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

ANNOUNCEMENT OF 2014 FINAL RESULTS

LETTER FROM THE CHAIRMAN

2014 was not only our 45th anniversary, it was also an eventful year with new developments both in our Mainland China expansion and Internet finance strategy, and a year of solid growth despite challenges in the global financial landscape.

Sun Hung Kai & Co. Limited (the "Company", with its subsidiaries, the "Group") recorded a profit before tax of HK$2,157.4 million in 2014 (2013: HK$1,720.2 million). Profit attributable to owners of the Company amounted to HK$1,328.4 million (2013: HK$1,051.6 million), and earnings per share was HK61.7 cents (2013: HK49.4 cents). The Board of Directors of the Company (the "Board" or the "Directors") has recommended a final dividend of HK14 cents per share (2013: HK12 cents per share). Together with the interim dividend of HK10 cents per share and the special dividend of HK2 cents per share to commemorate the Group's 45th anniversary, the total dividend for the year will be HK26 cents (2013: HK22 cents), equivalent to a payout ratio of 42.8% of our profit attributable to owners of the Company.

In 2014, the Company and its subsidiaries executed a series of key initiatives. We entered into an investment and long-term strategic cooperation agreement with Dianrong.com to develop peer-to-peer (P2P) financial services in Mainland China and beyond. It is our intention to work with Dianrong.com's P2P lending business to accelerate the Group's online-to-offline (O2O) strategy roll-out in Mainland China and potentially other regions.

United Asia Finance Limited ("UAF"), the Company's Consumer Finance business, also entered a new phase of development by adopting a capital-light model. By setting up a marketing and credit guarantee business, we can augment the traditional business model and promote UAF's business with reduced geographical constraints. UAF also now works with Souyidai.com (a unit of Sohu.com Inc.) to provide loan products to P2P platforms and other financial institutions. Alliances with 58.com Inc. and Youche.com Inc. were established too. We will continue to assess and explore online lending opportunities.

UAF has expanded its branch network in Mainland China with the opening of its 139th branch. On 31 December 2014, UAF operated a total of 189 branches across 17 cities and provinces including Hong Kong and a number of major Mainland China cities, compared with 154 branches in 13 cities and provinces at the end of 2013. In 2014, UAF's total loan book exceeded HK$12 billion, representing an increase of 14% from 2013, and it is continuing to grow at an encouraging rate.

As for the Sun Hung Kai Financial business, our progress in the transformation to a leading wealth management company continued. Wealth management product commissions are on track to surpass our traditional brokerage income.

To further accelerate the growth of this business, we have been seeking a suitable Chinese strategic partner for the Group, to leverage its operating platform and gain greater access to customers in Mainland China. On 2 February 2015, we announced that Everbright Securities Company Limited ("Everbright Securities") is acquiring 70% of Sun Hung Kai Financial Group Limited ("SHKFGL"), which in turn owns Sun Hung Kai Financial Limited ("Sun Hung Kai Financial"). The transaction will deepen the ongoing strategic cooperation. The Everbright group has operations in banking, insurance, brokerage and funds management with over 60 million clients and about 1,200 branches and outlets in Mainland China. With this partnership, Sun Hung Kai Financial will be well placed for the fast-liberalising financial market in Mainland China. We remain steadfastly committed to Sun Hung Kai Financial, our 30% holding allows us to participate in the growing wealth management segment. This new structure is set to create substantial value for all stakeholders including our staff, clients and shareholders. The gain from the transaction will be booked in 2015.

The Group was recognised with an array of awards from leading financial publications. We received second consecutive Gold Award in *The Asset's* Excellence in Management and Corporate Governance Awards and Sun Hung Kai Financial won *Asiamoney's* "Best Local Brokerage" over the past 25 years in the Poll of Polls award. These awards are testament to good corporate governance, social and environmental responsibility, and focussed investor relations; as well as providing our clients with the best-in-class wealth management. We have also been named a 10 Years Plus Caring Company by the Hong Kong Council of Social Service, an acknowledgement of the Group's continuous support and contribution as a responsible corporate citizen of Hong Kong.

We will continue to grow our Structured Finance business with a focus on the funding needs of mid-sized companies. This strategy will complement the lending businesses of UAF. For Principal Investments, we will continue to invest alongside the Group's expertise and will be seeking opportunities to enhance shareholders' value. These businesses will benefit from the much-strengthened balance sheet following the SHKFGL transaction.

On behalf of the Board, I would like to thank our shareholders, business partners and clients for their trust and support. I would also like to extend my appreciation to our dedicated employees, both past and present, for their professionalism and contribution to the Group's success; over the last 45 years and into the future.

GROUP RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2014 as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	**2014** **HK$ Million**	2013 HK$ Million
Revenue (turnover)		**5,251.2**	4,575.5
Other income	3	**208.8**	103.8
Total income		**5,460.0**	4,679.3
Brokerage and commission expenses		**(283.0)**	(260.0)
Advertising and promotion expenses		**(134.3)**	(125.3)
Direct cost and operating expenses		**(60.5)**	(80.0)
Administrative expenses		**(1,730.1)**	(1,470.4)
Net profit on financial assets and liabilities	4	**114.6**	79.3
Net exchange gain (loss)		**17.7**	(75.8)
Bad and doubtful debts	5	**(798.3)**	(589.9)
Finance costs		**(455.1)**	(400.5)
Other expenses		**(16.4)**	(55.1)
		2,114.6	1,701.6
Share of results of associates		**5.6**	11.8
Share of results of joint ventures		**37.2**	6.8
Profit before taxation	6	**2,157.4**	1,720.2
Taxation	7	**(359.2)**	(260.3)
Profit for the year		**1,798.2**	1,459.9
Profit attributable to:			
– Owners of the Company		**1,328.4**	1,051.6
– Non-controlling interests		**469.8**	408.3
		1,798.2	1,459.9
Earnings per share	9		
– Basic (HK cents)		**61.7**	49.4
– Diluted (HK cents)		**61.7**	49.4

