新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

ANNOUNCEMENT OF 2012 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 2012 as set out below:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	**2012** *HK$ Million*	2011 *HK$ Million*
Revenue (turnover)		**3,723.4**	3,593.2
Other income	*3*	**184.5**	224.3
Total income		**3,907.9**	3,817.5
Brokerage and commission expenses		**(187.9)**	(214.4)
Advertising and promotion expenses		**(124.7)**	(110.8)
Direct cost and operating expenses		**(72.5)**	(260.1)
Administrative expenses		**(1,290.9)**	(1,107.6)
Net profit (loss) on financial instruments	*4*	**171.5**	(132.3)
Net exchange gain (loss)		**3.7**	(46.0)
Bad and doubtful debts	*5*	**(503.7)**	(184.5)
Finance costs		**(200.8)**	(160.3)
Other expenses		**(14.5)**	(9.5)
		1,688.1	1,592.0
Share of results of associates		**10.9**	17.1
Share of results of jointly controlled entities		**1.3**	6.2
Profit before taxation	*6*	**1,700.3**	1,615.3
Taxation	*7*	**(276.0)**	(278.8)
Profit for the year		**1,424.3**	1,336.5
Profit attributable to:			
– Owners of the Company		**1,036.4**	1,032.4
– Non-controlling interests		**387.9**	304.1
		1,424.3	1,336.5
Earnings per share	*9*		
– Basic (HK cents)		**48.9**	48.8
– Diluted (HK cents)		**48.9**	48.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$ Million	*HK$ Million*
Profit for the year	**1,424.3**	1,336.5
Other comprehensive (expenses) income		
Available-for-sale investments		
– Net fair value changes during the year	**(3.7)**	(19.2)
– Reclassification adjustment to profit or loss on disposal	**(46.6)**	(4.3)
– Reclassification upon impairment	**0.7**	–
	(49.6)	(23.5)
Exchange differences arising on translating foreign operations	**45.6**	109.3
Reclassification adjustment to profit or loss on liquidation of subsidiaries	**(0.4)**	–
Reclassification adjustment to profit or loss on liquidation of a jointly controlled entity	–	(0.3)
Revaluation gain on properties transferred from property and equipment to investment properties	–	146.0
Share of other comprehensive income of associates	–	0.1
Other comprehensive (expenses) income for the year	**(4.4)**	231.6
Total comprehensive income for the year	**1,419.9**	1,568.1
Total comprehensive income attributable to:		
– Owners of the Company	**1,013.7**	1,220.4
– Non-controlling interests	**406.2**	347.7
	1,419.9	1,568.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	31.12.2012 HK$ Million	31.12.2011 HK$ Million
Non-current Assets			
Investment properties		**760.9**	714.0
Leasehold interests in land		**9.8**	10.0
Property and equipment		**240.5**	220.6
Intangible assets		**1,001.4**	1,023.5
Goodwill		**2,384.0**	2,384.0
Interest in associates		**60.4**	56.7
Interest in jointly controlled entities		**121.5**	122.1
Available-for-sale investments		**120.4**	316.2
Statutory deposits		**26.5**	26.9
Deferred tax assets		**106.0**	92.7
Amounts due from associates		**51.4**	51.3
Loans and advances to consumer finance customers	*10*	**3,057.6**	2,972.6
Deposits for acquisition of property and equipment		**20.4**	28.7
Financial assets at fair value through profit or loss		**286.1**	236.7
Trade and other receivables	*11*	**720.0**	7.8
		8,966.9	8,263.8
Current Assets			
Amounts due from associates		**5.6**	12.5
Loans and advances to consumer finance customers	*10*	**5,236.2**	4,583.5
Financial assets at fair value through profit or loss		**469.0**	536.0
Trade and other receivables	*11*	**5,525.0**	6,345.7
Taxation recoverable		**17.6**	16.9
Bank deposits		**467.8**	940.9
Cash and cash equivalents		**4,567.5**	1,795.1
		16,288.7	14,230.6
Current Liabilities			
Bank and other borrowings		**(3,166.6)**	(1,646.4)
Trade and other payables	*12*	**(1,337.6)**	(1,023.7)
Financial liabilities at fair value through profit or loss		**(52.7)**	(14.9)
Amount due to an associate of a holding company		**–**	(24.7)
Amounts due to fellow subsidiaries and a holding company		**(8.9)**	(1,256.2)
Amounts due to associates		**(0.1)**	(2.2)
Provisions		**(33.0)**	(46.5)
Taxation payable		**(102.2)**	(100.6)
		(4,701.1)	(4,115.2)
Net Current Assets		**11,587.6**	10,115.4
Total Assets less Current Liabilities		**20,554.5**	18,379.2

	31.12.2012	31.12.2011
	HK$ Million	*HK$ Million*
Capital and Reserves		
Share capital	**432.4**	421.9
Reserves	**12,430.6**	11,665.6
Equity attributable to owners of the Company	**12,863.0**	12,087.5
Non-controlling interests	**3,102.3**	2,315.5
Total Equity	**15,965.3**	14,403.0
Non-current Liabilities		
Deferred tax liabilities	**210.4**	204.6
Bank and other borrowings	**1,174.4**	3,203.5
Provisions	**10.1**	12.3
Notes and bonds	**3,194.3**	555.8
	4,589.2	3,976.2
	20,554.5	18,379.2

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group adopted certain amendments to Standards that are mandatorily effective for the Group's financial year beginning on 1 January 2012 except that the Group had early adopted the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" in 2011. The adoption of the amendments to Standards in the current year has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKAS 1	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]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	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]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[3]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[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

Amendments to HKAS 1 – Presentation of Items of Other Comprehensive Income

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.

