revenue	**(2.0)**	**(0.4)**	**(0.1)**	**—**	**(72.1)**	**(74.6)**
Segment revenue from external customers	**1,082.5**	**328.2**	**52.7**	**2,084.3**	**45.5**	**3,593.2**
Segment profit or loss	**356.1**	**149.5**	**(42.7)**	**854.3**	**274.8**	**1,592.0**
Share of results of associates	**—**	**—**	**—**	**—**	**17.1**	**17.1**
Share of results of jointly controlled entities	**3.0**	**—**	**—**	**—**	**3.2**	**6.2**
Profit before taxation	**359.1**	**149.5**	**(42.7)**	**854.3**	**295.1**	**1,615.3**
Included in segment profit or loss:						
Interest income	**458.2**	**213.4**	**—**	**2,074.5**	**14.2**	**2,760.3**
Other income	**2.0**	**3.6**	**15.3**	**0.7**	**202.7**	**224.3**
Reversal of impairment loss on loans and advances to consumer finance customers	**—**	**—**	**—**	**54.2**	**—**	**54.2**
Net gain (loss) on financial instruments	**9.6**	**(94.3)**	**(53.3)**	**—**	**5.7**	**(132.3)**
Net exchange gain or loss	**7.6**	**(0.6)**	**0.8**	**(61.6)**	**7.8**	**(46.0)**
Amortisation and depreciation	**(12.5)**	**(0.6)**	**(0.7)**	**(193.1)**	**(41.8)**	**(248.7)**
Impairment loss						
— Available-for-sale investments	**—**	**—**	**—**	**—**	**(0.5)**	**(0.5)**
— Amounts due from associates	**—**	**—**	**—**	**—**	**(4.9)**	**(4.9)**
— Loans and advances to consumer finance customers	**—**	**—**	**—**	**(218.7)**	**—**	**(218.7)**
— Trade and other receivables	**(21.0)**	**—**	**—**	**—**	**—**	**(21.0)**
Loss on disposal of equipment and intangible assets	**(1.0)**	**—**	**—**	**—**	**(3.1)**	**(4.1)**
Finance costs	**(9.0)**	**(0.2)**	**—**	**(146.0)**	**(5.1)**	**(160.3)**

	2010 (restated)					
	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*
Brokerage/commission revenue	654.9	95.6	—	—	3.1	753.6
Non brokerage/commission revenue	382.9	159.5	71.3	1,659.5	92.7	2,365.9
Segment revenue	1,037.8	255.1	71.3	1,659.5	95.8	3,119.5
Less: inter-segment revenue	(3.5)	—	(0.2)	—	(51.7)	(55.4)
Segment revenue from external customers	1,034.3	255.1	71.1	1,659.5	44.1	3,064.1
Segment profit or loss	295.3	258.1	13.5	751.2	59.3	1,377.4
Share of results of associates	—	—	—	—	210.1	210.1
Share of results of jointly controlled entities	2.0	—	—	—	3.0	5.0
Profit before taxation	297.3	258.1	13.5	751.2	272.4	1,592.5
Included in segment profit or loss:						
Interest income	331.8	101.3	—	1,646.8	18.5	2,098.4
Other income	1.5	—	0.2	0.5	43.6	45.8
Reversal of impairment loss						
— Interest in associates	—	—	0.2	—	—	0.2
— Loans and advances to consumer finance customers	—	—	—	109.3	—	109.3
— Trade and other receivables	—	—	—	—	1.9	1.9
Net gain on financial instruments	12.9	71.8	1.9	—	34.6	121.2
Net exchange gain or loss	0.1	1.0	0.2	(25.5)	34.9	10.7
Amortisation and depreciation	(9.5)	(0.5)	(0.7)	(187.3)	(29.4)	(227.4)
Impairment loss						
— Intangible assets	—	—	—	(1.0)	—	(1.0)
— Amounts due from associates	—	—	—	—	(0.3)	(0.3)
— Loans and advances to consumer finance customers	—	—	—	(217.9)	—	(217.9)
— Trade and other receivables	(1.6)	—	—	—	(1.3)	(2.9)
Loss on disposal of equipment and intangible assets	(0.5)	(0.5)	(0.7)	—	(2.0)	(3.7)
Loss on disposal of a listed associate	—	—	—	—	(159.3)	(159.3)
Finance costs	(13.3)	(1.1)	—	(96.3)	(4.9)	(115.6)

