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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30/6/2016	30/6/2015
		Unaudited	Unaudited
	Notes	***HK$ Million***	*HK$ Million*
Continuing operations			
Revenue	*4*	**1,741.8**	2,168.6
Other income	*5*	**123.4**	47.0
Total income		**1,865.2**	2,215.6
Brokerage and commission expenses		**(25.9)**	(25.2)
Advertising and promotion expenses		**(55.7)**	(47.1)
Direct cost and operating expenses		**(26.8)**	(23.1)
Administrative expenses		**(578.1)**	(684.1)
Net gain on financial assets and liabilities		**136.5**	239.8
Net exchange loss		**(4.1)**	(7.3)
Bad and doubtful debts	*6*	**(566.1)**	(654.2)
Finance costs		**(232.2)**	(238.7)
Other expenses		**(109.8)**	(163.8)
		403.0	611.9
Share of results of associates		**(2.9)**	14.4
Share of results of joint ventures		**(19.8)**	43.8
Profit before taxation	*7*	**380.3**	670.1
Taxation	*8*	**(29.5)**	(105.7)
Profit for the period from continuing operations		**350.8**	564.4

	Notes	Six months ended 30/6/2016 Unaudited *HK$ Million*	30/6/2015 Unaudited *HK$ Million*
Discontinued operations			
Profit for the period from discontinued operations		**–**	3,228.8
		350.8	3,793.2
Profit attributable to:			
– Owners of the Company		**276.2**	3,630.6
– Non-controlling interests		**74.6**	162.6
		350.8	3,793.2
Earnings per share	*10*		
From continuing and discontinued operations			
– Basic (HK cents)		**12.5**	161.4
– Diluted (HK cents)		**12.5**	161.4
From continuing operations			
– Basic (HK cents)		**12.5**	17.9
– Diluted (HK cents)		**12.5**	17.9

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended	
	30/6/2016	30/6/2015
	Unaudited	Unaudited
	HK$ Million	*HK$ Million*
Profit for the period	**350.8**	3,793.2
Other comprehensive income (expenses) that may be reclassified subsequently to profit or loss		
Available-for-sale investments		
– Net fair value changes during the period	**(2.3)**	25.2
– Reclassification adjustment to profit or loss on disposal	**–**	(18.8)
	(2.3)	6.4
Exchange differences arising on translating foreign operations	**(151.0)**	3.0
Reclassification adjustment to profit or loss on disposal/ liquidation of subsidiaries	**(0.2)**	(9.1)
Share of other comprehensive expenses of associates	**(2.0)**	–
Share of other comprehensive expenses of joint ventures	**(8.5)**	–
	(164.0)	0.3
Other comprehensive income that will not be reclassified subsequently to profit or loss		
Revaluation gain on properties transferred from self-owned properties to investment properties, net of tax	**–**	111.0
Other comprehensive income (expenses) for the period	**(164.0)**	111.3
Total comprehensive income for the period	**186.8**	3,904.5
Total comprehensive income attributable to:		
– Owners of the Company	**178.4**	3,738.9
– Non-controlling interests	**8.4**	165.6
	186.8	3,904.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30/6/2016 Unaudited** *HK$ Million*	31/12/2015 Audited *HK$ Million*
Non-current Assets			
Investment properties		**1,018.5**	1,027.3
Leasehold interests in land		**4.5**	4.6
Property and equipment		**444.2**	478.7
Intangible assets		**885.6**	884.5
Goodwill		**2,384.0**	2,384.0
Interest in associates		**1,140.6**	1,226.3
Interest in joint ventures		**260.6**	208.2
Available-for-sale investments		**107.8**	104.8
Financial assets at fair value through profit or loss		**3,127.5**	3,484.6
Deferred tax assets		**638.8**	543.4
Amounts due from associates		**258.8**	64.9
Loans and advances to consumer finance customers	*11*	**2,706.7**	2,741.3
Trade and other receivables	*12*	**623.6**	1,604.2
Deposits for acquisition of property and equipment		**52.5**	0.3
		13,653.7	14,757.1
Current Assets			
Financial assets at fair value through profit or loss		**2,799.1**	2,245.9
Taxation recoverable		**6.8**	9.6
Amounts due from associates		**21.3**	118.7
Loans and advances to consumer finance customers	*11*	**5,268.0**	6,080.7
Trade and other receivables	*12*	**3,345.4**	2,008.1
Bank deposits		**2,073.6**	1,501.4
Cash and cash equivalents		**5,702.0**	5,647.6
		19,216.2	17,612.0
Current Liabilities			
Financial liabilities at fair value through profit or loss		**79.5**	177.9
Bank and other borrowings		**2,593.6**	2,009.1
Trade and other payables	*13*	**509.1**	281.3
Amounts due to associates		**0.1**	0.1
Provisions		**18.4**	31.8
Taxation payable		**137.2**	200.1
Notes		**77.7**	79.6
		3,415.6	2,779.9
Net Current Assets		**15,800.6**	14,832.1
Total Assets less Current Liabilities		**29,454.3**	29,589.2

	30/6/2016	31/12/2015
	Unaudited	Audited
	HK$ Million	*HK$ Million*
Capital and Reserves		
Share capital	**8,752.3**	8,752.3
Reserves	**9,021.0**	9,255.3
Equity attributable to owners of the Company	**17,773.3**	18,007.6
Non-controlling interests	**3,527.2**	3,583.2
Total Equity	**21,300.5**	21,590.8
Non-current Liabilities		
Deferred tax liabilities	**171.1**	192.5
Bank and other borrowings	**2,707.9**	4,303.6
Provisions	**0.1**	0.2
Notes	**5,274.7**	3,502.1
	8,153.8	7,998.4
	29,454.3	29,589.2

Notes:

1. **DISCLOSURE IN ACCORDANCE WITH SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE**

   The financial information relating to the financial year ended 31 December 2015 included in this announcement of interim results does not constitute the Company's statutory annual financial statements for this financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

   The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditor has reported on those financial statements for 2015. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. **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 2016. 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 2015.