Amendments to HKAS 32 and HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

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".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospectively application required. The management anticipate that the application of the above amendments does not have material impact to the amounts reported in the consolidated financial statements but results in more extensive disclosures in the consolidated financial statements.

HKFRS 9 – Financial Instruments

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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The application 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 the adoption of HKFRS 9.

New and revised standards on consolidation, joint arrangements, associates and disclosures

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 (2011) and HKAS 28 (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" will be withdrawn upon the effective date 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" will be withdrawn upon the effective date 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 are currently under HKAS 31 accounted for using the equity method of 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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) issued in December 2012 define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with HKFRS 9 instead of consolidating those subsidiaries in its consolidated and separate financial statements. In addition, the amendments introduce new disclosure requirements related to investment entities in HKFRS 12.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013. The amendments relating to investment entities are effective for annual period beginning on or after 1 January 2014. Earlier application is permitted provided that all of these five standards are applied early at the same time. The Directors anticipate that the application of these five standards does not have material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

HKFRS 13 – Fair Value Measurement

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 management anticipate that the application of the new Standard does not have material impact to the amounts reported in the consolidated financial statements but results in more extensive disclosures in the consolidated financial statements.

2. SEGMENT INFORMATION

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

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;

– dealing in securities, funds, bullion, commodities, futures and options; and

– provision of asset management including funds marketing and management.

(b) Capital Markets: provision of corporate finance services and structured finance.

(c) Consumer Finance: provision of consumer financing.

(d) Principal Investments: strategic investments, properties holding and rental.

In the current year, Asset Management segment was integrated into Wealth Management and Brokerage segment as a result of the increasing collaboration between two segments. The comparatives of the segment information are restated to conform to the current year presentation.

	2012				
	Wealth Management and Brokerage *HK$ Million*	**Capital Markets** *HK$ Million*	**Consumer Finance** *HK$ Million*	**Principal Investments** *HK$ Million*	**Total** *HK$ Million*
Brokerage/commission revenue	**469.4**	**23.5**	**–**	**1.5**	**494.4**
Non brokerage/commission revenue	**376.3**	**211.8**	**2,581.6**	**149.2**	**3,318.9**
Segment revenue	**845.7**	**235.3**	**2,581.6**	**150.7**	**3,813.3**
Less: inter-segment revenue	**(6.2)**	**–**	**–**	**(83.7)**	**(89.9)**
Segment revenue from external customers	**839.5**	**235.3**	**2,581.6**	**67.0**	**3,723.4**
Segment profit or loss	**107.6**	**142.8**	**1,147.5**	**290.2**	**1,688.1**
Share of results of associates	**–**	**–**	**–**	**10.9**	**10.9**
Share of results of jointly controlled entities	**3.8**	**–**	**–**	**(2.5)**	**1.3**
Profit before taxation	**111.4**	**142.8**	**1,147.5**	**298.6**	**1,700.3**
Included in segment profit or loss:					
Interest income	**296.1**	**181.5**	**2,568.5**	**28.0**	**3,074.1**
Other income	**2.5**	**0.1**	**11.3**	**170.6**	**184.5**
Net profit on financial instruments	**25.2**	**82.6**	**–**	**63.7**	**171.5**
Net exchange gain (loss)	**1.1**	**(1.3)**	**(8.5)**	**12.4**	**3.7**
Amortisation and depreciation	**(12.3)**	**(0.6)**	**(40.0)**	**(47.2)**	**(100.1)**
Impairment loss					
– Intangible assets	**–**	**–**	**(1.6)**	**(2.1)**	**(3.7)**
– Available-for-sale investments	**–**	**–**	**(8.8)**	**(0.7)**	**(9.5)**
– Amounts due from associates	**–**	**–**	**–**	**(1.1)**	**(1.1)**
– Loans and advances to consumer finance customers	**–**	**–**	**(350.8)**	**–**	**(350.8)**
– Trade and other receivables	**(66.6)**	**(76.3)**	**–**	**(10.0)**	**(152.9)**
Loss on disposal of equipment and intangible assets	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Finance costs	**(8.5)**	**–**	**(143.2)**	**(49.1)**	**(200.8)**

	2011 (restated)				
	Wealth Management and Brokerage *HK$ Million*	Capital Markets *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	568.0	303.1	2,084.3	117.6	3,073.0
Segment revenue	1,137.3	328.6	2,084.3	117.6	3,667.8
Less: inter-segment revenue	(2.1)	(0.4)	–	(72.1)	(74.6)
Segment revenue from external customers	1,135.2	328.2	2,084.3	45.5	3,593.2
Segment profit or loss	313.4	149.5	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	316.4	149.5	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	17.3	3.6	0.7	202.7	224.3
Reversal of impairment loss on loans and advances to consumer finance customers	–	–	54.2	–	54.2
Net profit (loss) on financial instruments	(43.7)	(94.3)	–	5.7	(132.3)
Net exchange gain (loss)	8.4	(0.6)	(61.6)	7.8	(46.0)
Amortisation and depreciation	(13.2)	(0.6)	(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)

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

	2012 *HK$ Million*	2011 *HK$ Million*
Revenue from external customers by location of operations		
– Hong Kong	**2,770.3**	3,044.2
– Mainland China	**942.3**	547.1
– Others	**10.8**	1.9
	3,723.4	3,593.2

	31.12.2012	31.12.2011
	HK$ Million	*HK$ Million*
Non-current assets other than financial instruments and deferred tax assets by location of assets		
– Hong Kong	**4,157.8**	4,258.5
– Mainland China	**283.7**	147.8
– Others	**2.0**	1.4
	4,443.5	4,407.7

