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 2015 AND SHARE REPURCHASE PLAN

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 2015 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30/6/2015 Unaudited HK$ Million	30/6/2014 Unaudited and restated HK$ Million
Revenue (turnover)		**2,168.6**	1,989.5
Other income	*3*	**47.0**	25.8
Total income		**2,215.6**	2,015.3
Brokerage and commission expenses		**(25.2)**	(21.9)
Advertising and promotion expenses		**(47.1)**	(53.3)
Direct cost and operating expenses		**(23.1)**	(13.4)
Administrative expenses		**(684.1)**	(572.5)
Net profit on financial assets and liabilities	*4*	**239.8**	47.2
Net exchange gain (loss)		**(7.3)**	27.8
Bad and doubtful debts	*5*	**(654.2)**	(331.8)
Finance costs		**(238.7)**	(214.7)
Other expenses		**(163.8)**	(2.6)
		611.9	880.1
Share of results of associates		**14.4**	2.4
Share of results of joint ventures		**43.8**	(1.2)
Profit before taxation	*6*	**670.1**	881.3
Taxation	*7*	**(105.7)**	(156.2)
Profit for the period from continuing operations		**564.4**	725.1
Profit for the period from discontinued operations	*8*	**3,228.8**	133.4
		3,793.2	858.5
Profit attributable to:			
– Owners of the Company		**3,630.6**	610.3
– Non-controlling interests		**162.6**	248.2
		3,793.2	858.5
Earnings per share	*10*		
From continuing and discontinued operations			
– Basic (HK cents)		**161.4**	28.8
– Diluted (HK cents)		**161.4**	28.8
From continuing operations			
– Basic (HK cents)		**17.9**	22.5
– Diluted (HK cents)		**17.9**	22.5

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended	
	30/6/2015	30/6/2014
	Unaudited	Unaudited
	HK$ Million	*HK$ Million*
Profit for the period	**3,793.2**	858.5
Other comprehensive income (expenses) that may be reclassified subsequently to profit or loss		
Available-for-sale investments		
– Net fair value changes during the period	**25.2**	(23.7)
– Reclassification adjustment to profit or loss on disposal	**(18.8)**	–
	6.4	(23.7)
Exchange differences arising on translating foreign operations	**3.0**	(156.8)
Reclassification adjustment to profit or loss on disposal/ liquidation of subsidiaries	**(9.1)**	0.4
Revaluation gain on properties transferred from self-owned properties to investment properties arising from disposal of Sun Hung Kai Financial Group Limited in relation to properties leased to its subsidiaries, net of tax	**111.0**	–
Other comprehensive income (expenses) for the period	**111.3**	(180.1)
Total comprehensive income for the period	**3,904.5**	678.4
Total comprehensive income attributable to:		
– Owners of the Company	**3,738.9**	499.1
– Non-controlling interests	**165.6**	179.3
	3,904.5	678.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30/6/2015 Unaudited** *HK$ Million*	31/12/2014 Audited *HK$ Million*
Non-current Assets			
Investment properties		**1,024.5**	864.9
Leasehold interests in land		**4.9**	9.3
Property and equipment		**488.9**	447.5
Intangible assets		**888.9**	982.9
Goodwill		**2,384.0**	2,384.0
Interest in associates	*8*	**1,692.9**	35.7
Interest in joint ventures		**222.5**	198.9
Available-for-sale investments		**118.6**	232.6
Financial assets at fair value through profit or loss		**1,098.7**	603.5
Statutory deposits		**–**	39.9
Deferred tax assets		**363.2**	265.0
Amounts due from associates and joint ventures		**64.8**	64.7
Loans and advances to consumer finance customers	*11*	**2,856.1**	3,308.4
Trade and other receivables	*12*	**1,749.9**	1,468.2
Deposits for acquisition of property and equipment		**31.1**	108.5
		12,989.0	11,014.0
Current Assets			
Financial assets at fair value through profit or loss		**1,308.9**	924.2
Taxation recoverable		**9.3**	11.8
Amounts due from associates and joint ventures	*8*	**1,174.1**	0.2
Loans and advances to consumer finance customers	*11*	**7,524.9**	8,083.3
Trade and other receivables	*12*	**2,152.4**	7,682.7
Bank deposits		**840.9**	993.4
Cash and cash equivalents		**7,044.3**	4,051.2
		20,054.8	21,746.8
Current Liabilities			
Dividend payable		**315.5**	–
Financial liabilities at fair value through profit or loss		**89.2**	66.3
Bank borrowings		**2,775.8**	3,833.9
Trade and other payables	*13*	**295.6**	2,819.8
Amounts due to fellow subsidiaries and a holding company		**–**	7.5
Amounts due to associates		**0.1**	0.1
Provisions		**19.3**	62.3
Taxation payable		**201.9**	186.0
Notes		**76.6**	71.3
		3,774.0	7,047.2
Net Current Assets		**16,280.8**	14,699.6
Total Assets less Current Liabilities		**29,269.8**	25,713.6

	30/6/2015	31/12/2014
	Unaudited	Audited
	HK$ Million	*HK$ Million*
Capital and Reserves		
Share capital	**8,752.3**	8,752.3
Reserves	**9,577.8**	6,174.7
Equity attributable to owners of the Company	**18,330.1**	14,927.0
Non-controlling interests	**3,762.2**	3,740.3
Total Equity	**22,092.3**	18,667.3
Non-current Liabilities		
Deferred tax liabilities	**194.8**	201.5
Bank borrowings	**3,352.9**	3,196.0
Provisions	**0.1**	11.6
Notes	**3,629.7**	3,637.2
	7,177.5	7,046.3
	29,269.8	25,713.6

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 Amendments to Standards that are mandatorily effective for the Group's financial year beginning on 1 January 2015. The adoption of these Amendments has had no material effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods. 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 2014.