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

	2011	2010 Restated
	HK$ Million	*HK$ Million*
Revenue from external customers by location of operations		
— Hong Kong	**3,044.2**	2,817.7
— PRC and others	**549.0**	246.4
	3,593.2	3,064.1

	31/12/2011	31/12/2010
	HK$ Million	*HK$ Million*
Non-current assets other than financial instruments and deferred tax assets by location of assets		
— Hong Kong	**4,266.2**	4,110.6
— PRC and others	**149.3**	117.3
	4,415.5	4,227.9

As mentioned in Note 2, segment revenue and segment profit or loss for the year ended 31 December 2010 were restated. Below is the effect of the restatement:

	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 previously stated	1,145.2	283.8	71.1	1,659.5	25.7	3,185.3
Reclassification of net (gain) loss on financial instruments	(48.7)	(72.7)	—	—	0.2	(121.2)
Change of bases of cost allocation and reorganisation of segment components	(62.2)	44.0	—	—	18.2	—
Segment revenue from external customers, as restated	1,034.3	255.1	71.1	1,659.5	44.1	3,064.1
Segment profit or loss, as previously stated	403.4	241.3	33.1	744.5	(44.9)	1,377.4
Change of bases of cost allocation and reorganisation of segment components	(108.1)	16.8	(19.6)	6.7	104.2	—
Segment profit or loss, as restated	295.3	258.1	13.5	751.2	59.3	1,377.4

4. OTHER INCOME

	2011	2010 Restated
	HK$ Million	*HK$ Million*
Net realised profit on disposal of investments		
— Disposal of a subsidiary	**—**	29.3
— Liquidation of subsidiaries	**—**	3.7
— Disposal of an associate	**13.4**	—
— Disposal of available-for-sale investments	**5.2**	2.1
Reversal of impairment loss on interest in associates	**—**	0.2
Increase in fair value of investment properties	**192.6**	5.3
Miscellaneous income	**13.1**	5.2
	224.3	45.8

5. PROFIT BEFORE TAXATION

	2011	2010
	HK$ Million	*HK$ Million*
Profit before taxation for the year has been arrived at after crediting (charging):		
Dividends from listed investments	**5.9**	6.5
Dividends from unlisted investments	**8.2**	3.8
Amortisation of leasehold interests in land	**(0.4)**	(0.4)
Depreciation of property and equipment	**(49.4)**	(40.9)
Amortisation of intangible assets		
— Computer software (included in administrative expenses)	**(24.5)**	(11.4)
— Other intangible assets (included in direct cost and operating expenses)	**(174.4)**	(174.7)
Net loss on disposal of equipment and intangible assets	**(4.1)**	(3.7)

6. TAXATION

	2011	2010
	HK$ Million	*HK$ Million*
Current tax		
— Hong Kong	**(230.9)**	(236.6)
— Other jurisdictions	**(53.1)**	(27.9)
	(284.0)	(264.5)
Over (under) provision in prior years		
— Hong Kong	**(13.4)**	9.1
— Other jurisdictions	**0.5**	(0.5)
	(296.9)	(255.9)
Deferred tax		
— Current year	**18.1**	22.9
	(278.8)	(233.0)

Hong Kong profits tax is calculated at the rate of 16.5% (2010: 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

	2011	2010
	HK$ Million	*HK$ Million*
The aggregate amount of dividends paid and proposed:		
— 2010 special dividend equivalent to HK201.3 cents per share	**—**	3,527.0
— 2011 interim dividend paid of HK10 cents (2010: HK10 cents) per share	**211.7**	174.9
— 2011 final dividend of HK10 cents (2010: HK18 cents) per share proposed after the end of the reporting period	**210.8**	319.6
	422.5	4,021.5

