新鴻基有限公司

SUN HUNG KAI & CO. LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board of Directors (the "Board" or the "Directors") of Sun Hung Kai & Co. Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30.6.2013	30.6.2012
		Unaudited	Unaudited
	Notes	***HK$ Million***	*HK$ Million*
Revenue (turnover)		**2,173.8**	1,773.8
Other income	*3*	**23.3**	103.8
Total income		**2,197.1**	1,877.6
Brokerage and commission expenses		**(128.5)**	(88.8)
Advertising and promotion expenses		**(52.8)**	(55.8)
Direct cost and operating expenses		**(37.0)**	(40.4)
Administrative expenses		**(691.2)**	(609.4)
Net (loss) profit on financial assets and liabilities	*4*	**(63.7)**	53.7
Net exchange (loss) gain		**(54.7)**	9.7
Bad and doubtful debts	*5*	**(222.9)**	(230.2)
Finance costs		**(183.8)**	(80.0)
Other expenses		**(31.8)**	(6.2)
		730.7	830.2
Share of results of associates		**9.2**	2.0
Share of results of joint ventures		**4.8**	0.2
Profit before taxation	*6*	**744.7**	832.4
Taxation	*7*	**(155.9)**	(126.9)
Profit for the period		**588.8**	705.5
Profit attributable to:			
– Owners of the Company		**380.2**	514.3
– Non-controlling interests		**208.6**	191.2
		588.8	705.5
Earnings per share	*9*		
– Basic (HK cents)		**17.8**	24.5
– Diluted (HK cents)		**17.8**	24.5

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended	
	30.6.2013	30.6.2012
	Unaudited	Unaudited
	HK$ Million	*HK$ Million*
Profit for the period	**588.8**	705.5
Other comprehensive income (expenses) that may be reclassified subsequently to profit or loss		
Available-for-sale investments		
– Net fair value changes during the period	**1.2**	(7.9)
– Reclassification adjustment to profit or loss on disposal	**–**	(43.6)
Exchange differences arising on translating foreign operations	**81.8**	(33.6)
Reclassification adjustment to profit or loss on liquidation of subsidiaries	**31.5**	–
Other comprehensive income (expenses) for the period	**114.5**	(85.1)
Total comprehensive income for the period	**703.3**	620.4
Total comprehensive income attributable to:		
– Owners of the Company	**459.1**	443.8
– Non-controlling interests	**244.2**	176.6
	703.3	620.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30.6.2013 Unaudited *HK$ Million***	31.12.2012 Audited *HK$ Million*
Non-current Assets			
Investment properties		**781.4**	760.9
Leasehold interests in land		**9.8**	9.8
Property and equipment		**241.9**	240.5
Intangible assets		**994.4**	1,001.4
Goodwill		**2,384.0**	2,384.0
Interest in associates		**70.0**	60.4
Interest in joint ventures		**122.8**	121.5
Available-for-sale investments		**133.5**	120.4
Financial assets at fair value through profit or loss		**336.4**	286.1
Statutory deposits		**30.2**	26.5
Deferred tax assets		**133.4**	106.0
Amounts due from associates		**51.5**	51.4
Loans and advances to consumer finance customers	*10*	**3,149.3**	3,057.6
Trade and other receivables	*11*	**1,956.0**	720.0
Deposits for acquisition of property and equipment		**74.2**	20.4
		10,468.8	8,966.9
Current Assets			
Financial assets at fair value through profit or loss		**439.6**	469.0
Taxation recoverable		**12.3**	17.6
Amounts due from associates and joint ventures		**5.8**	5.6
Loans and advances to consumer finance customers	*10*	**5,444.3**	5,236.2
Trade and other receivables	*11*	**6,862.3**	5,525.0
Bank deposits		**840.2**	467.8
Cash and cash equivalents		**3,548.2**	4,567.5
		17,152.7	16,288.7
Current Liabilities			
Dividend payable		**(256.8)**	–
Financial liabilities at fair value through profit or loss		**(75.2)**	(52.7)
Bank and other borrowings		**(2,155.2)**	(3,166.6)
Trade and other payables	*12*	**(1,947.4)**	(1,337.6)
Amounts due to fellow subsidiaries and a holding company		**(13.8)**	(8.9)
Amounts due to associates		**(0.1)**	(0.1)
Provisions		**(18.0)**	(33.0)
Taxation payable		**(160.8)**	(102.2)
Bonds and notes		**(361.0)**	–
		(4,988.3)	(4,701.1)
Net Current Assets		**12,164.4**	11,587.6
Total Assets less Current Liabilities		**22,633.2**	20,554.5