3. SEGMENT INFORMATION

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

	Six months ended 30 June 2016					
	Structured Finance *HK$ Million*	**Consumer Finance** *HK$ Million*	**Mortgage Loans** *HK$ Million*	**Principal Investments** *HK$ Million*	**Group Management and Support** *HK$ Million*	**Total** *HK$ Million*
Segment revenue	**191.8**	**1,506.5**	**22.2**	**14.2**	**108.7**	**1,843.4**
Less: inter-segment revenue	–	–	–	–	**(101.6)**	**(101.6)**
Segment revenue from external customers	**191.8**	**1,506.5**	**22.2**	**14.2**	**7.1**	**1,741.8**
Segment profit or loss	**119.5**	**187.1**	**(2.4)**	**14.0**	**84.8**	**403.0**
Share of results of associates	–	–	–	**(2.9)**	–	**(2.9)**
Share of results of joint ventures	–	–	–	**(19.8)**	–	**(19.8)**
Profit (loss) before taxation	**119.5**	**187.1**	**(2.4)**	**(8.7)**	**84.8**	**380.3**
Included in segment profit or loss:						
Interest income	**164.1**	**1,486.7**	**22.1**	**0.2**	**7.1**	**1,680.2**
Other income	–	–	–	**116.3**	**7.1**	**123.4**
Net gain (loss) on financial assets and liabilities	**(5.9)**	–	–	**140.8**	**1.6**	**136.5**
Net exchange gain (loss)	–	**12.4**	–	**(16.4)**	**(0.1)**	**(4.1)**
Bad and doubtful debts	**35.8**	**(600.5)**	**(1.4)**	–	–	**(566.1)**
Finance costs	**(94.0)**	**(127.1)**	**(4.0)**	–	**(106.3)**	**(331.4)**
Less: inter-segment finance costs	**94.0**	**1.2**	**4.0**	–	–	**99.2**
Finance costs to external suppliers	–	**(125.9)**	–	–	**(106.3)**	**(232.2)**

	Six months ended 30 June 2015					
	Structured Finance *HK$ Million*	Consumer Finance *HK$ Million*	Mortgage Loans *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 (loss) 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 gain (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	(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)

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

	Six months ended	
	30/6/2016 ***HK$ Million***	30/6/2015 *HK$ Million*
Revenue from external customers by location of operations		
– Hong Kong	**1,244.7**	1,199.1
– Mainland China	**490.2**	946.8
– Others	**6.9**	22.7
	1,741.8	2,168.6

4. REVENUE

	Six months ended	
	30/6/2016	30/6/2015
	HK$ Million	*HK$ Million*
Service and commission income	**47.7**	17.5
Dividends from listed investments	**2.4**	6.3
Dividends from unlisted investments	**–**	3.5
Gross rental income from investment properties	**11.5**	10.9
Interest income	**1,680.2**	2,130.4
	1,741.8	2,168.6

5. OTHER INCOME

	Six months ended	
	30/6/2016	30/6/2015
	HK$ Million	*HK$ Million*
Net realised gain on disposal of		
– Subsidiaries	**18.9**	–
– An associate	**3.9**	–
– Available-for-sale investments	**–**	18.8
	22.8	18.8
Increase in fair value of investment properties	**97.3**	27.7
Miscellaneous income	**3.3**	0.5
	123.4	47.0

6. BAD AND DOUBTFUL DEBTS

	Six months ended	
	30/6/2016	30/6/2015
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Impairment loss	**(578.5)**	(639.4)
Trade and other receivables		
– Reversal of impairment loss	**35.8**	–
– Impairment loss	**(23.4)**	(3.9)
– Bad debts written off	**–**	(10.9)
Bad and doubtful debts recognised in profit or loss	**(566.1)**	(654.2)

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

	Six months ended	
	30/6/2016	30/6/2015
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Amounts written off in allowance of impairment	**(648.1)**	(610.6)
– Recoveries credited to allowance of impairment	**77.7**	59.8
Trade and other receivables		
– Amounts written off in allowance of impairment	**(59.8)**	–

7. PROFIT BEFORE TAXATION

	Six months ended	
	30/6/2016	30/6/2015
	HK$ Million	*HK$ Million*
Profit before taxation has been arrived at after crediting (charging):		
Amortisation of leasehold interests in land	**(0.1)**	(0.1)
Depreciation of property and equipment	**(27.6)**	(27.2)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	**(0.7)**	(0.7)
– Intangible assets acquired in business combination (included in direct cost and operating expenses)	**(3.1)**	(3.1)
Interest expenses	**(228.8)**	(232.8)
Impairment loss on interest in an associate*	**(109.3)**	–
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)	**0.5**	(15.3)

* The Group disposed of 70% interest in a wholly-owned subsidiary Sun Hung Kai Financial Group Limited ("SHKFGL") in June 2015 and classified the remaining 30% equity interest as an associate. Affected by the correction of Hong Kong and China stock markets since the second half of 2015, the carrying amount of the 30% equity interest in SHKFGL exceeded the recoverable amount at the reporting date that led to an impairment loss. The impairment loss was included in Principal Investments segment. The recoverable amount was measured at the value in use with a discount rate of 18.7% by estimating the present value of the Group's share of future cash flows to be generated by the associate. As part of the disposal, the Group was awarded a put right on the 30% equity interest of SHKFGL. This put right recorded a valuation gain during the period of HK$224.0 million classified under net gain on financial assets and liabilities.