3. OTHER INCOME

	2012	2011
	HK$ Million	*HK$ Million*
Net realised profit on disposal of investments		
– Liquidation of subsidiaries	**3.8**	–
– Disposal of an associate	**0.3**	13.4
– Disposal of available-for-sale investments	**96.4**	5.2
Increase in fair value of investment properties	**45.6**	192.6
Gain on repurchase of bonds	**3.8**	–
Miscellaneous income	**34.6**	13.1
	184.5	224.3

4. NET PROFIT (LOSS) ON FINANCIAL INSTRUMENTS

The following is an analysis of the net profit (loss) on financial instruments at fair value through profit or loss:

	2012	2011
	HK$ Million	*HK$ Million*
Net realised and unrealised (loss) profit on derivatives	**(12.2)**	64.7
Net profit on other dealing activities	**1.3**	3.0
Net realised and unrealised profit (loss) on trading in equity securities	**154.7**	(122.7)
Net realised and unrealised profit (loss) on trading in bonds	**5.3**	(3.0)
Net realised and unrealised profit (loss) on financial assets designated as at fair value through profit or loss	**22.4**	(74.3)
	171.5	(132.3)

5. BAD AND DOUBTFUL DEBTS

	2012	2011
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Reversal of impairment loss	**–**	54.2
– Impairment loss	**(350.8)**	(218.7)
	(350.8)	(164.5)
Trade and other receivables		
– Impairment loss	**(152.9)**	(21.0)
– Bad debts recovery after written off	**–**	1.3
– Bad debts written off	**–**	(0.3)
	(152.9)	(20.0)
	(503.7)	(184.5)

The amounts written off in allowance of impairment against the loans and advances to consumer finance customers and trade and other receivables were HK$366.7 million (2011: HK$273.3 million) and HK$0.3 million (2011: HK$27.6 million) respectively. Recoveries of loans and advances to consumer finance customers credited to allowance of impairment were HK$69.1 million (2011: HK$54.4 million).

6. PROFIT BEFORE TAXATION

	2012	2011
	HK$ Million	*HK$ Million*
Profit before taxation for the year has been arrived at after crediting (charging):		
Dividends from listed investments	**6.9**	5.9
Dividends from unlisted investments	**9.5**	8.2
Amortisation of leasehold interests in land	**(0.4)**	(0.4)
Depreciation of property and equipment	**(55.5)**	(49.4)
Amortisation of intangible assets		
– Computer software included in administrative expenses	**(29.6)**	(24.5)
– Intangible assets acquired in business combination included in direct cost and operating expenses	**(14.6)**	(174.4)
Loss on disposal of equipment and intangible assets	**(0.1)**	(4.1)

7. TAXATION

	2012	2011
	HK$ Million	*HK$ Million*
Current tax		
– Hong Kong	**(196.2)**	(230.9)
– PRC and other jurisdictions	**(92.5)**	(53.1)
	(288.7)	(284.0)
Over (under) provision in prior years		
– Hong Kong	**5.1**	(13.4)
– PRC and other jurisdictions	**–**	0.5
	(283.6)	(296.9)
Deferred tax		
– Current year	**7.6**	18.1
	(276.0)	(278.8)

Hong Kong profits tax is calculated at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (for both years). 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.

8. DIVIDENDS

	2012	2011
	HK$ Million	*HK$ Million*
The aggregate amount of dividends paid and proposed:		
– 2012 interim dividend paid of HK10 cents (2011: HK10 cents) per share	**213.1**	211.7
– 2012 final dividend of HK12 cents (2011: HK10 cents) per share proposed after the end of the reporting period	**256.8**	210.8
Adjustment to 2011 final dividend	**(1.0)**	–
	468.9	422.5

	2012	2011
	HK$ Million	*HK$ Million*
Dividends recognised as distribution during the year:		
– 2011 final dividend of HK10 cents (2010: HK18 cents) per share	**210.8**	319.6
– 2012 interim dividend paid of HK10 cents (2011: HK10 cents) per share	**213.1**	211.7
Adjustment to 2011 final dividend	**(1.0)**	–
	422.9	531.3

The 2012 final dividend is subject to approval by the shareholders at the forthcoming annual general meeting. The 2012 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.

9. 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:

	2012	2011
	HK$ Million	*HK$ Million*
Earnings		
Earnings for the purpose of basic earnings per share and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,036.4**	1,032.4

	2012	2011
	Million Shares	*Million Shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**2,120.1**	2,113.7

As the exercise price of the warrants and the fair value of service to be rendered of shares held for the SHK Employee Ownership Scheme are above the average share price of the Company, there is no effect of dilutive potential ordinary shares for both years.

10. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	31.12.2012	31.12.2011
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers	**8,753.5**	7,961.8
Less: impairment allowance	**(459.7)**	(405.7)
	8,293.8	7,556.1
Analysed for reporting purposes as:		
– Non-current assets	**3,057.6**	2,972.6
– Current assets	**5,236.2**	4,583.5
	8,293.8	7,556.1

11. TRADE AND OTHER RECEIVABLES

	31.12.2012	31.12.2011
	HK$ Million	*HK$ Million*
Trade receivables – accounts receivable from exchanges, brokers and clients	**988.7**	843.3
Less: impairment allowance	**(29.0)**	(19.3)
	959.7	824.0
Secured term loans	**1,869.8**	1,021.4
Less: impairment allowance	**(132.9)**	(56.6)
	1,736.9	964.8
Margin loans	**3,419.3**	4,343.0
Less: impairment allowance	**(132.6)**	(66.0)
	3,286.7	4,277.0
Other receivables		
– Deposits	**43.1**	66.8
– Dividend receivable on behalf of clients	**15.5**	51.9
– Claims from counter parties, receivable from sale proceeds and others	**190.3**	149.1
	248.9	267.8
Trade and other receivables at amortised cost	**6,232.2**	6,333.6
Less: non-current portion	**(720.0)**	(7.8)
Current portion of trade and other receivables at amortised cost	**5,512.2**	6,325.8
Prepayments	**12.5**	19.5
Current portion of leasehold interests in land	**0.3**	0.4
	5,525.0	6,345.7