2. SEGMENT INFORMATION

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

	Six months ended 30 June 2015				
	Structured Finance *HK$ Million*	**Consumer Finance** *HK$ Million*	**Principal Investments** *HK$ Million*	**Group Management and Support** *HK$ Million*	**Total** *HK$ Million*
Segment revenue	**197.8**	**1,946.5**	**17.3**	**104.7**	**2,266.3**
Less: inter-segment revenue	**–**	**–**	**–**	**(97.7)**	**(97.7)**
Segment revenue from external customers	**197.8**	**1,946.5**	**17.3**	**7.0**	**2,168.6**
Segment profit or loss	**90.2**	**470.7**	**237.7**	**(186.7)**	**611.9**
Share of results of associates	**–**	**–**	**14.4**	**–**	**14.4**
Share of results of joint ventures	**–**	**–**	**43.8**	**–**	**43.8**
Profit before taxation	**90.2**	**470.7**	**295.9**	**(186.7)**	**670.1**
Included in segment profit or loss:					
Interest income	**195.1**	**1,931.0**	**–**	**4.3**	**2,130.4**
Other income	**–**	**9.7**	**37.1**	**0.2**	**47.0**
Net profit (loss) on financial assets and liabilities	**2.5**	**–**	**239.8**	**(2.5)**	**239.8**
Net exchange loss	**–**	**(0.1)**	**–**	**(7.2)**	**(7.3)**
Bad and doubtful debts provided	**(8.1)**	**(643.3)**	**–**	**(2.8)**	**(654.2)**
Finance costs	**(95.4)**	**(143.3)**	**–**	**(96.5)**	**(335.2)**
Less: inter-segment finance costs	**95.4**	**1.1**	**–**	**–**	**96.5**
Finance costs to external suppliers	**–**	**(142.2)**	**–**	**(96.5)**	**(238.7)**

	Six months ended 30 June 2014				
	Structured Finance *HK$ Million*	Consumer Finance *HK$ Million*	Principal Investments *HK$ Million*	Group Management and Support *HK$ Million*	Total *HK$ Million*
Segment revenue	186.5	1,787.5	13.4	91.8	2,079.2
Less: inter-segment revenue	–	–	–	(89.7)	(89.7)
Segment revenue from external customers	186.5	1,787.5	13.4	2.1	1,989.5
Segment profit or loss	59.6	745.0	93.8	(18.3)	880.1
Share of results of associates	–	–	2.4	–	2.4
Share of results of joint ventures	–	–	(1.2)	–	(1.2)
Profit before taxation	59.6	745.0	95.0	(18.3)	881.3
Included in segment profit or loss:					
Interest income	172.0	1,778.9	–	2.9	1,953.8
Other income	–	2.9	21.9	1.0	25.8
Net profit (loss) on financial assets and liabilities	(29.0)	–	85.3	(9.1)	47.2
Net exchange gain (loss)	–	36.3	–	(8.5)	27.8
Bad and doubtful debts provided	–	(331.8)	–	–	(331.8)
Finance costs	(78.6)	(129.1)	–	(94.5)	(302.2)
Less: inter-segment finance costs	78.6	8.9	–	–	87.5
Finance costs to external suppliers	–	(120.2)	–	(94.5)	(214.7)

The Wealth Management and Brokerage segment and Capital Markets segment reported in last interim consolidated financial statements were removed from the above analysis as the segments were disposed of during the period. In order to present the Group's earnings driver more clearly, the Group Management and Support section, previously grouped under Principal Investments Segment, is now presented as a separate segment. The comparative figures of segment profit or loss for the six months ended 30 June 2014 were restated to conform to the current period presentation.

The geographical information of revenue from continuing operations is disclosed as follows:

	Six months ended	
	30/6/2015 ***HK$ Million***	30/6/2014 *HK$ Million*
Revenue from external customers by location of operations		
– Hong Kong	**1,199.1**	1,149.5
– Mainland China	**946.8**	829.0
– Others	**22.7**	11.0
	2,168.6	1,989.5

3. OTHER INCOME

	Six months ended	
	30/6/2015	30/6/2014
	HK$ Million	*HK$ Million*
Net realised profit on disposal of available-for-sale investments	**18.8**	0.3
Increase in fair value of investment properties	**27.7**	22.7
Miscellaneous income	**0.5**	2.8
	47.0	25.8

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:

	Six months ended	
	30/6/2015	30/6/2014
	HK$ Million	*HK$ Million*
Net realised and unrealised profit on derivatives	**50.0**	10.8
Net realised and unrealised profit (loss) on trading in equity securities	**121.8**	(12.3)
Net realised and unrealised profit on trading in bonds and notes	**10.9**	5.4
Net realised and unrealised profit on financial assets designated as at fair value through profit or loss	**57.1**	43.3
	239.8	47.2

5. BAD AND DOUBTFUL DEBTS

	Six months ended	
	30/6/2015	30/6/2014
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Impairment loss	**(639.4)**	(331.8)
Trade and other receivables		
– Impairment loss	**(3.9)**	–
– Bad debts written off	**(10.9)**	–
Bad and doubtful debts recognised in profit or loss	**(654.2)**	(331.8)

Since the year ended 31 December 2014, economic growth of PRC declined and business activities have slowed down generally. Small businesses in Mainland China, both companies and individuals, which accounted for a substantial portion of United Asia Finance Limited's Mainland China loan book classified as loans and advances to consumer finance customers were especially affected. For unsecured loans, the entire loan amount is written off after 180 days delinquency (or in case of bankruptcy or if a borrower is deceased, whichever is earlier), whilst collection and recovery efforts would still continue and are written back as and when recoveries occur. Delinquencies of United Asia Finance Limited's Mainland China loan book increased at a higher rate for the period compared to that of last year, leading to a substantial rise in bad debts written off. These written offs during the first half of 2015 also increased the collective impairment allowance provided for the period.

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	
	30/6/2015	30/6/2014
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Amounts written off in allowance of impairment	**(610.6)**	(329.2)
– Recoveries credited to allowance of impairment	**59.8**	53.2

6. PROFIT BEFORE TAXATION

	Six months ended	
	30/6/2015	30/6/2014
	HK$ Million	*HK$ Million*
Profit before taxation has been arrived at after crediting (charging):		
Dividends from listed investments	**6.3**	2.2
Dividends from unlisted investments	**3.5**	2.8
Interest income	**2,130.4**	1,953.8
Amortisation of leasehold interests in land	**(0.1)**	(0.2)
Depreciation of property and equipment	**(27.2)**	(20.7)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	**(0.7)**	(0.1)
– Intangible assets acquired in business combination (included in direct cost and operating expenses)	**(3.1)**	(3.1)
Interest expenses	**(232.8)**	(212.0)
Net loss on disposal of equipment	**(3.2)**	(2.1)
Loss on purchase of bonds issued by the Group*	**(141.5)**	–
Share of taxation of associates and joint ventures (included in share of results of associates and joint ventures)	**(15.3)**	–

* In 2013 a securitisation fund owned by the Group issued bonds to an independent third party investment fund which in turn sold units to investors in the PRC. The bonds issued by the Group's securitisation fund were backed by bonds issued by a Singapore listed company. The Singapore Company defaulted on the bonds. In order to facilitate repayment to the PRC investors and to minimise a potentially protracted and costly dispute, a subsidiary of the Group purchased the bonds issued to the independent investment fund for HK$141.5 million, being the original principal and part of the outstanding interest, during the period. This amount is included in "Other expenses". A judicial manager has been appointed to the Singapore Company and the Group is actively pursuing all possible means of recovery of these funds and other costs. Any amounts recovered will in the future be included in "Other income".

