



新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

(Stock Code: 86)

45周年
years



Excellence 卓越 ■ Integrity 誠信 ■ Innovation 創新 ■ Prudence 謹慎 ■ Professionalism 專業

二零一四年中期報告
Interim Report 2014



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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

Ahmed Mohammed Aqil Qassim Alqassim
 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
 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
 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
 Ho Chi Kit (*Roy Kuan as his alternate*)

AUDIT COMMITTEE

Alan Stephen Jones (*Chairman*)
 David Craig Bartlett
 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*)

COMPANY SECRETARY

Hester Wong Lam Chun

INVESTOR RELATIONS

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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
 Level 22, Hopewell Centre
 183 Queen's Road East
 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 2014, the Group's profit attributable to owners of the Company amounted to HK\$610.3 million, a solid increase over the same period in 2013 (HK\$380.2 million). The rise was driven by an encouraging operating performance in addition to strong gains from the Group's Principal Investments portfolio and foreign exchange.

The Group's revenue increased by 16% to HK\$2,511.7 million, with the key driver being very strong year-on-year growth in Consumer Finance revenue from Mainland China operating under United Asia Finance Limited ("UAF"). UAF is firmly establishing itself as one of the leading micro loan companies in China with a network of 165 branches across 14 cities. The continued expansion of its footprint together with new partnerships will bring about more growth opportunities in the future.

Earnings per share for the six-month period was HK28.8 cents (first six months of 2013: HK17.8 cents) and the Board has declared an interim dividend of HK10 cents per share. In addition, a special dividend of HK2 cents per share was also declared to commemorate the Group's 45th Anniversary, making a total dividend of HK12 cents per share.

For the first half of 2014, the Group achieved an annualised return on equity of 9% on a conservative balance sheet. Net gearing was 51% as at 30 June 2014. Book value per share was HK\$6.4.

MARKET REVIEW

During the first half of 2014, the growth of China's GDP decelerated slightly; GDP growth in the first quarter was 7.4% year-on-year, below the first quarter 2013 growth of 7.7% and the government target of 7.5%. Meanwhile, the country's inflation rate rose 2.3% and its M2 money supply increased 12.1% in the first quarter. Both remain under the full year government targets of 3.5% and 13.5% respectively, giving policy makers more flexibility to fine tune fiscal and monetary measures in the second half of 2014.

The focus of China's economic reforms is rebalancing the economy towards domestic consumption and encouraging a more market led financial system. The Group's business in Mainland China, now accounting for 33% of total revenue, should be placed favourably under this policy direction.

Year-to-date, Chinese Central Government policies are in line with these goals. For example, several mini-stimulus measures were announced to boost economic growth, including tax cuts for small firms, acceleration in railway line construction, and targeted-cuts in the reserve requirement ratio. In April 2014, the Hong Kong Securities and Futures Commission and China Securities Regulatory Commission made a joint announcement regarding the Shanghai-Hong Kong Stock Connect. The scheme is expected to be formally launched by October 2014, enabling investors in both Mainland China and Hong Kong to trade eligible shares listed on each other's market.

Hong Kong's GDP expanded 2.6% year-on-year in the first quarter of 2014, after growing by 2.9% in 2013. Consumer prices rose by 4% year-on-year in the first five months, down from 4.3% in 2013. The seasonally adjusted unemployment rate was 3.1% for March to May 2014, reflecting tightness in the labour market.

Management Discussion and Analysis

The local stock market has been lacklustre in general, with the Hang Seng Index (“HSI”) plunging as much as 10%, and finishing flat compared to the end of 2013 level. When viewed against the global MSCI All Country World Index (“MSCI ACWI”), the HSI has underperformed by 4.5 percentage points. The Hong Kong Exchange’s average daily turnover in the first half of the year was HK\$62.9 billion, 8% lower on a year-on-year basis. In addition, the Renminbi depreciated 2.4% against the US dollar during the first six-month period, reversing a trend of gradual appreciation during 2013. Having said this, IPO activity in Hong Kong remained vibrant in the first half of 2014. There were 52 new listings, with HK\$82.1 billion of total fundraising, more than double compared to the first half of 2013.

RESULTS ANALYSIS

(HK\$ Million)	1H2014	1H2013	Change
Revenue	2,511.7	2,173.8	16%
Operating Expenses	(1,035.4)	(909.8)	14%
<i>As % of revenue (“cost to income”)</i>	41.2%	41.9%	
Finance costs	(222.8)	(183.8)	21%
Operating Earnings Before Bad and Doubtful Debts	1,253.5	1,080.2	16%
Bad and doubtful debts	(328.6)	(222.9)	47%
Operating Earnings	924.9	857.3	8%
Other income	29.4	23.3	} 204%
Other non-operating expenses	–	(31.5)	
Net exchange gain (loss)	39.8	(54.7)	
Net profit (loss) on financial assets and liabilities	46.7	(63.7)	
Associates	2.4	9.2	
Joint ventures	(0.7)	4.8	
Profit Before Taxation	1,042.5	744.7	40%
Taxation	(184.0)	(155.9)	18%
Non-controlling interests	(248.2)	(208.6)	19%
Profit Attributable to Owners of the Company	610.3	380.2	61%

Management Discussion and Analysis

Against a background of slower economic growth in Mainland China and softer financial markets in Hong Kong, the Group delivered a steady increase of 8% in operating earnings. We have stayed on course with our business strategies, including prudently growing our loan business in Mainland China, as well as continuing the wealth management transformation of our Sun Hung Kai Financial business.

During the period, the Group enjoyed a solid 16% increase in revenue. Total interest income increased by 19% with growth in our loan books. Total loans and advances to customers increased by 4% from the end of 2013 and 9% on a year-on-year basis. The Mainland China loan business remained the key growth area. Revenue from Mainland China increased by 34% year-on-year, accounting for 33% of the Group's total. This area is growing increasingly in importance. Operating earnings before bad and doubtful debts increased at a healthy rate of 16%, in line with revenue growth.