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

	31.12.2012	31.12.2011
	HK$ Million	*HK$ Million*
Less than 31 days	**947.2**	761.4
31 – 60 days	**4.6**	2.8
61 – 90 days	**4.0**	94.0
91 – 180 days	**0.8**	13.9
Over 180 days	**45.7**	18.4
	1,002.3	890.5
Term loans, margin loans and trade and other receivables without ageing*	**5,524.4**	5,585.0
Impairment allowances	**(294.5)**	(141.9)
Trade and other receivables at amortised cost	**6,232.2**	6,333.6

* No ageing analysis is disclosed for margin loans and term loans financing, as, in the opinion of Directors, the ageing analysis does not give additional value in view of the nature of the margin loans and term loans financing business.

12. 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:

	31.12.2012	31.12.2011
	HK$ Million	*HK$ Million*
Less than 31 days	**1,054.6**	779.4
31 – 60 days	**11.8**	10.6
61 – 90 days	**9.2**	7.0
91 – 180 days	**26.9**	12.0
Over 180 days	**19.6**	45.1
	1,122.1	854.1
Accrued staff costs, other accrued expenses and other payables without ageing	**215.5**	169.6
	1,337.6	1,023.7

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to owners of the Company was HK$1,036.4 million, compared to HK$1,032.4 million achieved in the year 2011. Earnings per share amounted to HK48.9 cents (2011: HK48.8 cents) and the Board has recommended a final dividend of HK12 cents per share. Together with the interim dividend of HK10 cents per share, it makes a total of HK22 cents per share for the full year. The Company repurchased 15.9 million shares for a total consideration (including expenses) of HK$65.9 million.

During the past year, operating conditions varied significantly for the Group's different businesses.

Our Consumer Finance business in China, operating under United Asia Finance Limited ("UAF"), continued to grow. This growth was founded upon the market's increasing acceptance of our services and the extension of our branch network. UAF's total principal loan balance in China increased by 69%, with a healthy increase in turnover of 72%. As a result, the Consumer Finance business in Mainland China, accounted for 25% of the Group's total turnover in 2012. UAF's Hong Kong business on the other hand remained relatively stable in the face of increased competition from the major banks.

Conditions facing Sun Hung Kai Financial businesses (comprising our Wealth Management and Brokerage, and Capital Markets segments) were more challenging, with Hong Kong stock market trading and IPO fund raising volumes dropping by 23% and 65% respectively compared to 2011.

However, overall, the Group's blend of activities has enabled it to maintain a generally healthy financial position and continue with its strategies to:

– prudently grow the Group's loan business while maintaining a balance on yield relative to risk; and

– grow fee income in the Sun Hung Kai Financial businesses through new customer segments and products.

In September 2012, the Group raised US$350 million from the debt market by issuing guaranteed notes due in 2017 (6.375% coupon) to professional investors under its US$2 billion Guaranteed Medium Term Note Programme established in June 2012. The issue is a first for the Group under the Programme, which aims to build up support amongst a fixed income investor base. The initiative also introduces a layer of longer-duration funding in addition to our banking facilities, and provides us with the option to reduce our reliance on funding asset growth through equity.

Currently the Group's return on equity ("ROE") is 8.1%, with a healthy return on assets of 5.6%. The ultimate goal for the Group is to move the ROE up towards the teens.

The Group ended 2012 in a strong financial position with total bank deposits and cash balance of HK$5.0 billion and a net gearing of 19.4% (2011: 32.7%). Total equity attributable to owners of the Company amounted to HK$12.9 billion, equivalent to HK$5.95 per share.

Results Analysis

Turnover increased by 4% to HK$3,723.4 million in 2012. Interest income, accounting for 83% of turnover, increased by 11%, driven primarily by Consumer Finance. In contrast, non-interest income, which mainly comprises commissions and fees, declined by 22% due to weaker volumes, in line with market conditions generally.

Total loans and advances to customers (after impairment allowances) as shown below, amounted to HK$13.3 billion at the end of 2012, an increase of 4% since 2011.

	As at 31.12.2012 (HK$ Million)	As at 31.12.2011 (HK$ Million)	Change
Loan Balances:			
Consumer Finance loans	**8,293.8**	7,556.1	10%
Margin loans (Wealth Management and Brokerage segment)	**3,286.7**	4,277.0	-23%
Secured term loans (Capital Markets segment)	**1,736.9**	964.8	80%
Total	**13,317.4**	12,797.9	4%
Interest Income:			
Consumer Finance	**2,568.5**	2,074.5	24%
Wealth Management and Brokerage	**296.1**	458.2	-35%
Capital Markets	**181.5**	213.4	-15%
Others	**28.0**	14.2	97%
Total	**3,074.1**	2,760.3	11%

Operating earnings before bad and doubtful debts grew by 6%. However, bad and doubtful debts were higher. For the Consumer Finance business, actual write offs (amounts directly deducted from the allowance of impairment) increased by 34% to HK$366.7 million. This is regarded as being still at a reasonable level given the growth in the business and the general market situation. The impairment allowance increased by HK$53.2 million in 2012, compared to a release of impairment allowance of HK$54.4 million in 2011.

Bad debts were also incurred in Sun Hung Kai Financial's margin and secured term loan books. Approximately half of the write offs related to one client in the structured finance business, which was an isolated event. As a result, operating earnings in total declined by 14% to HK$1,328.4 million. However, other income was boosted by the gain from disposal of some available-for-sale investments. This, together with a significant increase in profit from financial instruments, led to a rise in profit before tax of about 5%.