7. TAXATION

	Six months ended	
	30/6/2015	30/6/2014
	HK$ Million	*HK$ Million*
Current tax		
– Hong Kong	**91.9**	85.3
– PRC	**122.8**	94.1
	214.7	179.4
Over provision in prior years	**(0.3)**	(0.1)
	214.4	179.3
Deferred tax	**(108.7)**	(23.1)
	105.7	156.2

Hong Kong profits tax is calculated at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2014: 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.

Deferred tax of HK$5.3 million arising from the revaluation gain on properties transferred from self-owned properties to investment properties was recognised in other comprehensive income during the period (2014: Nil).

8. DISPOSAL OF A SUBSIDIARY

On 2 June 2015, the Company completed the disposal of 70% interest in Sun Hung Kai Financial Group Limited ("SHKFGL"). SHKFGL and its subsidiaries carry out businesses in Wealth Management and Brokerage segment and Capital Markets segment. The proceeds on disposal of HK$4,095.0 million were received in cash. Upon the disposal, the fair value of the remaining 30% interest in SHKFGL on the disposal date of HK$1,644.0 million is classified as an interest in associate and the amounts due from the subsidiaries of SHKFGL are classified as amounts due from associates. Such amounts include a 1-year shareholder loan of HK$1,061.6 million (interest at 6% p.a. for the first 6 months and 8% p.a. thereafter) advanced by the Group to a subsidiary of SHKFGL. The loan is guaranteed by the controlling shareholder of SHKFGL and a subsidiary of SHKFGL after the disposal.

The profit from discontinued operations (the consolidated profit of SHKFGL up to the date of the disposal and the profit on disposal of SHKFGL) is analysed as follows:

	Six months ended	
	30/6/2015	30/6/2014
	Unaudited	Unaudited
	HK$ Million	*HK$ Million*
Revenue	**603.5**	522.3
Other income	**0.3**	3.6
Total income	**603.8**	525.9
Brokerage and commission expenses	**(167.7)**	(109.6)
Advertising and promotion expenses	**(5.5)**	(3.5)
Direct cost and operating expenses	**(11.2)**	(17.3)
Administrative expenses	**(199.1)**	(237.9)
Net profit (loss) on financial assets and liabilities	**2.1**	(0.5)
Net exchange gain (loss)	**(4.3)**	12.1
Bad and doubtful debts	**11.9**	3.2
Finance costs	**(6.4)**	(8.2)
Other expenses	**–**	(3.5)
	223.6	160.7
Share of results of joint ventures	**1.8**	0.5
Profit before taxation	**225.4**	161.2
Taxation	**(30.1)**	(27.8)
Profit for the period from discontinued operations	**195.3**	133.4
Profit on disposal of SHKFGL	**3,033.5**	–
Profit for the period from discontinued operations (attributable to owners of the Company)	**3,228.8**	133.4

The profit on disposal of SHKFGL included HK$802.4 million attributable to measuring the 30% retained interests in SHKFGL at its fair value at the date when control is lost. The fair value of the 30% retained interests is based on a business valuation report prepared by an independent qualified professional valuer, Norton Appraisals Limited. The valuation used the discounted cash flow approach and is based on certain key assumptions including an average growth rate of 32.4% from 2015 to 2020, a sustainable growth rate of 3%, a non-controlling interest discount of 9% and a discount rate of 13.3%.

The cash flows from discontinued operations is analysed as follows:

	Six months ended	
	30/6/2015	30/6/2014
	Unaudited	Unaudited
	HK$ Million	*HK$ Million*
Net cash used in operating activities	**(383.2)**	(1,818.9)
Net cash from (used in) investing activities	**(67.1)**	5.2
Net cash from financing activities	**58.5**	1,640.0
Net cash outflows	**(391.8)**	(173.7)

The consolidated net assets of SHKFGL at the date of disposal were as follows:

	HK$ Million
Non-current Assets	
Equipment	30.0
Intangible assets	87.6
Interest in joint ventures	43.2
Available-for-sale investments	11.9
Statutory deposits	45.3
Deferred tax assets	2.9
Trade and other receivables	7.4
Deposits for acquisition of equipment	1.5
	229.8
Current Assets	
Financial assets at fair value through profit or loss	0.2
Taxation recoverable	2.1
Amounts due from joint ventures	0.3
Amounts due from fellow subsidiaries and a holding company	5.6
Trade and other receivables	6,994.9
Cash and cash equivalents	539.3
	7,542.4
Current Liabilities	
Bank borrowings	(58.5)
Trade and other payables	(3,666.4)
Amounts due to fellow subsidiaries and a holding company	(1,155.9)
Provisions	(22.4)
Taxation payable	(47.5)
	(4,950.7)
Net Current Assets	2,591.7
Non-current Liabilities	
Deferred tax liabilities	(4.1)
Provisions	(12.0)
	(16.1)
Net assets disposed of	2,805.4
Net cash inflow arising on disposal	
– Cash consideration	4,095.0
– Cash and cash equivalents disposed of	(539.3)
	3,555.7

The profit on disposal of SHKFGL is as follows:

	HK$ Million
Cash consideration received	4,095.0
Net assets disposed of	(2,805.4)
Retained interest in an associate	1,644.0
Put right for the retained interest in an associate procured on disposal*	111.0
Call option for club membership procured on disposal	9.3
Release of reserves on disposal	9.1
Transaction costs	(29.5)
Profit on disposal of SHKFGL	3,033.5

* The Group may, during the option period (which is the period of six months commencing on the third anniversary of the completion date) or following the occurrence of certain trigger events, exercise its put right to require the buyer to buy some or all of the shares it holds in SHKFGL at a price per share equal to the consideration per share paid by the buyer for the acquisition of the 70% interest plus a pre-agreed annualised yield. Further details have been disclosed in the Company's circular dated 27 February 2015.