	2011	2010
	HK$ Million	*HK$ Million*
Dividends recognised as distribution during the year:		
— 2010 special dividend equivalent to HK201.3 cents per share	**—**	3,527.0
— 2010 final dividend of HK18 cents (2009: HK16 cents) per share	**319.6**	280.3
— 2011 interim dividend paid of HK10 cents (2010: HK10 cents) per share	**211.7**	174.9
	531.3	3,982.2

The 2011 final dividend is subject to approval by the shareholders at the forthcoming annual general meeting. The 2011 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.

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 information:

	2011	2010
	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)	**1,032.4**	1,087.0

	2011	2010
	Million Shares	*Million Shares*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,113.7**	1,914.0
Effect of dilutive potential ordinary shares:		
— Warrants	**—**	—
— Shares held for the SHK Employee Ownership Scheme	**—**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,113.7**	1,914.0

9. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	Group	
	31/12/2011	31/12/2010
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers	**7,961.8**	5,923.2
Less: impairment allowance		
— Individually assessed	**(0.1)**	(0.3)
— Collectively assessed	**(405.6)**	(458.4)
	7,556.1	5,464.5
Analysed for reporting purposes as:		
— Non-current assets	**2,972.6**	2,291.9
— Current assets	**4,583.5**	3,172.6
	7,556.1	5,464.5

10. TRADE AND OTHER RECEIVABLES

	Group	
	31/12/2011	31/12/2010
	HK$ Million	*HK$ Million*
Trade receivables — accounts receivable from exchanges, brokers and clients	**843.3**	1,145.5
Less: impairment allowance	**(19.3)**	(2.8)
	824.0	1,142.7
Secured term loans	**1,021.4**	705.2
Less: impairment allowance	**(56.6)**	(56.6)
	964.8	648.6
Margin loans	**4,343.0**	4,524.3
Less: impairment allowance	**(66.0)**	(87.8)
	4,277.0	4,436.5
Consideration receivable for the disposal of held for trading investments secured by listed shares repayable by instalment	**—**	123.7
Deposits	**66.8**	29.4
Dividend receivable on behalf of clients	**51.9**	32.8
Claims from counter parties, receivable from sale proceeds and other receivables	**149.1**	233.8
Less: impairment allowance	**—**	(1.3)
Less: non-current portion of other receivables	**(7.8)**	(3.1)
	260.0	415.3
Trade and other receivables at amortised cost	**6,325.8**	6,643.1
Prepayments	**19.5**	32.9
Current portion of leasehold interests in land	**0.4**	0.4
	6,345.7	6,676.4

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

	Group	
	31/12/2011	31/12/2010
	HK$ Million	*HK$ Million*
Less than 31 days	**761.4**	1,116.7
31 — 60 days	**2.8**	10.1
61 — 90 days	**94.0**	4.2
Over 90 days	**32.3**	142.2
	890.5	1,273.2
Term loans, margin loans, and trade and other receivables without ageing	**5,455.2**	5,403.2
	6,345.7	6,676.4

11. TRADE AND OTHER PAYABLES

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

	Group	
	31/12/2011	31/12/2010
	HK$ Million	*HK$ Million*
Less than 31 days	**779.4**	1,146.5
31 — 60 days	**10.6**	14.1
61 — 90 days	**7.0**	7.4
Over 90 days	**26.7**	21.0
	823.7	1,189.0
Accrued staff costs, other accrued expenses and other payables without ageing	**200.0**	169.8
	1,023.7	1,358.8

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2011, the Group's profit attributable to the shareholders was HK$1,032.4 million (2010: HK$1,087.0 million), while earnings per share was HK48.8 cents (2010: HK56.8 cents).

The Group's operating earnings before tax, which is profit before tax excluding other income, net loss from valuation changes to financial instruments, net exchange loss (discussed below), share of results of associates and jointly controlled entities, increased by a satisfying 14% during 2011 to HK$1,546.0 million.