Operating Earnings Analysis

(HK$ Million)	2012	2011	Change
Revenue	**3,723.4**	**3,593.2**	4%
Operating expenses	(1,690.5)	(1,702.4)	-1%
Finance costs	(200.8)	(160.3)	25%
Operating Earnings Before Bad and Doubtful Debts	**1,832.1**	**1,730.5**	6%
Bad and doubtful debts	(503.7)	(184.5)	173%
Operating Earnings	**1,328.4**	**1,546.0**	-14%
Other income	184.5	224.3	
Net exchange gain (loss)	3.7	(46.0)	
Net profit (loss) on financial instruments	171.5	(132.3)	437%
Associates	10.9	17.1	
Jointly controlled entities	1.3	6.2	
Profit Before Taxation	**1,700.3**	**1,615.3**	5%
Taxation	(276.0)	(278.8)	-1%
Non-controlling interests	(387.9)	(304.1)	28%
Profit Attributable to Owners of the Company	**1,036.4**	**1,032.4**	

Wealth Management and Brokerage

Wealth Management and Brokerage experienced a challenging year in 2012. Global markets started 2012 on a positive note, followed by weakness in the second quarter due to investor concerns over the European debt crisis and a slow and erratic recovery in major global economies. In September 2012, the U.S. Federal Reserve sparked a final quarter rally for equities globally when they announced a third round of Quantitative Easing. The Hang Seng Index finished the year 23% higher, while the S&P 500 closed the year up 3% and the Shanghai-Shenzhen CSI300 Index was plus 8%.

Despite a better year for the index, the volume of equity trading was lower across all major bourses. In 2012, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) traded an average daily turnover of HK$54 billion, 23% lower than in 2011.

(HK$ Million)	2012	2011	Change
Revenue	**839.5**	**1,135.2**	-26%
– Interest Income	296.1	458.2	-35%
– Brokerage/commission revenue	469.4	569.3	-18%
– Other fee based income	74.0	107.7	-31%
Operating costs	(685.6)	(773.8)	-11%
Cost to income (% Revenue)	81.7%	68.2%	
Finance cost	(8.5)	(9.0)	
Bad and doubtful debts	(66.6)	(21.0)	
Operating Earnings	**78.8**	**331.4**	-76%
Other income	2.5	17.3	
Exchange gain	1.1	8.4	
Net profit (loss) on financial instruments	25.2	(43.7)	
Jointly controlled entities	3.8	3.0	
Pre-tax Contribution	**111.4**	**316.4**	-65%

Turnover in this segment of the business declined by 26% during 2012. Interest income declined by 35%; brokerage and commission revenue declined by 18%. Pre-tax contribution to the Group declined by 65% to HK$111.4 million.

Despite the difficulties of 2012, our efforts to transform Sun Hung Kai Financial into a wealth management firm has helped cushion the decline in commission. Offering an open and one-stop investment platform should allow us to benefit from more stable and long term customer relationships that provide revenue streams less correlated to the stock market.

To this end, our efforts in product and service innovation achieved some positive results in 2012. Product development and research have been strengthened significantly. New customer segments were enhanced through CIES (Capital Investment Entrant Scheme) services as well as our SHK Private platform targeting high net worth customers. Our asset management division was also integrated into this segment, allowing for the development of more products suited to our wealth management customers, including discretionary portfolio management products. Total commission revenue from wealth management products (such as structured products, funds, insurance linked assurance schemes, and bonds) increased by 68% during 2012, accounting for 36% of overall commission in this segment.

Commission from brokerage products (including Hong Kong shares, options, futures, commodities and bullion) declined by 36% reflecting lower volumes as well as competitive market pressures. The Group's focus is on bottom line profitability, so market share is not its top priority. Nonetheless, given its leading position and low cost structure, the Group should benefit from any recovery in market sentiment and volumes.

Encouragingly, momentum in the business has picked up since the last quarter of 2012. For the first two months of 2013, Hong Kong's average daily stock turnover was HK$75 billion, which is higher than the HK$54 billion average for 2012. Enhancements have been made in the past two years to strengthen SHK Direct, our trading platform for "DIY" clients, with the introduction of our mobile trading app, eMO!. In our experience, this special group of customers tends to increase their trading when there is a recovery in sentiment.

The Group scaled back its margin loan book in 2012. Although demand for funding remained robust, we adopted a more conservative approach towards the writing of new loans in view of a less favourable risk/return metric. At the end of 2012, our net margin loan balance was HK$3,286.7 million, compared to HK$4,277.0 million in 2011. As a result, interest income in this segment also declined by 35%. Bad debts of HK$66.6 million also impacted profitability.

There was a net profit of HK$25.2 million on financial instruments in 2012 (2011: HK$43.7 million loss), mainly reflecting mark to market valuation adjustments from our strategic investments with our asset management business partners. These investments are classified under "Equity securities in unlisted investment funds" in our financial statements.

Capital Markets

The performance of the Group's Capital Markets division has largely mirrored market conditions. Revenue was HK$235.3 million, a decline of 28% from 2011, and contribution to pre-tax profit was HK$142.8 million, a 4% decline. During the year, the Group has continued to strengthen its capabilities in Hong Kong and Mainland China mid-to-small cap corporate segments.

