新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

(Stock Code: 86)

二零一三年中期報告

Interim Report 2013

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lee Seng Huang *(Group Executive Chairman)*
William Leung Wing Cheung
Joseph Tong Tang
Peter Anthony Curry

Non-Executive Directors

Goh Joo Chuan
Ho Chi Kit *(Roy Kuan as his alternate)*
Leung Pak To *(Liu Zheng as his alternate)*

Independent Non-Executive Directors

David Craig Bartlett
Alan Stephen Jones
Carlisle Caldow Procter
Peter Wong Man Kong

EXECUTIVE COMMITTEE

Lee Seng Huang *(Chairman)*
William Leung Wing Cheung
Joseph Tong Tang
Peter Anthony Curry

NOMINATION COMMITTEE

Lee Seng Huang *(Chairman)*
David Craig Bartlett
Alan Stephen Jones
Carlisle Caldow Procter
Peter Wong Man Kong
Ho Chi Kit *(Roy Kuan as his alternate)*

REMUNERATION COMMITTEE

Peter Wong Man Kong *(Chairman)*
David Craig Bartlett
Alan Stephen Jones
Carlisle Caldow Procter
Ho Chi Kit *(Roy Kuan as his alternate)*

AUDIT COMMITTEE

Alan Stephen Jones *(Chairman)*
David Craig Bartlett
Carlisle Caldow Procter
Peter Wong Man Kong
Ho Chi Kit *(Roy Kuan as his alternate)*

RISK MANAGEMENT COMMITTEE

Lee Seng Huang *(Chairman)*
Joseph Tong Tang *(Alternate Chairman)*
William Leung Wing Cheung
Peter Anthony Curry
Ho Chi Kit *(Roy Kuan as his alternate)*
Paul Leung Tung Yip
Thomas Bennington Hulme

COMPANY SECRETARY

Hester Wong Lam Chun

INVESTOR RELATIONS

investor.relations@shkco.com

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Clifford Chance
Davis Polk & Wardwell
King & Wood Mallesons
Linklaters
P. C. Woo & Co.

BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Oversea-Chinese Banking Corporation Limited, Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
DBS Bank (Hong Kong) Limited
China CITIC Bank International Limited
The Bank of New York Mellon
Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
Wing Hang Bank, Limited

REGISTRAR

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

42/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

WEBSITES

www.shkco.com
www.shkf.com
www.shkfg.com
www.shkdirect.com
www.shkprivate.com
www.shkfinance.com.hk
www.shkforex.com
www.uaf.com.hk
www.uaf.com.cn

Management Discussion and Analysis

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

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

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

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

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

The Group's core strategy remains to:

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

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

– continue to improve our balance sheet structure and efficiency.

RESULTS ANALYSIS

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

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

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

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

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

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

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

Loans and Advances to Customers (HK$ Million)

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

BUSINESS REVIEW

Wealth Management and Brokerage

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

^ Include internal

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

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

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

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

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

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

Capital Markets

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

^ Include internal

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

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

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

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

Consumer Finance

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

^ Include internal

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

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

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

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

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

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

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

Branch network

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

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

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

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

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

Principal Investments

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

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

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

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

OUTLOOK

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

FINANCIAL REVIEW

Financial Resources, Liquidity and Capital Structure

As at 30 June 2013, equity attributable to owners of the Company amounted to HK$12,881.4 million, representing an increase of HK$18.4 million from 31 December 2012. During the period ended 30 June 2013, the trustee of the SHK Employee Ownership Scheme (the "EOS") acquired 0.5 million shares of the Company through purchases on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the shares awarded under the scheme. The Company repurchased 34.4 million shares for a total consideration (including expenses) of HK$185.9 million. Details regarding share capital are set out in Note 17 to the condensed consolidated financial statements.

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

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

Bonds and notes of the Group as at 30 June 2013 comprised US dollar denominated notes equivalent to HK$2,659.1 million and Renminbi denominated bonds and notes equivalent to HK$1,130.2 million which are charged at fixed coupon rates. The Group's bank and other borrowings (charged at floating interest rates) were in HK dollars and Renminbi as at 30 June 2013. There are no known seasonal factors in the Group's borrowing profiles.

The Group's gearing ratio calculated on the basis of net debt to the equity attributable to owners of the Company was approximately 34.4% as at 30 June 2013 (at 31 December 2012: approximately 19.4%). Net debt represents the total of bank and other borrowings, bonds and notes less bank deposits, cash and cash equivalents.

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

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Segment Information

Detailed segment information in respect of the revenue and profit or loss is shown in Note 3 to the condensed consolidated financial statements.

Charges over Group Assets

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

Contingent Liabilities

Details regarding the contingent liabilities are set out in Note 21 to the condensed consolidated financial statements.

HUMAN RESOURCES AND MANAGEMENT OF RISKS REVIEW

Human Resources and Training

As at 30 June 2013, the Group's headcount stood at 5,235 (including Investment/Sales Consultants), representing an approximate increase of 22.9% compared with 30 June 2012. The bulk of this increase stemmed from UAF's business expansion in Mainland China (including the opening of 29 branches in Mainland China between July 2012 and June 2013). Staff costs (including Director's emoluments), contributions to retirement benefit schemes and expenses recognised for the EOS amounted to approximately HK$427.2 million (2012: HK$367.3 million).

The Group operates different compensation schemes to reflect different job roles within the organisation. For sales staff and investment/sales consultants, packages may consist of a base pay and commission/bonus/incentive or alternatively, may consist of commission/incentive. For non-sales staff, the compensation comprises either a base salary with discretionary bonus, share-based/performance-based incentive or base salary, as appropriate.

Under the EOS, which was formally adopted on 18 December 2007, selected employees or directors of the Group (the "Selected Grantees") were awarded shares of the Company. Following management's recommendation, a total of 1,958,000 shares were granted to the Selected Grantees from January 2013 to June 2013 subject to various terms including, amongst other things, the vesting scale whereby awarded shares will vest and become unrestricted over a two-year or three-year period. As of 30 June 2013, the outstanding awarded shares under the EOS (excluding shares awarded, but subsequently forfeited) amounted to 3,664,000, out of which 1,044,000 shares were awarded to Directors.

The Group is committed to developing the potential of its people by providing a broad range of training and development programmes. With the objectives of fostering the culture of work-life balance and enhancing the well-being of our people, the Group offers a wide variety of wellness programmes to our frontline sales staff and back office personnel.

Management of Risks

The Group's day to day business involves risks of many kinds: human, technological, regulatory, environmental and economic, as well as financial. The Group aims to manage these diverse risks in a systematic, structured and balanced way, adapting to changing external factors and building upon internal and external expertise, experience and advice to enhance its internal controls.

The Risk Management Committee ("RMC") which reports directly to the Board, supervises and scrutinises risk-related policies with a view to assessing and mitigating major risks arising from the Group's business activities, in particular those which could most significantly impact on the Group's finances, operations and reputation.

Financial Risk Management

The Group's financial risk management seeks to mitigate market risk (the chance that the value of an investment will decrease due to movements in market factors, comprising equity risk, interest rate risk and foreign exchange risk), credit risk (risk of losses arising if clients or counterparties do not make payments as promised) and liquidity risk (risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or make the required profit). These are further discussed and outlined in Note 23 to the condensed consolidated financial statements.

Operational Risk Management

Operational risk is concerned with possible losses resulting from inadequate or failed internal processes, people, systems or from external events. The Group operates in a highly regulated financial services industry and includes compliance breaches within this category. Operational risk is managed through internal controls, clear lines of responsibility, segregation of duties and contingency planning. Business and operating line management are made fully aware of their responsibilities for managing operational risks in their business units. External consultants are retained to augment internal resources and expertise when thought appropriate. Reviews are conducted on an ongoing basis by Compliance and Internal Audit, which act independently and report regularly to the Group's senior management and the Audit Committee.

Reputational Risk Management

Reputational risk is related to the trustworthiness of a business. Loss of trust can result in decline of customer base, revenue erosion, costly litigation and destruction of shareholder value and damage to the Company's reputation as a whole. The Group manages reputational risk through sound corporate governance practices and staff training. The responsibilities and duties of staff are properly segregated. The internal control functions report directly to the Group Chief Financial Officer who in turn reports to the Group Executive Chairman, and the Audit Committee.