(HK\$ Million)	As at 30/6/2014	As at 30/6/2013	YoY Change	As at 31/12/2013	YTD Change
Loan Balances					
Consumer Finance loans	10,249.2	8,593.6	19%	10,043.5	2%
Margin loans (Wealth Management and Brokerage segment)	3,962.0	3,797.0	4%	3,918.7	1%
Term loans (Capital Markets segment)	<u>2,732.3</u>	<u>3,093.3</u>	-12%	<u>2,356.6</u>	16%
Total	<u>16,943.5</u>	<u>15,483.9</u>	9%	<u>16,318.8</u>	4%
Interest Income					
	1H2014	1H2013			
Consumer Finance	1,778.9	1,479.4	20%		
Wealth Management and Brokerage	164.7	139.1	18%		
Capital Markets	175.7	150.7	17%		
Others	<u>6.7</u>	<u>14.1</u>	-52%		
Total	<u>2,126.0</u>	<u>1,783.3</u>	19%		

Total bad and doubtful debt charges for our loan portfolio increased from HK\$222.9 million to HK\$328.6 million. The increase came mainly from higher bad debts in the Mainland China loan business as the growth of the country's economy slowed, as well as an increase in the general impairment allowance for the consumer finance loan book. Overall, the charges remain in a comfortable range given the underlying healthy profitability of the business. Whilst the Mainland China business is a key growth area for the Group, we will endeavour to continue our expansion in a prudent manner and control our risks.

During the period, the Group saw solid gains from our Principal Investments segment through the revaluation of our investment properties (under "other income") as well as gains on our investment portfolio.

Management Discussion and Analysis

A total of HK\$39.8 million in exchange gain (first six months of 2013: total exchange loss of HK\$54.7 million) was recorded, mainly from the UAF business reflecting the translation gain of Renminbi denominated debt liabilities reported in Hong Kong dollars.

BUSINESS REVIEW

Wealth Management & Brokerage

(HK\$ Million)	1H2014	1H2013	Change
Revenue	490.0	471.9	4%
– Interest income	164.7	139.1	18%
– Brokerage commission revenue	286.1	287.4	0%
– Other fee based income	39.2	45.4	-14%
Operating Costs	(366.4)	(361.7)	1%
Cost to income (% Revenue)	74.8%	76.6%	
Bad and doubtful debts written back	3.3	6.4	
Finance costs [^]	(48.7)	(41.0)	
Operating Earnings	78.2	75.6	3%
Other income	–	0.2	
Exchange loss	–	(5.5)	
Net profit (loss) on financial assets and liabilities	(4.1)	25.6	
Joint ventures	0.3	1.8	
Pre-tax Contribution	74.4	97.7	-24%

[^] Includes internal

During the first half of 2014, we continued to see positive results from our strategy to transform Sun Hung Kai Financial into a full service wealth management firm. Notwithstanding that the average daily turnover of the stock market declined 8% on a year-on-year basis and derivatives trading in the market was also down, the segment's commission income remained steady.

With our amplified cross selling to clients as well as recruitment efforts targeting wealth management professionals, commission from wealth management products saw a healthy increase of 8% and accounted for 45% of the segment's commission income. Market neutral offerings including structured products and bonds performed particularly well, while delivering optimal investment diversification to our clients. Commission from brokerage products was affected by weaker market conditions and declined slightly by 6%.

Management Discussion and Analysis

The Group's margin book and interest income enjoyed a steady increase providing a stable income base. Our loan balance was HK\$3,962 million at the end of June 2014, up 4% year-on-year. IPO margin loans outstanding as at the period end amounted to another HK\$1,864.3 million. The segment's interest income increased by 18%. Leveraging the Group's trading volume and high level of assets under custody, our stock borrowing and lending business achieved a reasonable performance as a result of strengthened relationships with other financial institutions. Income from this business increased by 24% and we will continue to grow this area of activity in the future.

Building on the Group's expertise and relationships with high net worth customers, we will expand into Australia and seek to work with investment immigration applicants and other affluent Chinese investors. We shall continue to look for business opportunities that complement our core strengths.

The Shanghai-Hong Kong Stock Connect Scheme is expected to launch in October 2014. As a participating broker, we are optimistic that this move will be positive for market volume. In turn, this should enable us to increase the trading of A shares on behalf of our clients restricted by QFII quotas. A full review on our systems and operations is underway in anticipation of this new scheme.

Capital Markets

(HK\$ Million)	1H2014	1H2013	Change
Revenue	212.3	184.8	15%
– Interest income	175.7	150.7	17%
– Brokerage commission revenue	23.8	11.2	113%
– Other fee based income	12.8	22.9	-44%
Operating Costs	(69.3)	(50.7)	37%
Cost to income (% Revenue)	32.6%	27.4%	
Finance costs [^]	(79.2)	(61.7)	
Bad and doubtful debts written back (provided)	(0.1)	3.5	
Operating Earnings	63.7	75.9	-16%
Other income	0.3	1.5	
Exchange loss	–	(11.4)	
Net profit (loss) on financial assets and liabilities	(30.0)	3.6	
Pre-tax Contribution	34.0	69.6	-51%

[^] Includes internal

Management Discussion and Analysis

This segment encompasses our equity and debt fundraising solutions teams providing services to corporate and institutional clients, including corporate finance, structured lending, equity capital markets ("ECM"), as well as corporate and institutional sales.

Revenue increased by 15% to HK\$212.3 million and contribution to pre-tax profit amounted to HK\$34 million (2013: HK\$69.6 million). The decrease was mainly attributed to a HK\$30 million loss on financial instruments during the period arising from a mark-to-market loss as a result of an equity-linked component in one of our loans on completion of the associated IPO. A gain was booked for the same transaction in 2013.

The structured finance business grew satisfactorily in the first half of 2014, and our term loan portfolio was HK\$2,732.3 million at the end of June 2014, an increase of 16% from year end 2013 (HK\$2,356.6 million). Interest income amounted to HK\$175.7 million, 17% higher than the corresponding period in 2013.

Our ECM department was involved in the underwriting of two IPOs and participated in two placements/block trades during the period while our Institutional Sales and Research teams have made good progress in opening up new accounts and launching of new products.

Consumer Finance

(HK\$ Million)	1H2014	1H2013	Change
Revenue	1,787.5	1,487.0	20%
Operating Costs	(620.8)	(516.4)	20%
<i>Cost to income (% Revenue)</i>	34.7%	34.7%	
Finance costs [^]	(129.1)	(98.6)	
Operating earnings before bad and doubtful debts	1,037.6	872.0	19%
Bad and doubtful debts	(331.8)	(232.4)	
Operating Earnings	705.8	639.6	10%
Other income	2.9	2.1	
Exchange gain (loss)	36.3	(16.2)	
Pre-tax Contribution	745.0	625.5	19%

[^] Includes internal

UAF, a 58% indirectly owned subsidiary, operates a consumer finance business through its extensive branch network in Hong Kong and Mainland China. The businesses' main category of products is unsecured personal loans, along with the provision of mortgage loan products.