	30.6.2013	31.12.2012
	Unaudited	Audited
	HK$ Million	*HK$ Million*
Capital and Reserves		
Share capital	**425.5**	432.4
Reserves	**12,455.9**	12,430.6
Equity attributable to owners of the Company	**12,881.4**	12,863.0
Non-controlling interests	**3,229.3**	3,102.3
Total Equity	**16,110.7**	15,965.3
Non-current Liabilities		
Deferred tax liabilities	**211.7**	210.4
Bank and other borrowings	**2,872.5**	1,174.4
Provisions	**10.0**	10.1
Bonds and notes	**3,428.3**	3,194.3
	6,522.5	4,589.2
	22,633.2	20,554.5

Notes:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the period, the Group adopted certain new and revised Standards and Amendments to Standards that are mandatorily effective for the Group's financial year beginning on 1 January 2013. The adoption of these Standards and Amendments has had no material effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods. Except as described below and the application of HKFRS 10 and HKFRS 11, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2012.

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

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. As a result, the condensed consolidated income statement and condensed consolidated statement of comprehensive income are renamed as condensed consolidated statement of profit or loss and condensed consolidated statement of profit or loss and other comprehensive income during the period. As required by the amendments, the items of other comprehensive income are also grouped into two categories in the condensed consolidated statement of profit or loss and other comprehensive income: (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.

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. In accordance with the transitional provisions of HKFRS 13, additional information was disclosed in the notes to the condensed consolidated interim financial statements.

2. SEGMENT INFORMATION

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

	Six months ended 30 June 2013				
	Wealth Management and Brokerage *HK$ Million*	**Capital Markets** *HK$ Million*	**Consumer Finance** *HK$ Million*	**Principal Investments** *HK$ Million*	**Total** *HK$ Million*
Brokerage/commission revenue	**287.4**	**11.2**	**–**	**1.3**	**299.9**
Non brokerage/commission revenue	**185.8**	**173.6**	**1,487.0**	**155.0**	**2,001.4**
Segment revenue	**473.2**	**184.8**	**1,487.0**	**156.3**	**2,301.3**
Less: inter-segment revenue	**(1.3)**	**–**	**–**	**(126.2)**	**(127.5)**
Segment revenue from external customers	**471.9**	**184.8**	**1,487.0**	**30.1**	**2,173.8**
Segment profit or loss	**125.1**	**81.1**	**625.5**	**(101.0)**	**730.7**
Share of results of associates	**–**	**–**	**–**	**9.2**	**9.2**
Share of results of joint ventures	**1.8**	**–**	**–**	**3.0**	**4.8**
Profit (loss) before taxation	**126.9**	**81.1**	**625.5**	**(88.8)**	**744.7**
Included in segment profit or loss:					
Interest income	**139.1**	**150.7**	**1,479.4**	**14.1**	**1,783.3**
Other income	**0.2**	**1.5**	**2.1**	**19.5**	**23.3**
Net profit (loss) on financial assets and liabilities	**25.6**	**3.6**	**–**	**(92.9)**	**(63.7)**
Net exchange loss	**(5.5)**	**(11.4)**	**(16.2)**	**(21.6)**	**(54.7)**
Bad and doubtful debts	**6.4**	**3.5**	**(232.4)**	**(0.4)**	**(222.9)**
Finance costs	**(41.0)**	**(61.7)**	**(98.6)**	**(88.1)**	**(289.4)**
Less: inter-segment finance costs	**39.3**	**61.7**	**3.6**	**1.0**	**105.6**
Finance costs to external suppliers	**(1.7)**	**–**	**(95.0)**	**(87.1)**	**(183.8)**

	Six months ended 30 June 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	238.7	13.6	–	0.2	252.5
Non brokerage/commission revenue	197.1	88.5	1,213.1	57.6	1,556.3
Segment revenue	435.8	102.1	1,213.1	57.8	1,808.8
Less: inter-segment revenue	(2.8)	–	–	(32.2)	(35.0)
Segment revenue from external customers	433.0	102.1	1,213.1	25.6	1,773.8
Segment profit or loss	75.7	30.5	557.3	166.7	830.2
Share of results of associates	–	–	–	2.0	2.0
Share of results of joint ventures	1.8	–	–	(1.6)	0.2
Profit before taxation	77.5	30.5	557.3	167.1	832.4
Included in segment profit or loss:					
Interest income	158.5	66.7	1,207.6	11.7	1,444.5
Other income	1.1	0.1	2.2	100.4	103.8
Net profit (loss) on financial assets and liabilities	15.1	(4.3)	–	42.9	53.7
Net exchange gain (loss)	(0.4)	(2.1)	14.1	(1.9)	9.7
Bad and doubtful debts	(27.8)	(20.0)	(182.4)	–	(230.2)
Finance costs	(23.3)	(8.8)	(75.9)	(4.7)	(112.7)
Less: inter-segment finance costs	19.8	8.8	1.2	2.9	32.7
Finance costs to external suppliers	(3.5)	–	(74.7)	(1.8)	(80.0)