Interim Dividend and Book Close

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

Directors' Interests

As at 30 June 2013, the interests of Directors in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO were as follows:

(A) INTERESTS IN THE SHARES AND UNDERLYING SHARES

Directors	Capacity	Number of Shares and underlying Shares	Approximate % of the issued share capital
Lee Seng Huang	Interests of controlled corporation *(Note 1)*	1,600,231,630 *(Note 2)*	75.20%
William Leung Wing Cheung	Beneficiary of trust	273,000 *(Note 3)*	0.01%
Joseph Tong Tang	Beneficiary of trust	372,000 *(Note 4(a))*	0.02%
	Beneficial owner	80,000 *(Note 4(b))*	0.003%
Peter Anthony Curry	Beneficiary of trust	399,000 *(Note 5(a))*	0.02%
	Beneficial owner	194,141 *(Note 5(b))*	0.01%

Notes:

1. Mr. Lee Seng Huang, a Director, together with Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust. Lee and Lee Trust together with Mr. Lee Seng Hui indirectly owned approximately 65.02% interest in the issued share capital of Allied Group Limited ("AGL") and was therefore deemed to have interests in the Shares in which AGL was interested.

2. This refers to the deemed interests in (i) 1,190,311,630 Shares held by APL; and (ii) 341,600,000 Shares and 68,320,000 underlying Shares arising from HK$427,000,000 in face value of warrants issued by the Company to Asia Financial Services Company Limited ("AFSC") pursuant to a Subscription Agreement dated 22 April 2010 (the "Warrants") which were held by AFSC and charged to a subsidiary of the Company. The Warrants expired on 13 July 2013.

3. This refers to the deemed interests in 273,000 unvested Shares granted to Mr. William Leung Wing Cheung on 3 May 2013 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 91,000 Shares) shall be vested and become unrestricted from 15 April 2014; another one-third thereof shall be vested and become unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016.

4. (a) These include the deemed interests in:

   (i) 54,000 unvested Shares out of the total of 162,000 Shares granted to Mr. Joseph Tong Tang on 13 April 2011 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 54,000 Shares) was vested and became unrestricted from 15 April 2012; another one-third thereof was vested and became unrestricted from 15 April 2013; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2014;

   (ii) 300,000 unvested Shares granted to Mr. Tong on 7 December 2012 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 100,000 Shares) shall be vested and become unrestricted from 1 November 2013; another one-third thereof shall be vested and become unrestricted from 1 November 2014; and the remaining one-third thereof shall be vested and become unrestricted from 1 November 2015; and

(iii) 18,000 unvested Shares granted to Mr. Tong on 3 May 2013 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 6,000 Shares) shall be vested and become unrestricted from 15 April 2014; another one-third thereof shall be vested and become unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016.

(b) This represents the Shares granted to Mr. Tong under the EOS that were vested, became unrestricted and the title of which was transferred to him.

5. (a) These include the deemed interests in:

(i) 12,000 unvested Shares out of the total of 36,000 Shares granted to Mr. Peter Anthony Curry on 29 October 2010 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 12,000 Shares) was vested and became unrestricted from 1 November 2011; another one-third thereof was vested and became unrestricted from 1 November 2012; and the remaining one-third thereof shall be vested and become unrestricted from 1 November 2013;

(ii) 27,000 unvested Shares out of the total of 81,000 Shares granted to Mr. Curry on 13 April 2011 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 27,000 Shares) was vested and became unrestricted from 15 April 2012; another one-third thereof was vested and became unrestricted from 15 April 2013; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2014;

(iii) 228,000 unvested Shares out of the total of 342,000 Shares granted to Mr. Curry on 13 April 2012 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 114,000 Shares) was vested and became unrestricted from 15 April 2013; another one-third thereof shall be vested and become unrestricted from 15 April 2014; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2015; and

(iv) 132,000 unvested Shares granted to Mr. Curry on 3 May 2013 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 44,000 Shares) shall be vested and become unrestricted from 15 April 2014; another one-third thereof shall be vested and become unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016.

(b) This represents the Shares granted to Mr. Curry under the EOS that were vested, became unrestricted and the title of which was transferred to him.

(B) INTERESTS IN THE SHARES AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

Directors	Associated corporations	Capacity	Number of shares and underlying shares	Approximate % of the relevant issued share capital
Lee Seng Huang *(Note 1)*	AGL	Trustee (other than a bare trustee) *(Note 2)*	124,242,492	65.00%
	Allied Properties (H.K.) Limited ("APL")	Interests of controlled corporation *(Note 3)*	6,107,217,730 *(Note 4)*	89.77%
	Allied Overseas Limited ("AOL")	Interests of controlled corporation *(Note 5)*	178,042,931 *(Note 6)*	79.84%
	SHK Hong Kong Industries Limited ("SHK HK Ind")	Interests of controlled corporation *(Note 7)*	3,082,589,606 *(Note 8)*	74.97%
Joseph Tong Tang	APL	Beneficial owner	20,158 *(Note 9)*	0.0002%

Notes:

1. Mr. Lee Seng Huang, by virtue of his interests in AGL and APL, was deemed to be interested in the shares of the subsidiaries of AGL (including SHK HK Ind, a listed subsidiary of AGL) and APL (including AOL, a listed subsidiary of APL), which are associated corporations of the Company as defined under the SFO.

   A waiver application was submitted to the Hong Kong Stock Exchange for exemption from disclosure of his deemed interests in the shares of such associated corporations of the Company in this Report, and a waiver was granted by the Hong Kong Stock Exchange on 25 July 2013.

2. Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust, being a discretionary trust which indirectly owned 124,242,492 shares of AGL.

3. This refers to the same interests held directly or indirectly by AGL in APL.

4. These include interests in (i) 5,101,211,521 shares of APL; and (ii) listed physically settled warrants of APL giving rise to an interest in 1,006,006,209 underlying shares of APL. The warrants of APL entitle the holders thereof to subscribe at any time during the period from 13 June 2011 to 13 June 2016 (both days inclusive) for fully paid shares of APL at an initial subscription price of HK$2 per share (subject to adjustments) (the "APL Warrants").

5. This refers to the same interests held indirectly by APL in AOL.

6. These include interests in (i) 166,165,776 shares of AOL; and (ii) listed physically settled warrants of AOL giving rise to an interest in 11,877,155 underlying shares of AOL. The warrants of AOL entitle the holders thereof to subscribe at any time during the period from 4 March 2011 to 4 March 2016 (both days inclusive) for fully paid shares of AOL at an initial subscription price of HK$5 per share (subject to adjustments).

7. This refers to the same interests held indirectly by AGL in SHK HK Ind.

8. This refers to the interest in 3,082,589,606 shares of SHK HK Ind.

9. This refers to the interest in APL Warrants giving rise to 20,158 underlying shares of APL.

All interests stated above represent long positions. As at 30 June 2013, none of the Directors held any short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

Save as disclosed above, as at 30 June 2013, neither the Directors nor the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

Interests of Substantial Shareholders and Other Persons

As at 30 June 2013, the following shareholders had interests in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO (the "SFO Register"):

Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the issued share capital
APL	Interests of controlled corporation *(Note 1)*	1,600,231,630 *(Note 2)*	75.20%
AGL	Interests of controlled corporation *(Note 3)*	1,600,231,630 *(Note 4)*	75.20%
Lee and Lee Trust	Interests of controlled corporation *(Note 5)*	1,600,231,630 *(Note 4)*	75.20%
Dubai Ventures L.L.C ("Dubai Ventures")	Beneficial owner	166,000,000 *(Note 6)*	7.80%
Dubai Ventures Group (L.L.C) ("DVG")	Interests of controlled corporation *(Note 7)*	166,000,000 *(Note 8)*	7.80%
Dubai Group (L.L.C) ("Dubai Group")	Interests of controlled corporation *(Note 9)*	166,000,000 *(Note 8)*	7.80%
Dubai Holding Investments Group LLC ("DHIG")	Interests of controlled corporation *(Note 10)*	166,000,000 *(Note 8)*	7.80%
Dubai Holding (L.L.C) ("Dubai Holding")	Interests of controlled corporation *(Note 11)*	166,000,000 *(Note 8)*	7.80%
Dubai Group Limited ("DGL")	Interests of controlled corporation *(Note 12)*	166,000,000 *(Note 8)*	7.80%
HH Mohammed Bin Rashid Al Maktoum	Interests of controlled corporation *(Note 13)*	166,000,000 *(Note 8)*	7.80%
AFSC	Beneficial owner	409,920,000 *(Note 14)*	19.26%
Asia Financial Services Holdings Limited ("AFSH")	Interests of controlled corporation *(Note 15)*	409,920,000 *(Note 16)*	19.26%