(HK$ Million)	2012	2011	Change
Revenue	**235.3**	**328.2**	-28%
– Interest income	181.5	213.4	-15%
– Brokerage/commission revenue	23.5	25.5	-8%
– Fee based income	30.3	89.3	-66%
Operating costs	(97.6)	(87.2)	12%
Cost to income (% Revenue)	41.5%	26.6%	
Finance cost	–	(0.2)	
Bad and doubtful debts	(76.3)	–	
Operating Earnings	**61.4**	**240.8**	-75%
Other income	0.1	3.6	
Exchange loss	(1.3)	(0.6)	
Net profit (loss) on financial instruments	82.6	(94.3)	
Pre-tax Contribution	**142.8**	**149.5**	-4%

The uncertain market environment made 2012 a challenging year for corporate finance. Compared to 2011, total IPO funds raised in Hong Kong capital markets in 2012 tumbled 65% from approximately HK$260 billion to HK$90 billion. The total number of newly listed companies including listing board transfers from GEM to the Main Board also declined significantly from 101 in 2011 to 64 in 2012. In this environment, the segment's non-interest income declined. However, a HK$82.6 million net gain on financial instruments was recorded. In 2011, we booked a net loss of HK$94.3 million from unrealised mark to market losses on underwriting positions. Those positions were subsequently disposed of during 2012 and losses have been reversed.

In 2012, we took part in 12 IPO-related underwriting transactions, three secondary fund-raising exercises and four financial advisory-related transactions, all of which were successfully completed. We are more optimistic about the market in 2013 and are buoyed by the Group's drive to tap into mid-to-small cap sectors, with increased resources devoted to underwriting and financial advisory-related transactions.

Our unique "debt plus equity" one-stop-shop funding model achieved positive results in 2012, despite the weak equity market. We also saw strong demand from our corporate customers for debt financing throughout the year, and in the last quarter of 2012 a number of new loans were written. As a result our structured finance business grew significantly. As of 31 December 2012, the Group's net secured term loans balance increased to HK$1,736.9 million, compared with HK$964.8 million at the end of 2011. This did not reflect in interest income for 2012, which declined 15% to HK$181.5 million, as a majority of new loans were written towards the end of the year. Bad debts of HK$76.3 million were recorded, impacting profitability. This impairment loss was an isolated case and we remain positive on the general prospects for the loan business.

In January 2013, we announced a HK$600 million loan transaction with Asia Financial Services Company Limited (details of which are disclosed in the Circular dated 23 January 2013), which will be added to the loan balance in 2013. In our structured finance portfolio, certain loans have equity-linked components related to Mainland China based investment projects with an IPO exit target of 24 months. These should bring potential for capital gains for the Group, as well as future business for our corporate finance unit. We are actively seeking further opportunities along this strategy.

Consumer Finance

UAF delivered a record profit in 2012. Revenue for the Consumer Finance segment increased by 24% and its contribution to earnings before tax increased by 34% to HK$1,147.5 million. Net consumer loans reached HK$8,293.8 million, increasing by 10% since the end of 2011.

(HK$ Million)	**2012**	**2011**	**Change**
Revenue	**2,581.6**	**2,084.3**	24%
Operating costs	(926.7)	(684.2)	35%
Cost to income (% Revenue)	35.9%	32.8%	
Finance cost	(129.7)	(120.4)	8%
Bad and doubtful debts	(350.8)	(164.5)	113%
Operating Earnings – excluding acquisition related expenses	**1,174.4**	**1,115.2**	5%
Finance cost (acquisition loan)	(13.5)	(25.6)	
Amortisation and impairment of intangibles	(16.2)	(174.4)	
Operating Earnings	**1,144.7**	**915.2**	25%
Other income	11.3	0.7	
Exchange loss	(8.5)	(61.6)	
Pre-tax Contribution	**1,147.5**	**854.3**	34%

Revenue grew faster than the total of loan balances during 2012, reflecting an increasing proportion of business from Mainland China that has a higher gross return than the Hong Kong business. In Hong Kong, yields have also improved slightly overall.

The total impairment charge on bad and doubtful debts which was an amount equal to the net sum of bad debts written off, charges or releases to/from impairment allowances and bad debts recovered increased to HK$350.8 million (2011: HK$164.5 million). The increase was caused by a rise in bad debts written off net of recovery during the year, and the absence of release in impairment allowance recorded in 2011. The charge-off ratio of bad debts written off net of recovery (as a % of year end gross loan balance) was 3.4% as against 2.8% in 2011.

Bad and doubtful debts and impairment

(HK$ Million)	**2012**	**2011**
a. Amounts directly deducted from impairment allowance ("write off")	(366.7)	(273.3)
b. Recoveries	69.1	54.4
c. Movement to impairment allowance	(53.2)	54.4
Total bad and doubtful debt charges	(350.8)	(164.5)
Net charge off (a-b) as % of gross loans	3.4%	2.8%
Impairment allowance	459.7	405.7
as % of gross loans	5.3%	5.1%

The segment's earnings benefitted from the finalisation of the costs associated with the Group's acquisition of UAF in 2006. The amortisation of intangible assets largely ended in 2012. The interest expense incurred from associated loans also declined as these loans were repaid in full during the course of the year.

Breakdown of loan book principal by type

By category	**Percentage of total**	**Change from 2011**
Hong Kong personal loans	42%	-10%
Hong Kong mortgage loans	28%	6%
PRC loans	30%	69%
Total		10%

UAF's China business dominated its growth profile as the gross principal balance in Mainland China increased by 69% during 2012, accounting for 30% (2011: 20%) of UAF's total. UAF will continue to expand in Mainland China with new branches and loan products. During 2012 UAF added a further 26 new branches to its network, of which 25 new branches were opened in Mainland China.

UAF's revenue in Mainland China increased by 72% along with rising profitability.