9. DIVIDEND

	Six months ended	
	30/6/2015	30/6/2014
	HK$ Million	*HK$ Million*
Dividends recognised as distribution during the period		
– 2014 final dividend of HK14 cents (2013 final dividend: HK12 cents) per share	**315.5**	254.7

Subsequent to the end of the interim reporting period, the Board of Directors has declared an interim dividend of HK12 cents per share (2014: interim dividend of HK10 cents per share and a special dividend of HK2 cents per share) amounting to HK$269.2 million (2014: interim dividend of HK$211.4 million and special dividend of HK$42.3 million).

10. 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	
	30/6/2015	30/6/2014
	HK$ Million	*HK$ Million*
Earnings for the purposes of basic and diluted earnings per share		
Earnings from continuing operations and discontinued operations (profit for the period attributable to owners of the Company)	**3,630.6**	610.3
Less: earnings from discontinued operations (profit for the period from discontinued operations attributable to owners of the Company)	**(3,228.8)**	(133.4)
Earnings from continuing operations (profit for the period from continuing operations attributable to owners of the Company)	**401.8**	476.9
	Million Shares	*Million Shares*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,249.6**	2,116.9
Effect of dilutive potential ordinary shares:		
– Shares held for the SHK Employee Ownership Scheme	**0.2**	0.1
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,249.8**	2,117.0

Basic earnings per share and diluted earnings per share for the discontinued operations are both HK143.5 cents per share (2014: both HK6.3 cents per share).

11. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	30/6/2015	31/12/2014
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Hong Kong	**6,848.6**	7,081.6
– Mainland China	**4,378.0**	5,066.7
Less: impairment allowance	**(845.6)**	(756.6)
	10,381.0	11,391.7
Analysed for reporting purposes as:		
– Non-current assets	**2,856.1**	3,308.4
– Current assets	**7,524.9**	8,083.3
	10,381.0	11,391.7

12. TRADE AND OTHER RECEIVABLES

	30/6/2015	31/12/2014
	HK$ Million	*HK$ Million*
Trade receivables – accounts receivable from exchanges, brokers and clients	**159.7**	1,811.3
Less: impairment allowance	**–**	(11.8)
	159.7	1,799.5
Secured term loans	**3,034.4**	2,727.2
Unsecured term loans	**620.7**	623.6
Less: impairment allowance	**(4.8)**	(4.8)
	3,650.3	3,346.0
Margin loans	**–**	3,903.0
Less: impairment allowance	**–**	(119.9)
	–	3,783.1
Other receivables		
– Deposits	**16.6**	72.1
– Dividend receivable on behalf of clients	**–**	60.9
– Claims from counter parties, receivable from sale proceeds and other receivables	**77.7**	64.1
Less: impairment allowance	**(3.9)**	–
	90.4	197.1
Trade and other receivables at amortised cost	**3,900.4**	9,125.7
Prepayments	**1.8**	24.9
Current portion of leasehold interests in land	**0.1**	0.3
	3,902.3	9,150.9
Analysed for reporting purposes as:		
– Non-current assets	**1,749.9**	1,468.2
– Current assets	**2,152.4**	7,682.7
	3,902.3	9,150.9

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

	30/6/2015	31/12/2014
	HK$ Million	*HK$ Million*
Less than 31 days	**3.9**	1,820.1
31 – 60 days	**0.1**	4.1
61 – 90 days	**–**	1.5
91 – 180 days	**–**	2.6
Over 180 days	**–**	23.3
	4.0	1,851.6
Term loans, margin loans, and trade and other receivables without ageing	**3,905.1**	7,410.6
Less: impairment allowances	**(8.7)**	(136.5)
Trade and other receivables at amortised cost	**3,900.4**	9,125.7

13. 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:

	30/6/2015	31/12/2014
	HK$ Million	*HK$ Million*
Less than 31 days	**75.8**	2,480.3
31 – 60 days	**6.2**	8.4
61 – 90 days	**4.5**	11.4
91 – 180 days	**4.9**	9.5
Over 180 days	**–**	3.6
	91.4	2,513.2
Accrued staff costs, other accrued expenses and other payables without ageing	**204.2**	306.6
	295.6	2,819.8

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2015, an important milestone has been reached for the Group as management delivered on its objective to accelerate Sun Hung Kai Financial's growth by participating in the fast-liberalising Chinese capital markets with a strategic Chinese partner. In June 2015, this goal was accomplished when we sold 70% of Sun Hung Kai Financial Group Limited ("SHKFGL") to Everbright Securities Company Limited ("Everbright Securities") (the "SHKFGL Transaction"). This transaction crystallised the significant embedded value of this part of the Group's business whilst allowing us to continue to participate in its future growth through our retained 30% interest.

For the six months ended 30 June 2015, the Group's profit attributable to owners of the Company amounted to HK$3,630.6 million, a significant increase over the same period in 2014 (HK$610.3 million). This profit included a gain of HK$3,033.5 million from the SHKFGL Transaction.

Earnings per share for the six-month period were HK161.4 cents (first six months of 2014: HK28.8 cents) and the Board has declared an interim dividend of HK12 cents per share. In addition, the Board has resolved to allocate up to HK$1 billion to buying back the Company's shares on market. For further details of the Share Repurchase Plan, please refer to page 31 of this announcement.

The Board will revisit the Company's capital allocation at year end after taking into account the quantum utilised pursuant to this share buy-back, the financial circumstances of the Company at the time, any other available business opportunities and market conditions generally.

As at 30 June 2015, the Group's book value per share amounted to HK$8.1. Return on equity for the six-month period was 19.8% and excluding the gain from the SHKFGL Transaction, the annualised return on average equity was 7.2%. Net gearing decreased to 10.6%.

As a result of the SHKFGL Transaction, the Group's earnings drivers will be reweighted. Since our foundation 46 years ago, the Group has owned and operated market-leading businesses in financial services and we will strive to keep generating long term value and growth for our shareholders. Our businesses are all well placed to capture the long term growth trends in consumption and wealth generation in China and we target to grow through a two-pronged strategy:

– Continue to develop our loan businesses through expansion in China as well as expansion into other market segments and related businesses.

– Build upon our operating expertise in financial services and with a view to higher returns on capital, we will actively seek investments in new financial platforms, particularly in fintech (financial technology).

RESULTS ANALYSIS

The SHKFGL Transaction completed on 2 June 2015. SHKFGL's contribution to the Group up to this completion date is classified under discontinued operations. 2014 comparatives have been restated accordingly. The total profit from discontinued operations amounted to HK$3,228.8 million, including the HK$3,033.5 million gain on the sale of 70% of SHKFGL. After the completion date, SHKFGL became a 30% owned associate of the Group and its contribution is included under Principal Investments.