8. TAXATION

	Six months ended	
	30/6/2016	30/6/2015
	HK$ Million	*HK$ Million*
Current tax		
– Hong Kong	**87.5**	91.9
– PRC	**44.0**	122.8
	131.5	214.7
Over provision in prior years	**(0.2)**	(0.3)
	131.3	214.4
Deferred tax	**(101.8)**	(108.7)
	29.5	105.7

Hong Kong profits tax is calculated at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2015: 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 recognised in other comprehensive income during the period was immaterial (2015: deferred tax of HK$5.3 million arising from the revaluation gain on properties transferred from self-owned properties to investment properties).

9. DIVIDEND

	Six months ended	
	30/6/2016	30/6/2015
	HK$ Million	*HK$ Million*
Dividends recognised as distribution during the period		
– 2015 second interim dividend of HK14 cents per share (2015: 2014 final dividend of HK14 cents per share)	**311.0**	315.5

Subsequent to the end of the interim reporting period, the Board of Directors has declared an interim dividend of HK12 cents per share amounting to HK$264.7 million (2015: interim dividend of HK12 cents per share amounting to HK$269.3 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	
	30/6/2016	30/6/2015
	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)	**276.2**	3,630.6
Less: earnings from discontinued operations (profit for the period from discontinued operations attributable to owners of the Company)	**–**	(3,228.8)
Earnings from continuing operations (profit for the period from continuing operations attributable to owners of the Company)	**276.2**	401.8
	Million Shares	*Million Shares*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,216.6**	2,249.6
Effect of dilutive potential ordinary shares:		
– Shares held for the SHK Employee Ownership Scheme	**–**	0.2
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,216.6**	2,249.8

There were no basic earnings per share and diluted earnings per share for the discontinued operations in the current period (2015: both HK143.5 cents per share).

11. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	30/6/2016	31/12/2015
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Hong Kong	**6,875.9**	6,839.9
– Mainland China	**2,048.0**	2,932.3
Less: impairment allowance	**(949.2)**	(950.2)
	7,974.7	8,822.0
Analysed for reporting purposes as:		
– Non-current assets	**2,706.7**	2,741.3
– Current assets	**5,268.0**	6,080.7
	7,974.7	8,822.0

The following is an ageing analysis for the loans and advances to consumer finance customers that were past due at the reporting date but not impaired.

	30/6/2016	31/12/2015
	HK$ Million	*HK$ Million*
Less than 31 days past due	**517.3**	571.2
31 – 60 days	**125.9**	147.0
61 – 90 days	**52.0**	124.7
91 – 180 days	**217.7**	397.6
Over 180 days	**211.6**	103.5
	1,124.5	1,344.0

12. TRADE AND OTHER RECEIVABLES

	30/6/2016	31/12/2015
	HK$ Million	*HK$ Million*
Secured term loans	**3,420.9**	3,123.7
Unsecured term loans	**300.3**	301.0
Less: impairment allowance	**(0.4)**	(95.9)
	3,720.8	3,328.8
Receivable from brokers	**114.4**	146.5
Guarantee and consultancy fee receivables	**2.0**	1.7
Payments on behalf of customers*	**48.1**	21.3
Less: impairment allowance	**(39.4)**	(17.0)
	10.7	6.0
Other receivables		
– Deposits	**41.7**	74.5
– Others	**27.6**	20.1
	69.3	94.6
Trade and other receivables at amortised cost	**3,915.2**	3,575.9
Prepayments	**53.7**	36.3
Current portion of leasehold interests in land	**0.1**	0.1
	3,969.0	3,612.3
Analysed for reporting purposes as:		
– Non-current assets	**623.6**	1,604.2
– Current assets	**3,345.4**	2,008.1
	3,969.0	3,612.3

* Payments on behalf of customers represented payments made by the Group to reimburse the beneficiaries of the guarantees (the "Holders") for losses the Holders incurred because the customers failed to make payments when due in accordance with the term of the corresponding debt instruments.

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

	30/6/2016	31/12/2015
	HK$ Million	*HK$ Million*
Less than 31 days	**0.8**	0.1
31 – 60 days	**–**	0.5
	0.8	0.6
Term loans and trade and other receivables without ageing	**3,954.2**	3,688.2
Less: impairment allowances	**(39.8)**	(112.9)
Trade and other receivables at amortised cost	**3,915.2**	3,575.9

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:

	30/6/2016	31/12/2015
	HK$ Million	*HK$ Million*
Less than 31 days	**308.5**	68.4
31 – 60 days	**6.4**	8.5
61 – 90 days	**5.7**	7.1
91 – 180 days	**0.8**	0.2
Over 180 days	**–**	0.1
	321.4	84.3
Accrued staff costs, other accrued expenses and other payables without ageing	**187.7**	197.0
	509.1	281.3

MANAGEMENT DISCUSSION AND ANALYSIS

The Group made a profit attributable to owners of the Company for the six months ended 30 June 2016 of HK$276.2 million, less profitable than the HK$3,630.6 million for the same period last year when we realised an exceptional gain on sale of HK$3,033.5 million for 70% of Sun Hung Kai Financial Group Limited ("SHK Financial") and had the benefit of 100% of SHK Financial's strong earnings at the time.