UAF's branch network as of 31.12.2012

City	New branches in 2012	Total at year end
Hong Kong	1	46
Shenzhen	6	43
Shenyang	2	5
Chongqing	3	5
Tianjin	2	4
Chengdu	4	7
Yunnan	3	6
Dalian	3	6
Beijing	1	2
Wuhan	1	1
Total	26	125

At the end of 2012, money lending licenses in Shanghai, Fuzhou and Harbin were also granted to UAF, and operations have commenced in the first quarter of 2013. UAF will continue to pursue further money lending licenses in cities that show growth potential.

A new property mortgage loan business had its launch in Beijing and Wuhan in late 2012. UAF will monitor this product with a view to launching it in other cities in China in 2013. Feasibility studies on new loan products are always active on UAF's agenda and new products will be launched once market and regulatory conditions allow.

UAF's objective is to maintain growth momentum close to that of 2012. This loan growth can be comfortably funded given the Group's strong financial position. To date, more than HK$4 billion has been committed as paid up capital in various Mainland cities.

Loan balances in Hong Kong dropped slightly due to the competitive environment in personal loan markets and slower growth in mortgages as investors in the property market became more cautious. However, revenue from Hong Kong operations increased by 7% as more loans were granted at higher interest rates.

UAF successfully launched a new "No Show Loan" in 2012, featuring a more efficient service meeting customer appetite for a reduction in loan documentation requirements. UAF will continue to innovate with its loan products to cater to market demand.

Hiring a diverse range of sales personnel will reinforce our reach to more customer segments. Also in the pipeline are further advertising campaigns to promote the loan businesses. Our management will make every endeavour to use its leadership position in the market and increase the profit for the years ahead.

Principal Investments

Principal Investments contributed HK$298.6 million to the Group's pre-tax profit, an increase from HK$295.1 million of 2011. In 2012, the Group has recorded a HK$63.7 million (2011: HK$5.7 million) gain from financial instruments in its investment portfolio. Our strategy for this portfolio is to identify investments with attractive returns and provide synergies with other business divisions of the Group.

In 2012, we completed the disposal of legacy hotel investments in Malaysia and the Philippines, resulting in a total gain of HK$96.4 million shown under Other Income. An increase in the fair value of our investment properties also contributed HK$41.5 million (2011: HK$192.6 million).

Outlook

Sun Hung Kai Financial and UAF faced difficult market conditions in 2012. Looking ahead to 2013, we anticipate somewhat more positive market conditions for both sides of the business.

With regard to UAF, the Group will continue prudent expansion in Mainland China consumer finance, with a view to developing it as a major contributor to profits in the future.

Prospects for the Sun Hung Kai Financial business have improved with the European sovereign debt crisis more stable for the moment, and some continuing improvement in U.S. financial indicators. There were also signs of increased economic activity in Mainland China towards the end of 2012, though the trend in asset prices is becoming a concern. Hopefully, these developments will lead to increased activity in financial markets and a recovery in our fee generating businesses as well as growth in our loan books. Despite this more optimistic outlook, we will maintain a prudent oversight of our cost structure.

Financial Review

Financial Resources, Liquidity and Capital Structure

As of 31 December 2012, the equity attributable to owners of the Company amounted to HK$12,863.0 million, representing an increase of HK$775.5 million or approximately 6% from 31 December 2011. During the year, the Trustee of the SHK Employee Ownership Scheme (the "EOS") acquired 2.4 million shares of the Company through purchases on the Stock Exchange for the shares awarded under the scheme. The Company issued 68.7 million shares under the 2011 final and 2012 interim scrip dividend schemes. The Company repurchased 15.9 million shares for a total consideration (including expenses) of HK$65.9 million.

The Group maintained a strong cash position and short-term bank deposits, bank balances and cash, amounted to HK$5,035.3 million (at 31 December 2011: HK$2,736.0 million).

On 26 September 2012, the Group issued US$350 million 6.375% guaranteed notes, under a US$2 billion guaranteed medium term note programme. The notes are listed on the Stock Exchange and are issued to professional investors only as described in the pricing supplement dated 17 September 2012 and the offering circular dated 13 June 2012. The notes will mature on 26 September 2017 and are guaranteed by the Company.

The Group's total borrowings comprising of bank and other borrowings, amount due to an associate of a holding company, loans due to fellow subsidiaries, notes and bonds, amounted to HK$7,535.3 million (at 31 December 2011: HK$6,682.8 million). HK$3,166.6 million is repayable within one year and HK$4,368.7 million is repayable after one year (at 31 December 2011: HK$2,923.5 million and HK$3,759.3 million respectively).

The Group's bank and other borrowings (charged at floating interest rates) and loans due to fellow subsidiaries were in HK dollars and Renminbi as at 31 December 2012. There are no known seasonal factors in the Group's borrowing profiles.

The Group's gearing ratio calculated on the basis of net debt to the equity attributable to owners of the Company was approximately 19.4% as at 31 December 2012 (at 31 December 2011: approximately 32.7%). Net debt represents the total of bank and other borrowings, amount due to an associate of a holding company, loans due to fellow subsidiaries, notes and bonds less bank deposits, cash and cash equivalents.

The Group maintained foreign currency positions to cater for its present and potential investment and operating activities, meaning it will be subject to some acceptable exchange rate exposures. The exchange risks are closely monitored by the Group.

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 2.

Charges over Group Assets

Listed shares held by the Group with an aggregate value of HK$49.9 million were pledged for bank loans and overdrafts. Properties of the Group with a total book value of HK$478.0 million were pledged by subsidiaries to banks for installment loans granted to them with a total outstanding balance of HK$110.9 million as at 31 December 2012.