The geographical information of revenue is disclosed as follows:

	Six months ended	
	30.6.2013	30.6.2012
	HK$ Million	*HK$ Million*
Revenue from external customers by location of operations		
– Hong Kong	**1,541.9**	1,361.1
– Mainland China	**618.8**	407.1
– Others	**13.1**	5.6
	2,173.8	1,773.8

3. OTHER INCOME

	Six months ended	
	30.6.2013	30.6.2012
	HK$ Million	*HK$ Million*
Net realised profit on disposal of available-for-sale investments	**0.6**	82.6
Increase in fair value of investment properties	**18.5**	16.5
Miscellaneous income	**4.2**	4.7
	23.3	103.8

4. NET (LOSS) PROFIT ON FINANCIAL ASSETS AND LIABILITIES

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

	Six months ended	
	30.6.2013	30.6.2012
	HK$ Million	*HK$ Million*
Net realised and unrealised (loss) profit on derivatives	**(44.0)**	6.1
Net profit on other dealing activities	**0.2**	0.6
Net realised and unrealised (loss) profit on trading in equity securities	**(60.2)**	47.5
Net realised and unrealised loss on trading in bonds and notes	**(6.7)**	–
Net realised and unrealised profit (loss) on financial assets designated as at fair value through profit or loss	**47.0**	(0.5)
	(63.7)	53.7

5. BAD AND DOUBTFUL DEBTS

	Six months ended	
	30.6.2013	30.6.2012
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Impairment loss	**(232.4)**	(182.4)
Trade and other receivables		
– Reversal of impairment loss	**9.9**	–
– Impairment loss	**–**	(47.8)
– Bad debts written off	**(0.4)**	–
	9.5	(47.8)
Bad and doubtful debts recognised in profit or loss	**(222.9)**	(230.2)

The following is the amounts written off in allowance of impairment against the receivables and recoveries credited to allowance of impairment during the period:

	Six months ended	
	30.6.2013	30.6.2012
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Amounts written off in allowance of impairment	**(249.0)**	(179.1)
– Recoveries credited to allowance of impairment	**40.8**	31.5
Trade and other receivables		
– Amounts written off in allowance of impairment	**(137.0)**	(0.2)

6. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2013	30.6.2012
	HK$ Million	*HK$ Million*
Profit before taxation has been arrived at after crediting (charging):		
Dividends from listed investments	**1.4**	1.2
Dividends from unlisted investments	**3.8**	3.3
Interest income	**1,783.3**	1,444.5
Amortisation of leasehold interests in land	**(0.2)**	(0.2)
Depreciation of property and equipment	**(28.5)**	(26.1)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	**(15.3)**	(14.6)
– Intangible assets acquired in business combination (included in direct cost and operating expenses)	**(3.1)**	(11.2)
Interest expenses	**(175.0)**	(77.9)
Net loss on disposal/write-off of equipment	**(0.3)**	(0.1)
Share of taxation of associates and joint ventures	**(1.5)**	(1.6)

7. TAXATION

	Six months ended	
	30.6.2013	30.6.2012
	HK$ Million	*HK$ Million*
Current tax		
– Hong Kong	**109.2**	95.8
– PRC and other jurisdictions	**73.6**	38.3
	182.8	134.1
Over provision in prior years	**(1.0)**	(4.0)
	181.8	130.1
Deferred tax		
– Current period	**(25.9)**	(3.2)
	155.9	126.9

Hong Kong profits tax is calculated at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the period. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2012: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in the relevant jurisdictions.

8. DIVIDEND

	Six months ended	
	30.6.2013	30.6.2012
	HK$ Million	*HK$ Million*
Dividends recognised as distribution during the period		
– 2012 final dividend of HK12 cents (2011 final dividend: HK10 cents) per share	**256.8**	210.8

Subsequent to the end of the interim reporting period, the Board of Directors has declared an interim dividend of HK10 cents per share (2012: HK10 cents per share) amounting to HK$212.8 million (2012: HK$213.1 million).

9. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2013	30.6.2012
	HK$ Million	*HK$ Million*
Earnings		
Earnings for the purpose of basic earnings per share and diluted earnings per share (profit for the period attributable to owners of the Company)	**380.2**	514.3
	Million Shares	*Million Shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,132.9**	2,099.7
Effect of dilutive potential ordinary shares:		
– Shares held for the SHK Employee Ownership Scheme	**0.1**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,133.0**	2,099.7

As the exercise price of the Company's warrants is above the average share price of the Company, the warrants have no effect of dilutive potential ordinary shares for both periods.

10. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	30.6.2013	31.12.2012
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers	**9,079.1**	8,753.5
Less: impairment allowance	**(485.5)**	(459.7)
	8,593.6	8,293.8
Analysed for reporting purposes as:		
– Non-current assets	**3,149.3**	3,057.6
– Current assets	**5,444.3**	5,236.2
	8,593.6	8,293.8

11. TRADE AND OTHER RECEIVABLES

	30.6.2013	31.12.2012
	HK$ Million	*HK$ Million*
Trade receivables – accounts receivable from exchanges, brokers and clients	**1,072.4**	988.7
Less: impairment allowance	**(19.4)**	(29.0)
	1,053.0	959.7
Secured term loans	**3,098.1**	1,869.8
Less: impairment allowance	**(4.8)**	(132.9)
	3,093.3	1,736.9
Margin loans	**3,920.4**	3,419.3
Less: impairment allowance	**(123.4)**	(132.6)
	3,797.0	3,286.7
Renminbi denominated bonds issued by a Singapore listed company	**124.3**	–
Other receivables		
– Deposits	**70.2**	43.1
– Dividend receivable on behalf of clients	**511.9**	15.5
– Claims from counter parties, receivable from sale proceeds and other receivables	**121.5**	190.3
	703.6	248.9
Trade and other receivables at amortised cost	**8,771.2**	6,232.2
Prepayments	**46.8**	12.5
Current portion of leasehold interests in land	**0.3**	0.3
	8,818.3	6,245.0
Analysed for reporting purposes as:		
– Non-current assets	**1,956.0**	720.0
– Current assets	**6,862.3**	5,525.0
	8,818.3	6,245.0

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

	30.6.2013	31.12.2012
	HK$ Million	*HK$ Million*
Less than 31 days	**1,020.6**	947.2
31 – 60 days	**3.9**	4.6
61 – 90 days	**4.4**	4.0
91 – 180 days	**3.1**	0.8
Over 180 days	**30.7**	45.7
	1,062.7	1,002.3
Term loans, margin loans, and trade and other receivables without ageing	**7,856.1**	5,524.4
Impairment allowances	**(147.6)**	(294.5)
Trade and other receivables at amortised cost	**8,771.2**	6,232.2

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:

	30.6.2013	31.12.2012
	HK$ Million	*HK$ Million*
Less than 31 days	**1,176.7**	1,054.6
31 – 60 days	**9.0**	11.8
61 – 90 days	**8.4**	9.2
91 – 180 days	**12.4**	26.9
Over 180 days	**4.9**	19.6
	1,211.4	1,122.1
Accrued staff costs, other accrued expenses and other payables without ageing	**736.0**	215.5
	1,947.4	1,337.6

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2013, the Group's profit attributable to owners of the Company amounted to HK$380.2 million, lower than the HK$514.3 million achieved for the same period in 2012. Whilst the operating earnings of our businesses experienced satisfactory growth of 29%, a reduction in other income and mark-to-market valuation adjustments on our Principal Investments portfolio caused a decline in overall profit for the first half of 2013. The mark-to-market valuations in our financial assets and liabilities is non-cash in nature, and our core businesses continue to stay on course, producing satisfactory growth.

Earnings per share for the six month period was HK17.8 cents and the Board has declared an interim dividend of HK10 cents per share.

The Group's revenue increased by 23% to HK$2,173.8 million. Operating earnings saw a healthy increase of 29% with both Sun Hung Kai Financial and United Asia Finance delivering improved operating results.

The Group's Sun Hung Kai Financial business (comprising its Wealth Management and Brokerage, and Capital Markets segments) faced continued market volatility in the first half of 2013. Despite a strong start, perceptions of economic sluggishness in China, as well as the possibility of the Federal Reserve reducing the degree of monetary easing in the US, helped to induce a sharp sell off. China's new central government leaders officially came into power in March and the focus of the new government appears to be on a necessary rebalancing the economy towards greater domestic consumption, and reforming China's financial system, rather than purely on GDP growth. In the event, China's GDP growth in the first half of 2013 was 7.6%, a slight decrease from the 7.8% reported for 2012. Hong Kong and China equity markets declined in June when China's inter-bank lending rates temporarily spiked, reflecting concerns about liquidity risk in China's banking system. The Hang Seng Index declined 8% and the HSCEI fell 19% in the first half of 2013.

The somewhat slower growth in Mainland China affected SHK's consumer finance business (operated under United Asia Finance Limited, "UAF"), although UAF's financial performance was stronger than in the same period last year as we continued to expand our network in the Mainland.

The Group's core strategy remains to:

– prudently grow the Group's loan portfolios while maintaining a balance of yield relative to return;

– grow fee income, especially from wealth management products that are less subject to short term market vagaries; and

– continue to improve our balance sheet structure and efficiency.

RESULTS ANALYSIS

The 23% growth in revenue for the Group in the first half of 2013 was driven by a 23% increase in interest income and a 19% increase in commission income, along with fees predominantly from the Sun Hung Kai Financial business.