The board recommended a final dividend of HK10 cents per share, together with the interim dividend of HK10 cents making a total of HK20 cents per share for the year.

When viewing these results we must keep in mind that 2011 was a very challenging year for financial services globally. During the period under review, global markets suffered from weak U.S. economic growth, Europe's ongoing debt crisis and the Japanese earthquake. This already precarious situation was exacerbated by Standard and Poor's downgrading of the U.S.'s AAA credit rating and Europe's debt crisis extending from Greece into Spain and Italy. Global stock markets plunged as funds moved away from equities, with emerging markets generally underperforming the developed markets.

In Mainland China, the People's Bank of China raised the required-reserves ratio (RRR) for banks six times in 2011 and raised deposit and lending rates three times in an effort to cool the overheating economy and tame inflation, before eventually reducing the RRR in December. GDP growth settled at 9.2% for the year, below the 2010 figure of 10.4%. Equity markets performed poorly during 2011 with the Shanghai Composite Index falling 21.7%, while in Hong Kong the Hang Seng Index was down 20% for the year.

Despite the uncertain global market, the Group's balanced and diversified mix of businesses and clientele enabled us to steer through the volatility and deliver a solid performance in the year 2011.

Our loan businesses includes consumer finance operating under UA Finance (UAF), margin lending as well as structured finance had a very strong year with total interest income across the Group increasing by 32%. This was driven by the expansion of UAF branches across Mainland China, as well as strong demand for funds from our corporate customers in an environment where liquidity generally tightened. The increase in revenue from our lending businesses offset weaker performance in our fee driven businesses, where retail investment customers have largely stayed on the sidelines in a volatile market.

Notwithstanding the challenging market conditions encountered during 2011 the Group continued to strengthen its business platforms. In our consumer finance segment, UAF's branch network in Mainland China has achieved a real milestone, surpassing the total number of Hong Kong branches for the first time with 54 branches spread across 8 cities including a new branch in Beijing which commenced operations in November 2011. UAF now has a solid foundation and geographical reach in Mainland China as we continue our nationwide rollout plan.

In terms of the Sun Hung Kai Financial business (which comprises Wealth Management and Brokerage, Capital Markets and Asset Management), we continued in our endeavour to transform the Group into one of the leading independent wealth management firms in Asia.

RESULTS ANALYSIS

The Group's revenue increased by 17% during the year to HK$3,593.2 million.

The key driver for this increase was the 32% growth in total interest income, which accounted for 77% of total revenue. Total loans and advances to customers (including consumer finance loans, margin loans as well as secured term loans in the structured finance business) amounted to HK$12.8 billion at the end of 2011, up from HK$10.5 billion in 2010.

Revenue from Mainland China increased by 122% to HK$547.0 million, accounting for 15% of the Group's revenue. This reflects mainly revenue from the consumer finance business in Mainland China.

Net loss from valuation changes to financial instruments for 2011 amounted to HK$132.3 million (2010: profit of HK$121.2 million), reflecting mark to market valuation losses in the Asset Management and Capital Markets business. This amount was offset by another non-cash item, a HK$192.6 million gain from the revaluation of investment properties, which is classified as Other Income.

Net foreign exchange losses of HK$46.0 million were also incurred, mainly from the Consumer Finance business, reflecting the devaluation of the HK/US dollar against the RMB, as UAF's Mainland China subsidiaries converted their capital into RMB in the loan underwriting process. It is worth noting that there is a corresponding appreciation of the RMB denominated loans shown as an increase in reserves on the balance sheet.

WEALTH MANAGEMENT AND BROKERAGE

The segment's revenue was HK$1,082.5 million and contribution to pre-tax profit was HK$359.1 million, representing a 5% and 21% increase respectively over 2010. The increase was driven by the Group's margin lending business, which benefited from a market environment where liquidity was tight.