Interests of Substantial Shareholders and Other Persons

Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the issued share capital
Asia Financial Services Group Limited ("AFSG")	Interests of controlled corporation *(Note 17)*	409,920,000 *(Note 16)*	19.26%
Asia Financial Services Group Holdings Limited ("AFSGH")	Interests of controlled corporation *(Note 18)*	409,920,000 *(Note 16)*	19.26%
CVC Capital Partners Asia Pacific III L. P. ("CVC LP")	Interests of controlled corporation *(Note 19)*	409,920,000 *(Note 16)*	19.26%
CVC Capital Partners Asia III Limited ("CVC Capital III")	Interests of controlled corporation *(Note 20)*	409,920,000 *(Note 16)*	19.26%
CVC Capital Partners Advisory Company Limited ("CVC Capital Partners Advisory")	Interests of controlled corporation *(Note 21)*	409,920,000 *(Note 16)*	19.26%
CVC Capital Partners Finance Limited ("CVC Capital Partners Finance")	Interests of controlled corporation *(Note 22)*	409,920,000 *(Note 16)*	19.26%
CVC Group Holdings L.P. ("CVC Group Holdings")	Interests of controlled corporation *(Note 23)*	409,920,000 *(Note 16)*	19.26%
CVC Portfolio Holdings Limited ("CVC Portfolio")	Interests of controlled corporation *(Note 24)*	409,920,000 *(Note 16)*	19.26%
CVC MMXII Limited ("CVC MMXII")	Interests of controlled corporation *(Note 25)*	409,920,000 *(Note 16)*	19.26%
CVC Capital Partners 2012 Limited ("CVC Capital Partners 2012")	Interests of controlled corporation *(Note 26)*	409,920,000 *(Note 16)*	19.26%
CVC Capital Partners SICAV-FIS S.A. ("CVC Capital Partners SA")	Interests of controlled corporation *(Note 27)*	409,920,000 *(Note 16)*	19.26%

Interests of Substantial Shareholders and Other Persons

Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the issued share capital
Sun Hung Kai Structured Finance Limited ("SHKSF")	Security interest holder	409,920,000 *(Note 28)*	19.26%
Sun Hung Kai Financial Limited ("SHKF")	Interests of controlled corporation *(Note 29)*	409,920,000 *(Note 30)*	19.26%
Sun Hung Kai Financial Group Limited ("SHKFG")	Interests of controlled corporation *(Note 31)*	409,920,000 *(Note 30)*	19.26%
Sun Hung Kai & Co. Limited (the "Company")	Interests of controlled corporation *(Note 32)*	409,920,000 *(Note 30)*	19.26%
Ontario Teachers' Pension Plan Board	Beneficial owner	122,035,002 *(Note 33)*	5.73%

Notes:

1. The interests were held by (i) AP Emerald Limited ("AP Emerald"), a wholly-owned subsidiary of AP Jade Limited which in turn is a wholly-owned subsidiary of APL; and (ii) SHKSF, an indirect non wholly-owned subsidiary of APL. APL was therefore deemed to have interests in the Shares in which AP Emerald and SHKSF were interested.

2. These include (i) an interest in 1,190,311,630 Shares held by APL through AP Emerald; and (ii) security interest in 341,600,000 Shares and 68,320,000 underlying Shares arising from the Warrants, which were held by AFSC and charged to SHKSF as security. The Warrants expired on 13 July 2013.

3. AGL owned approximately 74.98% interest in the issued share capital of APL and was therefore deemed to have an interest in the Shares in which APL was interested.

4. This refers to the same deemed interests in 1,600,231,630 Shares held by APL.

5. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang (a Director) are the trustees of Lee and Lee Trust, being a discretionary trust. They together owned approximately 65.02% interest in the issued share capital of AGL (inclusive of Mr. Lee Seng Hui's personal interest) and were therefore deemed to have an interest in the Shares in which AGL was interested.

6. This represents an interest in 166,000,000 Shares.

7. DVG owned 99% interest in the issued share capital of Dubai Ventures and was therefore deemed to have an interest in the Shares which Dubai Ventures was interested.

8. This refers to the same interests in 166,000,000 Shares held by Dubai Ventures.

9. Dubai Group owned 99% interest in the issued share capital of DVG and was therefore deemed to have an interest in the Shares in which DVG was interested.

10. DHIG owned 51% interest in the issued share capital of Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.

11. Dubai Holding owned approximately 99.66% interest in the issued share capital of DHIG and was therefore deemed to have an interest in the Shares in which DHIG was interested.

12. DGL owned 49% interest in the issued share capital of Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.

13. HH Mohammed Bin Rashid Al Maktoum owned approximately 97.40% interest in the issued share capital of Dubai Holding and was therefore deemed to have an interest in the Shares in which Dubai Holding was interested.

14. These include interests in (i) 341,600,000 Shares; and (ii) 68,320,000 underlying Shares arising from the Warrants held by AFSC. The Warrants expired on 13 July 2013.

15. AFSH held 100% interest in AFSC and was therefore deemed to have an interest in the Shares and the underlying Shares in which AFSC was interested.

16. This refers to the same interests in 341,600,000 Shares and 68,320,000 underlying Shares held by AFSC.

17. AFSG owned 99.1% interest in AFSH and was therefore deemed to have an interest in the Shares and underlying Shares in which AFSH was interested.

18. AFSGH held 100% interest in AFSG and was therefore deemed to have an interest in the Shares and underlying Shares in which AFSG was interested.

19. CVC LP owned 88% interest in AFSGH and was therefore deemed to have an interest in the Shares and underlying Shares in which AFSGH was interested.

20. CVC Capital III, as the general partner of CVC LP, exclusively managed and controlled CVC LP and was therefore deemed to have an interest in the Shares and the underlying Shares in which CVC LP was interested.

21. CVC Capital Partners Advisory held 100% interest in CVC Capital III and was therefore deemed to have an interest in the Shares and the underlying Shares in which CVC Capital III was interested.

22. CVC Capital Partners Finance held 100% interest in CVC Capital Partners Advisory and was therefore deemed to have an interest in the Shares and underlying Shares in which CVC Capital Partners Advisory was interested.

23. CVC Group Holdings held 100% interest in CVC Capital Partners Finance and was therefore deemed to have an interest in the Shares and the underlying Shares in which CVC Capital Partners Finance was interested.

24. CVC Portfolio, as the general partner of CVC Group Holdings, exclusively managed and controlled CVC Group Holdings and was therefore deemed to have an interest in the Shares and the underlying Shares in which CVC Group Holdings was interested.

25. CVC MMXII held 100% interest in CVC Portfolio and was therefore deemed to have an interest in the Shares and the underlying Shares in which CVC Portfolio was interested.

26. CVC Capital Partners 2012 held 100% interest in CVC MMXII and was therefore deemed to have an interest in the Shares and the underlying Shares in which CVC MMXII was interested.

27. CVC Capital Partners SA held 100% interest in CVC Capital Partners 2012 and was therefore deemed to have an interest in the Shares and the underlying Shares in which CVC Capital Partners 2012 was interested.

28. This represents security interests in (i) 341,600,000 Shares; and (ii) 68,320,000 underlying Shares arising from the Warrants, both of which were pledged by AFSC to SHKSF as security. The Warrants expired on 13 July 2013.

29. SHKF held 100% interest in SHKSF and was therefore deemed to have an interest in the Shares and underlying Shares in which SHKSF was interested.

30. This refers to the same security interests in 341,600,000 Shares and 68,320,000 underlying Shares held as holder of securities by SHKSF.

31. SHKFG held 100% interest in SHKF and was therefore deemed to have an interest in the Shares and underlying Shares in which SHKF was interested.

32. The Company held 100% interest in SHKFG and was therefore deemed to have an interest in the Shares and underlying Shares in which SHKFG was interested.

33. This represents an interest in 122,035,002 Shares.

All interests stated above represent long positions. As at 30 June 2013, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 30 June 2013, the Directors are not aware of any other persons who have interests or short positions in the Shares or underlying Shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would require to be disclosed to the Company pursuant to Part XV of the SFO.

Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2013, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the 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 other three Executive Directors, Mr. William Leung Wing Cheung, Mr. Joseph Tong Tang and Mr. Peter Anthony Curry. The Group Executive Chairman oversees the Group's Principal Investments, as well as the Group's interest in UAF whose day-to-day management lies with its designated managing director. Mr. William Leung leads the overall business of Sun Hung Kai Financial Limited. Mr. Joseph Tong acts as the CEO of Capital Markets and Institutional Brokerage and Mr. Peter Curry oversees the management of the corporate administrative functions, including finance and budget, internal audit and risk management.