Earnings per share for the six-month period were therefore HK12.5 cents (first six months of 2015: HK161.4 cents). The Board has declared an interim dividend of HK12 cents per share. During the period, the Company repurchased and cancelled 22.5 million shares for a total consideration (including expenses) of HK$102.2 million. As at 30 June 2016, the Group's book value per share amounted to HK$8.05.

Based on continuing operations, the profit attributable to owners of the Company declined by 31%. United Asia Finance Limited ("UAF") is repositioning its Mainland China loan book and lowering its cost structure to adjust to a tougher economic environment. Overall profitability was also impacted by the lower returns from the Group's Principal Investments business as compared against the strong gains in the last corresponding period.

The Group continues to pursue a strategy for long term capital growth for our shareholders, through diverse yet complementary portfolio of investment and finance businesses. During this period, the Group has maintained a conservative balance sheet with the net gearing ratio remaining low at 16.2% as at 30 June 2016 (31 December 2015: 15.2%).

RESULTS ANALYSIS

Based on continuing operations, the Group's revenue was HK$1,741.8 million for the first six months of 2016, compared to HK$2,168.6 million for the first half of 2015. Revenue mainly consists of interest income and the decline was mostly from lower loan balances in our Mainland China Consumer Finance business.

Across the three loan businesses, the Group's total loans amounted to HK$11,695.5 million as at 30 June 2016 (31 December 2015: HK$12,150.8 million) with loans to individuals, small businesses and corporates.

(HK$ Million)	**30 Jun 2016**	**30 Jun 2015**	*YoY Change*	**31 Dec 2015**	*YTD Change*
Loan balances by segment					
Consumer Finance	7,508.4	10,381.0	*-28%*	8,608.7	*-13%*
Structured Finance	3,720.8	3,650.3	*2%*	3,328.8	*12%*
Mortgage Loans	466.3	–		213.3	*119%*
Total	**11,695.5**	**14,031.3**	*-17%*	**12,150.8**	*-4%*
Interest income by segment for the six-month period					
Consumer Finance	1,486.7	1,931.0	*-23%*		
Structured Finance	164.1	195.1	*-16%*		
Mortgage Loans	22.1	–			
Others	7.3	4.3	*70%*		
Total	**1,680.2**	**2,130.4**	*-21%*		

Operating costs totalled HK$686.5 million for the period, a reduction of 12% as UAF China consolidated its branch network and rationalised its cost base.

Finance costs were HK$232.2 million, similar to the same period last year. As at 30 June 2016, total debt of the Group amounted to HK$10,653.9 million, an 8% increase on a year-on-year basis. However, most of the increase was a result of the net new issuance of 4.75% 2021 US Dollar bonds at the end of May as part of the early lower cost refinancing plan for the 6.375% 2017 US Dollar bonds.

Total bad and doubtful debts declined by 13% to HK$566.1 million from a reduction in impairment allowance in relation to UAF's Mainland China loan portfolio as well as a write back for a substantial debt recovery in the Structured Finance portfolio.

The Group's Principal Investments business generated lower overall returns on its portfolio during the period with mark-to-market valuations as at the end of the period.

Pre-tax profit of the Group (before taking into account non-controlling interests) amounted to HK$380.3 million (first half 2015: HK$670.1 million).

BUSINESS REVIEW

The profit before tax by segment is analysed as:

Six-month results (HK$ Million)	**30 Jun 2016**	**30 Jun 2015**	*Change*
Structured Finance	119.5	90.2	*32%*
Consumer Finance	187.1	470.7	*-60%*
Mortgage Loans	(2.4)	–	
Principal Investments	(8.7)	295.9	
Group Management and Support	84.8	(186.7)	
Profit before Tax	**380.3**	**670.1**	*-43%*

The Sun Hung Kai Credit business commenced operations in October 2015. This is presented as a new business segment of the Group under Mortgage Loans to reflect the focus for future development.

Group Management and Support reflects unallocated corporate support and treasury costs or income. The positive result for the first half of 2016 reflects the revised funding cost allocation to the Principal Investments segment; a series of changes to its three portfolios resulted in surplus internal interest income to Group Management and Support. The negative result of the corresponding period in 2015 mainly reflects the former cost allocation of a one-off expense related to the SHK Financial capital markets business which is now part of the Group's discontinued operations.

STRUCTURED FINANCE

The Structured Finance segment provides corporate and high net worth customers with tailored funding solutions. Total loans amounted to HK$3,720.8 million as at 30 June 2016, a 12% increase from the end of 2015 and a 2% increase year-on-year. Pre-tax contribution increased at a satisfactory level of 32%.