Management Discussion and Analysis

UAF delivered satisfactory results for the first half of 2014 with solid growth in revenue and profit. Revenue rose by 20% and pre-tax profit contribution grew by 19% to HK\$745 million. The return on its average shareholders' funds of HK\$7,121.8 million for the period was 16.7% on an annualised basis. An exchange gain of HK\$36.3 million was recorded during the period compared to an exchange loss of HK\$16.2 million during the last interim period. The gains and losses largely reflect the value of our Renminbi borrowings upon translation to Hong Kong dollars. The Renminbi devalued slightly in the first half of the year.

At the end of the period, the consolidated consumer finance loan balance amounted to HK\$10.9 billion, a 2.4% increase over the balance at the end of 2013. The year-on-year growth was 20% when compared to the end of June 2013. This difference in the growth rate is caused by the seasonal nature of the Mainland China loan business where loan growth tends to accelerate in the second half of the year and early repayments tend to take place after Chinese New Year. The Mainland China loan book accounted for 36% of the consolidated gross balance. It increased 4.5% compared to the end of 2013, and 46% on a year-on-year basis.

Key Operating Data	1H2014	1H2013	Change	End of 2013
Net loan balance (<i>HK\$ million</i>)	10,249.2	8,593.6	19%	10,043.5
Gross loan balance (<i>HK\$ million</i>)	10,899.7	9,079.1	20%	10,642.7
– Hong Kong	6,946.7	6,367.1	9%	6,859.8
– Mainland China	3,953.0	2,712.0	46%	3,782.9
Total return on loans				
(Annualised revenue/Gross loan balance)	32.8%	32.8%		29.5%
– Hong Kong	27.7%	27.4%		26.4%
– Mainland China	41.8%	45.4%		35.0%
Net charge-off ratio				
(Annualised on gross loan balance)	5.1%	4.6%		4.1%
– Hong Kong	3.9%	3.8%		3.7%
– Mainland China	7.1%	6.3%		4.8%
Average gross balance per loan (<i>HK\$</i>)	62,470	55,920		61,382
– Hong Kong (<i>HK\$</i>)	64,227	62,433		64,546
– Mainland China (<i>RMB</i>)	47,699	35,539		44,009

Charges for bad and doubtful debts increased from HK\$232.4 million last interim to HK\$331.8 million for the current period. The charges include bad debts and written off net of recovery, as well as the charges arising from the impairment allowance (calculated on the basis of recent charge off rates and current loan growth amounts).

Management Discussion and Analysis

Bad and Doubtful Debts and Impairment Allowances

(HK\$ Million)	1H2014	1H2013
Bad Debts Analysis		
a. Amounts written off	(329.2)	(249.0)
b. Recoveries	53.2	40.8
c. Charge to impairment allowance	(55.8)	(24.2)
Total charges for bad and doubtful debts	(331.8)	(232.4)
Impairment allowance at period end	650.5	485.5
Gross loan balance	10,899.7	9,079.1
Net charge off (a-b) as annualised % of gross loan balance	5.1%	4.6%
Impairment allowance as % of gross loan balance	6.0%	5.3%
Ageing analysis for loans and advances to consumer finance customers that were past due but not impaired:		
Less than 31 days past due	494.0	466.7
31 – 60 days	145.8	99.7
61 – 90 days	74.4	105.8
91 – 180 days	229.9	130.5
Over 180 days	70.0	28.2
Total	1,014.1	830.9
As % of net loan balance	9.9%	9.7%

During this period, the increase in charge-off percentage came largely from our Mainland China business as the Chinese economy showed signs of slower growth during the first half of the year. However, as our business in the country continues to grow in scale, the sustained improvement on cost-to-income has largely absorbed additional bad debt charges. Operating earnings from the Mainland China loan business increased by 34% year-on-year, in line with the increase in revenue. Overall, the Group's management is comfortable with the credit quality, especially in the context of our vigorous return and diversification of our loan book, despite slower economic growth.

Management Discussion and Analysis

Branch Network

City/Province	Number of new branches opened during the first half of 2014	Number of branches as at 30 June 2014
Hong Kong	1	50
Shenzhen	–	43
Shenyang	–	8
Chongqing	1	8
Tianjin	3	7
Chengdu	–	8
Yunnan province	1	8
Dalian	–	9
Beijing	–	6
Wuhan	1	5
Shanghai	1	5
Fuzhou	1	4
Harbin	1	3
Nanning	1	1
Total	11	165

UAF added 10 new branches to its network in Mainland China during the first half of 2014, and a total of 115 branches were operating in the Mainland at the end of June 2014. Operations in Nanning were launched in June 2014. Money lending licences in Qingdao and Jinan have been granted and businesses there are expected to be launched in the latter half of 2014. A new car owner's loan business (unsecured loans targeting car owners) was launched during the period with satisfactory results. In order to extend our reach into broader customer segments, UAF will also launch secured car loan products targeting customers with a higher credit profile and will continue to introduce new product offerings utilising its expert market knowledge of the consumer finance industry.

In July 2014, UAF entered into a long-term strategic cooperation agreement with 58.com to develop internet financial services in Mainland China. Both parties will explore the leveraging of their respective databases to promote online and offline financial services on the Internet, develop a peer to peer (P2P) loan business, and seek other business opportunities. This initiative will open up more opportunities for UAF to build on its expertise in the industry.

Despite keen competition, the Hong Kong business remains stable as the domestic economy enjoys lively growth in private consumption. New advertising campaigns will be launched to further raise our brand awareness and reinforce our leadership of the market. UAF will continue to review its operating efficiency to make itself ready for changes in the market.

Management Discussion and Analysis

Many challenges lie ahead, including the uncertain state of the Mainland Chinese economy in the coming months. The outlook in the remaining half of 2014 remains demanding but with new initiatives and the continued prudent expansion of our network in Mainland China, more satisfactory results should be achievable in the coming year.

Principal Investments

(HK\$ Million)	1H2014	1H2013	Change
Operating Earnings	77.2	66.2	17%
Other income	26.2	19.5	
Other non-operating expenses	–	(31.5)	
Exchange gain (loss)	3.5	(21.6)	
Net profit (loss) on financial assets and liabilities	80.8	(92.9)	
Associates	2.4	9.2	
Joint ventures	(1.0)	3.0	
Pre-tax Contribution	<u>189.1</u>	<u>(48.1)</u>	

This segment carries on two major categories of activity: (A) Portfolio Investments and (B) Group Management and Support (GMS).

(A) Portfolio Investments – These investments are managed by teams with specialised knowledge of asset classes. Assets allocations are based on expected return rates and available funding capital. The average value of the portfolio during the period is HK\$2,012.2 million.