For the first half of 2015, Sun Hung Kai Financial's business benefited from a strong surge in the Hong Kong market's trading volume following a rapid rise in the Chinese equities market. The Hang Seng Index hit a seven-year high of over 28,000. Our retail brokerage did well with revenue up by 27% and SHKFGL's profit increased significantly.

(HK$ Million)	**1H2015**	**1H2014 (restated)**	**Change**
Revenue	**2,168.6**	**1,989.5**	**9%**
Operating Expenses	(779.5)	(661.1)	18%
As % of revenue ("cost to income")	*35.9%*	*33.2%*	
Finance costs	(238.7)	(214.7)	11%
Operating Earnings Before Bad and Doubtful Debts	**1,150.4**	**1,113.7**	**3%**
Bad and doubtful debts	(654.2)	(331.8)	97%
Operating Earnings	**496.2**	**781.9**	**-37%**
Other income net of other expenses	(116.8)	23.2	
Net exchange gain (loss)	(7.3)	27.8	
Net profit on financial assets and liabilities	239.8	47.2	75%
Associates	14.4	2.4	
Joint ventures	43.8	(1.2)	
Profit Before Taxation	**670.1**	**881.3**	**-24%**
Taxation	(105.7)	(156.2)	-32%
Profit from continuing operations	564.4	725.1	-22%
Profit from discontinued operations	3,228.8	133.4	+23x
Non-controlling interests	(162.6)	(248.2)	-34%
Profit attributable to owners of the Company	**3,630.6**	**610.3**	**495%**
– from discontinued operations	**3,228.8**	**133.4**	**+23x**
– from continuing operations	**401.8**	**476.9**	**-16%**

Based on the Group's continuing operations, revenue increased by 9% during the period comprising mainly interest income from the Group's lending businesses: Consumer Finance and Structured Finance. Profit attributable to owners of the Company from continuing operations totalled HK$401.8 million (first half of 2014: HK$476.9 million).

Loan balances and interest income

(HK$ Million)	**As at 30/6/2015**	**As at 30/6/2014**	**YoY Change**	**As at 31/12/2014**	**YTD Change**
Loan Balances[1]					
Consumer Finance	10,381.0	10,249.2	1%	11,391.7	-9%
Structured Finance	3,650.3	2,732.3	34%	3,346.0	9%
SHKFGL loan[2]	1,066.5	–		–	
Total	**15,097.8**	**12,981.5**	**16%**	**14,737.7**	**2%**
Interest Income for the six-month period					
Consumer Finance	1,931.0	1,778.9	9%		
Structured Finance	195.1	172.0	13%		
Others	4.3	2.9	48%		
Total	**2,130.4**	**1,953.8**	**9%**		

[1] 2014 comparatives exclude loan balances from discontinued operations
[2] Loan as disclosed in the announcement of the Company dated 2 June 2015

Operating costs increased by 18%. Higher costs were incurred in the Group Management and Support segment. Costs from the Consumer Finance segment were also higher with the addition of 14 branches in Mainland China. During the period, total expenditure for bad and doubtful debts for the Group amounted to HK$654.2 million (first half of 2014: HK$331.8 million). The increase is mainly driven by the challenges being faced by the UAF Consumer Finance business in Mainland China. Operating earnings declined by 37% year-on-year as a result. Non-operating income grew satisfactorily primarily from the gains from the Group's investment portfolio.

SEGMENT INFORMATION

The Wealth Management and Brokerage segment and Capital Markets segment reported previously have been removed from the analysis as these units under SHKFGL were deconsolidated.

To present the Group's earnings drivers more clearly, the Group Management and Support section, previously included under Principal Investments, is now presented as a separate segment. It provides support and treasury services to the rest of the Group and its results represent cost or income items that are not fully allocated to other business segments.

Contribution to pre-tax profit by segment:

(HK$ Million)	**1H2015**	**1H2014**	**Change**
Structured Finance	90.2	59.6	51%
Consumer Finance	470.7	745.0	-37%
Principal Investments	295.9	95.0	211%
Group Management and Support	(186.7)	(18.3)	920%
Total	**670.1**	**881.3**	**-24%**

STRUCTURED FINANCE

Our Structured Finance business provides funding to corporate and high net worth customers. This business is a growing contributor to the Group's earnings. Our strong knowledge and extensive experience in this small but growing business has enabled us to achieve attractive long term returns.

As at 30 June 2015, the aggregate Structured Finance loan balance was HK$3,650.3 million, a 9% increase compared to the end of 2014 (HK$3,346 million), and a 34% increase on a year-on-year basis.

(HK$ Million)	**1H2015**	**1H2014**	**Change**
Revenue	**197.8**	**186.5**	**6%**
Operating costs	(6.6)	(19.3)	-66%
Cost to income (% Revenue)	*3.3%*	*10.3%*	
Finance costs^	(95.4)	(78.6)	21%
Bad and doubtful debts	(8.1)	–	
Operating Earnings	**87.7**	**88.6**	**-1%**
Profit (loss) from financial asset and liabilities	2.5	(29.0)	
Pre-tax Contribution	**90.2**	**59.6**	**51%**

^ Includes internal

Revenue during the period increased by 6% to HK$197.8 million and the contribution to pre-tax profit amounted to HK$90.2 million, which was 51% higher than the corresponding period in 2014 with the reversal of losses from financial assets and liabilities. Operating earnings were in line with last year. A bad debt expense of HK$8.1 million was incurred (first half of 2014: nil) when we made an additional provision for a previous loan.

As at 30 June 2015, the loan portfolio included borrowers operating in the following sectors: investments (60%); property development (19%); electric vehicles manufacturing (19%); and resources (2%). As we target to provide short and medium-term financing to our clients, 52% of our loans are due on demand or within one year, and 48% from one to five years.

As liquidity conditions for medium-sized enterprises have remained relatively tight due to the volatile market conditions, the demand for funding solutions should continue to be buoyant. Given the Group's robust capital position after the SHKFGL Transaction, we plan to continue expanding our Structured Finance business.