The Board believes that this structure spreads the workload that would otherwise be borne by an individual chief executive, allowing the growing businesses of the Group to be overseen by appropriately qualified and experienced senior executives in those fields. Furthermore, it enhances communications and speeds up the decision-making process across the Company. The Board also considers that this structure will not impair the balance of power and authority between the Board and management of the Company. An appropriate balance can be maintained by the operation of the Board, which holds at least four regular meetings a year to discuss business and operational issues of the Group.

(b) Code Provisions B.1.2

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

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the code provision B.1.2 of the CG Code except that the Remuneration Committee should make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision).

(c) Code Provision C.3.3

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

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

The reasons for the above deviations (b) and (c) were set out in the Corporate Governance Report contained in the Company's annual report for the financial year ended 31 December 2012. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to their respective terms of reference as adopted and amended by the Company. The Board will review the terms of reference at least annually and would make appropriate changes if considered necessary.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules are set out below:

For all Executive Directors

— Changes of emoluments of the four Executive Directors during the period have been disclosed in the Corporate Governance Report of the Company's 2012 Annual Report.

Mr. Lee Seng Huang, Group Executive Chairman

— Re-designated from an executive chairman to a non-executive chairman of FKP Property Group, a leading property developer listed on the Australian Securities Exchange, with effect from 1 July 2013.

Mr. Joseph Tong Tang, Executive Director

— Appointed as an independent non-executive director of Carry Wealth Holdings Limited, a company listed on the Hong Kong Stock Exchange, with effect from 4 July 2013.

Mr. Peter Wong Man Kong, Independent Non-Executive Director

— Re-designated from a non-executive director to an independent non-executive director of New Times Energy Corporation Limited, a company listed on the Hong Kong Stock Exchange, with effect from 10 May 2013.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries being made by the Company, that they have complied with the required standard as set out in the Model Code throughout the period under review.

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2013, the Company repurchased a total of 34,332,000 shares on the Hong Kong Stock Exchange at an aggregate consideration (before expenses) of HK$185,287,850. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price Highest (HK$)	Purchase price Lowest (HK$)	Aggregate consideration (before expenses) (HK$)
January	14,812,000	5.65	5.12	80,032,420
February	7,020,000	5.68	5.41	39,041,420
March	3,096,000	5.40	5.16	16,476,760
April	6,582,000	5.55	5.02	34,498,380
May	2,822,000	5.45	5.31	15,238,870
	34,332,000			185,287,850

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

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

Audit Committee Review

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

On behalf of the Board
Lee Seng Huang
Group Executive Chairman

Hong Kong, 22 August 2013

Independent Review Report

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF SUN HUNG KAI & CO. LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sun Hung Kai & Co. Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 54, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 22 August 2013

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30.6.2013 Unaudited HK$ Million	Six months ended 30.6.2012 Unaudited HK$ Million
Revenue (turnover)		**2,173.8**	1,773.8
Other income	4	**23.3**	103.8
Total income		**2,197.1**	1,877.6
Brokerage and commission expenses		**(128.5)**	(88.8)
Advertising and promotion expenses		**(52.8)**	(55.8)
Direct cost and operating expenses		**(37.0)**	(40.4)
Administrative expenses		**(691.2)**	(609.4)
Net (loss) profit on financial assets and liabilities	5	**(63.7)**	53.7
Net exchange (loss) gain		**(54.7)**	9.7
Bad and doubtful debts	6	**(222.9)**	(230.2)
Finance costs		**(183.8)**	(80.0)
Other expenses		**(31.8)**	(6.2)
		730.7	830.2
Share of results of associates		**9.2**	2.0
Share of results of joint ventures		**4.8**	0.2
Profit before taxation	7	**744.7**	832.4
Taxation	8	**(155.9)**	(126.9)
Profit for the period		**588.8**	705.5
Profit attributable to:			
— Owners of the Company		**380.2**	514.3
— Non-controlling interests		**208.6**	191.2
		588.8	705.5
Earnings per share	10		
— Basic (HK cents)		**17.8**	24.5
— Diluted (HK cents)		**17.8**	24.5

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

Condensed Consolidated Statement of Financial Position

	Notes	**30.6.2013 Unaudited HK$ Million**	31.12.2012 Audited HK$ Million
Non-current Assets			
Investment properties		**781.4**	760.9
Leasehold interests in land		**9.8**	9.8
Property and equipment		**241.9**	240.5
Intangible assets		**994.4**	1,001.4
Goodwill		**2,384.0**	2,384.0
Interest in associates		**70.0**	60.4
Interest in joint ventures		**122.8**	121.5
Available-for-sale investments	11	**133.5**	120.4
Financial assets at fair value through profit or loss	11	**336.4**	286.1
Statutory deposits		**30.2**	26.5
Deferred tax assets		**133.4**	106.0
Amounts due from associates		**51.5**	51.4
Loans and advances to consumer finance customers	12	**3,149.3**	3,057.6
Trade and other receivables	13	**1,956.0**	720.0
Deposits for acquisition of property and equipment		**74.2**	20.4
		10,468.8	8,966.9
Current Assets			
Financial assets at fair value through profit or loss	11	**439.6**	469.0
Taxation recoverable		**12.3**	17.6
Amounts due from associates and joint ventures		**5.8**	5.6
Loans and advances to consumer finance customers	12	**5,444.3**	5,236.2
Trade and other receivables	13	**6,862.3**	5,525.0
Bank deposits	14	**840.2**	467.8
Cash and cash equivalents	14	**3,548.2**	4,567.5
		17,152.7	16,288.7
Current Liabilities			
Dividend payable		**(256.8)**	—
Financial liabilities at fair value through profit or loss	11	**(75.2)**	(52.7)
Bank and other borrowings	15	**(2,155.2)**	(3,166.6)
Trade and other payables	16	**(1,947.4)**	(1,337.6)
Amounts due to fellow subsidiaries and a holding company		**(13.8)**	(8.9)
Amounts due to associates		**(0.1)**	(0.1)
Provisions		**(18.0)**	(33.0)
Taxation payable		**(160.8)**	(102.2)
Bonds and notes	18	**(361.0)**	—
		(4,988.3)	(4,701.1)
Net Current Assets		**12,164.4**	11,587.6
Total Assets less Current Liabilities		**22,633.2**	20,554.5

Condensed Consolidated Statement of Financial Position

	Notes	**30.6.2013 Unaudited HK$ Million**	31.12.2012 Audited HK$ Million
Capital and Reserves			
Share capital	17	**425.5**	432.4
Reserves		**12,455.9**	12,430.6
Equity attributable to owners of the Company		**12,881.4**	12,863.0
Non-controlling interests		**3,229.3**	3,102.3
Total Equity		**16,110.7**	15,965.3
Non-current Liabilities			
Deferred tax liabilities		**211.7**	210.4
Bank and other borrowings	15	**2,872.5**	1,174.4
Provisions		**10.0**	10.1
Bonds and notes	18	**3,428.3**	3,194.3
		6,522.5	4,589.2
		22,633.2	20,554.5

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company												
	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserve HK$ Million	Equity element of warrants HK$ Million	Shares held for employee ownership scheme HK$ Million	Employee share-based compensation reserve HK$ Million	Exchange reserve HK$ Million	Revaluation reserve HK$ Million	Capital reserves HK$ Million	Retained earnings HK$ Million	Total HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2013	**432.4**	**7,250.7**	**63.7**	**57.6**	**(25.2)**	**8.9**	**103.1**	**452.4**	**0.9**	**4,518.5**	**12,863.0**	**3,102.3**	**15,965.3**
Profit for the period	–	–	–	–	–	–	–	–	–	**380.2**	**380.2**	**208.6**	**588.8**
Other comprehensive income (expenses) for the period	–	–	–	–	–	–	**78.4**	**0.5**	**0.1**	**(0.1)**	**78.9**	**35.6**	**114.5**
Total comprehensive income for the period	–	–	–	–	–	–	**78.4**	**0.5**	**0.1**	**380.1**	**459.1**	**244.2**	**703.3**
Recognition of equity-settled share-based payments	–	–	–	–	–	**4.7**	–	–	–	–	**4.7**	–	**4.7**
Purchase of shares held for the SHK Employee Ownership Scheme	–	–	–	–	**(2.7)**	–	–	–	–	–	**(2.7)**	–	**(2.7)**
Vesting of shares of the SHK Employee Ownership Scheme	–	–	–	–	**8.0**	**(7.5)**	–	–	–	**(0.5)**	–	–	–
Recognition of 2012 final dividend	–	–	–	–	–	–	–	–	–	**(256.8)**	**(256.8)**	–	**(256.8)**
Shares repurchased and cancelled	**(6.9)**	–	**6.9**	–	–	–	–	–	–	**(185.9)**	**(185.9)**	–	**(185.9)**
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	**(117.2)**	**(117.2)**
At 30 June 2013	**425.5**	**7,250.7**	**70.6**	**57.6**	**(19.9)**	**6.1**	**181.5**	**452.9**	**1.0**	**4,455.4**	**12,881.4**	**3,229.3**	**16,110.7**