Total interest income under this segment amounted to HK$458.2 million, a 38% year on year increase. The Group's margin loan balance closed at HK$4.3 billion at the end of 2011, slightly lower than in 2010 — although average balances were higher than the year before. As the market deteriorated in the last quarter of the year, some of our customers sought to reduce risk in their positions and repaid their margin loans. However, overall, the Group benefited from improved pricing on its aggregate loan book with the corporate customers, and demand remaining relatively healthy.

Whilst our margin loan business performed well in a market where liquidity was tighter, on the fee income side, it was a difficult period for all players in the market. Revenue from the segment excluding interest income declined by 11%. Retail customers, who form the core of the Group's customer base, have largely stayed on the sidelines in this volatile market, especially in the second half of 2011 when the Hang Seng Index hit a low of 16,170. Secondary trading of Hong Kong equities accounted for over 40% of total commissions.

In this environment, our strategy to grow this business segment remains to continue a gradual transformation into a leading wealth management firm. SHK Private was launched, together with new products such as the SHK MasterChoice Discretionary Portfolio Management Services and the alliance with EK immigration to promote CIES (the capital investment entrant scheme). In November, a new mobile trading platform was launched. The platform, SHKF eMO!, is now targeting our self-directed trading client base.

Although these new initiatives were impacted by adverse market conditions, particularly in the latter part of the year, the increase in customers bodes well for the business as the market situation normalises. For instance, client assets under management in our CIES accounts increased by 98%. Almost 200 new accounts were opened under the scheme, and with HK$10 million to be deposited for accounts under the revised scheme requirements, there should be good future revenue opportunities.

CAPITAL MARKETS

In 2011, the HKEx retained its status for the third year in a row as the world's top ranked exchange for IPO equity funds raised. However, fund raising activity levels were generally lower. A total of 101 companies listed directly on the main board or transferred from the Growth Enterprise Market, slightly lower than 2010. Total equity funds raised (including post – IPO fund raisings) declined by 43% to HK$488 billion.

International listings played an important role in 2011 and accounted for 52% of IPO funds raised, including companies such as Glencore, Prada and Samsonite. Around 36% of all funds raised were attributed to mainland Chinese enterprises, while Hong Kong companies accounted for 12%. The year also saw the listing of Hong Kong's first single-investment trust, HKT Trust, as well as the city's first ever RMB-denominated REIT, Huixian REIT.

The Group's Capital Markets division continued to deliver positive results in 2011 while strengthening its capabilities in the Hong Kong and Mainland China's small to mid cap corporate segments. Revenue was HK$328.2 million, an increase of 29% compared with 2010. Pre-tax contribution was HK$149.5 million (2010: HK$258.1 million). The drop is attributable to a net loss of HK$94.3 million from financial instruments, which represent unrealised mark-to-market losses on positions resulting from underwriting activities during the year. In 2010, we had a gain of HK$71.8 million from our structured loans' equity linked component. Operating earnings from this segment (which excludes this as well as other income and exchange impact) saw an increase of 30% during 2011.

In 2011, Sun Hung Kai Financial concluded 20 IPO related transactions and 19 secondary placements. In these transactions we acted either as sponsor or principal book runner in 5 IPOs. Our team also completed a RMB100 million dim sum convertible bond offering which was the first of its kind in the market.

Our unique "debt plus equity" one-stop-shop funding model achieved positive results with corporate clients as we were able to provide funding solutions for them in an environment with tight liquidity. Our structured finance business continued to grow in 2011. As of the end of 2011, the Group's total structured finance loan balance stood at HK$964.8 million, compared with HK$648.6 million at the end of 2010. Interest income from this segment surged by 111% to HK$213.4 million. At the same time, we participated in a diverse portfolio of Mainland China based investment projects with an IPO exit target within 2 years – these should bring future advisory opportunities.

ASSET MANAGEMENT

The Group's Asset Management segment recorded a loss of HK$42.7 million (2010: HK$13.5 million profit). These results included a HK$53.3 million unrealised mark-to-market valuation adjustment from our strategic investments into affiliated funds. The total assets under management (including affiliated funds) as at 31 December 2011 amounted to HK$1.9 billion.