CONSUMER FINANCE

(HK$ Million)	**1H2015**	**1H2014**	**Change**
Revenue	**1,946.5**	**1,787.5**	**9%**
Operating Costs	(698.8)	(620.8)	13%
Cost to income (% Revenue)	*35.9%*	*34.7%*	
Finance cost^	(143.3)	(129.1)	11%
Operating earnings before bad and doubtful debts	**1,104.4**	**1,037.6**	**6%**
Bad and doubtful debts	(643.3)	(331.8)	94%
Operating earnings	**461.1**	**705.8**	**-35%**
Other income	9.7	2.9	
Exchange gain (loss)	(0.1)	36.3	
Pre-tax Contribution	**470.7**	**745.0**	**-37%**

^ Includes internal

The Group conducts its Consumer Finance business through United Asia Finance Limited ("UAF"), a 58% indirectly owned subsidiary. It offers both secured and unsecured loan products to individuals and small businesses through an extensive branch network in Hong Kong and Mainland China.

For the first half of 2015, the pre-tax contribution to the Group amounted to HK$470.7 million. This is a decrease of 37% compared to the same period last year primarily as a result of the reduced contribution from the Mainland China business. Revenue and operating earnings before bad debts rose by 9% and 6% respectively. Although the total loan balance was similar to last period, Mainland China's share of the total loan book increased to 39% for the first half of 2015, against 36% for the first half of 2014. The Mainland China business has a higher revenue return but a higher cost base as compared to the Hong Kong business.

During the period, a small exchange loss of HK$0.1 million was recorded, compared to a gain of HK$36.3 million last period. The exchange differences mainly arose from the translation of RMB denominated borrowings to HK dollar reporting.

Key Operating Data:	1H2015	1H2014	Change	End of 2014
Net loan balance *(HK$ million)*	10,381.0	10,249.2	1%	11,391.7
Gross loan balance *(HK$ million)*	11,226.6	10,899.7	3%	12,148.3
– Hong Kong	6,848.6	6,946.7	-1%	7,081.6
– Mainland China	4,378.0	3,953.0	11%	5,066.7
Total return on loans (Annualised revenue/average gross loan balance)	33.3%	33.2%		33.0%
– Hong Kong	28.8%	27.9%		28.2%
– Mainland China	40.0%	42.7%		40.6%
Charge Off ratio (Annualised on gross loan balance)	9.8%	5.1%		5.1%
– Hong Kong	3.9%	3.9%		3.8%
– Mainland China	19.1%	7.1%		7.0%
Average gross balance per loan *(HK$)*	62,304	62,470		67,770
– Hong Kong *(HK$)*	61,549	64,227		64,875
– Mainland China *(RMB)*	50,809	47,699		57,835

Total bad and doubtful debts expense increased from HK$331.8 million for the last interim period to HK$643.3 million for the current interim period. The charges include the bad debts written off net of recoveries, as well as the charges to the impairment allowance (which is calculated based on the historical charge off rates and loan growth). The charges to the impairment allowance during the period increased from HK$55.8 million in first half of 2014 to HK$92.5 million (an impairment allowance of 7.5%).

During the period, bad debts written off, net of recoveries (the "Charge Off") amounted to HK$550.8 million (first half of 2014: HK$276.0 million). The Charge Off ratio expressed as the annualised Charge Off amount as a percentage of period end gross loan balance was 9.8% for the period as against 5.1% for the first half of 2014.

UAF has consistently adopted a straightforward write-off policy. For unsecured loans, the entire loan amount is written off after 180 days delinquency (or in case of bankruptcy or if a borrower is deceased, whichever is earlier), whilst collection and recovery efforts will still continue and are written back as and when recoveries occur. Based on this approach, a total of HK$610.6 million was written off during the period of which HK$433.8 million was incurred in Mainland China.

Bad and doubtful debts and impairment allowances:

(HK$ Million)	**1H2015**	**1H2014**
a. Amounts written off	(610.6)	(329.2)
b. Recoveries	59.8	53.2
c. Charges to impairment allowance	(92.5)	(55.8)
Total charges for bad and doubtful debts[1]	**(643.3)**	**(331.8)**
Impairment allowance at period end	845.6	650.5
Gross loan balance	11,226.6	10,899.7
Charge Off (a-b) as annualised % of gross loan balance	9.8%	5.1%
Impairment allowance as % of gross loan balance	7.5%	6.0%

[1] Included HK$3.9 million provision for the credit guarantee business

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

(HK$ Million)	**As at 30/6/2015**	**Note**	**As at 31/12/2014**	**Note**
Less than 31 days past due	932.5	9.0%	805.2	7.1%
31 – 60 days	182.3	1.8%	278.3	2.4%
61 – 90 days	126.7	1.2%	101.6	0.9%
91 – 180 days	496.1	4.8%	232.8	2.1%
Over 180 days	47.3	0.4%	36.9	0.3%
Total	**1,784.9**	**17.2%**	**1,454.8**	**12.8%**

Note: amount as a % of net loan balance.

UAF's business in Mainland China faced significant economic headwinds during the period. Since 2014, economic growth started to abate and business activities have slowed down generally. Small businesses, which accounted for a substantial portion of UAF's Mainland China loan book, were especially affected. Delinquencies increased at a higher than normal rate, leading to a substantial rise in write offs for the Mainland China business. These write offs added to the deceleration of the loan book growth on a year-on-year basis during the first half of 2015 which in turn affected the calculation of the Charge Off ratio. In view of these circumstances, UAF is revising its marketing, collection and underwriting strategies in Mainland China.

UAF has consistently performed well and its management remains confident in the market's medium and long term prospects. UAF will continue to expand its business reach but at a slower pace than planned before. 14 new branches were opened since the end of 2014, and a total of 203 branches were operating at the end of June 2015.

Branch Network:

City/Province	New branches opened during the first half of 2015	Number of branches as at 30/6/2015
Hong Kong	–	50
Shenzhen	–	43
Shenyang	2	11
Chongqing	–	12
Tianjin	–	7
Chengdu	1	12
Yunnan province	2	12
Dalian	–	9
Beijing	–	6
Wuhan	1	10
Shanghai	2	9
Fuzhou	1	6
Harbin	–	5
Nanning	2	4
Qingdao	1	3
Jinan	1	2
^Guangzhou	–	1
^Foshan	1	1
Total	**14**	**203**

^ Loan marketing branches

UAF's loan marketing and guarantee business should allow the Group to expand across Mainland China with much more flexibility in the future. After the launch of the first branch in Guangzhou in October 2014, a second branch was opened in Foshan in May this year. Still early days but particularly given the general challenging market conditions in China, management is satisfied with the guarantee business performance: these two branches achieved comparatively higher productivity than the average established loan branch during the same period.