Revenue from Mainland China saw a strong year-on-year increase of 52%, as a result of the growth of the UAF business. This accounted for 28% of the Group's total revenue and has emerged as a significant driver of the Group's business.

Operating costs have remained stable given the growth of our business. Finance costs increased to HK$183.8 million from HK$80.0 million during the first half of the year, largely from the Group's US$350 million guaranteed notes issued in September 2012. With somewhat lower overall bad debt expenses, operating earnings increased at a satisfactory rate of 29%.

However, profit before taxation declined by 11%; the difference is mostly accounted for by the reduction in other income and also the mark-to-market valuation adjustments in the Principal Investments segment of the Group's business.

(HK$ Million)	**1H2013**	**1H2012**	**Change**
Revenue	**2,173.8**	**1,773.8**	**23%**
Operating expenses	(909.8)	(800.6)	14%
Finance costs	(183.8)	(80.0)	130%
Operating Earnings Before Bad and Doubtful Debts	**1,080.2**	**893.2**	**21%**
Bad and doubtful debts	(222.9)	(230.2)	-3%
Operating Earnings	**857.3**	**663.0**	**29%**
Other income	23.3	103.8	
Other non-operating expenses^	(31.5)	–	
Net exchange (loss) gain	(54.7)	9.7	
Net (loss) profit on financial assets and liabilities	(63.7)	53.7	
Associates	9.2	2.0	
Joint ventures	4.8	0.2	
Profit Before Taxation	**744.7**	**832.4**	**-11%**
Taxation	(155.9)	(126.9)	23%
Non-controlling interests	(208.6)	(191.2)	9%
Profit attributable to owners of the Company	**380.2**	**514.3**	**-26%**

^ Loss recognised from the liquidation of a subsidiary in the Philippines that ceased operations many years ago and included in the "other expenses" item in the Condensed Consolidated Statement of Profit or Loss

Compared to December 2012, total loans and advances to customers (after impairment allowances) increased by 16% to HK$15.5 billion. On a year-on-year basis, the increase was 30%, while total interest income rose 23%. In Sun Hung Kai Financial, additional resources were allocated to our structured finance business (term loans) where there is some greater pricing flexibility.

Loans and Advances to Customers (HK$ Million)

As at	**30.6.2013**	**31.12.2012**	**30.6.2012**	**YTD %**	**YoY %**
Total loans and advances to customers:	**15,483.9**	13,317.4	11,880.2	16%	30%
Margin Loans	**3,797.0**	3,286.7	3,478.6	16%	9%
Secured Term Loans	**3,093.3**	1,736.9	814.6	78%	280%
Consumer Finance Loans	**8,593.6**	8,293.8	7,587.0	4%	13%

BUSINESS REVIEW

Wealth Management and Brokerage

(HK$ Million)	**1H2013**	**1H2012**	**Change**
Revenue	**471.9**	**433.0**	**9%**
– Interest income	139.1	158.5	-12%
– Brokerage/commission revenue	287.4	238.7	20%
– Other fee based income	45.4	35.8	27%
Operating costs	(332.5)	(322.0)	3%
Cost to income (% Revenue)	70.5%	74.4%	
Bad and doubtful debts	6.4	(27.8)	
Finance costs^	(41.0)	(23.3)	76%
Operating Earnings	**104.8**	**59.9**	**75%**
Other income	0.2	1.1	
Exchange loss	(5.5)	(0.4)	
Net profit on financial assets and liabilities	25.6	15.1	
Joint ventures	1.8	1.8	
Pre-tax Contribution	**126.9**	**77.5**	**64%**

^ Include internal

In the Wealth Management and Brokerage segment, revenue and contribution to profit before tax achieved satisfactory increases of 9% and 64% respectively on a year-on-year basis. Operating earnings increased by 75%. A profit of HK$25.6 million (2012: HK$15.1 million) from financial assets and liabilities was recorded. This reflected recoveries in financial investments which had been previously written off.

We are continuing to transform Sun Hung Kai Financial into a wealth management firm providing an independent, one stop shop service to our clients. During the first half of 2013, brokerage and commission revenue in this segment increased by 20%. Commissions from wealth management products experienced a robust rise of 69% and accounted for 42% of the segment's total commission income, largely due to our increased focus on high net worth customers and expansion of our product platform. Resources have been devoted to improving the quality of our service infrastructure; including strengthening product research and training.

Commission from the broking business remains steady but the share of commission income from this segment declined to 57%. Assisted by bullish market sentiment at the beginning of 2013, the average daily turnover in the Hong Kong market rebounded to HK$68 billion in the first half of 2013, 20% higher than last year and aligning back with the average for the past five years. However, in view of unhealthy competition in the industry where some competitors are pursuing unprofitable growth strategies in the mass market segment, we have focused on profitability rather than market share.