- (i) The Management Trading Book consists of a range of listed and unlisted financial instruments that are managed toward returns in the context of controlled risk. For the first half of 2014, it achieved a return of 9.5% on an average portfolio of HK\$898.2 million. This result was due to gains in our own managed investment portfolio as well as external professionally managed funds.

For our own managed portfolio, we adopt a bottom-up stock picking investment process and investment decisions are based on valuation, a sector view as well as the strategic fit with the rest of the Group. This strategy achieved satisfactory results in the first half of 2014 whilst the local HSI was flat year-to-date. For our external professionally managed funds, we had strong results from our private equity investments, particularly in the healthcare and technology sectors which we have been positive about for a number of years. These investments help our team gain access to potential co-investments, and also help the Group build strategic business relationships with other companies.

- (ii) Associates, Joint Ventures and Available-for-sale Investments portfolio includes direct investments in businesses that have sound potential or add strategic value to the Group through the generation of business relationships and opportunities. The Group is involved in the active management of its associates and joint ventures. The carrying value of the portfolio was HK\$342.4 million as at 30 June 2014.

Management Discussion and Analysis

- (iii) Regarding the Commercial Real Estate portfolio in Hong Kong, Macau and Mainland China, the carrying value of the investment properties portfolio as at 30 June 2014 was HK\$790.1 million. In the first half of 2014, the portfolio generated a fair value gain (under "other income") and rental income (under "operating earnings") totalling HK\$31.6 million or a 4.1% return. Not included as investment properties are office space retained by the Group for its own use in Hong Kong and Macau which is booked at a cost less depreciation of HK\$9 million under "property and equipment". A Sale and Purchase Agreement has been signed for the sale of the office space in Macau. Upon the completion of the transaction, a gain of HK\$139 million before tax is expected to be reported in the second half of 2014. The Group actively manages both investment and non-investment properties based on the best-use of the properties to the Group as well as the market return potential.
- (B) Group Management and Support ("GMS") – GMS provides supervisory and administrative functions for all business segments, including management supervisory, controls, treasury and support. The business segment is properly serviced by GMS and charged so that their performance and results are measured at commercial basis. These inter-segment allocations are reflected in operating earnings.

OUTLOOK

Slower economic growth in Mainland China will have an impact on both our UAF and Sun Hung Kai Financial businesses with both the Hong Kong financial markets and local economy increasingly entwined with Mainland China. However, given the growth in the footprint of the UAF business as well as our new partnerships and initiatives, we are generally optimistic about market prospects. Our Group has a long history of successfully managing businesses through various cycles and we will continue to pursue growth opportunities in a measured and prudent manner.

FINANCIAL REVIEW

Financial Resources, Liquidity and Capital Structure

As at 30 June 2014, equity attributable to owners of the Company amounted to HK\$13,593.4 million, representing an increase of HK\$191.3 million or approximately 1% from 31 December 2013. During the period ended 30 June 2014, the trustee of the SHK Employee Ownership Scheme ("EOS") acquired 1.2 million shares in the Company through purchases on market for shares awarded under the scheme. The Company also repurchased 9.6 million shares for a total consideration (including expenses) of HK\$52.5 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 holds short-term bank deposits, bank balances and cash amounting to HK\$4,829.0 million as at 30 June 2014 (31 December 2013: HK\$3,738.5 million).

Meanwhile, the Group's total borrowings comprising bank and other borrowings, bonds and notes, amounted to HK\$11,764.2 million as at 30 June 2014 (31 December 2013: HK\$8,582.5 million). Of this amount, HK\$4,859.7 million is repayable within one year and the balance of HK\$6,904.5 million is repayable after one year (31 December 2013: HK\$2,801.6 million and HK\$5,780.9 million respectively). Part of the increase in bank borrowings was tied to additional facilities drawn to finance IPO margin financing which amounted to HK\$1,864.3 million as at 30 June 2014.

Management Discussion and Analysis

As at 30 June 2014, the Group's bonds and notes comprised US dollar denominated notes equivalent to HK\$3,121.2 million and Renminbi denominated notes equivalent to HK\$628.0 million which pay interest at fixed coupon rates. The Group's bank and other borrowings (pay interest at floating interest rates) were in HK dollars, US dollars and Renminbi as at 30 June 2014. There are no known seasonal factors in the Group's borrowing profiles.

The Group's gearing ratio calculated on the basis of net debt to the equity attributable to owners of the Company was approximately 51% as at 30 June 2014 (at 31 December 2013: approximately 36%). 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 positions to cater for its present and potential investment and operating activities. Any exchange risks are closely monitored by the Group and held within approved limits.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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 on Group Assets

Listed shares held by the Group with an aggregate value of HK\$29.4 million were pledged in relation to various bank loans and overdraft facilities. Properties of the Group with a total book value of HK\$777.0 million were pledged by subsidiaries to banks for facilities granted to them with a total outstanding loan balance of HK\$189.7 million as at 30 June 2014.

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 2014, the Group's headcount stood at 6,229 (including investment/sales consultants), representing an approximate increase of 19.0% compared with 30 June 2013. This increase was due primarily to the expansion of UAF's business in Mainland China, which included the opening of 21 new branches for the period from July 2013 to June 2014. Staff costs (including Director's emoluments), contributions to retirement benefit schemes and expenses recognised for the EOS amounted to approximately HK\$515.5 million (2013: HK\$427.2 million).

Management Discussion and Analysis

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

Under the EOS, selected employees or directors of the Group (the "Selected Grantees") were awarded shares of the Company. Following management's recommendation, a total of 1,668,000 shares were granted to the Selected Grantees from January 2014 to June 2014 subject to various terms including, amongst other things, the vesting scale whereby awarded shares will vest and become unrestricted in various vesting periods. As at 30 June 2014, the outstanding awarded shares under the EOS (excluding shares awarded, but subsequently forfeited) amounted to 3,717,000, out of which 1,034,000 shares were awarded to Directors.

The Group is dedicated to offering its people an extensive range of training and development programmes to accelerate their ongoing professional development. In addition, the Group continuously focuses on establishing a healthy work culture through a wide variety of wellness programmes.

Management of Risks

The Group's day-to-day business involves many risks, including 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"), a standing committee reporting directly to the Board, supervises and scrutinises risk-related policies and issues with a view to assessing, monitoring and mitigating major risks arising from the Group's business activities, examining which risks could most significantly impact the Group's finances, operations and reputation.

Financial Risk Management

The Group's financial risk management seeks to mitigate market risk, credit risk and liquidity risk.