UAF's business in Hong Kong remained steady with good profitability. This in spite of its overall volume in Hong Kong dropping slightly, caused mainly by slowdown in property loan business.

That slowdown has offset the year-on-year increase in the Group's core unsecured personal loans portfolio. Even with keen competition, UAF has continued to lead the market in this segment through innovation and focus on customer service. During the period, UAF managed to grow its profits in Hong Kong through increased efficiency. The credit environment also remained steady with unemployment staying low. For the remaining half of the year, UAF will continue to further integrate its online to offline ("O2O") presence.

The remainder of the year continues to pose challenges to UAF's profitability level in Mainland China. However, with the revised credit, enforcement and marketing strategies that are being adopted, management anticipates that results will improve in the medium term. A review on costs and efficiency is also being carried out to adjust UAF's cost structure to its revised loan strategy.

Despite the cyclical challenges, UAF's commitment to the market's long term growth remains unchanged. The weak economy in Mainland China may well lead to a consolidation in the sector which should improve the economics of our business. UAF will draw on the experience of its management team to manage through the current economic cycle in Mainland China. With its well established presence of 153 branches there and a customer base of about 69,000, UAF is in a good position for future growth when economic conditions normalise.

PRINCIPAL INVESTMENTS

The Group's capital is invested in a portfolio of investments across various asset classes. The aim is to achieve above-market returns on our liquid capital by capitalising on the Group's operating expertise and its knowledge of the financial services industry.

Through investing, management is provided with an effective means of identifying new partners and financial platforms which will in turn enhance our existing businesses. The non-bank lending market in Mainland China has been going through rapid changes. The fast evolving internet finance sector has created new threats as well as opportunities for the consumer finance industry and it is important that the Group stays in the forefront of development in this sector. With our long operating experience in the sector, we also aim to develop new revenue streams in related businesses that can accelerate our growth. This investment strategy will be a key development area for the Group going forward.

The investment portfolio's carrying value amounted to HK$5,139.8 million at the end of June 2015 and the average carrying value was HK$3,087.9 million. The segment contributed a total of HK$295.9 million (first half of 2014: HK$95.0 million), equivalent to a 9.6% return on the average carrying value for the six-month period.

Principal Investments assets breakdown as at 30 June 2015 and six-month return:

(HK$ Million)	**Period end value**	**Average value**	**Contribution**	**Return on average value for the 6 months**
Principal Portfolio	2,295.6	1,766.0	234.3	13.3%
Long Term Investment Portfolio	1,871.6	487.1	23.1	4.7%
Real Estate Portfolio	972.6	834.8	38.5	4.6%
Total	**5,139.8**	**3,087.9**	**295.9**	**9.6%**

Principal Portfolio

For the first half of 2015, our Principal Portfolio recorded a profit of HK$234.3 million, or a 13% return over an average balance of HK$1,766.0 million, out-performing the 11% gain in the Hang Seng Index during the same period. 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 externally managed funds.

For the internally managed portion, 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. Following that strategy, our portfolio benefited from gains in Chinese equities, especially in the financial sector. Also included in the Principal Portfolio is the contribution from a joint venture company, Fast Track Holdings Limited, which specialises in the trading of equity derivatives products. It had a very strong performance during the period due to the buoyant market environment.

We seek to invest in companies that bring strategic value to the Group and this strategy is carried out by taking direct stakes in companies as well as investing through externally managed partner funds. These professionally managed hedge funds and private equity funds are generally focused on the technology and financial services sectors and are carefully selected based on their track record, strategic fit to the Group as well as access to deals and co-investment opportunities. The funds recorded solid returns for the period.

During the period, we invested in a minority position in Crowdnetic Corporation, a leading provider of technology and market data solutions to the marketplace-lending and securities-based crowdfunding industries, and we have obtained the rights to form a joint venture with Crowdnetic for China. This follows our investment in Dianrong in 2014 which subsequently became one of UAF's partners for its loan marketing and guarantee business. We are actively evaluating a number of similar opportunities as we execute on this strategy.

Long Term Investment Portfolio

This portfolio consists of associates and available-for-sale investments that have sound investment or strategic value to the Group. The period end carrying value was HK$1,871.6 million. Subsequent to the completion of the sale of 70% of SHKFGL on 2 June 2015, SHKFGL became a 30% owned associate of the Group and its profit and carrying value of HK$1,644 million are reflected in this portfolio.

Going forward, management plans to continue the growth of this business and amongst other initiatives, we are exploring with Everbright Securities potential synergies and new revenue opportunities.

Apart from the SHKFGL stake, the rest of the portfolio mainly consists of interests in financial services firms where we can add value with our experience and operating expertise. Investments that are less strategic or of a nature where the Group has little management influence, are classified as available-for-sale investments where an exit is planned at the right time and valuation.

During the period, HK$23.1 million was recognised from the share of profits from associates and joint ventures as well as the disposal of an equity position in a financial services firm.

Real Estate Portfolio

This consists of commercial real estate mainly in Hong Kong and recurring income is generated from rental. Total revaluation gain of HK$27.7 million was also recorded during the period (first half of 2014: HK$22.7 million).

OUTLOOK

The transaction proceeds from the sale of 70% of SHKFGL totalled HK$4,095.0 million and this puts the Group in a very strong financial position. Most of the sale proceeds will be redeployed for business expansion. Management is currently developing other lending businesses that are complementary to our current portfolio. The Group will also seek to continue to grow its current loan businesses and strengthen its strategic investments whilst keeping sight of the upcoming refinancing of existing debt obligations.

For the remainder of the year, the earnings outlook for the Consumer Finance business in Mainland China remains challenging as noted above. The strong returns from the Principal Portfolio in the first half also might not be sustainable given recent market volatility. That said, the Group benefits from having a balanced mix of loan businesses that provides diversification. Both the Structured Finance and the Hong Kong Consumer Finance businesses are expected to have a stable performance this year. Despite the short term challenges, management remains optimistic of our prospects in the long term and will continue to position the business for future growth.

FINANCIAL REVIEW

Financial Resources, Liquidity and Capital structure

As at 30 June 2015, equity attributable to owners of the Company amounted to HK$18,330.1 million, representing an increase of HK$3,403.1 million or approximately 23% from 31 December 2014. During the six-month period, the Company repurchased and cancelled 2.8 million shares for a total consideration (including expenses) of HK$19.9 million. On a per share basis, the net asset value amounted to HK$8.1.