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$ Million	*HK$ Million*
Profit for the year	**1,798.2**	1,459.9
Other comprehensive income (expenses) that may be reclassified subsequently to profit or loss		
Available-for-sale investments		
– Net fair value changes during the year	**7.2**	(9.7)
– Reclassification adjustment to profit or loss on disposal	**(3.8)**	(0.1)
– Reclassification upon impairment	**–**	10.0
	3.4	0.2
Exchange differences arising on translating foreign operations	**(162.7)**	157.9
Reclassification adjustment to profit or loss on liquidation of subsidiaries	**0.4**	31.6
Reclassification adjustment to profit or loss on disposal of associates and joint ventures	**–**	(10.3)
Share of other comprehensive income of joint ventures	**(38.6)**	38.6
Other comprehensive income (expenses) for the year	**(197.5)**	218.0
Total comprehensive income for the year	**1,600.7**	1,677.9
Total comprehensive income attributable to:		
– Owners of the Company	**1,196.0**	1,203.2
– Non-controlling interests	**404.7**	474.7
	1,600.7	1,677.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	**31/12/2014 HK$ Million**	31/12/2013 HK$ Million
Non-current Assets			
Investment properties		**864.9**	811.3
Leasehold interests in land		**9.3**	9.8
Property and equipment		**447.5**	285.1
Intangible assets		**982.9**	985.9
Goodwill		**2,384.0**	2,384.0
Interest in associates		**35.7**	30.1
Interest in joint ventures		**198.9**	162.4
Available-for-sale investments		**232.6**	262.9
Financial assets at fair value through profit or loss		**603.5**	378.3
Statutory deposits		**39.9**	28.6
Deferred tax assets		**265.0**	201.6
Amounts due from associates and joint ventures		**64.7**	65.9
Loans and advances to consumer finance customers	*10*	**3,308.4**	3,440.5
Trade and other receivables	*11*	**1,468.2**	1,131.8
Deposits for acquisition of property and equipment		**108.5**	75.2
		11,014.0	10,253.4
Current Assets			
Financial assets at fair value through profit or loss		**924.2**	655.6
Taxation recoverable		**11.8**	6.4
Amounts due from associates and joint ventures		**0.2**	7.9
Loans and advances to consumer finance customers	*10*	**8,083.3**	6,603.0
Trade and other receivables	*11*	**7,682.7**	6,530.4
Amounts due from the immediate holding company		**–**	8.9
Bank deposits		**993.4**	755.6
Cash and cash equivalents		**4,051.2**	2,982.9
		21,746.8	17,550.7
Current Liabilities			
Financial liabilities at fair value through profit or loss		**66.3**	60.8
Bank and other borrowings		**3,833.9**	2,435.4
Trade and other payables	*12*	**2,819.8**	1,866.5
Amounts due to fellow subsidiaries and a holding company		**7.5**	25.7
Amounts due to associates		**0.1**	0.1
Provisions		**62.3**	45.9
Taxation payable		**186.0**	141.5
Notes		**71.3**	366.2
		7,047.2	4,942.1
Net Current Assets		**14,699.6**	12,608.6
Total Assets less Current Liabilities		**25,713.6**	22,862.0

	31/12/2014	31/12/2013
	HK$ Million	*HK$ Million*
Capital and Reserves		
Share capital	**8,752.3**	424.7
Reserves	**6,174.7**	12,977.4
Equity attributable to owners of the Company	**14,927.0**	13,402.1
Non-controlling interests	**3,740.3**	3,417.2
Total Equity	**18,667.3**	16,819.3
Non-current Liabilities		
Financial liabilities at fair value through profit or loss	**–**	42.9
Deferred tax liabilities	**201.5**	207.3
Bank and other borrowings	**3,196.0**	2,448.8
Provisions	**11.6**	11.6
Notes	**3,637.2**	3,332.1
	7,046.3	6,042.7
	25,713.6	22,862.0

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 2014. The adoption of these Amendments has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

New HKFRSs and Amendments in issue but not yet effective

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

Amendment to HKFRS 1	Disclosure Initiative[3]
HKFRS 9	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Except as described below, the management anticipates that the application of the new HKFRSs and amendments will not have material impact to 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. HKFRS 9 amended in 2013 includes the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include: (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" measurement category for certain debt instruments.

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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at "fair value through other comprehensive income". 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.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The application of HKFRS 9 may affect the measurement of the Group's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

– Step 1: Identify the contract with customer.

– Step 2: Identify the performance obligations in the contract.

– Step 3: Determine the transaction price.

– Step 4: Allocate the transaction price to the performance obligations in the contract.

– Step 5: Recognise revenue when the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied. Furthermore, extensive disclosures are required by HKFRS 15.

The application of HKFRS 15 may affect the amount reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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.

(c) Structured Finance: provision of structured finance.

(d) Consumer Finance: provision of consumer financing.

(e) Principal Investments: portfolio investments and provision of group management and support.

	2014					
	Wealth Management and Brokerage *HK$ Million*	Capital Markets *HK$ Million*	Structured Finance *HK$ Million*	Consumer Finance *HK$ Million*	Principal Investments *HK$ Million*	Total *HK$ Million*
Brokerage commission revenue	622.3	40.9	–	–	–	663.2
Revenue other than brokerage commission revenue	389.8	16.3	375.8	3,763.6	322.5	4,868.0
Segment revenue	1,012.1	57.2	375.8	3,763.6	322.5	5,531.2
Less: inter-segment revenue	(1.3)	(12.6)	–	–	(266.1)	(280.0)
Segment revenue from external customers	1,010.8	44.6	375.8	3,763.6	56.4	5,251.2
Segment profit or loss	94.3	11.6	102.7	1,407.7	498.3	2,114.6
Share of results of associates	–	–	–	–	5.6	5.6
Share of results of joint ventures	3.9	–	–	–	33.3	37.2
Profit before taxation	98.2	11.6	102.7	1,407.7	537.2	2,157.4
Included in segment profit or loss:						
Interest income	307.5	–	353.4	3,742.5	22.0	4,425.4
Other income	0.9	0.3	0.5	6.5	200.6	208.8
Net profit (loss) on financial assets and liabilities	(1.4)	7.4	(42.4)	–	151.0	114.6
Net exchange gain (loss)	(0.1)	(0.1)	–	35.7	(17.8)	17.7
Bad and doubtful debts	(17.2)	–	–	(787.2)	6.1	(798.3)
Amortisation and depreciation	(10.3)	(0.8)	–	(39.6)	(51.7)	(102.4)
Impairment loss						
– Intangible assets	–	–	–	–	(0.4)	(0.4)
– Available-for-sale investments	–	–	–	(2.0)	–	(2.0)
– Amounts due from a joint venture	(8.5)	–	–	–	–	(8.5)
Net loss on disposal/write-off of equipment and intangible assets	(0.3)	–	–	(0.2)	(4.6)	(5.1)
Finance costs to external suppliers	(7.6)	–	–	(250.8)	(196.7)	(455.1)
Inter-segment finance costs	(82.6)	(0.2)	(165.3)	(13.0)	–	(261.1)
Finance costs before inter-segment elimination	(90.2)	(0.2)	(165.3)	(263.8)	(196.7)	(716.2)

	2013					
	Wealth Management and Brokerage *HK$ Million*	Capital Markets *HK$ Million*	Structured Finance *HK$ Million*	Consumer Finance *HK$ Million*	Principal Investments *HK$ Million*	Total *HK$ Million*
Brokerage commission revenue	579.8	33.2	–	–	3.1	616.1
Revenue other than brokerage commission revenue	359.4	49.6	365.4	3,136.8	322.9	4,234.1
Segment revenue	939.2	82.8	365.4	3,136.8	326.0	4,850.2
Less: inter-segment revenue	(2.9)	–	–	–	(271.8)	(274.7)
Segment revenue from external customers	936.3	82.8	365.4	3,136.8	54.2	4,575.5
Segment profit or loss	109.4	9.4	135.3	1,223.5	224.0	1,701.6
Share of results of associates	–	–	–	–	11.8	11.8
Share of results of joint ventures	3.6	–	–	–	3.2	6.8
Profit before taxation	113.0	9.4	135.3	1,223.5	239.0	1,720.2
Included in segment profit or loss:						
Interest income	277.7	24.3	342.3	3,121.1	21.2	3,786.6
Other income	2.0	2.6	1.5	5.0	92.7	103.8
Net profit on financial assets and liabilities	22.5	5.9	18.1	–	32.8	79.3
Net exchange gain (loss)	(2.8)	0.3	(25.7)	(30.1)	(17.5)	(75.8)
Bad and doubtful debts	(26.2)	–	3.6	(567.3)	–	(589.9)
Amortisation and depreciation	(10.5)	(0.9)	–	(32.4)	(52.8)	(96.6)
Written back of impairment loss						
– Interest in associates	–	–	–	–	1.0	1.0
– Amounts due from associates	–	–	–	–	14.2	14.2
Impairment loss on available-for-sale investments	–	–	–	–	(10.0)	(10.0)
Net profit (loss) on disposal/write-off of equipment and intangible assets	(0.3)	–	–	(0.1)	0.5	0.1
Finance costs to external suppliers	(6.7)	(6.5)	–	(208.4)	(178.9)	(400.5)
Inter-segment finance costs	(63.0)	(0.1)	(163.6)	(9.8)	(2.2)	(238.7)
Finance costs before inter-segment elimination	(69.7)	(6.6)	(163.6)	(218.2)	(181.1)	(639.2)