Market risk refers to risk to the Group resulting from movement in market prices arising from changes in interest rates, foreign exchange rates, and equity and commodity prices.

Credit risk is defined as the risk that a client or counterparty defaults on their obligation to make required payments, resulting in a loss of principal and interest, disruption to cash flows, and/or increased collection costs.

Liquidity risk refers to a given security or asset that cannot be traded quickly enough in the market to prevent a loss or make the required profit, or alternatively, if the Group is unable to meet short-term financial demands.

These risks and their management are further discussed and outlined in Note 23 to the condensed consolidated financial statements.

Management Discussion and Analysis

Operational Risk Management

Operational risk is concerned with possible loss caused by inadequate or failed internal processes, people and systems. As the Group operates in a highly regulated financial services industry, operational risk can also arise from external events involving legal and compliance processes.

Operational risk is not diversifiable and cannot be completely eliminated. It 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 to the Audit Committee.

Reputational Risk Management

Reputational risk is related to the trustworthiness of a business. Loss of trust can result in decline of its customer base, revenue erosion, costly litigation and destruction of shareholder value and damage to the Group'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 appropriately 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.

Dividends and Book Close

INTERIM AND SPECIAL DIVIDENDS

The Board has declared an interim dividend of HK10 cents per share (2013: HK10 cents per share) and a special dividend of HK2 cents per share payable to the shareholders whose names appear on the register of members of the Company on 10 September 2014. Dividend warrants for the interim and special dividends are expected to be dispatched on or around 18 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 September 2014 to 10 September 2014, both days inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be 4 September 2014. In order to qualify for the interim and special dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 5 September 2014.

Directors' Interests

As at 30 June 2014, the interests of Directors in 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 OF THE COMPANY

Directors	Capacity	Number of shares and underlying shares	Approximate % of the total number of shares
Lee Seng Huang	Interests of controlled corporation <i>(Note 1)</i>	1,571,221,575 <i>(Note 2)</i>	74.32%
William Leung Wing Cheung	Beneficiary of trust	485,000 <i>(Note 3(a))</i>	0.02%
	Beneficial owner	91,000 <i>(Note 3(b))</i>	0.004%
Joseph Tong Tang	Beneficiary of trust	269,000 <i>(Note 4(a))</i>	0.01%
	Beneficial owner	240,000 <i>(Note 4(b))</i>	0.01%
Peter Anthony Curry	Beneficiary of trust	280,000 <i>(Note 5(a))</i>	0.01%
	Beneficiary owner	391,141 <i>(Note 5(b))</i>	0.02%

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 69.38% of the total number of shares of Allied Group Limited ("AGL") and was therefore deemed to have interests in the shares of the Company (the "Shares") in which AGL was interested.
2. This refers to the deemed interests in (i) 1,229,621,575 Shares held by Allied Properties (H.K.) Limited ("APL"); and (ii) 341,600,000 Shares which were held by Asia Financial Services Company Limited ("AFSC") and charged to a subsidiary of the Company.
3. (a) These include the deemed interests in:
 - (i) 182,000 unvested Shares out of the total of 273,000 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) was vested and became 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; and
 - (ii) 303,000 unvested Shares granted to Mr. Leung on 16 April 2014 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 101,000 Shares) shall be vested and become unrestricted from 15 April 2015; another one-third thereof shall be vested and become unrestricted from 15 April 2016; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2017.
- (b) This represents the Shares granted to Mr. Leung under the EOS that were vested, became unrestricted and the title of which was transferred to him.

Directors' Interests

4. (a) These include the deemed interests in:
- (i) 200,000 unvested Shares out of the total of 300,000 Shares granted to Mr. Joseph Tong Tang 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) was vested and became 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;
 - (ii) 12,000 unvested Shares out of the total of 18,000 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) was vested and became 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; and
 - (iii) 57,000 unvested Shares granted to Mr. Tong on 16 April 2014 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 19,000 Shares) shall be vested and become unrestricted from 15 April 2015; another one-third thereof shall be vested and become unrestricted from 15 April 2016; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2017.
- (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) 114,000 unvested Shares out of the total of 342,000 Shares granted to Mr. Peter Anthony 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 was vested and became unrestricted from 15 April 2014; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2015;
 - (ii) 88,000 unvested Shares out of the total of 132,000 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) was vested and became 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; and
 - (iii) 78,000 unvested Shares granted to Mr. Curry on 16 April 2014 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 26,000 Shares) shall be vested and become unrestricted from 15 April 2015; another one-third thereof shall be vested and become unrestricted from 15 April 2016; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2017.
- (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 total number of the relevant shares
Lee Seng Huang (Note 1)	AGL	Trustee (other than a bare trustee) (Note 2)	127,185,662	69.37%
	APL	Interests of controlled corporation (Note 3)	6,107,417,730 (Note 4)	89.78%
	SHK Hong Kong Industries Limited ("SHK HK Ind")	Interests of controlled corporation (Note 5)	3,082,889,606 (Note 6)	74.97%
Joseph Tong Tang	APL	Beneficial owner	20,158 (Note 7)	0.0003%

Directors' Interests

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, which are associated corporations of the Company as defined under the SFO.

A waiver application was submitted to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for exemption from disclosure of Mr. Lee's 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 16 July 2014.
2. Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust, being a discretionary trust which indirectly owned 127,185,662 shares of AGL.
3. This refers to the same interests held directly or indirectly by AGL in APL.
4. These include interests in (i) 5,101,411,521 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 AGL in SHK HK Ind.
6. This refers to the interest in 3,082,889,606 shares of SHK HK Ind.
7. 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 2014, 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 2014, 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 (within the meaning of Part XV of the SFO) 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 2014, 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 total number of Shares
APL	Interests of controlled corporation <i>(Note 1)</i>	1,571,221,575 <i>(Note 2)</i>	74.32%
AGL	Interests of controlled corporation <i>(Note 3)</i>	1,571,221,575 <i>(Note 4)</i>	74.32%
Lee and Lee Trust	Interests of controlled corporation <i>(Note 5)</i>	1,571,221,575 <i>(Note 4)</i>	74.32%
Dubai Ventures L.L.C ("Dubai Ventures")	Beneficial owner	166,000,000 <i>(Note 6)</i>	7.85%
Dubai Ventures Group (L.L.C) ("DVG")	Interests of controlled corporation <i>(Note 7)</i>	166,000,000 <i>(Note 8)</i>	7.85%
Dubai Group (L.L.C) ("Dubai Group")	Interests of controlled corporation <i>(Note 9)</i>	166,000,000 <i>(Note 8)</i>	7.85%
Dubai Holding Investments Group LLC ("DHIG")	Interests of controlled corporation <i>(Note 10)</i>	166,000,000 <i>(Note 8)</i>	7.85%
Dubai Holding (L.L.C) ("Dubai Holding")	Interests of controlled corporation <i>(Note 11)</i>	166,000,000 <i>(Note 8)</i>	7.85%
Dubai Group Limited ("DGL")	Interests of controlled corporation <i>(Note 12)</i>	166,000,000 <i>(Note 8)</i>	7.85%
HSBC Trustee (C.I.) Limited ("HSBC Trustee")	Trustee (other than a bare trustee) <i>(Note 13)</i>	166,000,000 <i>(Note 8)</i>	7.85%
HH Mohammed Bin Rashid Al Maktoum	Interests of controlled corporation <i>(Note 14)</i>	166,000,000 <i>(Note 8)</i>	7.85%
AFSC	Beneficial owner	341,600,000 <i>(Note 15)</i>	16.15%