Six-month results (HK$ Million)	**30 Jun 2016**	**30 Jun 2015**	***Change***
Revenue	**191.8**	**197.8**	***-3%***
Operating costs	(8.2)	(6.6)	*24%*
Cost to income (% Revenue)	*4.3%*	*3.3%*	
Finance costs^	(94.0)	(95.4)	*-1%*
Bad and doubtful debts	35.8	(8.1)	
(Loss) gain from financial assets	(5.9)	2.5	
Pre-tax contribution	**119.5**	**90.2**	***32%***

^ Include internal

Revenue decreased by 3% year-on-year, on lower average loan balances during the period. Certain loans were repaid and new loans were not written until towards the end of the first half. 77% of the portfolio represents loans to investment holding companies. The remainder is business related loans. 92% of the loan book is secured and 84% is due within one year. An amount of HK$35.8 million was written back from a bad debt provision made last year.

Looking ahead, pricing may face more pressure generally, in line with some compression seen in the market corporate risk premium. However, demand for short term corporate liquidity should remain healthy. As we continue to develop the Principal Investments business and expand our business reach, future synergies can be also expected by positioning the Group as a provider of liquidity solutions for different parts of the capital structure including debt, mezzanine capital and equity.

CONSUMER FINANCE

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

Six-month results (HK$ Million)	30 Jun 2016	30 Jun 2015	*Change*
Revenue	**1,506.5**	**1,946.5**	***-23%***
Operating costs	(603.7)	(698.8)	*-14%*
Cost to income (% Revenue)	*40.1%*	*35.9%*	
Finance costs^	(127.1)	(143.3)	*-11%*
Bad and doubtful debts	(600.5)	(643.3)	*-7%*
Other (expenses) income — net	(0.5)	9.7	
Exchange gain (loss)	12.4	(0.1)	
Pre-tax contribution	**187.1**	**470.7**	***-60%***

^ Include internal

For the first half of 2016, revenue declined by 23% overall with the fall in total loan balances driven primarily by the decline in UAF's Mainland China loan book. Pre-tax contribution amounted to HK$187.1 million, a decrease of 60% year-on-year. However, this result was 35% higher than the second half of 2015 due to the improving bad debt situation in the Mainland China business. A HK$12.4 million exchange gain, compared to an exchange loss of HK$0.1 million last period, was recorded during the period mainly from the lower translation of RMB denominated debts into Hong Kong dollars.

Bad debts and delinquency

(HK$ Million)	**Jan – Jun 2016**	**Jan – Jun 2015**	**Jul – Dec 2015**
Amounts written off	(648.1)	(610.6)	(753.1)
Recoveries	77.7	59.8	69.7
Charge off	(570.4)	(550.8)	(683.4)
As annualised % of average gross loans	*12.7%*	*9.4%*	*13.2%*
Charges to impairment allowance[1]	(30.1)	(92.5)	(136.6)
Total charges for bad and doubtful debts	**(600.5)**	**(643.3)**	**(820.0)**
Impairment allowance at period end	946.7	845.6	949.0
As % of period end gross loans	*11.2%*	*7.5%*	*9.9%*

1 Included HK$23.4 million provision for guarantee business during the current period (First half of 2015: HK$3.9 million).

UAF has consistently adopted a policy of writing-off unsecured loans after 180 days delinquency (or in case of bankruptcy or if a borrower is deceased, whichever is earlier), whilst any amounts collected subsequently are taken to the credit of bad debts recoveries. During the period, bad debts written off net of recoveries (the "Charge Off") amounted to HK$570.4 million, an increase year-on-year but a considerable decrease from the second half of 2015, as UAF reduced its risk in Mainland China.

The charge to the impairment allowance during the period decreased from HK$92.5 million in the first half of 2015 to HK$30.1 million which is driven by a lower gross loan balance.

Total bad and doubtful debts expense amounted to HK$600.5 million for the current interim period, an improvement on a year-on-year basis as well as over the second half of 2015.

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

(HK$ Million)	As at 30 Jun 2016	Note	As at 31 Dec 2015	Note
Under 31 days	494.4	6.6%	562.1	6.5%
31 – 60 days	114.9	1.5%	147.0	1.7%
61 – 90 days	51.6	0.7%	124.7	1.5%
91 – 180 days	217.7	2.9%	397.6	4.6%
Over 180 days	211.6	2.8%	103.5	1.2%
Total	**1,090.2**	**14.5%**	**1,334.9**	**15.5%**

Note: amount as a % of net loan balance.

Mainland China Business

The economic headwinds in Mainland China started to impact upon our loan business in early 2015 and since then UAF has implemented a revamp of its business strategy. The credit offered to small businesses, which were mostly affected by the downturn of the economic cycle, has been tightened up to reduce our risk. As part of this revised strategy, UAF actively promoted its small loan products to salaried workers, a more resilient customer category. During this period, the result of these campaigns was encouraging with good momentum in loan origination transactions. A total of 39,023 loans were originated, 18% higher than 33,144 in the same period last year. Bad debt levels have also started to decline this year from the peak during the second half of 2015.

Management believes that this strategy will help UAF establish a more sustainable growth model for the market in the medium term. However, refocusing the Mainland China loan book towards smaller loans, causes a short term impact in profitability during this period of adjustment.

For the first half of the year, the gross loan balance declined by 30% compared to the end of 2015, mainly caused by a reduced balance per loan (from RMB34,895 to RMB26,871). However, UAF is confident that once the transition is complete, the downward trend in the loan portfolio should reverse and return to sustained growth while improving overall credit quality.

The cost rationalisation program started in the second half of last year was carried through to this year. During the period, UAF closed 31 underperforming branches in Mainland China. At the same time, UAF also streamlined its loan processes to improve operating efficiency to ensure that customers are still well served with the reduced branch network.