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

	2014 **_HK$ Million_**	2013 *HK$ Million*
Revenue from external customers by location of operations		
– Hong Kong	**3,394.3**	3,166.1
– Mainland China	**1,803.4**	1,329.7
– Others	**53.5**	79.7
	5,251.2	4,575.5

	31/12/2014	31/12/2013
	HK$ Million	*HK$ Million*
Non-current assets other than financial assets and deferred tax assets by location of assets		
– Hong Kong	**4,233.8**	4,169.3
– Mainland China	**603.1**	408.3
– Others	**0.1**	2.3
	4,837.0	4,579.9

In the current year, in order to present the Group's earnings driver more clearly, the management has revised to the segment information. The Structured Finance business, previously grouped under Capital Markets segment, is now presented as a separate segment. The Derivatives Strategic Group has been reclassified from Capital Markets segment to Wealth Management and Brokerage segment. In addition, the allocation basis for cost incurred under Principal Investment segment was amended to present a more transparent measurement of different segments' profitability. The comparative figures of segment revenue and segment profit or loss were restated to conform to the current year presentation. Below is the effect of the restatement.

	2013					
	Wealth Management and Brokerage	Capital Markets	Structured Finance	Consumer Finance	Principal Investments	Total
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
Segment revenue from external customers, as previously stated	920.1	464.4	–	3,136.8	54.2	4,575.5
Separation of Structured Finance business	–	(365.4)	365.4	–	–	–
Reclassification of Derivatives Strategic Group	16.2	(16.2)	–	–	–	–
Segment revenue from external customers, as restated	936.3	82.8	365.4	3,136.8	54.2	4,575.5
Segment profit or loss, as previously stated	195.7	163.2	–	1,223.5	137.8	1,720.2
Separation of Structured Finance business	–	(162.1)	162.1	–	–	–
Reclassification of Derivatives Strategic Group	(13.8)	13.8	–	–	–	–
Change in cost allocation	(68.9)	(5.5)	(26.8)	–	101.2	–
Segment profit or loss, as restated	113.0	9.4	135.3	1,223.5	239.0	1,720.2

3. OTHER INCOME

	2014	2013
	HK$ Million	*HK$ Million*
Net realised profit on disposal of investments		
– Disposal of associates	**–**	30.1
– Disposal of a joint venture	**–**	0.5
– Disposal of available-for-sale investments	**8.8**	0.6
Net profit on disposal of equipment	**–**	0.1
Net profit on disposal of land and building	**139.9**	–
Increase in fair value of investment properties	**43.0**	46.5
Written back of impairment for amounts due from associates	**–**	14.2
Written back of impairment for interest in associates	**–**	1.0
Bad debts recovery	**0.5**	–
Miscellaneous income	**16.6**	10.8
	208.8	103.8

4. NET PROFIT ON FINANCIAL ASSETS AND LIABILITIES

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

	2014	2013
	HK$ Million	*HK$ Million*
Net realised and unrealised profit (loss) on derivatives	**(42.9)**	17.8
Net profit on other dealing activities	**1.1**	1.1
Net profit on dealing in leveraged foreign currencies	**0.3**	–
Net realised and unrealised profit (loss) on trading in equity securities	**45.4**	(25.5)
Net realised and unrealised profit on trading in bonds and notes	**12.1**	1.4
Net realised and unrealised profit on financial assets and liabilities designated as at fair value through profit or loss	**98.6**	84.5
	114.6	79.3

5. BAD AND DOUBTFUL DEBTS

	2014	2013
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Impairment loss	**(787.2)**	(567.3)
Trade and other receivables		
– Reversal of impairment loss	**10.8**	10.0
– Impairment loss	**(21.8)**	(32.2)
– Bad debts written off	**(0.1)**	(0.4)
	(11.1)	(22.6)
Bad and doubtful debts recognised in profit or loss	**(798.3)**	(589.9)

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

	2014	2013
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Amounts written off in allowance of impairment	**(738.9)**	(519.3)
– Recoveries credited to allowance of impairment	**114.2**	87.5
Trade and other receivables		
– Amounts written off in allowance of impairment	**(54.3)**	(137.0)

6. PROFIT BEFORE TAXATION

	2014	2013
	HK$ Million	*HK$ Million*
Profit before taxation for the year has been arrived at after crediting (charging):		
Dividends from listed investments	**16.0**	5.6
Dividends from unlisted investments	**2.8**	3.8
Amortisation of leasehold interests in land	**(0.3)**	(0.3)
Depreciation of property and equipment	**(68.8)**	(58.9)
Amortisation of intangible assets		
– Computer software included in administrative expenses	**(27.0)**	(31.1)
– Intangible assets acquired in business combination included in direct cost and operating expenses	**(6.3)**	(6.3)
Net loss on disposal/write-off of equipment and intangible assets included in other expenses	**(5.1)**	–

7. TAXATION

	2014	2013
	HK$ Million	*HK$ Million*
Current tax		
– Hong Kong	**(201.3)**	(207.3)
– PRC	**(206.7)**	(152.7)
– Other jurisdictions	**(17.2)**	(0.5)
	(425.2)	(360.5)
Over (under) provision in prior years	**(4.9)**	2.3
	(430.1)	(358.2)
Deferred tax	**70.9**	97.9
	(359.2)	(260.3)

Hong Kong profits tax is calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2013: 25%). 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

	2014	2013
	HK$ Million	*HK$ Million*
The aggregate amount of dividends paid and proposed:		
– 2014 interim dividend paid of HK10 cents (2013: HK10 cents) per share	**211.4**	212.7
– 2014 special dividend paid of HK2 cents per share	**42.3**	–
– 2014 final dividend of HK14 cents (2013: HK12 cents) per share proposed after the end of the reporting period	**315.5**	254.7
	569.2	467.4
Dividends recognised as distribution during the year:		
– 2013 final dividend of HK12 cents (2012: HK12 cents) per share	**254.0**	255.3
– 2014 interim dividend paid of HK10 cents (2013: HK10 cents) per share	**211.4**	212.7
– 2014 special dividend paid of HK2 cents per share	**42.3**	–
	507.7	468.0

The proposed 2014 final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

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:

	2014	2013
	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)	**1,328.4**	1,051.6

	2014	2013
	Million Shares	*Million Shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,152.5**	2,127.7
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	**2,152.6**	2,127.7

10. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	31/12/2014 *HK$ Million*	31/12/2013 *HK$ Million*
Loans and advances to consumer finance customers	**12,148.3**	10,642.7
Less: impairment allowance	**(756.6)**	(599.2)
	11,391.7	10,043.5
Analysed for reporting purposes as:		
– Non-current assets	**3,308.4**	3,440.5
– Current assets	**8,083.3**	6,603.0
	11,391.7	10,043.5

11. TRADE AND OTHER RECEIVABLES

	31/12/2014 *HK$ Million*	31/12/2013 *HK$ Million*
Trade receivables – accounts receivable from exchanges, brokers and clients	**1,811.3**	1,068.2
Less: impairment allowance	**(11.8)**	(19.4)
	1,799.5	1,048.8
Secured term loans	**2,727.2**	2,244.4
Unsecured term loans	**623.6**	117.0
Less: impairment allowance	**(4.8)**	(4.8)
	3,346.0	2,356.6
Margin loans	**3,903.0**	4,074.3
Less: impairment allowance	**(119.9)**	(155.6)
	3,783.1	3,918.7
Other receivables		
– Deposits	**72.1**	90.1
– Dividend receivable on behalf of clients	**60.9**	22.0
– Claims from counter parties, receivable from sale proceeds and other receivables	**64.1**	179.8
	197.1	291.9
Trade and other receivables at amortised cost	**9,125.7**	7,616.0
Prepayments	**24.9**	45.9
Current portion of leasehold interests in land	**0.3**	0.3
	9,150.9	7,662.2
Analysed for reporting purposes as:		
– Non-current assets	**1,468.2**	1,131.8
– Current assets	**7,682.7**	6,530.4
	9,150.9	7,662.2

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

	31/12/2014	31/12/2013
	HK$ Million	*HK$ Million*
Less than 31 days	**1,820.1**	1,035.0
31 – 60 days	**4.1**	2.4
61 – 90 days	**1.5**	2.9
91 – 180 days	**2.6**	7.5
Over 180 days	**23.3**	30.6
	1,851.6	1,078.4
Term loans, margin loans and trade and other receivables without ageing*	**7,410.6**	6,717.4
Impairment allowances	**(136.5)**	(179.8)
Trade and other receivables at amortised cost	**9,125.7**	7,616.0

* No ageing analysis is disclosed for margin loans and term loans financing, as, in the opinion of the management, 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:

	31/12/2014	31/12/2013
	HK$ Million	*HK$ Million*
Less than 31 days	**2,480.3**	1,559.1
31 – 60 days	**8.4**	8.8
61 – 90 days	**11.4**	6.5
91 – 180 days	**9.5**	8.3
Over 180 days	**3.6**	3.9
	2,513.2	1,586.6
Accrued staff costs, other accrued expenses and other payables without ageing	**306.6**	279.9
	2,819.8	1,866.5

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Mainland China's economic growth eased during 2014 as the country continued its reform for more sustainable long term development. In 2014, Mainland China's gross domestic product (GDP) grew 7.4%, slightly below the 7.5% target. To support economic stability, the People's Bank of China unveiled various easing measures in the last quarter of 2014, including a reduction of interest rates on 22 November. The central government also accelerated the approval of infrastructure projects and the promotion of six major consumption areas. Meanwhile, the country's inflation rate rose 2%, short of the full year government target of 3.5%, giving policy makers more flexibility to fine-tune fiscal and monetary measures in 2015.

Hong Kong's GDP expanded 2.7% in real terms in the third quarter of 2014 on a year-on-year basis, compared with the 1.8% increase in the second quarter of 2014. Consumer prices were 4.4% higher than in 2013 and the corresponding increase after netting out the effects of the government's one-off relief measures was 3.5%. Seasonally adjusted unemployment rate was stable, at 3.3% in October to December 2014, reflecting tightness in the labour market.

The Hang Seng Index (HSI) closed the year at 23,605 points, up 1.3% from the 2013 close. The index significantly underperformed both the Shanghai Stock Exchange Composite Index and the Standard & Poor's 500 in 2014. The average daily turnover of the Main Board of the Stock Exchange of Hong Kong Limited in 2014 was HK$68.8 billion, 11% higher than its turnover in 2013. In addition, the RMB depreciated 2.4% against the US dollar in 2014, reversing the trend of gradual appreciation during 2013. Despite this, IPO activities in Hong Kong remained vibrant in 2014 with 122 new listings (including seven companies which moved their listings from the GEM to the Main Board), raising a total of HK$227.7 billion, up nearly 35% compared with 2013.

The Shanghai-Hong Kong Stock Connect was launched on 17 November 2014. As of the end of 2014, the average daily turnover for northbound trading was RMB5,584 million, in comparison with HK$929 million for southbound trading. The Shanghai-Hong Kong Stock Connect has opened up a new channel for investors in Mainland China and Hong Kong to trade eligible shares listed on each other's market. As widely reported, a Shenzhen-Hong Kong link will be the next stop for the Stock Connect "through train", so further mutual market access is expected.

Result Analysis

The Group's strategy is to:

– prudently grow our loan businesses whilst maintaining a balance of yield relative to risk;

– grow fee income from the Sun Hung Kai Financial businesses through new segments and products whilst emphasising products with a lower correlation to market volatility, such as wealth management products; and

– continue to improve our balance sheet structure and efficiency.

During the year 2014, the Group performed in line with our overall goals. Our businesses expanded with revenue and operating earnings before bad and doubtful debts experiencing healthy double-digit increases, driven particularly by the growth in interest income on our loan books, as well as an overall lower cost-to-income ratio.

Group revenue increased by 15% and with the strongest growth area being revenue from Mainland China, which increased by 36% with the expanded reach of UAF and its 34% loan growth.

(HK$ Million)	**2014**	**2013**	***Change***
Revenue	**5,251.2**	**4,575.5**	***15%***
Operating Expenses	(2,224.3)	(1,959.2)	*14%*
As % of revenue ("cost to income")	42.4%	42.8%	
Finance costs	(455.1)	(400.5)	*14%*
Operating Earnings Before Bad and Doubtful Debts	**2,571.8**	**2,215.8**	***16%***
Bad and doubtful debts	(798.3)	(589.9)	*35%*
Operating Earnings	**1,773.5**	**1,625.9**	***9%***
Other income	208.8	103.8	*307%*
Other non operating expenses	–	(31.6)	
Net exchange gain (loss)	17.7	(75.8)	
Net profit on financial assets and liabilities	114.6	79.3	
Associates	5.6	11.8	
Joint ventures	37.2	6.8	
Profit Before Taxation	**2,157.4**	**1,720.2**	***25%***
Taxation	(359.2)	(260.3)	*38%*
Non-controlling interests	(469.8)	(408.3)	*15%*
Profit attributable to owners of the Company	**1,328.4**	**1,051.6**	***26%***

Total loans and advances to customers reached HK$18.5 billion as at 31 December 2014, an increase of 13% over 2013. Interest income increased by 17%.