Interests of Substantial Shareholders and Other Persons

Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of Shares
Asia Financial Services Holdings Limited ("AFSH")	Interests of controlled Corporation (Note 16)	341,600,000 (Note 17)	16.15%
Asia Financial Services Group Limited ("AFSG")	Interests of controlled corporation (Note 18)	341,600,000 (Note 17)	16.15%
Asia Financial Services Group Holdings Limited ("AFSGH")	Interests of controlled corporation (Note 19)	341,600,000 (Note 17)	16.15%
CVC Capital Partners Asia Pacific III L.P. ("CVC LP")	Interests of controlled corporation (Note 20)	341,600,000 (Note 17)	16.15%
CVC Capital Partners Asia III Limited ("CVC Capital III")	Interests of controlled corporation (Note 21)	341,600,000 (Note 17)	16.15%
CVC Capital Partners Advisory Company Limited ("CVC Capital Partners Advisory")	Interests of controlled corporation (Note 22)	341,600,000 (Note 17)	16.15%
CVC Capital Partners Finance Limited ("CVC Capital Partners Finance")	Interests of controlled corporation (Note 23)	341,600,000 (Note 17)	16.15%
CVC Group Holdings L.P. ("CVC Group Holdings")	Interests of controlled corporation (Note 24)	341,600,000 (Note 17)	16.15%
CVC Portfolio Holdings Limited ("CVC Portfolio")	Interests of controlled corporation (Note 25)	341,600,000 (Note 17)	16.15%
CVC MMXII Limited ("CVC MMXII")	Interests of controlled corporation (Note 26)	341,600,000 (Note 17)	16.15%
CVC Capital Partners 2013 PCC ("CVC Capital Partners 2013")	Interests of controlled corporation (Note 27)	341,600,000 (Note 17)	16.15%
CVC Capital Partners SICAV-FIS S.A. ("CVC Capital Partners SA")	Interests of controlled corporation (Note 28)	341,600,000 (Note 17)	16.15%

Interests of Substantial Shareholders and Other Persons

Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of Shares
Sun Hung Kai Structured Finance Limited ("SHKSF")	Security interest holder	341,600,000 (Note 29)	16.15%
Sun Hung Kai Financial Limited ("SHKF")	Interests of controlled corporation (Note 30)	341,600,000 (Note 31)	16.15%
Sun Hung Kai Financial Group Limited ("SHKFG")	Interests of controlled corporation (Note 32)	341,600,000 (Note 31)	16.15%
Sun Hung Kai & Co. Limited (the "Company")	Interests of controlled corporation (Note 33)	341,600,000 (Note 31)	16.15%
Ontario Teachers' Pension Plan Board	Beneficial owner	122,035,002 (Note 34)	5.77%

Notes:

- 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.
- These include (i) an interest in 1,229,621,575 Shares held by APL through AP Emerald; and (ii) security interest in 341,600,000 Shares which were held by AFSC and charged to SHKSF as security.
- AGL owned approximately 74.99% of the total number of shares of APL and was therefore deemed to have an interest in the Shares in which APL was interested.
- This refers to the same deemed interests in 1,571,221,575 Shares held by APL.
- 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 69.38% of the total number of shares 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.
- This represents an interest in 166,000,000 Shares.
- DVG owned 99% interest in Dubai Ventures and was therefore deemed to have an interest in the Shares which Dubai Ventures was interested.
- This refers to the same interests in 166,000,000 Shares held by Dubai Ventures.
- Dubai Group owned 99% interest in DVG and was therefore deemed to have an interest in the Shares in which DVG was interested.
- DHIG owned 51% interest in Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.
- Dubai Holding owned 99.66% interest in DHIG and was therefore deemed to have an interest in the Shares in which DHIG was interested.
- DGL, through its wholly-owned subsidiary, owned 49% interest in Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.
- HSBC Trustee owned 100% interest in DGL and was therefore deemed to have an interest in the Shares in which DGL was interested.
- HH Mohammed Bin Rashid Al Maktoum owned 97.40% interest in Dubai Holding and was therefore deemed to have an interest in the Shares in which Dubai Holding was interested.
- This represents an interest in 341,600,000 Shares.
- AFSH held 100% interest in AFSC and was therefore deemed to have an interest in the Shares in which AFSC was interested.

Interests of Substantial Shareholders and Other Persons

17. This refers to the same interests in 341,600,000 Shares held by AFSC.
18. AFSG owned 99.1% interest in AFSH and was therefore deemed to have an interest in the Shares in which AFSH was interested.
19. AFSGH held 100% interest in AFSG and was therefore deemed to have an interest in the Shares in which AFSG was interested.
20. CVC LP owned 88% interest in AFSGH and was therefore deemed to have an interest in the Shares in which AFSGH was interested.
21. 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 in which CVC LP was interested.
22. CVC Capital Partners Advisory held 100% interest in CVC Capital III and was therefore deemed to have an interest in the Shares in which CVC Capital III was interested.
23. CVC Capital Partners Finance held 100% interest in CVC Capital Partners Advisory and was therefore deemed to have an interest in the Shares in which CVC Capital Partners Advisory was interested.
24. CVC Group Holdings held 100% interest in CVC Capital Partners Finance and was therefore deemed to have an interest in the Shares in which CVC Capital Partners Finance was interested.
25. 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 in which CVC Group Holdings was interested.
26. CVC MMXII held 100% interest in CVC Portfolio and was therefore deemed to have an interest in the Shares in which CVC Portfolio was interested.
27. CVC Capital Partners 2013 held 100% interest in CVC MMXII and was therefore deemed to have an interest in the Shares in which CVC MMXII was interested.
28. CVC Capital Partners SA held 100% interest in CVC Capital Partners 2013 and was therefore deemed to have an interest in the Shares in which CVC Capital Partners 2013 was interested.
29. This represents a security interest in 341,600,000 Shares which were pledged by AFSC to SHKSF as security.
30. SHKF held 100% interest in SHKSF and was therefore deemed to have an interest in the Shares in which SHKSF was interested.
31. This refers to the same security interest in 341,600,000 Shares held as holder of security by SHKSF.
32. SHKFG held 100% interest in SHKF and was therefore deemed to have an interest in the Shares in which SHKF was interested.
33. The Company held 100% interest in SHKFG and was therefore deemed to have an interest in the Shares in which SHKFG was interested.
34. This represents an interest in 122,035,002 Shares.