Contingent Liabilities

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

	31.12.2012 ***HK$ Million***	31.12.2011 *HK$ Million*
Guarantees for banking facilities granted to a jointly controlled entity	**5.8**	5.8
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	13.3

(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 Financial Limited (formerly known as Sun Hung Kai Securities Limited) ("SHKF") was required to pay US$3 million to Chang Zhou Power Development Company Limited ("the JVC"), a mainland PRC joint venture. SHKF had disposed of all of its beneficial interest in the JVC to 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 to Long Prosperity Industrial Limited ("LPI") in October 2001. Subsequent to those disposals, SHKF's registered interest in the JVC in the amount of US$3 million was frozen further to the 2001 Order. SHKF is party to the following litigation relating to the JVC:

(i) On 29 February 2008, Global Bridge Assets Limited ("GBA"), LPI and Walton Enterprises Limited ("WE") commenced a legal action in the High Court of Hong Kong against SHKF ("HCA 317/2008"). The Court of Appeal struck out the claims of GBA and LPI in February 2010. Subsequently, GBA, LPI and WE sought to amend their claims which was on 3 August 2012 rejected by the Court of Appeal which ordered that all of GBA's, LPI's and WE's claims against SHKF be dismissed. 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 was issued by Cheung Lai Na 張麗娜 ("Ms. Cheung") against Tian An and SHKF 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 SHKF's favour on 16 July 2009. Ms. Cheung appealed against the said judgment and 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. which acquired the interests in the JVC from Tian An in 1998 be joined as a third party to the Mainland Proceedings. After the substantive retrial hearing took place on 29 March 2012 and on 14 August 2012, the IPC dismissed Ms. Cheung's claim against Tian An and SHKF. Ms. Cheung is presently appealing the retrial decision of the IPC. 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.

Human Resources

As at 31 December 2012, the Group's headcount stood at 5,108 (including investment consultants), representing an approximate increase of 44.3% as compared to 31 December 2011. The bulk of the increase stemmed from UAF's business expansion in Mainland China (including the opening of 25 branches in Mainland China between January 2012 and December 2012). Staff costs (including Director's emoluments), contributions to retirement benefit schemes and expenses recognised for the EOS amounted to approximately HK$775.5 million (2011: HK$653.8 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/incentives. 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 HK12 cents (2011: HK10 cents) per share payable to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 14 June 2013, making a total dividend for the year 2012 of HK22 cents (2011: HK20 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 12 July 2013.

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:

Events		**Book close period**
For attendance to 2013 Annual General Meeting	:	3 June 2013 – 5 June 2013, both dates inclusive
For entitlement to final dividend	:	13 June 2013 and 14 June 2013 (Record date being 14 June 2013)

In order to qualify for attendance to the Company's 2013 Annual General Meeting which is scheduled to be held on Wednesday, 5 June 2013 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 2013 Annual General Meeting	:	31 May 2013
For entitlement to final dividend	:	11 June 2013

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2012, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") (previously known as Code on Corporate Governance Practices (the "Former 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 should be separate and should not be performed by the same individual. Under the current organisational structure of the Company, the functions of a chief executive are performed by the Group Executive Chairman, Mr. Lee Seng Huang, in conjunction with the other three Executive Directors, Mr. William Leung Wing Cheung, Mr. Joseph Tong Tang and Mr. Peter Anthony Curry. 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. William Leung leads the overall business of Sun Hung Kai Financial Limited. 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 and risk management.

The Board believes that this structure spreads the workload that would otherwise be borne by an individual chief executive, 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 Provision A.6.7

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should also attend general meetings. Due to other business engagements, some Non-Executive Directors (including some Independent Non-Executive Directors ("INEDs")) could not attend the 2012 Annual General Meeting held on 30 May 2012 and the Extraordinary General Meeting held on 23 July 2012. However, at the respective general meetings of the Company, there were Executive Directors, a Non-Executive Director and INEDs present to enable the Board to develop a balanced understanding of the views of the Shareholders.

(c) Code Provision B.1.2 (then B.1.3 of the Former CG Code)

Code provision B.1.2 of the CG Code (then B.1.3 of the Former CG Code) stipulates that the terms of reference of the remuneration 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 of the Former CG Code, except that the Remuneration Committee should review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision). Certain amendments have been made to the Former CG Code with effect from 1 April 2012, including code provision B.1.2 of the CG Code (B.1.3 of the Former CG Code), which now accommodates a model where the remuneration committee performs an advisory role as to the remuneration packages of the Executive Directors and senior management. Accordingly, the revised terms of reference of the Remuneration Committee adopted to align with the CG Code are in compliance with the code provision B.1.2 except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the new code provision B.1.2).

(d) Code Provision C.3.3

The terms of reference of the Audit Committee adopted by the Company are in compliance with the code provision C.3.3, except that the Audit Committee should (i) recommend (as opposed to implement under the code provision) the policy on engaging the external auditor to supply non-audit services; (ii) scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective internal control system; (iii) promote (as opposed to ensure under the code provision) co-ordination between the internal audit and external auditor; and (iv) check (as opposed to ensure under the code provision) whether the internal audit is adequately resourced and has appropriate standing within the Company.

The reasons for the above deviations (c) and (d) had been set out in the Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31 December 2011.

The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to their respective terms of reference as adopted and amended by the Company. The Board will review the terms of reference at least annually and would make appropriate changes if considered necessary.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2012 Annual Report which will be issued before end of April 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2012, the Company repurchased a total of 15,937,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$65,661,700. 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$)*
January	856,000	4.09	3.97	3,432,520
April	10,600,000	4.00	3.90	41,650,000
July	93,000	3.75	3.74	348,650
October	847,000	4.40	4.03	3,628,240
November	3,541,000	4.99	4.46	16,602,290
	15,937,000			65,661,700

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 2012.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management of the Company the Group's financial statements for the year ended 31 December 2012, 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 2012 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, 21 March 2013

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, 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