(HK$ Million)	**As at 31.12.2014**	**As at 31.12.2013**	***YoY Change***
Loan Balances			
Consumer Finance loans	11,391.7	10,043.5	*13%*
Margin loans (Wealth Management and Brokerage segment)	3,783.1	3,918.7	*-3%*
Term loans (Structured Finance segment)	3,346.0	2,356.6	*42%*
Total	**18,520.8**	**16,318.8**	***13%***
	2014	**2013**	
Interest Income			
Consumer Finance	3,742.5	3,121.1	*20%*
Wealth Management and Brokerage	307.5	277.7	*11%*
Structured Finance	353.4	342.3	*3%*
Others	22.0	45.5	*-52%*
Total	**4,425.4**	**3,786.6**	***17%***

Total bad and doubtful debt expenses increased from HK$589.9 million to HK$798.3 million. The margin finance and structured finance loan books had an insignificant amount of bad debts and the Hong Kong consumer finance loan book benefited from an overall benign environment locally with sustained low unemployment. The increase in bad debts mainly stemmed from the loan business in Mainland China as the economic growth there slowed. The strong increase in the loan growth in Mainland China also resulted in a proportionately higher increase in the impairment allowance. However, given the context of the overall healthy total returns achieved on the Mainland China loan book, the risk-reward is favourable and long-term growth prospects remain. Bad debts are expected to remain a challenge with the slower economic growth. Nevertheless, looking beyond the cycle, the government's objective to achieve steady and more sustainable growth will be positive for the operating environment in the longer term.

The Group's Principal Investments segment achieved satisfactory results in 2014 and was the main contributor to profits from financial assets and liabilities. A number of the Group's earlier strategies to focus on the technology sector as well as investing alongside our core expertise are gradually paying off.

Other income of HK$208.8 million was recorded, mainly from the revaluation of investment properties as well as the sale of Sun Hung Kai Financial's former Macau branch office premises, which was surplus to business requirements.

To present the Group's earnings drivers more clearly, management has revised the segment information provided in this announcement. The Structured Finance business, previously grouped under Capital Markets, is now presented as a separate segment. The Derivatives Strategies Group has been re-classified from the Capital Markets segment to the Wealth Management and Brokerage segment. In addition, the allocation basis for costs incurred under Principal Investments has been amended to present a more transparent measurement of different segments' profitability.

Post-Balance Sheet Date Event

On 1 February 2015, the Company entered into a sale and purchase agreement to sell a 70% equity interest in SHKFGL to Everbright Securities for an initial consideration of HK$4,095 million. The transaction should close in 2015. The estimated profit on the disposal is HK$2,864 million and SHKFGL will become a 30% owned associate upon completion of the transaction. Details of the transaction were disclosed in the Company's circular dated 27 February 2015.

Business Review

Wealth Management & Brokerage

(HK$ Million)	2014	2013	*Change*
Revenue	**1,010.8**	**936.3**	***8%***
– Interest Income	307.5	277.7	*11%*
– Brokerage/commission revenue	622.3	579.8	*7%*
– Other fee based income	81.0	78.8	*3%*
Operating costs	(808.5)	(752.7)	*7%*
Cost to income (% Revenue)	80.0%	80.4%	
Bad and doubtful debts	(17.2)	(26.2)	*-34%*
Finance costs^	(90.2)	(69.7)	*29%*
Operating Earnings	**94.9**	**87.7**	***8%***
Other income	0.9	2.0	
Exchange loss	(0.1)	(2.8)	
Net profit (loss) on financial assets and liabilities	(1.4)	22.5	
Joint ventures	3.9	3.6	
Pre-tax Contribution	**98.2**	**113.0**	***-13%***

^ Include internal

In 2014, we continued to move towards our goal of transforming Sun Hung Kai Financial to a full service wealth management firm. Commissions from wealth management products contributed 44% of total commissions of the segment and increased by 17% year on year. Total commission income of the segment increased by 7% over 2013. Increasingly, customers demand a more balanced and diversified selection of investment products. Over the past few years, we have developed solid capabilities across product research, sales support and customer education materials. For instance, in the range-bound 2014 market, market neutral offerings including structured products and bonds were in high demand by our customers.

Commission from brokerage products was consistent with the 2013 result. However, the momentum was positive towards the end of the year as market turnover picked up.

Total margin loans amounted to HK$3,783.1 million as at 31 December 2014, compared with HK$3,918.7 million as at the end of 2013. Total interest income increased by 11% with higher returns as the proportion of the loan book accounted for by lower-yielding customers declined. Margin financing for IPOs also increased.

Looking ahead, management is optimistic that the combination of Sun Hung Kai Financial and Everbright Securities will result in significant synergy. Whilst staying on course to become a full service wealth management firm, the Group should see strengthened business prospects amid deepening integration of the Hong Kong and Mainland China financial markets.

Capital Markets

The Capital Markets segment encompasses Sun Hung Kai Financial's Institutional Equities, Corporate Sales, Equity Capital Markets and Corporate Finance units.

(HK$ Million)	**2014**	**2013**	***Change***
Revenue	**44.6**	**82.8**	***-46%***
– Interest income	–	24.3	
– Brokerage/commission revenue	40.9	33.2	*23%*
– Other fee based income	3.7	25.3	*-85%*
Operating costs	(40.4)	(75.6)	*-47%*
Cost to income (% Revenue)	90.6%	91.3%	
Finance costs^	(0.2)	(6.6)	*-97%*
Operating Earnings	**4.0**	**0.6**	***567%***
Other income	0.3	2.6	
Exchange gain (loss)	(0.1)	0.3	
Net profit on financial assets and liabilities	7.4	5.9	
Pre-tax Contribution	**11.6**	**9.4**	***23%***

^ Include internal

There was no material business in the Corporate Finance during the year. The main contributor to revenue in 2014 was the Corporate Sales unit.

In the Equity Capital Markets unit, we participated in two IPOs as co-lead manager and underwriter, and in two placements as sole lead and joint lead placing agent. The aggregate amount raised was over HK$5 billion.

In January 2015, our corporate finance licence was re-activated and Sun Hung Kai Financial will be repositioning this business and will tap on new opportunities created through the partnership with Everbright Securities.

Structured Finance

(HK$ Million)	**2014**	**2013**	***Change***
Revenue	**375.8**	**365.4**	***3%***
– Interest income	353.4	342.3	*3%*
– Other fee based income	22.4	23.1	*-3%*
Operating costs	(65.9)	(64.0)	*3%*
Cost to income (% Revenue)	17.5%	17.5%	
Finance costs^	(165.3)	(163.6)	*1%*
Bad and doubtful debts	–	3.6	
Operating Earnings	**144.6**	**141.4**	***2%***
Other income	0.5	1.5	
Exchange loss	–	(25.7)	
Net profit (loss) on financial assets and liabilities	(42.4)	18.1	
Pre-tax Contribution	**102.7**	**135.3**	***–24%***

^ Include internal

The Group provides innovative funding solutions to corporate customers through its Structured Finance unit, which has been one of the key growth areas for the Group. Our strong knowledge of this niche but profitable business has enabled us to achieve attractive returns.

Over the past five years, the structured loan portfolio increased at a compound annual growth rate of 44%. In 2014, the loan balance increased by 42% to HK$3,346 million. As most of the increase in the loan book occurred in the last two months of 2014, the growth has not been fully reflected in the segment's revenue, which increased slightly by 3% for the year. Given increased market competition coupled with a different mix of loan nature, the yield achieved was slightly lower than the relevant yield in 2013.

A net loss on financial instruments in the amount of HK$42.4 million from the mark-to-market loss from the equity-linked component of one of our loans on completion of the associated IPO was recorded, reversing a gain which was booked previously in 2013.