All interests stated above represent long positions. As at 30 June 2014, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 30 June 2014, the Directors are not aware of any other persons who have interests or short positions in the Shares or underlying Shares of the Company 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 2014, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 of the 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, legal 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 and C.3.3

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

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

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

Corporate Governance and Other Information

The reasons for the above deviations were set out in the Corporate Governance Report contained in the Company's annual report for the financial year ended 31 December 2013 (the "2013 Annual Report"). The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to their respective terms of reference as adopted by the Company. The Board will review the terms of reference at least annually and would make appropriate changes if considered necessary.

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

- Change of emoluments of all Executive Directors during the period has been disclosed in the Corporate Governance Report of the 2013 Annual Report.

For all Independent Non-Executive Directors

- Change of annual consultancy fee of all Independent Non-Executive Directors during the period has been disclosed in the Corporate Governance Report of the 2013 Annual Report.

Mr. Peter Anthony Curry, Executive Director

- Re-designated from a non-executive director of APAC Resources Limited ("APAC") (a company listed on the Hong Kong Stock Exchange) to an alternate director to Mr. Lee Seng Hui (a non-executive director of APAC) with effect from 1 June 2014.

Mr. Ahmed Mohammed Aqil Qassim Alqassim, Non-Executive Director

- Appointed as a non-executive director of EFG-Hermes Holding Company SAE, a company listed on Egypt Stock Exchange, on 17 May 2014.
- Appointed as a non-executive director of Bank Muscat SAOG, a company listed on Oman Stock Exchange, on 14 July 2014.

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 2014, the Company repurchased a total of 9,609,000 shares on the Hong Kong Stock Exchange at an aggregate consideration (before expenses) of HK\$52,301,990. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January	777,000	4.29	4.23	3,309,230
March	110,000	4.85	4.80	531,500
April	691,000	5.40	5.34	3,711,620
May	3,964,000	5.52	5.15	21,314,650
June	4,067,000	6.00	5.55	23,434,990
	<u>9,609,000</u>			<u>52,301,990</u>

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 2014.

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 2014. 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, 21 August 2014

Independent Review Report



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 30 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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, 21 August 2014

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended	
		30/6/2014 Unaudited HK\$ Million	30/6/2013 Unaudited HK\$ Million
Revenue (turnover)		2,511.7	2,173.8
Other income	4	29.4	23.3
Total income		2,541.1	2,197.1
Brokerage and commission expenses		(131.4)	(128.5)
Advertising and promotion expenses		(56.8)	(52.8)
Direct cost and operating expenses		(30.7)	(37.0)
Administrative expenses		(810.4)	(691.2)
Net profit (loss) on financial assets and liabilities	5	46.7	(63.7)
Net exchange gain (loss)		39.8	(54.7)
Bad and doubtful debts	6	(328.6)	(222.9)
Finance costs		(222.8)	(183.8)
Other expenses		(6.1)	(31.8)
		1,040.8	730.7
Share of results of associates		2.4	9.2
Share of results of joint ventures		(0.7)	4.8
Profit before taxation	7	1,042.5	744.7
Taxation	8	(184.0)	(155.9)
Profit for the period		858.5	588.8
Profit attributable to:			
— Owners of the Company		610.3	380.2
— Non-controlling interests		248.2	208.6
		858.5	588.8
Earnings per share	10		
— Basic (HK cents)		28.8	17.8
— Diluted (HK cents)		28.8	17.8

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended	
	30/6/2014 Unaudited HK\$ Million	30/6/2013 Unaudited HK\$ Million
Profit for the period	858.5	588.8
Other comprehensive income (expenses) that may be reclassified subsequently to profit or loss		
Available-for-sale investments		
— Net fair value changes during the period	(23.7)	1.2
Exchange differences arising on translating foreign operations	(156.8)	81.8
Reclassification adjustment to profit or loss on liquidation of subsidiaries	0.4	31.5
Other comprehensive income (expenses) for the period	(180.1)	114.5
Total comprehensive income for the period	678.4	703.3
Total comprehensive income attributable to:		
— Owners of the Company	499.1	459.1
— Non-controlling interests	179.3	244.2
	678.4	703.3

Condensed Consolidated Statement of Financial Position

	Notes	30/6/2014 Unaudited HK\$ Million	31/12/2013 Audited HK\$ Million
Non-current Assets			
Investment properties		864.1	811.3
Leasehold interests in land		9.4	9.8
Property and equipment		336.9	285.1
Intangible assets		974.5	985.9
Goodwill		2,384.0	2,384.0
Interest in associates		32.6	30.1
Interest in joint ventures		160.1	162.4
Available-for-sale investments	11	233.8	262.9
Financial assets at fair value through profit or loss	11	280.5	378.3
Statutory deposits		19.6	28.6
Deferred tax assets		224.4	201.6
Amounts due from associates and joint ventures		64.7	65.9
Loans and advances to consumer finance customers	12	3,393.0	3,440.5
Trade and other receivables	13	731.7	1,131.8
Deposits for acquisition of property and equipment		126.9	75.2
		9,836.2	10,253.4
Current Assets			
Financial assets at fair value through profit or loss	11	849.4	655.6
Taxation recoverable		3.4	6.4
Amounts due from associates and joint ventures		8.6	7.9
Loans and advances to consumer finance customers	12	6,856.2	6,603.0
Trade and other receivables	13	9,731.0	6,530.4
Amounts due from the immediate holding company		—	8.9
Bank deposits	14	1,275.6	755.6
Cash and cash equivalents	14	3,553.4	2,982.9
		22,277.6	17,550.7
Current Liabilities			
Dividend payable		254.7	—
Financial liabilities at fair value through profit or loss	11	74.4	60.8
Bank and other borrowings	15	4,792.6	2,435.4
Trade and other payables	16	2,463.3	1,866.5
Amounts due to fellow subsidiaries and a holding company		13.2	25.7
Amounts due to associates		0.1	0.1
Provisions		25.6	45.9
Taxation payable		191.5	141.5
Bonds and notes	18	67.1	366.2
		7,882.5	4,942.1
Net Current Assets		14,395.1	12,608.6
Total Assets less Current Liabilities		24,231.3	22,862.0