Branch network as at 30 June 2016:

City/Province	Closed during the first half of 2016	Number as at 30 Jun 2016
Hong Kong	–	50
Shenzhen	7	36
Shenyang	2	10
Chongqing	4	6
Tianjin	3	3
Chengdu	5	7
Yunnan province	4	9
Dalian	1	6
Beijing	2	5
Wuhan	2	9
Shanghai	1	9
Fuzhou	–	6
Harbin	–	5
Nanning	–	5
Qingdao	–	4
Jinan	–	2
^Guangzhou	–	3
^Foshan	–	1
^Dongguan	–	1
Total	**31**	**177**

^ Loan marketing branches

Hong Kong Business

UAF continued to increase its share of the unsecured personal loans market in Hong Kong during the period and grow its business volume. Despite keen competition in the market, UAF has a strong brand and pioneered the mobile app "One Click to Loan" in September 2015 which was well-received in the market with impressive monthly downloads. A new series of advertising commercial extending our "online-to-offline" theme was also launched in 2016, reinforcing our position as a market leader and a service innovator through the use of financial technology.

Since 2015, UAF Hong Kong has adjusted its strategy and decided to phase out mortgage finance business and focus on unsecured personal loans. Therefore, on the whole, gross loans in Hong Kong declined slightly since the end of 2015. With the increased proportion of unsecured loans, the Hong Kong loan portfolio recorded higher weighted average return yields and charge off ratio compared to the corresponding period last year. However, the underlying trend in charge off ratio was relatively steady during the period. Although the Hong Kong economy faced challenges with drops in property prices, tourist arrivals and consumption, its unemployment rate remained at a low level of 3.4% for the most recent quarter to June this year. This should be the most critical risk metric for the Hong Kong loan business. With an uncertain economic outlook, management will closely monitor the market development and take measures where necessary to balance the risk and growth of the business.

Key Operating Data	**Jun 2016**	**Jun 2015**	**Dec 2015**
Loan book data at period end:			
Net loan balance *(HK$ million)*	7,508.4	10,381.0	8,608.7
Gross loan balance *(HK$ million)*	8,455.1	11,226.6	9,557.7
– Hong Kong	6,407.1	6,848.6	6,625.4
– Mainland China	2,048.0	4,378.0	2,932.3
Average gross balance per loan	46,943	62,304	51,890
– Hong Kong *(HK$)*	55,775	61,549	58,224
– Mainland China *(RMB)*	26,871	50,809	34,895
Ratios for the six-month period:			
Total return on loans[1]	33.5%	33.3%	33.9%
– Hong Kong	31.3%	28.8%	30.0%
– Mainland China	39.2%	40.0%	41.0%
Charge Off ratio[2]	12.7%	9.4%	13.2%
– Hong Kong	5.6%	3.8%	4.0%
– Mainland China	31.2%	17.7%	30.1%

1 Annualised revenue/average gross loan balance
2 Annualised on average gross loan balance

Looking ahead, the Hong Kong business is expected to be relatively steady as a whole, barring any rapid deterioration in operating environment. The Mainland China business is likely to see greater stability as Charge Offs continue to decline and we close in on target loan size. However, considerable uncertainties surrounding the economic outlook remain and further downside risk is still a possibility. Nevertheless, the adjusted credit strategy coupled with cost rationalisation in progress should allow UAF to withstand the cyclical challenges until economic conditions recover and stabilise in Mainland China.

MORTGAGE LOANS

Sun Hung Kai Credit Limited ("SHK Credit") is an 86% owned subsidiary of the Group. Business commenced in October 2015 providing mortgage services and funding solutions to home owners and property investors in Hong Kong. During the first half of 2016, we have continued to strengthen the infrastructure for the business. A new customer service centre was opened in Mong Kok and a full service website was also set up, offering detailed product information, free property valuations, repayment estimates, and a base for online applications.

As at 30 June 2016, total loans outstanding amounted to HK$466.3 million (31 December 2015: HK$213.3 million). Revenue amounted to HK$22.2 million. Due to setup investment cost, a small pre-tax loss of HK$2.4 million was incurred for the six-month period. However, the business has already turned operationally profitable by June.

SHK Credit offers mortgage and property equity loan products to home owners and investors who are seeking flexible and personalised financing options that traditional banks cannot provide. Being a responsible lender with fully transparent fees and charges and a strong household brand name, we are well positioned to be a trusted partner of choice for current and prospective property owners in Hong Kong.

PRINCIPAL INVESTMENTS

Principal Investments is an important part of the Group's growth strategy. It allows us to seek potentially higher returns from a diversified asset portfolio. It is also highly complementary to our loan businesses. The segment made a small pre-tax loss of HK$8.7 million after operating expenses and cost of capital allocation, as compared to a gain of HK$295.9 million for the same period last year. The period end carrying value was HK$8,518.1 million (31 December 2015: HK$7,593.9 million). Total return on the average value for the first half of 2016 was 1.5%.

During the period, we have closed a number of transactions to reposition the portfolio towards sectors and themes we believe are positive in the longer term. Despite lower overall returns for the period, we remain confident about the underlying investment quality and potential of the portfolio as a whole.