As at 31 December 2014, the loan portfolio included borrowers operating in the following sectors: investments (68%); property development (21%); electric vehicles manufacturing (9%); and resources (2%). As we target to provide short and medium-term financing solutions to our clients, 56% of our loans are due on demand or within one year, and 44% from one to five years.

We plan to expand our Structured Finance business to a new high in 2015. As liquidity conditions for medium-sized enterprises have remained relatively tight in the market, the demand for funding solutions should continue to be buoyant.

Consumer Finance

(HK$ Million)	**2014**	**2013**	***Change***
Revenue	**3,763.6**	**3,136.8**	***20%***
Operating costs	(1,347.1)	(1,102.7)	*22%*
Cost to income (% Revenue)	35.8%	35.2%	
Finance cost^	(263.8)	(218.2)	*21%*
Operating Earnings Before Bad and Doubtful Debts	**2,152.7**	**1,815.9**	***19%***
Bad and doubtful debts	(787.2)	(567.3)	*39%*
Operating Earnings	**1,365.5**	**1,248.6**	***9%***
Other income	6.5	5.0	
Exchange gain (loss)	35.7	(30.1)	
Pre-tax Contribution	**1,407.7**	**1,223.5**	***15%***

^ Include internal

The Group conducts its consumer finance business through UAF, a 58% indirectly owned subsidiary. UAF has an extensive network of 189 branches that covers Hong Kong and 16 cities in Mainland China. It offers loan products to consumers and small businesses. The gross loan balance as of the end of 2014 surpassed HK$12 billion. UAF's profit after tax attributable to shareholders reached HK$1,130.0 million (2013: HK$980.3 million), generating a 15.3% annual return on its average shareholders' funds of HK$7,393.7 million during the year.

UAF delivered a very satisfactory set of results for 2014 with robust growth in revenue and profit. Revenue rose by 20% and pre-tax contribution grew by 15% to HK$1,407.7 million. Despite the rapid expansion in Mainland China, UAF managed to largely maintain its operating efficiency with a cost-to-income ratio of 35.8% during the year, similar to the ratio in 2013. An exchange gain of HK$35.7 million was recorded during the year compared with a loss of HK$30.1 million in 2013. The gain arose largely from the exchange differences from the translation of UAF's RMB borrowings into Hong Kong dollars as the RMB depreciated against the Hong Kong dollar during 2014.

The consolidated gross loan balance (before provision for impairment allowance) advanced to HK$12.1 billion, a 14% annual increase against the balance at the end of 2013, driven by a 34% growth in the Mainland China loan portfolio as a result of UAF's expanded presence there as well as higher average loan balances from faster growth in small business loans. In Hong Kong, the loan portfolio balance remained stable with a 3% increment against the balance at the end of 2013.

Key Operating Data	**2014**	**2013**	***Change***
Net loan balance (HK$ Million)	11,391.7	10,043.5	*13%*
Gross loan balance (HK$ Million)	12,148.3	10,642.7	*14%*
– Hong Kong	7,081.6	6,859.8	*3%*
– Mainland China	5,066.7	3,782.9	*34%*
Total return on loans			
(Revenue/Gross loan balance)	31.0%	29.5%	
– Hong Kong	27.8%	26.4%	
– Mainland China	35.5%	35.0%	
Net charge-off ratio			
(On gross loan balance)	5.1%	4.1%	
– Hong Kong	3.8%	3.7%	
– Mainland China	7.0%	4.8%	
Average gross balance per loan (HK$)	67,770	61,382	*10%*
– Hong Kong (HK$)	64,875	64,546	*1%*
– Mainland China (RMB)	57,835	44,009	*31%*

Bad and Doubtful Debts and Impairment Allowances

(HK$ Million)	2014	2013
a. Amount written off	**(738.9)**	(519.3)
b. Recoveries	**114.2**	87.5
c. Charge to impairment allowance	**(162.5)**	(135.5)
Total charges for bad and doubtful debts	**(787.2)**	(567.3)
Impairment allowance at year end	**756.6**	599.2
Gross loan balance	**12,148.3**	10,642.7
Net charge off (a+b) as % of gross loan balance	**5.1%**	4.1%
Impairment allowance as % of gross loan balance	**6.2%**	5.6%

Ageing analysis for loans and advances to consumer finance customers that were past due but not impaired:

	2014		2013	
	HK$ Million	Note	HK$ Million	Note
Less than 31 days past due	**805.2**	7.1%	600.0	6.0%
31 – 60 days	**278.3**	2.4%	124.9	1.2%
61 – 90 days	**101.6**	0.9%	55.5	0.6%
91 – 180 days	**232.8**	2.1%	114.0	1.1%
Over 180 days	**36.9**	0.3%	24.7	0.3%
Total	**1,454.8**	12.8%	919.1	9.2%

Note: amount as % of net loan balance

Total bad and doubtful debt expenses increased to HK$787.2 million (2013: HK$567.3 million) during the year. These included bad debts written off (net of recovery) as well as charges arising from the impairment allowance (calculated on the basis of recent charge-off rates and current loan growth amounts).

During the year, the net charge-off ratio (the charge-off amount net of recoveries as a percentage of year end gross loan balance) increased to 5.1% (2013: 4.1%). The increase was driven by the Mainland China business whilst the Hong Kong business was steady, benefiting from low unemployment rates.

The general slowdown in the Mainland China economy has taken its toll on businesses in general. The net charge-off ratio in Mainland China was 7% in 2014; whilst that was higher than the 4.8% in 2013, it remained in a reasonable range given the high total return on the Mainland China loan portfolio. The Mainland China loan business continued to contribute impressive revenue and pre-tax contribution growth of 36% and 20% respectively over the year as the scale of the loan business achieved a level of economies for generating sustained growth in profit contribution. With UAF's considerable experience in managing growth throughout different business cycles, we will continue to take a balanced approach to growth. We remain confident about the potential and prospects of the market beyond short-term cyclical fluctuations.

Branch Network

City/Province	**Number of new branches opened during 2014**	**Number of branches as at 31 December 2014**
Hong Kong	1	50
Shenzhen	–	43
Shenyang	1	9
Chongqing	5	12
Tianjin	3	7
Chengdu	3	11
Yunnan	3	10
Dalian	–	9
Beijing	–	6
Wuhan	5	9
Shanghai	3	7
Fuzhou	2	5
Harbin	3	5
Nanning	2	2
Qingdao	2	2
Jinan	1	1
Guangzhou	1	1
Total	**35**	**189**

UAF added 34 new branches to its network in Mainland China in 2014 and by year end it had a total of 139 branches in Mainland China. Money lending businesses in Nanning, Qingdao and Jinan were launched during 2014. New products including secured and unsecured car loans were introduced to broaden its customer base and target a new cluster of borrowers.

One important development during the year was the establishment of a loan marketing and guarantee business in Mainland China and alliance with China Everbright Bank. The first marketing branch was set up in Guangzhou in October 2014 and business volume was satisfactory. Under this model, UAF originates loans through 亞洲第一信息諮詢(深圳)有限公司 (First Asian Financial Consultancy (Shenzhen) Limited) and another wholly-owned subsidiary, 新鴻基融資擔保(瀋陽)有限公司 (SHK Financing Guarantee (Shenyang) Limited), and provides credit guarantee for the loans to enable customers to borrow from China Everbright Bank or other platforms at preferential rates. This model allows UAF to further expand its customer reach beyond its licensed areas for the small loan business in a capital-light model on similar profitability. Given this positive experience, a gradual roll-out of a marketing network across Mainland China is being planned.