In June, Sun Hung Kai Financial entered into a long term strategic cooperation agreement with China Everbright Bank, providing their high net worth customers access to our products and services, and acting in the role of their cross-border financial services partner. Together with our existing CIES platform, long term growth opportunities should be created with our Mainland Chinese background client base. We will continue to look for these types of opportunities in the future, especially as Mainland China opens up avenues for foreign entities to participate in its financial services industry.

Sun Hung Kai Financial's margin loan business was steady in the first half of 2013. The segment's interest income was HK$139.1 million, compared against HK$158.5 million last year. As at June 2013, the margin loan balance was HK$3.8 billion (December 2012: HK$3.3 billion; June 2012: HK$3.5 billion). We adopted a prudent approach to risk management in writing new loans and no bad debt charges were incurred during the period.

As noted earlier, the market experienced a sell down in June, and some uncertainties are expected to persist. By continuing our transformation into a wealth management platform, our aim is to make our revenue stream less market-dependent. We will also be able to better service our customers by offering a wider choice of financial products.

Capital Markets

(HK$ Million)	1H2013	1H2012	Change
Revenue	**184.8**	**102.1**	**81%**
– Interest income	150.7	66.7	126%
– Brokerage/commission revenue	11.2	13.6	-18%
– Other fee based income	22.9	21.8	5%
Operating costs	(39.2)	(36.5)	7%
Cost to income (% Revenue)	21.2%	35.7%	
Finance costs^	(61.7)	(8.8)	
Bad and doubtful debts	3.5	(20.0)	
Operating Earnings	**87.4**	**36.8**	**138%**
Other income	1.5	0.1	
Exchange loss	(11.4)	(2.1)	
Net profit (loss) on financial assets and liabilities	3.6	(4.3)	
Pre-tax Contribution	**81.1**	**30.5**	**166%**

^ Include internal

This segment includes our equity and debt fundraising solutions for corporate and institutional clients, encompassing corporate finance, structured lending, equity capital markets, client solutions, and corporate and institutional sales.

Driven by the growth in our structured finance business, revenue increased by 81% to HK$184.8 million. Operating earnings increased by 138%. Contribution to pre-tax profit amounted to HK$81.1 million (2012: HK$30.5 million).

In response to increasing market demand, the Group's structured finance business achieved significant growth in the first half of 2013. At the end of June 2013, our net term loans balance was HK$3,093.3 million, an increase of 78% from the end of 2012 (HK$1,736.9 million) and a 280% increase on a year-on-year basis. As a result, interest income amounted to HK$150.7 million, more than double the interest income derived during the corresponding period in 2012. On top of our own lending, our Client Solutions team also completed a RMB134 million dim sum structured notes offering for a corporate client. The Group's continued ability to fund our corporate customers will enhance our relationships and should attract other corporate finance transactions.

The segment's non-interest income has been relatively steady this year. The performance of our Corporate Finance department reflected the difficult market we have encountered in the first six months of this year. For the Hong Kong capital market as a whole, fundraising volume has declined since 2012 and activity has remained low. Nevertheless, our Corporate Finance team was involved in five IPO sponsorship-related transactions, eight fundraising exercises and two financial advisory transactions during this period. Additionally, our Equity Capital Markets department was involved in the underwriting of two IPOs, and also participated in the placement of six IPOs and ten placements/block trades during this period.

Consumer Finance

(HK$ Million)	1H2013	1H2012	Change
Revenue	**1,487.0**	**1,213.1**	**23%**
Operating Costs	(516.4)	(413.8)	25%
Cost to income (% Revenue)	34.7%	34.1%	
Finance costs^	(98.6)	(75.9)	
Bad and doubtful debts	(232.4)	(182.4)	
Operating earnings	**639.6**	**541.0**	**18%**
Other income	2.1	2.2	
Exchange (loss) gain	(16.2)	14.1	
Pre-tax Contribution	**625.5**	**557.3**	**12%**

^ Include internal

The Group's consumer finance business, operated through UAF, focuses on consumer loans in both Hong Kong and Mainland China. Its main category of products is unsecured personal loans.

The consumer finance segment delivered generally satisfactory results in the first half of 2013. Revenue rose by 23% for the period under review and contribution to pre-tax profit increased to HK$625.5 million, 12% higher than in the corresponding interim period in 2012.

At the end of the period, the net consumer finance loan balance amounted to HK$8.6 billion, a 4% half yearly growth since the end of 2012 and 13% year-on-year increase since June 2012. The growth rate for the interim period of our Hong Kong and Mainland China loan books were similar.