(HK$ Million)	**Period end value**	**Six-month average value**	**Gain (Loss) (First half 2016)**	**Return on average value**	**Gain (Loss) (First Half 2015)**
Principal Portfolio	5,400.1	4,598.4	(119.1)	-2.6%	285.4
Long Term Investment Portfolio	2,151.0	2,166.7	114.8	5.3%	23.4
Real Estate	967.0	958.5	123.5	12.9%	38.5
	8,518.1	**7,723.6**	**119.2**	**1.5%**	**347.3**
Less:					
Operating costs			(8.5)		(5.4)
Cost of capital allocation[1]			(119.4)		(46.0)
Pre-tax contribution			**(8.7)**		**295.9**

1 Cost of capital is allocated from the Principal Portfolio to Group Management and Support

Principal Portfolio

The portfolio consists of listed securities (including equity and fixed income) as well as private investments, managed both internally and externally through our partner funds. Our partner funds are chosen based on their long to medium term track record, strategic fit and access to co-investment opportunities for us. This portfolio recorded a 2.6% loss on average value.

The first half of 2016 was a challenging period for investors with market concerns about the Mainland China economy, the timing of US rate hikes as well as political and economic uncertainties in Europe. In the Mainland, the Shanghai Composite Index and the Shenzhen Composite Index dropped 17.2% and 14.5% respectively in the first half of 2016. In Hong Kong, the Hang Seng Index and the Hang Seng China Enterprises Index fell 5.1% and 9.8% respectively. Our public securities portfolio also experienced mark-to-market losses during that period. However, we remain positive about the underlying long term value of our positions and the market started to recover with more signs of stability in the months following this reporting period.

During the period, we have increased the net allocation to unlisted investments, which now represent more than 60% of the principal portfolio as at 30 June 2016. These unlisted investments generated satisfactory gains and reflect our positive view on the health care, consumer and financials sectors, with the latter also having potential synergies with our finance businesses. Special situation investments are also attractive to the Group especially when we can add value from our industry expertise and connections.

In a joint venture with three other investors, the Group invested EUR43.2 million for an effective 50% stake in Sofitel Paris Le Faubourg, a hotel situated in a prime district in Paris. This is a special situation investment as we took an opportunity to acquire a prime asset at an attractive price. The hotel has been recently renovated that should help increase its revenue as well as offer good capital appreciation potential in the longer term.

In December 2015, we invested in the privatisation of WuXi PharmaTech (Cayman) Inc. together with a group of investors. Since then the company has continued to expand its business and a re-listing is being planned. Subsequent to our investment its valuation has risen based on recent private share transactions.

During the period, we sold our minority investment in Sinolending Ltd., the operator of dianrong.com, an investment held for two years that contributed significantly to value appreciation of the principal portfolio in a previous period. The sale proceeds amounted to US$34.5 million and the investment was a highly successful one where we were able to draw upon our industry knowledge and explore business opportunities for UAF.

Long Term Investment Portfolio

This portfolio consists of associates, joint ventures and available-for-sale investments that have sound investment or strategic value to the Group. The period end carrying value was HK$2,151.0 million. Most of the associated companies are financial services firms. This portfolio contributed HK$114.8 million to profit.

SHK Financial has been a 30% owned associate of the Group since June 2015 and accounts for the majority of the value in this portfolio. The business faced a difficult comparison against a very strong first half 2015. For the first six months of 2016, the Hong Kong market daily turnover decreased by 46% year-on-year. Nonetheless SHK Financial achieved a reasonable level of profit through its diversified product mix and the substantial margin loan book . The net effect of valuation change on the Group's 30% stake in SHK Financial resulted in an accounting gain of HK$114.7 million for the period: An impairment loss of HK$109.3 million was recorded as Other Expense. On the other hand, a gain of HK$224.0 million was recognised as Gain from Financial Assets from our put option right.

LSS Financial Leasing (Shanghai) Limited officially commenced business in January 2016, with the launch of corporate auto and auto facilities leasing products and services. It is already turning a small profit. Following this success, the company will be expanding into the retail market and launch consumer car leasing products in the fourth quarter of this year. In May 2016, it was awarded "The Most Promising Financial Enterprise" at the China Auto International Summit 2016 "中國汽車金融2016金鼎獎 — 最具潛力金融企業獎".

The Group divested its 25% stake in China Xin Yongan Futures Company Limited ("China Xin Yongan") and realised total proceeds of HK$57.9 million including interest on principal. A gain on disposal of HK$3.9 million was recognised as Other Income.

Real Estate Portfolio

In May 2016, the Group divested its commercial office space in Tian An Centre, Shanghai, and recorded a gain of HK$18.9 million. The remaining assets in this portfolio comprise commercial office space in Admiralty Centre, Hong Kong and a HK$98.0 million revaluation gain was recognised during the period.

Including the rental income generated, the real estate portfolio generated a 12.9% return on the average value for the period.

OUTLOOK

The Hong Kong loan businesses are expected to remain relatively stable unless there is an abrupt or further deterioration in the local economy. For Mainland China, recent trends in the UAF business indicate that Charge Off amounts appear to have peaked. In addition, the decline in the Mainland China loan book has stabilised which points to a recovery in profitability in the near term. However, the economic environment remains sluggish in Mainland China which could threaten our projections.

In view of challenges in the macro environment, the Group will continue to maintain a prudent and balanced approach to position our loan and investment assets for long term growth.