UAF also set up its capability to work with Internet company partners providing Internet financing platforms and other financial institutions using the guarantee model. Collaboration agreements with Souyidai (Beijing) Network Technology Limited (a company affiliated with Sohu.com Inc) ("Souyidai.com") and 上海點榮金融信息服務有限責任公司 ("Dianrong.com") were signed during the year. Under these collaboration agreements, UAF can market its loan products on the Internet platforms established by Souyidai.com and Dianrong.com. The guaranteed loans are then matched with investors through their platforms.

Building on the solid foundation of UAF's small loan business, we also embarked on various strategies to seek further growth opportunities through Internet finance channels. In July 2014, UAF entered into a long-term strategic cooperation with 58.com Inc. to develop Internet financial services in Mainland China. In December 2014, another alliance was made with Youche.com Inc., a leading second-hand car sales company in Beijing, with an objective to developing businesses relating to second-hand car financing, continuing UAF's new product roll-out.

In Hong Kong, competition in the consumer finance market remains strong. Notwithstanding this, UAF continues to reap a satisfactory return on its Hong Kong business as a result of a supportive domestic economy underpinned by strong private consumption and a low unemployment rate. New advertising campaigns with the theme "online-to-offline" (O2O) were launched to appeal to the increasing preference of customers to transact over the Internet marketplace.

Looking ahead, we expect uncertainty in the economic outlook for Mainland China with the recent downgrading of the growth projection for 2015. However, as the focus of the economy shifts to more consumption-led growth, management is optimistic about the prospects of the consumer finance market there. With UAF's expertise, knowledge and expanded marketing channels through various cooperation alignments with established Internet portals, UAF shall strive to capitalise on new opportunities and deal with the underlying challenges of the dynamic operating environment.

Principal Investments

The Group's capital has been invested in a portfolio of investments. The aim is to achieve above-market returns; capitalise on our expertise from our business operations; and create synergy with the rest of the Group.

The segment also includes the Group Management and Support (GMS) function that provides supervisory and administrative services to the other segments of the Group, including management supervision, controls, treasury and support. The business segments are serviced and appropriately charged by GMS so that their performance and returns can be measured on a commercial basis. These allocations are reflected in the operating earnings of this segment.

Operating earnings amounted to HK$164.5 million and contribution to pre-tax profit increased by 125% to HK$537.2 million, driven mainly by gains in the management trading book and property portfolio.

(HK$ Million)	**2014**	**2013**	***Change***
Operating Earnings	**164.5**	**147.6**	***11%***
Other income	200.6	92.7	
Other non operating expenses	–	(31.6)	
Exchange loss	(17.8)	(17.5)	
Net profit on financial assets and liabilities	151.0	32.8	
Associates	5.6	11.8	
Joint Ventures	33.3	3.2	
Pre-tax Contribution	**537.2**	**239.0**	***125%***

The segment's investment portfolio had a carrying value of HK$1,400 million at the end of 2014:

1. The Management Trading Book recorded a profit of HK$171.5 million, or a 16.6% over an average balance of HK$1,033.3 million. This gain is satisfactory considering that the Hong Kong market was flat for the year. The portfolio consists of a range of listed and unlisted financial instruments that are managed towards returns in a context of controlled risks. The gains were recorded both on our own managed investment portfolio as well as our external professionally managed funds.

   For the internally managed portfolio, we adopted a bottom-up stock picking investment process and investment decisions were based on valuation, sector view as well as strategic suitability for the rest of the Group. For 2014, portfolio gains were mainly driven by our early positioning in Chinese equities, especially those in the financial sector. Satisfactory gains were also recorded in externally managed funds, particularly those in the healthcare and technology sectors for which we had held a positive view over the past few years. We also sought direct investments in companies which would bring strategic value to the Group. In the second half of the year, the Group made a strategic investment in Dianrong.com, one of the most advanced peer-to-peer lending platforms in Mainland China.

2. The segment's Long-term Investment Portfolio totalled HK$293.7 million at the end of 2014. The portfolio consisted of associates, joint ventures and available-for-sale investments with sound potential and/or added strategic value to the Group. Currently, the majority of the portfolio is invested in financial services firms alongside our wealth management and brokerage and consumer finance segments where we can also add value with our expertise. During the year, a joint venture investment company in Mainland China recorded a substantial mark-to-market gain from its holdings. Total share of profits from our associated companies and joint ventures amounted to HK$38.9 million (2013: HK$15.0 million). This is equivalent to a 17.7% return on the average carrying value.

3. Commercial Real Estate portfolio – The carrying value as at the end of 2014 was HK$812.4 million. A total pre-tax return of HK$203.6 million was generated, including HK$20 million in rental income; HK$43.7 million from fair value gain; and a realised return of HK$139.9 million from the sale of a branch premises of Sun Hung Kai Financial in Macau as included in "other income". The assets in the portfolio included office space in Admiralty, Hong Kong, and Shanghai. The return on the average value during the year was 26%.

Looking ahead, we are cautiously optimistic for 2015 but believe there is likely to be increased volatility across asset classes. On the one hand, we expect the US economy to continue to strengthen while the quantitative easing policies of different countries should limit the risk of a global slowdown. Mainland China's increasing transparency and reforms should enhance overall corporate governance in the longer term. However, we are mindful of the factors that will increase near-term volatility, including 1) the possibility of US interest rates rise in the second half of 2015; 2) the Eurozone's economic slowdown and political issues; and 3) negative headline news on Mainland China's slowing economy and anti-corruption drive.

With these factors in mind, we shall remain consistent with our investment approach from the previous years to prudently look for profitable and strategic investment and business opportunities, and realise our investments when the time is ripe.

Outlook

The sale of 70% equity interest in SHKFGL to Everbright Securities will result in a gain of approximately HK$2,864 million for the Group in 2015. Upon completion, SHKFGL will become a 30% associate of the Group. Going forward, the Group's consolidated revenue and operating earnings will be driven by Structured Finance, Consumer Finance and Principal Investments segments. Nevertheless, management will continue to be fully supportive of the Sun Hung Kai Financial business as it explores new opportunities with Everbright Securities and the wider Everbright Group.

Looking ahead, whilst the economic slowdown in Mainland China may continue to have some impact on the credit quality of the Mainland China part of the Group's consumer finance loan book, management remains optimistic of UAF's market opportunity there together with our expertise and experience of managing this specialised business through different business cycles. The Group's financial position will also be much strengthened by the sale proceeds from the SHKFGL transaction. This will enable us to further expand our Consumer Finance, Structured Finance and Principal Investment businesses.

Financial Review

Financial Resources, Liquidity and Capital Structure

As at 31 December 2014, equity attributable to owners of the Company amounted to HK$14,927.0 million, representing an increase of HK$1,524.9 million or approximately 11.4% from 31 December 2013. During the year, the trustee of the SHK Employee Ownership Scheme ("EOS") acquired 1.2 million shares in the Company through purchases on market for shares awarded under the scheme. The Company also repurchased 30.0 million shares for a total consideration (including expenses) of HK$169.7 million and, pursuant to a placing and top-up subscription, the Company issued 160 million shares at a subscription price of HK$6.3 per share in September 2014.