Bad and doubtful debt charges increased from HK$182.4 million for the interim period last year to HK$232.4 million for the current period. These charges include the bad debts written off net of recoveries during the period, as well as the change in the impairment allowances (which is calculated on the basis of historical charge off ratios). During the period, bad debts written off, net of recoveries amounted to HK$208.2 million (2012: HK$147.6 million). On an annualised basis, this was 4.6% of the period end gross loan balance, as compared to 3.7% for the first half of 2012. This ratio is still considered to be satisfactory based on the business' historical performance.

The revenue and pre-tax contributions from the PRC consumer finance business increased by approximately 53% and 54% respectively, in line with the year-on-year percentage loan growth.

Loan growth during the first half of 2013 saw a 2.8% increase in the gross principal balance since last year end despite the seasonal high level of loan repayments after the Chinese New Year, and the slower growth in the PRC economy during the period.

Despite challenges, we believe that the fundamentals of UAF's business in Mainland China remain solid, taking into account our geographical business coverage, strong sales force, and expanded branch network.

Branch network

City/Province	**Number of new branches opened in the first half of 2013**	**Number of branches as at 30 June 2013**
Hong Kong	–	46
Shenzhen	–	43
Shenyang	2	7
Chongqing	2	7
Tianjin	–	4
Chengdu	–	7
Yunnan province	–	6
Dalian	1	7
Beijing	2	4
Wuhan	2	3
Shanghai	2	2
Fuzhou	3	3
Harbin	1	1
Total	15	140

UAF added 15 new branches to its network in Mainland China, making a total of 94 branches at end of June 2013. Money lending businesses in Shanghai, Fuzhou and Harbin started in the first quarter of 2013. Up to the publication of this announcement, UAF has established consumer finance operations in 12 cities. UAF will continue to pursue new money lending licenses in cities with potential and expand its branch network presence within existing cities.

Despite keen competition, the business in Hong Kong continued to contribute significantly to UAF's profitability. A new "No Show Loan" product was launched in the second half of 2012 and has been well-received by consumers in the market. The product was designed to meet consumers' need for a fast and efficient loan service with a straightforward loan documentation process.

In May 2013, UAF completed a second RMB500 million dim sum bond issue, with the final subscription significantly exceeding its launch size. This was a second drawdown from the US$3 billion Medium Term Note Programme established in March 2011, and allowed UAF to demonstrate again its capability to tap funding sources in the debt capital market.

Some of the uncertainties noted earlier about economic conditions in Mainland China may make the second half of 2013 more challenging. However, as a leading consumer finance company with a well-established marketing platform, UAF is well-positioned to capture opportunities as they emerge.

Principal Investments

This segment manages the Group's capital investments in a variety of businesses and transactions. It also manages a portfolio of listed and un-listed investments to create synergies and business opportunities with the other segments of the Group. During the first half of 2013, this segment recorded a loss of HK$88.8 million, compared with a profit of HK$167.1 million during the first half of 2012.

This result included a HK$92.9 million mark-to-market loss (2012: HK$42.9 million gain) on financial assets and liabilities from our proprietary investment portfolio. These are unrealised losses and have been partially recovered since the end of June as markets improved.

Other income of HK$19.5 million came mainly from the revaluation of the Group's property investment portfolio. This was about 80% lower than the same period last year, with the notable absence in gain of disposal for available-for-sale assets during the period. A HK$31.5 million expense was incurred from the recognition of losses at the completion of the liquidation of a subsidiary in the Philippines which ceased operations many years ago.

Anticipating a modest slowdown in Mainland China and a possible tapering-off of QE3 later in the year, we will continue to remain cautious in our investment strategy and adjust our investment portfolio as the economic environment requires.

OUTLOOK

Necessary adjustments to Mainland China's economy have caused some uncertainty in parts of the market, and may impact on both our Consumer Finance and Sun Hung Kai Financial businesses. However, with our financial strength and long history of managing the business through various cycles, our fundamentals remain strong. As always, we will remain vigilant on costs and adopt a prudent approach in our growth strategies.

FINANCIAL REVIEW

Financial Resources, Liquidity and Capital Structure

As at 30 June 2013, equity attributable to owners of the Company amounted to HK$12,881.4 million, representing an increase of HK$18.4 million from 31 December 2012. During the period ended 30 June 2013, the trustee of the SHK Employee Ownership Scheme (the "EOS") acquired 0.5 million shares of the Company through purchases on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the shares awarded under the scheme. The Company repurchased 34.4 million shares for a total consideration (including expenses) of HK$185.9 million.

The Group maintained a strong cash position and short-term bank deposits, bank balances and cash, amounting to HK$4,388.4 million (at 31 December 2012: HK$5,035.3 million).

Meanwhile, the Group's total borrowings comprising bank and other borrowings, bonds and notes, amounted to HK$8,817.0 million (at 31 December 2012: HK$7,535.3 million). HK$2,516.2 million is repayable within one year and HK$6,300.8 million is repayable after one year (at 31 December 2012: HK$3,166.6 million and HK$4,368.7 million respectively).