	Attributable to owners of the Company												
	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserve HK$ Million	Equity element of warrants HK$ Million	Shares held for employee ownership scheme HK$ Million	Employee share-based compensation reserve HK$ Million	Exchange reserve HK$ Million	Revaluation reserve HK$ Million	Capital reserves HK$ Million	Retained earnings HK$ Million	Total HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2012	421.9	7,011.0	60.5	57.6	(19.6)	9.1	76.2	502.0	0.8	3,968.0	12,087.5	2,315.5	14,403.0
Profit for the period	–	–	–	–	–	–	–	–	–	514.3	514.3	191.2	705.5
Other comprehensive expenses for the period	–	–	–	–	–	–	(19.0)	(51.5)	–	–	(70.5)	(14.6)	(85.1)
Total comprehensive (expenses) income for the period	–	–	–	–	–	–	(19.0)	(51.5)	–	514.3	443.8	176.6	620.4
Recognition of equity-settled share-based payments	–	–	–	–	–	4.2	–	–	–	–	4.2	–	4.2
Purchase of shares held for the SHK Employee Ownership Scheme	–	–	–	–	(5.6)	–	–	–	–	–	(5.6)	–	(5.6)
Vesting of shares of the SHK Employee Ownership Scheme	–	–	–	–	7.4	(7.4)	–	–	–	–	–	–	–
Recognition of 2011 final dividend	–	–	–	–	–	–	–	–	–	(210.8)	(210.8)	–	(210.8)
Shares repurchased and cancelled	(2.3)	–	2.3	–	–	–	–	–	–	(45.6)	(45.6)	–	(45.6)
Shares of subsidiaries issued to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	416.9	416.9
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(109.2)	(109.2)
At 30 June 2012	419.6	7,011.0	62.8	57.6	(17.8)	5.9	57.2	450.5	0.8	4,225.9	12,273.5	2,799.8	15,073.3

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30.6.2013	30.6.2012
	Unaudited	Unaudited
	HK$ Million	HK$ Million
OPERATING ACTIVITIES		
Cash (used in) from operations		
— (Increase) decrease in trade and other receivables	**(2,593.5)**	960.0
— Increase in loans and advances to consumer finance customers	**(461.6)**	(225.4)
— Other operating cash flows	**48.2**	(453.2)
	(3,006.9)	281.4
Interest received	**1,757.7**	1,441.4
Dividends received from held for trading investments	**1.4**	1.2
Interest paid	**(153.7)**	(68.1)
Taxation paid	**(118.8)**	(94.3)
Net cash (used in) from operating activities	**(1,520.3)**	1,561.6
INVESTING ACTIVITIES		
Purchase of property and equipment	**(27.4)**	(45.1)
Purchase of intangible assets	**(9.8)**	(5.7)
Dividends received from joint ventures	**3.7**	—
Repayment from (advance to) joint ventures	**1.0**	(0.7)
Dividends received from available-for-sale investments	**3.8**	0.1
Purchase of available-for-sale investments	**(12.2)**	—
Proceeds on disposal of available-for-sale investments	**0.8**	183.9
Net (payment) refund of statutory deposits	**(3.7)**	4.4
Payment of deposits for acquisition of equipment	**(25.4)**	(9.4)
Purchase of long-term financial assets designated as at fair value through profit or loss	**(33.2)**	(2.4)
Proceeds on long-term financial assets designated as at fair value through profit or loss	**—**	2.2
Fixed deposits with banks (placed) withdrawn	**(362.4)**	251.2
Net cash (used in) from investing activities	**(464.8)**	378.5

	Six months ended	
	30.6.2013	30.6.2012
	Unaudited	Unaudited
	HK$ Million	HK$ Million
FINANCING ACTIVITIES		
Dividends to non-controlling interests	**(117.2)**	(109.2)
Capital contribution by non-controlling interests	**—**	416.9
Net short-term bank and other borrowings repaid	**(1,703.9)**	(233.1)
New long-term bank and other borrowings raised	**2,372.7**	354.0
Repayment of long-term bank loans	**(4.3)**	(8.7)
Redemption of notes	**—**	(21.6)
Repayment of short-term loans due to a fellow subsidiary	**—**	(850.0)
Purchase of shares for the SHK Employee Ownership Scheme	**(2.7)**	(5.6)
Shares repurchased and cancelled	**(185.9)**	(45.6)
Proceeds from issue of bonds and notes	**760.1**	—
Purchase of notes	**(186.5)**	—
Net cash from (used in) financing activities	**932.3**	(502.9)
Net (decrease) increase in cash and cash equivalents	**(1,052.8)**	1,437.2
Cash and cash equivalents at 1 January	**4,567.5**	1,795.1
Effect of foreign exchange rate changes	**33.5**	(7.5)
Cash and cash equivalents at 30 June	**3,548.2**	3,224.8

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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

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

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. As a result, the condensed consolidated income statement and condensed consolidated statement of comprehensive income are renamed as condensed consolidated statement of profit or loss and condensed consolidated statement of profit or loss and other comprehensive income during the period. As required by the amendments, the items of other comprehensive income are also grouped into two categories in the condensed consolidated statement of profit or loss and other comprehensive income: (a) items that will not be reclassified subsequently to profit or loss and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met.

HKFRS 13 — Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those required in the current standards. In accordance with the transitional provisions of HKFRS 13, additional information was disclosed in the notes to the condensed consolidated interim financial statements.

3. SEGMENT INFORMATION

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

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

Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION *(CONTINUED)*

	Six months ended 30 June 2012				
	Wealth Management and Brokerage HK$ Million	Capital Markets HK$ Million	Consumer Finance HK$ Million	Principal Investments HK$ Million	Total HK$ Million
Brokerage/commission revenue	238.7	13.6	—	0.2	252.5
Non brokerage/commission revenue	197.1	88.5	1,213.1	57.6	1,556.3
Segment revenue	435.8	102.1	1,213.1	57.8	1,808.8
Less: inter-segment revenue	(2.8)	—	—	(32.2)	(35.0)
Segment revenue from external customers	433.0	102.1	1,213.1	25.6	1,773.8
Segment profit or loss	75.7	30.5	557.3	166.7	830.2
Share of results of associates	—	—	—	2.0	2.0
Share of results of joint ventures	1.8	—	—	(1.6)	0.2
Profit before taxation	77.5	30.5	557.3	167.1	832.4
Included in segment profit or loss:					
Interest income	158.5	66.7	1,207.6	11.7	1,444.5
Other income	1.1	0.1	2.2	100.4	103.8
Net profit (loss) on financial assets and liabilities	15.1	(4.3)	—	42.9	53.7
Net exchange gain (loss)	(0.4)	(2.1)	14.1	(1.9)	9.7
Bad and doubtful debts	(27.8)	(20.0)	(182.4)	—	(230.2)
Finance costs	(23.3)	(8.8)	(75.9)	(4.7)	(112.7)
Less: inter-segment finance costs	19.8	8.8	1.2	2.9	32.7
Finance costs to external suppliers	(3.5)	—	(74.7)	(1.8)	(80.0)

3. SEGMENT INFORMATION *(CONTINUED)*

The geographical information of revenue is disclosed as follows:

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

4. OTHER INCOME

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

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

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

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

6. BAD AND DOUBTFUL DEBTS

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

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

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

7. PROFIT BEFORE TAXATION

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

8. TAXATION

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

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

9. DIVIDEND

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

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

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	
	30.6.2013	30.6.2012
	HK$ Million	HK$ Million
Earnings		
Earnings for the purpose of basic earnings per share and diluted earnings per share (profit for the period attributable to owners of the Company)	**380.2**	514.3

	Million Shares	Million Shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,132.9**	2,099.7
Effect of dilutive potential ordinary shares:		
— Shares held for the SHK Employee Ownership Scheme	**0.1**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,133.0**	2,099.7

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

11. FINANCIAL ASSETS AND LIABILITIES

The following table provides an analysis of financial assets and liabilities that are measured at cost less impairment and at fair value subsequent to initial recognition.