2011 was very difficult for the asset management industry in general. The MSCI World index posted a negative performance of -9.41%, whilst the MSCI AC Asia Pacific Ex Japan funds index shed 19.34%. However, 2012 has commenced on a positive note.

The Group's strategic objective is to build its funds platform through tie-ups and alliances with counterparties that will boost our growth as well as build our expertise in the sector. Amongst new initiatives, Sun Hung Kai Financial launched the SHK MasterChoice Discretionary Portfolio Management Service in May 2011 with 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.

For 2012, we will seek to introduce additional investment products and services tailored for a diversified internal and external investor base throughout Asia Pacific and, particularly, from the Greater China region. Priority goes to identifying and proposing best-in-class investment strategies and products to add to our discretionary and non-discretionary investment solutions. In the course of the year, the Group will also seek to further scale the SHK CIES offering, by making use of the Asset Management platform to align with our Wealth Management & Brokerage businesses.

CONSUMER FINANCE

Operating through our 58% owned subsidiary UAF, the Groups' Consumer Finance business had a strong year. Revenue grew by 26% to HK$2,084.3 million, with pretax contribution of HK$854.3 million, an increase of 14%.

Included in the results was an amortisation charge of intangible assets of HK$174.4 million incurred from the Group's acquisition of UAF six years ago. At the end of 2011, the balance of this amortisable intangible asset is down to HK$39.2 million; it will be a much reduced cost item to the Group after this year.

Total impairment charges, which included bad debts written off, movement to impairment allowance and bad debts recovered, increased to HK$164.5 million (2010: HK$108.6 million), mainly reflecting the result of increase in loan portfolio balance over the year. Bad debts written off net of recovery were 2.8% of gross loans, improving from 3.7% last year. This reflects the Group's prudent risk management, as well as an increase in the proportion of mortgage loans in the Hong Kong portfolio.

The devaluation of HK/US dollar against the RMB during the year led to a foreign exchange loss of HK$61.6 million (2010: HK$25.5 million) incurred by the conversion of HK/US$ dollars standing on the capital accounts of PRC subsidiaries which arises from capital injection in HK/US currency, into RMB in the loan underwriting process. The corresponding HK dollar appreciation of the RMB denominated loans, on the other hand, was translated into increased reserves on the balance sheet. Finance costs amounted to HK$146.0 million. This amount included HK$25.6 million incurred in the Group's borrowings that funded the acquisition of UAF. UAF's general operating expenses were in line with the growth in turnover.

The gross loan balance at year end increased significantly by 34% to HK$8 billion. This was driven by a 24% increase in the Hong Kong portfolio, and a doubling of the loan balance in Mainland China.

A look at UAF's loan businesses in Hong Kong shows that it has reaped the benefits of robust consumption spending and a strong labour market. Our loan businesses in Hong Kong grew at a healthy pace during the year especially when examining the success of the mortgage business under "SHK Finance" brand, which was launched in the last quarter of 2010. The mortgage business of UAF grew impressively, benefiting from increased demand under a tightened mortgage financing environment from banks. Mortgage products increased to 36% of UAF's Hong Kong loan book, up from 25% in 2010.

UAF also reached an important milestone whereby the size of our Mainland China branch network has surpassed that of Hong Kong. Although the bulk of the business remains in Hong Kong, UAF's total branch network expanded to 99 outlets at the end of 2011, consisting of 54 in PRC and 45 in Hong Kong. UAF added 9 more branches in Shenzhen, 2 in Shenyang, one in Chongqing, one in Tianjin, and 2 in Chengdu. Three branches were in operation since business launch respectively in Yunnan, and Dalian in 2011, and the loan business launched in Beijing at the end of 2011. Results from the newly opened locations have all been highly encouraging. As a proportion of our total consumer finance loans, the Mainland China market has increased from 13% in 2010 to 20% by the end of 2011.