FINANCIAL REVIEW

Financial Resources, Liquidity and Capital Structure

(HK$ Million)	**As at 30 Jun 2016**	**As at 31 Dec 2015**	***Change***
Equity attributable to owners of the Company	17,773.3	18,007.6	*-1%*
Total cash position	7,775.6	7,149.0	*9%*
Total borrowings	10,653.9	9,894.4	*8%*
Net debt	2,878.3	2,745.4	*5%*
Net debt to equity ratio	16.2%	15.2%	*7%*
Net asset value per share	HK$8.05	HK$8.08	

The Group maintained a conservative balance sheet during the period.

In May 2016 with a view to securing cheaper medium term debt, the Company launched an exchange offer for its US$350 million 2017 6.375% US dollar notes ("2017 Notes") and issued new 2021 4.75% US dollar notes ("New Notes"). US$115.5 million of the principal amount of the 2017 Notes were exchanged for the New Notes. Based on an exchange ratio of 1.05375, US$121.6 million New Notes were issued in the exchange offer. Additional New Notes of US$240 million were also issued.

The aggregate principal amount of the New Notes amounted to US$361.6 million (including US$30.3 million intra-group holdings). These notes will mature on 31 May 2021 and are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

Following the exchange, US$234.5 million (including US$8.7 million intra-group holdings) of the 2017 Notes remain outstanding and will mature on 26 September 2017.

As at 30 June 2016, total borrowings of the Group amounted to HK$10,653.9 million (31 December 2015: HK$9,894.4 million). Of this amount, 25% is repayable within one year (31 December 2015: 21%). The Group maintains a balanced mix of funding from various sources. Fixed coupon US dollar denominated notes amounted to HK$4,769.3 million and RMB-denominated notes equivalent to HK$583.1 million were outstanding at the end of the period. Bank borrowings are at 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.

For the first six months of 2016, the Company repurchased and cancelled 22.5 million shares involving a total consideration (including expenses) of HK$102.2 million.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the period, the Group made three disposals and one new investment in a joint venture. These transactions reflect a repositioning of assets in the Principal Investments business.

In February, the Group divested its 25% stake in China Xin Yongan and realised total proceeds of HK$57.9 million including interest on principal. A gain on disposal of HK$3.9 million was recognised as Other Income.

In March, the sale of the Group's minority interest in Sinolending Ltd. was completed for a consideration of US$34.5 million. Sinolending is a peer-to-peer lending service company and operates under the name dianrong.com in Mainland China. As the sale price is in line with the revised carrying value as at 31 December 2015, there was no effect on profit or loss from the sale for the period.

In May, the Group disposed of its commercial office space in Tian An Centre, Shanghai for a total consideration of RMB84.3 million (equivalent to HK$100.7 million). The transaction was carried out through the sale of two wholly-owned subsidiaries of the Group, Hing Yip Holdings Limited and Sing Hing Investment Limited, and the assignment of the respective shareholder's loans to the purchaser, a subsidiary of Tian An China Investments Company Limited. Further details are included in the Company's announcement dated 6 May 2016. A HK$18.9 million gain was booked from the sale.

On 11 May 2016, the Group entered into an agreement to form a joint venture with three partners to acquire the holding company of the Sofitel Paris Le Faubourg, a hotel located in the 8th district of Paris near major tourist attractions such as the Louvre Museum. The acquisition consideration was agreed at EUR118.9 million and the enterprise value for the holding company was EUR162.3 million. Taking into account debt financing, deal expenses and pre-funded interest reserves, the amount invested by the Group shall be approximately EUR43.2 million (approximately HK$382.0 million) for its 50% interest in the joint venture.

Charges on Group Assets

Properties of the Group with a total book value of HK$842.0 million were pledged by subsidiaries to banks for facilities granted to them but there was no drawdown as at 30 June 2016.

Contingent Liabilities

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

	30/6/2016	31/12/2015
	HK$ Million	*HK$ Million*
Financial guarantees under loan guarantee business*	**131.1**	139.2

* The Group had provided guarantees to lenders of its loan guarantee customers to guarantee the repayment of debts owed by the loan guarantee customers to their lenders.

HUMAN RESOURCES

As at 30 June 2016, the Group's headcount (including sales consultants) was 4,529 compared to 5,880 at 31 December 2015. This net decrease reflects a reduction of headcount at UAF from its branch network consolidation in Mainland China.

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$372.0 million (first half of 2015: HK$430.6 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. For non-sales staff, the compensation comprises either a base salary with bonus/performance-based incentives or base salary, as appropriate.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK12 cents per share (2015: HK12 cents per share) payable to the shareholders whose names appear on the register of members of the Company on 6 September 2016. Dividend warrants for the interim dividend are expected to be dispatched on or around 13 September 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 5 September 2016 and 6 September 2016, during which period no transfer of shares will be registered. The ex-dividend date will be 1 September 2016. 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 2 September 2016.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2016, 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 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 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 the engagement of 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 function 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 2015. 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 2016, the Company repurchased a total of 22,519,000 shares on the Hong Kong Stock Exchange at an aggregate consideration (before expenses) of HK$101,849,500. 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$)*
January	7,278,000	5.00	4.20	32,883,720
February	114,000	4.44	4.30	500,140
March	269,000	4.65	4.52	1,231,390
April	324,000	4.65	4.41	1,474,620
May	12,015,000	4.60	4.48	54,444,050
June	2,519,000	4.65	4.31	11,315,580
	22,519,000			101,849,500

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 2016.

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 2016. 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, 18 August 2016

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

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

Non-Executive Director:
Mr. Jonathan Andrew Cimino *(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