The Group maintained a strong cash position. The short-term bank deposits, bank balances and cash amounted to HK$5,044.6 million at 31 December 2014 (at 31 December 2013: HK$3,738.5 million).

Meanwhile, the Group's total borrowings comprising bank and other borrowings, and notes, amounted to HK$10,738.4 million at 31 December 2014 (at 31 December 2013: HK$8,582.5 million). Of this amount, HK$3,905.2 million is repayable within one year and the balance of HK$6,833.2 million is repayable after one year (at 31 December 2013: HK$2,801.6 million and HK$5,780.9 million respectively).

As at 31 December 2014, the Group's notes comprised US dollar-denominated notes equivalent to HK$3,079.9 million and RMB-denominated notes equivalent to HK$628.6 million, which pay interest at fixed coupon rates. The Group's bank and other borrowings (which pay interest at floating interest rates) were in Hong Kong dollars, US dollars and RMB as at 31 December 2014. 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 equity attributable to owners of the Company was approximately 38.1% as at 31 December 2014 (at 31 December 2013: approximately 36.1%). Net debt represents the total of bank and other borrowings, notes less bank deposits, cash and cash equivalents.

The Group maintained foreign currency positions 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

During the year, the Group acquired a 40% interest in PT UAF Jaminan Kredit, a joint venture, at a consideration of HK$42.3 million. The joint venture is incorporated in Indonesia and its principal activity is to provide credit guarantees. Excluding the above acquisition, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year.

Segment Information

Detailed segment information in respect of the revenue and profit or loss is shown in Note 2.

Charges on Group Assets

Listed shares held by the Group with an aggregate value of HK$69.3 million were pledged in relation to various bank loans and overdraft facilities. Properties of the Group with a total book value of HK$799.0 million were pledged by subsidiaries to banks for facilities granted to them with a total outstanding loan balance of HK$75.2 million as at 31 December 2014.

Contingent Liabilities

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

	31/12/2014	31/12/2013
	HK$ Million	*HK$ Million*
Indemnities on banking guarantees made available to a clearing house and regulatory body	**1.5**	4.5
Financial guarantees under loan guarantee business*	**30.2**	–
	31.7	4.5

* The Group provided guarantees to lenders of its loan guarantee customers to guarantee the repayment of debts owed by the loan guarantee customers to their lenders. At 31 December 2014, the outstanding guarantee amount was RMB24.2 million or equivalent to HK$30.2 million (2013: Nil).

On 30 August 2014, a writ of summons with general indorsement of claim ("Writ") was issued by Global Bridge Assets Limited ("GBA") and Long Prosperity Industrial Limited ("LPI") in the High Court of Hong Kong against a subsidiary, Sun Hung Kai Financial. This followed the striking-out of an earlier claim made by GBA and LPI and Walton Enterprises Limited for US$3,000,000, in addition to damages, interest and legal costs, in a High Court action against Sun Hung Kai Financial (HCA 317 of 2008). In the Writ, GBA and LPI claimed against Sun Hung Kai Financial for: (i) damages for alleged fraudulent misrepresentation by Sun Hung Kai Financial in around August 2001; and (ii) a rescission of a contract and a deed both dated 12 October 2001 relating to a power plant in Hubei, the PRC. They also claimed against Sun Hung Kai Financial interest on any sums or damages payable, costs and such other relief as the High Court may think fit. The Writ was served on Sun Hung Kai Financial on 11 October 2014. Sun Hung Kai Financial is opposing the claims.

Human Resources

As at 31 December 2014, the Group's headcount stood at 7,197 (including investment/sales consultants), representing an approximate increase of 24.6% compared with 31 December 2013. This was due primarily to the expansion of UAF's business in Mainland China, which included the opening of 34 new branches during the year. Staff costs (including Directors' emoluments), contributions to retirement benefit schemes and expenses recognised for the EOS amounted to approximately HK$1,095.2 million (2013: HK$913.5 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/performance-based incentives or alternatively, may consist of commission/incentives. For non-sales staff, the compensation comprises either a base salary with bonus/share-based/performance-based incentives or base salary, as appropriate.

FINAL DIVIDEND

The Board has recommended a final dividend of HK14 cents (2013: HK12 cents) per share payable to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 12 June 2015, making a total dividend for the year 2014 of HK26 cents (2013: HK22 cents) per share. Dividend warrants for the final dividend is expected to be despatched on or around Friday, 3 July 2015.

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 2015 Annual General Meeting ("2015 AGM")	:	1 June 2015 – 3 June 2015 (both dates inclusive)
For entitlement to final dividend	:	10 June 2015 – 12 June 2015 (both dates inclusive) (Ex-dividend date being 8 June 2015) (Record date being 12 June 2015)

In order to qualify for attendance to the 2015 AGM which is scheduled to be held on Wednesday, 3 June 2015 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, for registration not later than 4:30 p.m. on the following dates:

Events		Last date of lodgment of transfer documents
For attendance to 2015 AGM	:	29 May 2015
For entitlement to final dividend	:	9 June 2015

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2014, 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 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 two Group Deputy Chief Executive Officers, namely Mr. William Leung Wing Cheung and Mr. Chow Simon Wing Charn. 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. Mr. Simon Chow assists the Group Executive Chairman in driving the performance of other business segments of the Group as well as exploring new areas of growth.

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 Provisions B.1.2 and C.3.3

Code provisions B.1.2 and C.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the Remuneration Committee adopted by the Company are in 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).

The terms of reference of the Audit Committee adopted by the Company are in compliance with the 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 had been set out in the Corporate Governance Report contained in the Company's annual report for the financial year ended 31 December 2013. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to their respective terms of reference as adopted 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 2014 annual report which will be issued before end of April 2015.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2014, the Company repurchased a total of 30,007,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$169,214,230. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price Highest	Lowest	Aggregate consideration (before expenses)
		(HK$)	*(HK$)*	*(HK$)*
January	777,000	4.29	4.23	3,309,230
March	110,000	4.85	4.80	531,500
April	691,000	5.40	5.34	3,711,620
May	3,964,000	5.52	5.15	21,314,650
June	4,067,000	6.00	5.55	23,434,990
September	15,725,000	5.88	5.50	90,172,870
October	3,873,000	5.94	5.45	22,131,640
November	800,000	5.94	5.65	4,607,730
	30,007,000			169,214,230

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 2014.

PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

In respect of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014, the Board has proposed to seek the approval of the Shareholders by way of special resolutions ("Special Resolutions") at the 2015 AGM to adopt a new set of articles of association of the Company. Full text of the Special Resolutions will be contained in the notice of the 2015 AGM. A circular containing, inter alia, summary of the key amendments to the articles of association of the Company, together with the notice of the 2015 AGM, will be despatched to the Shareholders before end of April 2015.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management of the Company the Group's financial statements for the year ended 31 December 2014, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2014 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, 19 March 2015

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. Ahmed Mohammed Aqil Qassim Alqassim, Ho Chi Kit *(Mr. Roy Kuan as his alternate)* and Leung Pak To *(Mr. Liu Zheng as his alternate)*

Independent Non-Executive Directors:
Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Jacqueline Alee Leung and Mr. Peter Wong Man Kong