Looking ahead in 2012, UAF will continue to grow its sales capabilities in Mainland China by expanding its network coverage in provinces with newly acquired lending licences. The latest has been granted in Wuhan, with a launch scheduled in the first half of 2012. In the meantime UAF will explore money lending ventures in other Mainland cities with strategic growth potential. In Hong Kong, UAF continues to launch more loan programmes and advertising campaigns in order to reach our target customers, competing for a greater market share utilising its strong sales and distribution platform.

PRINCIPAL INVESTMENTS

Principal Investments contributed HK$295.1 million to the Group's pretax profit, an increase from HK$272.4 million in 2010. A HK$192.6 million gain was recorded from the revaluation of the Group's investment property portfolio. This major asset in our portfolio consists of Sun Hung Kai Financial's previous office premise in Admiralty whereby 27,000 out of 32,000 square feet of the space we own is classified as investment property following our office move. The gain offsets the reduced contribution from associates, subsequent to the Tian An restructuring in 2010.

Regarding the Group's managed portfolio of public and private investments, our strategy is to focus on investments that can generate attractive returns, and at the same time deliver synergies with other business lines we offer. At the end of 2011, we also signed an agreement to dispose of our interest in a Malaysia hotel. The Group will record a profit of over HK$80 million from this disposal in our 2012 accounts, realising approximately HK$180 million in cash. We will keep monitoring our legacy investments and seek to realise them at the right price.

OUTLOOK FOR 2012

With the European sovereign debt crisis still some way from resolution, the general outlook remains uncertain. However, monetary conditions globally remain generally easy, and in Mainland China the reserve requirement ratio was adjusted downwards in December 2011.

There have been some positive responses to these developments, including a recovery of the Hang Seng Index which has stabilised to a range of 20,000 to 21,000. With the gradual stabilisation of the financial markets as well as the Group's balanced mix of business, we will continue to pursue strategies that can deliver sustainable long term growth.

FINANCIAL REVIEW

Financial Resources and Gearing Ratio

As of 31 December 2011, the equity attributable to owners of the Company amounted to HK$12,087.5 million, representing an increase of HK$722.3 million or approximately 6% 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$2,736.0 million (at 31 December 2010: HK$2,510.1 million). The Group's total bank and other borrowings, amount due to an associate of a holding company, loans due to fellow subsidiaries and bonds amounted to HK$6,682.8 million (at 31 December 2010: HK$5,132.4 million). Of this, HK$2,923.5 million is repayable within one year and HK$3,759.3 million is repayable after one year (at 31 December 2010: HK$2,492.1 million and HK$2,640.3 million respectively).

The Group's liquidity, as demonstrated by the current ratio (current assets/current liabilities) increased to 3.5 times as at 31 December 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 borrowing, amount due to an associate of a holding company, loans due to fellow subsidiaries and bonds over the equity attributable to owners of the Company) was approximately 55% as at 31 December 2011 (at 31 December 2010: approximately 45%).

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

During the year, the Trustee of the SHK Employee Ownership Scheme ("EOS") acquired 2.6 million shares of the Company for shares awarded under the scheme through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company issued 3.4 million shares under the 2010 final and 2011 interim scrip dividend schemes. Upon the conversion in August 2011 of all outstanding mandatory convertible notes, the Company issued 341.6 million shares. The Company repurchased 11.0 million shares during the year for a total consideration (including expenses) of HK$44.2 million.

Other than the bonds, secured instalment loans or borrowings repayable over one year, the Group's bank and other borrowings and loans due to fellow subsidiaries were on a short-term basis and in HK dollars and Renminbi as of 31 December 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 exposure to cater for its present and potential investment activities and recurring operating activities, which means it is subject to some exchange rate exposure. The Group closely monitors the risks that this strategy involves.

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 year.

Segment Information

Detailed segment information in respect of the revenue and profit or loss is shown in Note 3.

Charges on Group Assets

Listed shares held by the Group with an aggregate value of HK$125.9 million were pledged for bank loans and overdrafts. Properties of the Group with a total book value of HK$668.9 million were pledged by subsidiaries to banks for instalment loans granted to them with a total outstanding balance of HK$146.1 million as at 31 December 2011.