The Group's cash position was significantly strengthened with the sale proceeds from the SHKFGL Transaction. Short-term bank deposits, bank balances and cash amounted to HK$7,885.2 million at 30 June 2015 (at 31 December 2014: HK$5,044.6 million).

The Group's gearing ratio calculated on the basis of net debt to equity attributable to owners of the Company was approximately 10.6% as at 30 June 2015 (at 31 December 2014: approximately 38.1%). Net debt represents the total of bank borrowings and notes less bank deposits, cash and cash equivalents.

Total borrowings comprising bank borrowings and notes, amounted to HK$9,835.0 million at 30 June 2015 (at 31 December 2014: HK$10,738.4 million). Of this amount, HK$2,852.4 million, or 29%, is repayable within one year (at 31 December 2014: HK$3,905.2 million) and the balance after one year. The Group maintains a balanced mix of funding from various sources. Fixed coupon US dollar denominated notes amounted to HK$3,083.4 million and RMB-denominated notes equivalent to HK$622.9 million was outstanding at the end of the period. Bank borrowings are on floating interest rates and these are denominated in Hong Kong dollars, US dollars and RMB. There are no known seasonal factors in the Group's borrowing profiles.

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

On 2 June 2015, the Group completed the sale of 70% equity interest of SHKFGL to Everbright Securities ("SHKFGL Transaction" mentioned above). Total consideration was HK$4,095.0 million and a gain of HK$3,033.5 million was recognised. For more details of the transaction please refer to the Company's circular dated 27 February 2015, the announcement dated 2 June 2015 and Note 8.

Segment Information

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

Charges on Group Assets

Properties of the Group with a total book value of HK$466.0 million were pledged by subsidiaries to banks for facilities granted to them with a total outstanding loan balance of HK$16.4 million as at 30 June 2015.

Contingent Liabilities

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

	30/6/2015	31/12/2014
	HK$ Million	*HK$ Million*
Indemnities on banking guarantees made available to a regulatory body	–	1.5
Guarantees for banking facilities granted to an associate*	**500.0**	–
Financial guarantees under loan guarantee business	**46.0**	30.2
	546.0	31.7

* The controlling shareholder of SHKFGL shall indemnify the Group against any loss, liability or cost incurred on the guarantees.

HUMAN RESOURCES

As at 30 June 2015, the Group's headcount (including sales consultants) was 6,320 compared to 7,197 at 31 December 2014. This net decrease in headcount reflects the reclassification of SHKFGL as a 30% owned associate post the Group's sale of its 70% equity interest. On the other hand, UAF increased its headcount during this period to support the expansion of its branch network.

Staff costs based on continuing operations (including Directors' emoluments), contributions to retirement benefit schemes and expenses recognised for the SHK Employee Ownership Scheme amounted to approximately HK$430.6 million (first half of 2014: HK$374.8 million).

The Group operates various compensation schemes to reflect job roles within the organisation. For sales staff/sales consultants, packages consist of a base pay and commission/bonus/performance-based incentives as appropriate.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK12 cents per share (2014: HK10 cents per share and a special dividend of HK2 cents per share) payable to the shareholders whose names appear on the register of members of the Company on 9 September 2015. Dividend warrants for the interim dividend are expected to be dispatched on or around 15 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 September 2015 to 9 September 2015, both days inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be 2 September 2015. 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 4 September 2015.

SHARE REPURCHASE PLAN

Introduction

The Board has resolved to allocate up to HK$1 billion to repurchasing the Company's shares (the "Shares") on market commencing with immediate effect (the "Share Repurchase Plan"). The number of Shares that the Company will be able to repurchase will be dependent upon the number of Shares that the Company is entitled to purchase under the general mandate granted to the Board at the annual general meeting of the Company on 3 June 2015 (the "General Mandate"). Currently, the number of Shares outstanding which could be repurchased under the General Mandate is 216,674,749 Shares. Subject to market conditions and at the absolute discretion of the Board, the repurchase of Shares may cease at any time.

Details of the Share Repurchase Plan

The Share Repurchase Plan will be subject to compliance with the General Mandate and the applicable provisions of the Company's articles of association, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong law. Any Shares repurchased under the Share Repurchase Plan will be cancelled.

Under the Listing Rules, the actual repurchase price of each Share shall be no more than 5% higher than the average closing market price for the Shares over the 5 trading days immediately preceding each repurchase. The Listing Rules also require that the Company retain sufficient public float. Currently, based on the latest shareholding, the maximum number of Shares which the Company can repurchase is approximately 142.3 million Shares in order to maintain the public float requirements.

The Company will finance any Share repurchases from existing cash resources.

The Board considers that the current share price of the Company is significantly below both net asset backing (HK$8.1 per Share as at 30 June 2015) and intrinsic valuation. The Board considers that repurchases of Shares below net asset backing is value accretive for all shareholders and accordingly an appropriate use of funds in the current circumstances following the disposal of 70% of SHKFGL, completion of which was announced on 2 June 2015.

Shareholders and investors should note that as at the date of this announcement the Company has repurchased 8,559,000 Shares pursuant to the General Mandate at a cost of approximately HK$53.6 million (including expenses). Purchases of any Shares under the Share Repurchase Plan will be subject to market conditions including available liquidity and will be at the Board's absolute discretion. There is no assurance of the timing, quantity or price of any Share repurchases or whether the Company will make any repurchases at all. Shareholders and investors should therefore exercise caution when dealing in the Shares.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2015, 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 Listing Rules, 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 Group Deputy Chief Executive Officer, Mr. Simon Chow 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. Simon Chow assists the Group Executive Chairman in driving the performance of 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 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 were set out in the Corporate Governance Report contained in the Company's annual report for the financial year ended 31 December 2014. 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2015, the Company repurchased a total of 2,813,000 Shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration (before expenses) of HK$19,806,520. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	**Number of Shares repurchased**	**Purchase price**		**Aggregate consideration (before expenses)**
		Highest	**Lowest**	
		(HK$)	*(HK$)*	*(HK$)*
March	1,097,000	6.68	6.59	7,268,910
May	130,000	7.75	7.73	1,006,700
June	1,586,000	7.75	6.86	11,530,910
	2,813,000			19,806,520

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2015.

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 2015. 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, 20 August 2015

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

Executive Directors:
Messrs. Lee Seng Huang *(Group Executive Chairman)*, Simon Chow Wing Charn, Joseph Tong Tang and Peter Anthony Curry

Non-Executive Director:
Mr. Ahmed Mohammed Aqil Qassim Alqassim *(Mr. Joseph Kamal Iskander 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