	At 30 June 2013				
	Level 1 HK$ Million	Level 2 HK$ Million	Level 3 HK$ Million	Cost less impairment HK$ Million	Total HK$ Million
Available-for-sale investments					
Equity securities issued by corporate entities					
— Shares listed outside Hong Kong	0.2	—	—	—	0.2
— Unlisted Hong Kong shares	—	—	—	0.4	0.4
— Unlisted overseas shares	—	—	46.4	63.0	109.4
— Unlisted shares in overseas investment funds	—	—	23.5	—	23.5
	0.2	—	69.9	63.4	133.5
Financial assets at fair value through profit or loss					
Held for trading investments					
— Equity securities listed in Hong Kong					
• Issued by corporate entities	120.5	—	—	—	120.5
• Issued by banks	15.0	—	—	—	15.0
• Issued by public utility entities	6.7	—	—	—	6.7
— Equity securities issued by corporate entities listed outside Hong Kong	22.9	—	—	—	22.9
— Exchange-traded funds listed in Hong Kong	48.0	—	—	—	48.0
— Exchange-traded funds listed outside Hong Kong	15.4	—	—	—	15.4
— Over the counter equity derivatives	—	—	0.1	—	0.1
— Unlisted bonds and notes issued by listed companies	7.9	59.6	—	—	67.5
— Unlisted convertible bonds and notes issued by listed companies	—	13.3	3.6	—	16.9
— Unlisted convertible bonds and notes issued by unlisted companies	—	—	4.3	—	4.3
	236.4	72.9	8.0	—	317.3
Investments designated as at fair value through profit or loss issued by corporate entities					
— Unlisted overseas redeemable convertible securities	—	—	60.8	—	60.8
— Equity securities in unlisted overseas investment funds	—	—	397.9	—	397.9
	—	—	458.7	—	458.7
	236.4	72.9	466.7	—	776.0
Analysed for reporting purposes as:					
— Non-current assets					336.4
— Current assets					439.6
					776.0
Financial liabilities at fair value through profit or loss					
Held for trading					
— Over the counter equity derivatives	—	—	75.2	—	75.2

11. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

	At 31 December 2012				
	Level 1 HK$ Million	Level 2 HK$ Million	Level 3 HK$ Million	Cost less impairment HK$ Million	Total HK$ Million
Available-for-sale investments					
Equity securities issued by corporate entities					
— Shares listed outside Hong Kong	0.5	—	—	—	0.5
— Unlisted Hong Kong shares	—	—	—	0.4	0.4
— Unlisted overseas shares	—	—	43.6	50.8	94.4
— Unlisted shares in overseas investment funds	—	—	25.1	—	25.1
	0.5	—	68.7	51.2	120.4
Financial assets at fair value through profit or loss					
Held for trading investments					
— Equity securities listed in Hong Kong					
• Issued by corporate entities	136.9	—	—	—	136.9
• Issued by banks	14.7	—	—	—	14.7
• Issued by public utility entities	2.3	—	—	—	2.3
— Equity securities issued by corporate entities listed outside Hong Kong (the securities in level 2 is under a sale restriction period of one year)	55.7	41.1	—	—	96.8
— Exchange-traded funds listed in Hong Kong	41.4	—	—	—	41.4
— Over the counter equity derivatives	—	—	1.6	—	1.6
— Warrants, futures and options listed in Hong Kong	0.2	—	—	—	0.2
— Unlisted overseas warrants and options	—	—	0.1	—	0.1
— Unlisted bonds and notes issued by listed companies	8.2	100.3	2.5	—	111.0
— Unlisted convertible bonds and notes issued by listed companies	—	13.9	3.6	—	17.5
	259.4	155.3	7.8	—	422.5
Investments designated as at fair value through profit or loss issued by corporate entities					
— Unlisted overseas redeemable convertible securities	—	—	50.0	—	50.0
— Equity securities in unlisted overseas investment funds	—	—	282.6	—	282.6
	—	—	332.6	—	332.6
	259.4	155.3	340.4	—	755.1
Analysed for reporting purposes as:					
— Non-current assets					286.1
— Current assets					469.0
					755.1
Financial liabilities at fair value through profit or loss					
Held for trading					
— Futures and options listed in Hong Kong	0.2	—	—	—	0.2
— Over the counter equity derivatives	—	—	32.4	—	32.4
	0.2	—	32.4	—	32.6
Dual currency notes designated as at fair value through profit or loss	—	20.1	—	—	20.1
	0.2	20.1	32.4	—	52.7

11. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

As there are no sufficient market comparables as input to measure the fair value reliably, some of the unlisted equity investments are measured at cost less impairment. These unlisted equity investments are intended to be held for a continuing strategic or long-term purpose.

On the basis of its analysis of the nature, characteristics and risks of the equity securities, the Group has determined that presenting them by nature and type of issuers is appropriate.

Fair values are grouped from Level 1 to 3 based on the degree to which the fair values are observable.

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2 fair value measurements are those derived from input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3 fair value measurements are those derived from valuation techniques that include input for the assets or liabilities that are not based on observable market data.

There were no transfers between Level 1 and 2 during both periods.

The fair value of unlisted bonds and notes under Level 2 at the reporting date were derived from quoted prices from pricing services. The fair value of Level 3 financial assets and liabilities are mainly derived from an unobservable range of data. In estimating the fair value of an asset or a liability under Level 3, the Group engages external valuers or establishes appropriate valuation techniques internally to perform the valuation which are reviewed by management.

The following table provide further information regarding the valuation of material financial assets under Level 3.

	Valuation technique	**Unobservable input**	**Input value**	**Fair value at 30/6/2013** HK$ Million
Available-for-sale investments				
Unlisted overseas shares issued by corporate entities	Discounted cash flow	Weighted average cost of capital	5.0%	46.4
Unlisted shares in overseas investment funds	Net asset value*	n/a	n/a	23.5
Investments designated as at fair value through profit or loss				
Unlisted overseas redeemable convertible securities issued by corporate entities	Discounted cash flow	Weighted average cost of capital	12.0%	60.8
Unlisted shares in overseas investment funds	Net asset value*	n/a	n/a	397.9

* The Group has determined that the reported net asset value represent fair value of the unlisted shares in overseas investment funds.

11. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

The Group believes that possible changes in the input value would not cause significant change in fair value of the financial assets and liabilities under Level 3.

The reconciliation of financial assets and liabilities under Level 3 fair value measurements is as follows:

	Available-for-sale investments		Held for trading investments		Investments designated as at fair value		Financial liabilities
	Unlisted overseas shares issued by corporate entities HK$ Million	**Unlisted overseas investment funds** HK$ Million	**Over the counter equity derivatives** HK$ Million	**Unlisted bonds and notes** HK$ Million	**Unlisted overseas redeemable convertible securities** HK$ Million	**Unlisted overseas investment funds** HK$ Million	**Over the counter equity derivatives** HK$ Million
Balance at 1 January 2013	43.6	25.1	1.6	6.1	50.0	282.6	(32.4)
Total gains or losses							
— Net profit on financial assets and liabilities in profit or loss	—	—	—	—	10.8	42.8	—
— Net gain (loss) in other comprehensive income	2.8	(1.6)	—	—	—	—	—
Purchase	—	—	0.1	4.3	—	72.5	(75.2)
Disposal	—	—	(1.6)	—	—	—	32.4
Reclassification to Level 2	—	—	—	(2.5)	—	—	—
Balance at 30 June 2013	46.4	23.5	0.1	7.9	60.8	397.9	(75.2)
Unrealised gains or losses for the period included in profit or loss	—	—	—	—	10.8	42.8	—

Due to the availability of prices quoted from pricing services, the Group has changed the valuation technique of certain bonds from discounted cash flows to the prices quoted. As a result, unlisted bonds and notes under held for trading investments of HK$2.5 million were reclassified from Level 3 to Level 2 during the period. The Group's policy is to recognise transfers into and transfers out of Level 3 as of the date of the event or change in circumstances that caused the transfer.

There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and liabilities during the period.

12. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

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

13. TRADE AND OTHER RECEIVABLES

	30.6.2013 HK$ Million	31.12.2012 HK$ Million
Trade receivables — accounts receivable from exchanges, brokers and clients	**1,072.4**	988.7
Less: impairment allowance	**(19.4)**	(29.0)
	1,053.0	959.7
Secured term loans	**3,098.1**	1,869.8
Less: impairment allowance	**(4.8)**	(132.9)
	3,093.3	1,736.9
Margin loans	**3,920.4**	3,419.3
Less: impairment allowance	**(123.4)**	(132.6)
	3,797.0	3,286.7
Renminbi denominated bonds issued by a Singapore listed company (Note 18)	**124.3**	—
Other receivables		
— Deposits	**70.2**	43.1
— Dividend receivable on behalf of clients	**511.9**	15.5
— Claims from counter parties, receivable from sale proceeds and other receivables	**121.5**	190.3
	703.6	248.9
Trade and other receivables at amortised cost	**8,771.2**	6,232.2
Prepayments	**46.8**	12.5
Current portion of leasehold interests in land	**0.3**	0.3
	8,818.3	6,245.0
Analysed for reporting purposes as:		
— Non-current assets	**1,956.0**	720.0
— Current assets	**6,862.3**	5,525.0
	8,818.3	6,245.0

13. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

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

14. BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	30.6.2013 HK$ Million	31.12.2012 HK$ Million
Bank balances and cash	**1,358.4**	2,901.5
Fixed deposits with banks with a term within 3 months	**2,189.8**	1,666.0
Cash and cash equivalents	**3,548.2**	4,567.5
Fixed deposits with banks with a term between 4 to 12 months	**840.2**	467.8
	4,388.4	5,035.3

The Group maintains trust and segregated accounts with licensed banks to hold clients' deposits arising from normal business transactions. At 30 June 2013, trust and segregated accounts not dealt with in these condensed consolidated financial statements totalled HK$5,834.5 million (31/12/2012: HK$5,808.5 million).

15. BANK AND OTHER BORROWINGS

	30.6.2013 HK$ Million	31.12.2012 HK$ Million
Bank loans		
— Secured term loans	**242.0**	—
— Unsecured term loans	**4,646.7**	4,198.2
	4,888.7	4,198.2
— Secured instalment loans	**106.7**	110.9
Total bank borrowings	**4,995.4**	4,309.1
Other borrowings	**32.3**	31.9
	5,027.7	4,341.0
Analysed for reporting purposes as:		
— Current liabilities	**2,155.2**	3,166.6
— Non-current liabilities	**2,872.5**	1,174.4
	5,027.7	4,341.0

16. TRADE AND OTHER PAYABLES

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

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

17. SHARE CAPITAL

	Number of shares		Share capital	
	Six months ended 30.6.2013 Million Shares	Year ended 31.12.2012 Million Shares	**Six months ended 30.6.2013 HK$ Million**	Year ended 31.12.2012 HK$ Million
Ordinary shares of HK$0.2 each				
Authorised				
Balance brought forward and carried forward	**15,000.0**	15,000.0	**3,000.0**	3,000.0
Issued and fully paid				
Balance brought forward	**2,162.1**	2,109.4	**432.4**	421.9
Shares issued for scrip dividends	**—**	68.7	**—**	13.7
Shares cancelled after repurchase	**(34.4)**	(16.0)	**(6.9)**	(3.2)
Balance carried forward	**2,127.7**	2,162.1	**425.5**	432.4

(a) During the period, the trustee of the SHK Employee Ownership Scheme (the "EOS") acquired 0.5 million shares of the Company through purchases on The Stock Exchange of Hong Kong Limited for the awarded shares of the EOS. The total amount paid to acquire the shares during the period was HK$2.7 million, which has been deducted from the owners' equity.

(b) During the period, the Company repurchased 34.4 million shares of the Company through purchases on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$185.9 million. All the shares were cancelled after the repurchases.

(c) The Company had outstanding warrants in an aggregate face value of HK$427.0 million on the reporting date. The holders of the warrants have the right to subscribe for the shares of the Company by paying a subscription price of HK$6.25 per share. The warrants expired on 13 July 2013 and no warrants were exercised during the period.

18. BONDS AND NOTES

	30.6.2013 HK$ Million	31.12.2012 HK$ Million
US dollar denominated notes	**2,659.1**	2,693.4
Renminbi denominated notes (the "RMB Notes")		
— 4% 3-year Renminbi denominated notes (the "4% 3-year Notes")	**361.0**	500.9
— 6.9% 5-year Renminbi denominated notes (the "6.9% 5-year Notes")	**634.4**	—
Renminbi denominated asset-backed bonds	**134.8**	—
	3,789.3	3,194.3
Analysed for reporting purposes as:		
— Current liabilities	**361.0**	—
— Non-current liabilities	**3,428.3**	3,194.3
	3,789.3	3,194.3

The US dollar denominated notes were issued by a subsidiary, Sun Hung Kai & Co. (BVI) Limited, under a US$2 billion guaranteed medium term note programme. During the period, the Group purchased part of the US dollar denominated notes with a total nominal value of US$5 million from the market at a consideration of HK$38.7 million. The nominal value of the notes outstanding after eliminating the intra-group holdings was US$341.0 million or equivalent to HK$2,645.0 million at the reporting date (31/12/2012: US$346.0 million or equivalent to HK$2,681.8 million).

The RMB Notes were issued by a subsidiary, UA Finance (BVI) Limited, under a US$3 billion medium term note programme. On 2 May 2013, the subsidiary further issued RMB500 million (or equivalent to HK$625.3 million) 6.9% 5-year Notes at par. During the period, the Group purchased part of the 4% 3-year Notes with a total nominal value of RMB116.9 million from the market at a consideration of HK$147.8 million. The nominal value of the RMB Notes after eliminating the intra-group holdings was RMB784.1 million or equivalent to HK$991.0 million at the reporting date (31/12/2012: RMB401.0 million or equivalent to HK$498.8 million).

In June 2013, SWAT Securitisation Fund, a subsidiary of the Group, issued RMB106.8 million (or equivalent to HK$134.8 million) 9.5% 2-year Renminbi denominated bonds at par. The bonds are asset-backed by another set of Renminbi bonds held by the Group which are issued by a Singapore listed company ("Singapore Bonds"). The repayment of the principal and the payment of coupons are protected by the proceeds generated by the Singapore Bonds in case of the occurrence of an event of default as defined in the placement memorandum of the bonds.

19. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following material transactions with related parties:

	Six months ended	
	30.6.2013 HK$ Million	30.6.2012 HK$ Million
Associates and joint ventures of a holding company		
Insurance premiums received from associates of a holding company in the course of provision of insurance brokerage services	**0.1**	0.2
Interest income from an associate of a holding company	**1.1**	—
Rental and administrative expenses to an associate and a joint venture of a holding company	**(7.7)**	(6.2)
Finance costs to a listed associate of a holding company	**—**	(0.6)
Term loans advanced to an associate of a holding company	**(64.6)**	—
Joint ventures		
Management fees received from a joint venture	**1.8**	1.8
Holding company and its subsidiaries		
Brokerage received from fellow subsidiaries	**0.5**	1.4
Insurance premiums received from a holding company and fellow subsidiaries in the course of provision of insurance brokerage services	**2.2**	1.8
Repayment of short-term loan due to a fellow subsidiary	**—**	(850.0)
Finance costs to fellow subsidiaries	**(6.2)**	(9.0)
Management fees paid to a holding company	**(2.0)**	(1.8)

The remuneration of Directors and other members of key management during the period were as follows:

	Six months ended	
	30.6.2013 HK$ Million	30.6.2012 HK$ Million
Short-term benefits	**36.8**	32.9
Post-employment benefits	**0.8**	0.9
	37.6	33.8

19. RELATED PARTY TRANSACTIONS *(CONTINUED)*

During the period, 0.58 million shares were granted under the SHK Employee Ownership Scheme to key management personnel. In addition, a total amount of HK$2.9 million represents the fair value of 0.53 million shares at the vesting dates which vested for key management personnel during the period. The total dividend expenses paid to the key management personnel during the period is HK$0.4 million (2012: HK$0.4 million).

During the period, the Group provided a secured term loan facility of HK$600.0 million to a substantial shareholder for a term of 48 months from the drawdown date. Interest on loan under the facility is charged at a rate of 6.5% per annum. The transaction constituted a connected transaction and its details were disclosed in the Company's circular of 23 January 2013. A loan of HK$600.0 million was drawn under the facility on 15 February 2013.