Bonds and notes of the Group as at 30 June 2013 comprised US dollar denominated notes equivalent to HK$2,659.1 million and Renminbi denominated notes and bonds equivalent to HK$1,130.2 million which are charged at fixed coupon rates. The Group's bank and other borrowings (charged at floating interest rates) were in HK dollars and Renminbi as at 30 June 2013. 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 34.4% as at 30 June 2013 (at 31 December 2012: approximately 19.4%). Net debt represents the total of bank and other borrowings, bonds and notes less bank deposits, cash and cash equivalents.

The Group maintained foreign currency exposures to cater for its present and potential investment and operating activities. Any exchange risks are closely monitored by the Group and held within approved limits.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the period.

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$4.2 million were pledged for bank loans and overdrafts. Properties of the Group with a total book value of HK$490.6 million were pledged by subsidiaries to banks for installment loans granted to them with a total outstanding balance of HK$106.7 million as at 30 June 2013.

Contingent Liabilities

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

	30.6.2013	31.12.2012
	HK$ Million	*HK$ Million*
Guarantees for banking facilities granted to a joint venture	–	5.8
Indemnities on banking guarantees made available to a clearing house and regulatory body	**4.5**	4.5
Other guarantees	–	3.0
	4.5	13.3

(b) On 20 December 2007, a writ was issued by Cheung Lai Na 張麗娜 ("Ms. Cheung") against Tian An China Investments Company Limited ("Tian An") and Sun Hung Kai Financial Limited (formerly known as Sun Hung Kai Securities Limited) ("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], claiming the transfer of a 28% shareholding in a mainland PRC joint venture, Chang Zhou Power Development Company Limited ("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) ("HPC") ordered that the case be remitted back to the IPC for retrial. After the substantive retrial hearing took place on 29 March 2012, on 14 August 2012, the IPC dismissed Ms. Cheung's claim against Tian An and SHKF. Ms. Cheung appealed against the retrial decision of the IPC. The appeal hearing took place on 18 April 2013 and on 17 July 2013 the HPC dismissed Ms. Cheung's appeal. 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 30 June 2013, the Group's headcount stood at 5,235 (including Investment/Sales Consultants), representing an approximate increase of 22.9% compared with 30 June 2012. The bulk of this increase stemmed from UAF's business expansion in Mainland China (including the opening of 29 branches in Mainland China between July 2012 and June 2013). Staff costs (including Director's emoluments), contributions to retirement benefit schemes and expenses recognised for the EOS amounted to approximately HK$427.2 million (2012: HK$367.3 million).

The Group operates different compensation schemes to reflect different job roles within the organisation. For sales staff and investment/sales consultants, packages 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/performance-based incentive or base salary, as appropriate.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK10 cents per share (2012: HK10 cents per share) payable to the shareholders whose names appear on the register of members of the Company on 19 September 2013. Dividend warrants are expected to be dispatched on or around 11 October 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 September 2013 to 19 September 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 16 September 2013.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2013, 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") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, except for certain deviations which are summarised below:

(a) Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive 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 the decision-making process across the Company. The Board also considers that this structure will not impair the balance of power and authority between the Board and management of the Company. An appropriate balance can be maintained by the operation of the Board, which holds at least four regular meetings a year to discuss business and operational issues of the Group.

(b) Code 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 Independent Non-Executive Directors) could not attend both the extraordinary general meeting of the Company held on 8 February 2013, and the 2013 annual general meeting of the Company held on 5 June 2013 ("AGM"). However, there were Executive Directors, and a Non-Executive Director present at both meetings, and all the Independent Non-Executive Directors have attended the AGM.

(c) Code Provisions B.1.2

Code provision B.1.2 of the CG Code stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out therein.

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the code provision B.1.2 of the CG Code except that the Remuneration Committee should 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).

(d) Code Provision C.3.3

Code provision C.3.3 of the CG Code stipulates that the terms of reference of the audit committee should include at least those specific duties as set out therein.

The terms of reference of the Audit Committee adopted by the Company are in compliance with code provision C.3.3 of the CG Code, 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) were set out in the Corporate Governance Report contained in the Company's annual report for the financial year ended 31 December 2012. 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2013, the Company repurchased a total of 34,332,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$185,287,850. 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	14,812,000	5.65	5.12	80,032,420
February	7,020,000	5.68	5.41	39,041,420
March	3,096,000	5.40	5.16	16,476,760
April	6,582,000	5.55	5.02	34,498,380
May	2,822,000	5.45	5.31	15,238,870
	34,332,000			185,287,850

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2013.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited condensed consolidated financial report for the six months ended 30 June 2013. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

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

Hong Kong, 22 August 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, Ho Chi Kit *(Roy Kuan as his alternate)* and Leung Pak To *(Liu Zheng as his alternate)*

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