CONTINGENT LIABILITIES

(a) At the end of the reporting period, the Group had guarantees as follows:

	Group	
	31/12/2011	31/12/2010
	HK$ Million	*HK$ Million*
Guarantees for banking facilities granted to a jointly controlled entity	**5.8**	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
	13.3	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") (now known as Sun Hung Kai Financial Limited) 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] (the "Mainland Proceedings"), 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 IPC subsequently ordered upon Ms. Cheung's unilateral application that the liquidator of Changjiang Power Development (H.K.) Co. Ltd. be joined as a third party to the PRC proceedings. The substantive retrial hearing will take place on a date to be decided. 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 of 31 December 2011, the Group's headcount stood at 3,541 (including Investment Consultants), representing an approximate increase of 39.4% as compared with 31 December 2010. The bulk of the increase stemmed from UAF's business expansion in Mainland China (including the opening of twenty two branches in Mainland China in 2011). Staff costs (including Directors'emoluments), contributions to retirement benefit schemes and expenses recognised for the EOS amounted to approximately HK$653.8 million (2010: HK$488.8 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.

FINAL DIVIDEND

The Board has recommended a final dividend of HK10 cents (2010: HK18 cents) per share payable to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 8 June 2012, making a total dividend for the year 2011 of HK20 cents (2010: HK28 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 5 July 2012.

CLOSURES OF REGISTER OF MEMBERS

The register of member of the Company will be closed on the following time periods during which no transfer of shares of the Company will be registered:

For attendance to 2012 Annual General Meeting	:	28 May 2012 – 30 May 2012, both dates inclusive
For entitlement to final dividend	:	6 June 2012 – 8 June 2012, both dates inclusive (Record date being 8 June 2012)

In order to qualify for attendance to the Company's 2012 Annual General Meeting which is scheduled to be held on Wednesday, 30 May 2012 and/or entitlement to the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on the following dates:

Events		Last date of lodgment of transfer documents
For attendance to 2012 Annual General Meeting	:	25 May 2012
For entitlement to final dividend	:	5 June 2012

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2011 and up to the date of this announcement, 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 Group Executive Chairman, Mr. Lee Seng Huang, in conjunction with the other three Executive Directors, Mr. Joseph Tong Tang, Mr. Peter Anthony Curry and Mr. William Leung Wing Cheung. The Group Executive Chairman oversees the Group's 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 acts as the CEO of Capital Markets and Institutional Brokerage and Mr. Peter Curry oversees the management of the corporate administrative functions, including finance and budget, internal audit, compliance and risk management. Mr. William Leung leads the overall business of Sun Hung Kai Financial Limited.

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 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) policy on the engagement of the external auditor to supply non-audit services; (ii) scrutinise (as opposed to ensure under the code provision) whether management has discharged its duty to have an effective internal control system; (iii) promote (as opposed to ensure under the code provision) 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 reviewed the terms during the year under review and considered that the Remuneration Committee and the Audit Committee should continue to operate according to the terms adopted by the Company. The Board reviewed the terms at least annually and would make appropriate changes in line with the new code provisions of the CG Code to be effective 1 April 2012.

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 2010.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2011 Annual Report which will be sent to the Shareholders before end of April 2012.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2011, the Company repurchased a total of 11,087,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$44,421,080. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price		Aggregate consideration (before expenses)
		Highest	Lowest	
		(HK$)	*(HK$)*	*(HK$)*
June	49,000	5.600	5.560	274,140
July	358,000	5.600	5.450	1,988,000
October	3,135,000	4.350	4.100	12,882,600
November	2,750,000	4.180	4.000	11,229,290
December	4,795,000	4.090	3.725	18,047,050
	11,087,000			44,421,080

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 had purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2011.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management of the Company the Group's financial statements for the year ended 31 December 2011, 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 income statement, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2011 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
Group Executive Chairman

Hong Kong, 26 March 2012

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

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

Non-Executive Directors:
Messrs. Goh Joo Chuan, 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