20. COMMITMENTS

(a) Capital commitments

	30.6.2013 HK$ Million	31.12.2012 HK$ Million
Contracted for but not provided in the condensed consolidated financial statements	**5.9**	35.9

(b) Commitments under operating leases

At the end of the reporting period, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases related to its office premises and office equipment which fall due as follows:

	30.6.2013 HK$ Million	31.12.2012 HK$ Million
Within one year	**176.3**	169.7
In the second to fifth years inclusive	**275.9**	273.6
Over five years	**72.0**	88.6
	524.2	531.9

21. CONTINGENT LIABILITIES

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

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

(b) On 20 December 2007, a writ was issued by Cheung Lai Na 張麗娜 ("Ms. Cheung") against Tian An China Investments Company Limited ("Tian An") and Sun Hung Kai Financial Limited (formerly known as Sun Hung Kai Securities Limited) ("SHKF") and was accepted by the Intermediate People's Court of Wuhan City, Hubei Province ("IPC") (湖北省武漢市中級人民法院) [(2008) 武民商外初字第8號], claiming the transfer of a 28% shareholding in a mainland PRC joint venture, Chang Zhou Power Development Company Limited ("the JVC"), and RMB19,040,000 plus interest thereon for the period from January 1999 to the end of 2007, together with related costs and expenses. Judgment was awarded by the IPC in Tian An and SHKF's favour on 16 July 2009. Ms. Cheung appealed against the said judgment and on 24 November 2010, the Higher People's Court of Hubei Province (湖北省高級人民法院) ("HPC") ordered that the case be remitted back to the IPC for retrial. After the substantive retrial hearing took place on 29 March 2012, on 14 August 2012, the IPC dismissed Ms. Cheung's claim against Tian An and SHKF. Ms. Cheung appealed against the retrial decision of the IPC. The appeal hearing took place on 18 April 2013 and on 17 July 2013 the HPC dismissed Ms. Cheung's appeal. While a provision has been made for legal costs, the Company does not consider it presently appropriate to make any other provision with respect to this writ.

22. MATURITY PROFILE OF ASSETS AND LIABILITIES

At 30 June 2013

	On demand HK$ Million	**Within 3 months HK$ Million**	**3 months to 1 year HK$ Million**	**1 year to 5 years HK$ Million**	**After 5 years HK$ Million**	**Total HK$ Million**
Assets						
Loans and advances to consumer finance customers	**908.3**	**1,424.5**	**3,111.5**	**2,391.1**	**758.2**	**8,593.6**
Bonds and notes included in financial assets at fair value through profit or loss	**—**	**—**	**25.3**	**27.5**	**35.9**	**88.7**
Bonds included in trade and other receivables	**—**	**—**	**—**	**124.3**	**—**	**124.3**
Fixed deposits with banks	**—**	**2,509.6**	**520.4**	**—**	**—**	**3,030.0**
Secured term loans	**9.3**	**658.8**	**599.2**	**1,826.0**	**—**	**3,093.3**
Liabilities						
Bank and other borrowings	**(12.0)**	**(1,126.5)**	**(956.9)**	**(2,932.3)**	**—**	**(5,027.7)**
Bonds and notes	**—**	**—**	**(361.0)**	**(3,428.3)**	**—**	**(3,789.3)**

At 31 December 2012

	On demand HK$ Million	Within 3 months HK$ Million	3 months to 1 year HK$ Million	1 year to 5 years HK$ Million	After 5 years HK$ Million	Total HK$ Million
Assets						
Loans and advances to consumer finance customers	836.6	1,271.5	3,128.1	2,363.3	694.3	8,293.8
Bonds and notes included in financial assets at fair value through profit or loss	—	—	6.9	42.7	78.9	128.5
Fixed deposits with banks	—	1,728.2	405.6	—	—	2,133.8
Secured term loans	59.3	222.4	743.1	712.1	—	1,736.9
Liabilities						
Bank and other borrowings	(12.0)	(1,347.4)	(1,704.8)	(1,276.8)	—	(4,341.0)
Bonds and notes	—	—	—	(3,194.3)	—	(3,194.3)

The above tables list out the assets and liabilities based on the contractual maturity and the assumption that the repayment on demand clause will not be exercised. Overdue assets are reported as on demand.

23. FINANCIAL RISK MANAGEMENT

Risk is inherent in the financial service business and sound risk management is a cornerstone of prudent and successful financial practice. That said, the Group acknowledges that a balance must be achieved between risks control and business growth. The principal financial risks inherent in the Group's business are market risk (includes equity risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's risk management objective is to enhance shareholders' value while retaining exposure within acceptable thresholds.

The Group's risk management governance structure is designed to cover all business activities and to ensure all relevant risk classes are properly managed and controlled. The Group has adopted a sound risk management and organisational structure equipped with comprehensive policies and procedures which are reviewed regularly and enhanced when necessary in response to changes in markets, the Group's operating environment and business strategies. The Group's independent control divisions, e.g. Internal Audit and Compliance, play an important role in the provision of assurance to the Board and senior management that a sound internal risk management mechanism is implemented, maintained and adhered to.

(a) Market Risk

(i) Equity Risk

There are many asset classes available for investment in the marketplace. One of the Group's key business undertakings is investing in equity. Market risk arising from any equity investments is driven by the daily fluctuations in market prices or fair values. The ability to mitigate such risk depends on the availability of any hedging instruments and the diversification level of the investment portfolios undertaken by the Group. More importantly, the knowledge and experience of the trading staff managing the risk are also vital to ensure exposure is being properly hedged and rebalanced in the most timely manner. Trading activities, including market-making and proprietary trading, across the Group are subject to limits approved by the Risk Management Committee ("RMC"). Valuation of these instruments is measured on a "mark-to-market" and "mark-to-fair value" basis depending on whether they are listed or unlisted. Value at Risk ("VaR") and stress tests are employed in the assessment of risk. Meanwhile other non-VaR limits such as "maximum loss" and "position" limits are also set out to restrict excessive risk undertakings. VaR and stress tests are approaches which are widely used in the financial industry as tools to quantify risk by combining the size of a position and the extent of a potential market movement into a potential financial impact.

The Group's market-making and proprietary trading positions and their financial performance are reported daily to senior management for review. Internal Audit also performs regular checks to ensure there is adequate compliance in accordance with the established market risk limits and guidelines.

(ii) Interest Rate Risk

Interest rate risk is the risk of loss due to changes in interest rates. The Group's interest rate risk exposure arises predominantly from margin financing, term financing and loans and advances to consumer finance customers. The Group possesses the legal capacity to initiate recalls efficiently which enables the timely re-pricing of margin loans to appropriate levels, in which those particularly large sensitive positions can readily be identified. Interest spreads are managed with the objective of maximising spreads to ensure consistency with liquidity and funding obligations.

23. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Market Risk *(Continued)*

(iii) Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from movements in foreign exchange rates.

The Group's foreign exchange risk primarily arises from currency exposures originating from proprietary trading positions, and loans and advances denominated in foreign currencies, mainly in Australian dollars and Renminbi. Foreign exchange risk is managed and monitored by the respective businesses in accordance with the limits approved by the Board and RMC. The risk arises from open currency positions are subject to management approved limits and are monitored and reported daily. The other source of foreign exchange risk arises from clients' inability to meet margin calls following a period of substantial currency turbulence.

(b) Credit Risk

Credit risk arises from the failure of a customer or counterparty to meet settlement obligations. As long as the Group lends, trades and deals with third parties, there will be credit risk exposure.

The Group's credit policy, governed by the Credit Committee ("Credco"), sets out the credit approval processes and monitoring procedures, which are established in accordance with sound business practices, the requirements and provisions of the relevant ordinances, and where applicable, the codes or guidelines issued by the Securities and Futures Commission.

Day-to-day credit management is performed by the Credit Division with reference to the aforementioned criteria including creditworthiness, type and amount of collateral pledged, and risk concentration of the counterparties. Decisions are made daily by Credit Division and are reported to and reviewed by the Executive Directors, senior management and Credco at its regular meetings.

(c) Liquidity Risk

The goal of liquidity management is to mitigate risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or make the required profit. Another goal is to enable the Group, even under adverse market conditions, to actively manage and match funds inflow against all maturing repayment obligations to achieve maximum harmony on cash flow management.

The Group manages its liquidity position to ensure a prudent and adequate liquidity ratio, in strict accordance with statutory requirements. This is achieved by a transparent and collective monitoring approach across the Group involving Executive Directors, the Director of Banking & Treasury, the Chief Financial Officer and other relevant senior managers on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations while in compliance with statutory requirements such as the Hong Kong Financial Resources Rules.

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