Condensed Consolidated Statement of Financial Position

	Notes	30/6/2014 Unaudited HK\$ Million	31/12/2013 Audited HK\$ Million
Capital and Reserves			
Share capital	17	7,749.9	424.7
Reserves		5,843.5	12,977.4
Equity attributable to owners of the Company		13,593.4	13,402.1
Non-controlling interests		3,515.7	3,417.2
Total Equity		17,109.1	16,819.3
Non-current Liabilities			
Financial liabilities at fair value through profit or loss	11	—	42.9
Deferred tax liabilities		206.1	207.3
Bank and other borrowings	15	3,222.4	2,448.8
Provisions		11.6	11.6
Bonds and notes	18	3,682.1	3,332.1
		7,122.2	6,042.7
		24,231.3	22,862.0

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	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 2014	424.7	7,253.7	71.5	(19.8)	10.3	215.3	492.7	27.8	4,925.9	13,402.1	3,417.2	16,819.3
Profit for the period	—	—	—	—	—	—	—	—	610.3	610.3	248.2	858.5
Other comprehensive income (expenses) for the period	—	—	—	—	—	(89.8)	(21.4)	—	—	(111.2)	(68.9)	(180.1)
Total comprehensive income for the period	—	—	—	—	—	(89.8)	(21.4)	—	610.3	499.1	179.3	678.4
Recognition of equity-settled share-based payments	—	—	—	—	5.5	—	—	—	—	5.5	—	5.5
Purchase of shares held for the SHK Employee Ownership Scheme	—	—	—	(6.1)	—	—	—	—	—	(6.1)	—	(6.1)
Vesting of shares of the SHK Employee Ownership Scheme	—	—	—	5.2	(6.5)	—	—	—	1.3	—	—	—
Recognition of 2013 final dividend	—	—	—	—	—	—	—	—	(254.7)	(254.7)	—	(254.7)
Transfers upon the abolition of par value under the new Companies Ordinance (Note 17)	7,325.2	(7,253.7)	(71.5)	—	—	—	—	—	—	—	—	—
Shares repurchased and cancelled	—	—	—	—	—	—	—	—	(52.5)	(52.5)	—	(52.5)
Shares of subsidiaries issued to non-controlling interests	—	—	—	—	—	—	—	—	—	—	0.4	0.4
Transfer retained earnings to capital reserves	—	—	—	—	—	—	—	13.8	(13.8)	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(81.2)	(81.2)
At 30 June 2014	7,749.9	—	—	(20.7)	9.3	125.5	471.3	41.6	5,216.5	13,593.4	3,515.7	17,109.1

	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

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30/6/2014 Unaudited HK\$ Million	30/6/2013 Unaudited HK\$ Million
OPERATING ACTIVITIES		
Cash used in operations		
— Increase in trade and other receivables	(2,877.1)	(2,593.5)
— Increase in loans and advances to consumer finance customers	(620.6)	(461.6)
— Other operating cash flows	(28.2)	48.2
	(3,525.9)	(3,006.9)
Dividends received from held for trading investments	2.2	1.4
Interest received	2,110.6	1,757.7
Interest paid	(188.2)	(153.7)
Taxation paid	(154.3)	(118.8)
Net cash used in operating activities	(1,755.6)	(1,520.3)
INVESTING ACTIVITIES		
Purchase of investment properties	(33.9)	—
Purchase of property and equipment	(47.8)	(27.4)
Proceeds on disposal of equipment	0.3	—
Purchase of intangible assets	(9.4)	(9.8)
Proceeds on disposal of associates	43.7	—
Repayment from associates	1.1	—
Dividends received from joint ventures	0.2	3.7
Repayment from (advance to) joint ventures	(0.7)	1.0
Dividends received from available-for-sale investments	2.8	3.8
Purchase of available-for-sale investments	—	(12.2)
Proceeds on disposal of available-for-sale investments	2.8	0.8
Purchase of long-term financial assets designated as at fair value through profit or loss	(65.0)	(33.2)
Proceeds on long-term financial assets designated as at fair value through profit or loss	13.2	—
Net refund (payment) of statutory deposits	9.0	(3.7)
Payment of deposits for acquisition of property and equipment	(56.3)	(25.4)
Fixed deposits with banks placed	(542.8)	(362.4)
Net cash used in investing activities	(682.8)	(464.8)

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30/6/2014 Unaudited HK\$ Million	30/6/2013 Unaudited HK\$ Million
FINANCING ACTIVITIES		
Net short-term bank and other borrowings raised (repaid)	1,680.5	(1,703.9)
Long-term bank and other borrowings raised	1,478.1	2,372.7
Repayment of long-term bank loans	(42.7)	(4.3)
Proceeds from issue of bonds and notes	449.1	760.1
Purchase of notes	(23.7)	(186.5)
Redemption of notes	(356.0)	—
Purchase of shares for the SHK Employee Ownership Scheme	(6.1)	(2.7)
Shares repurchased and cancelled	(52.5)	(185.9)
Dividends to non-controlling interests	(81.2)	(117.2)
Capital contribution by non-controlling interests	0.4	—
Net cash from financing activities	3,045.9	932.3
Net increase (decrease) in cash and cash equivalents	607.5	(1,052.8)
Cash and cash equivalents at 1 January	2,982.9	4,567.5
Effect of foreign exchange rate changes	(37.0)	33.5
Cash and cash equivalents at 30 June	3,553.4	3,548.2

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 Amendments to Standards and an Interpretation that are mandatorily effective for the Group's financial year beginning on 1 January 2014. The adoption of these Amendments and Interpretation has had no material effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2013.

3. SEGMENT INFORMATION

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

	Six months ended 30 June 2014				
	Wealth Management and Brokerage HK\$ Million	Capital Markets HK\$ Million	Consumer Finance HK\$ Million	Principal Investments HK\$ Million	Total HK\$ Million
Brokerage commission revenue	286.1	23.8	—	0.3	310.2
Revenue other than brokerage commission revenue	205.7	188.5	1,787.5	165.8	2,347.5
Segment revenue	491.8	212.3	1,787.5	166.1	2,657.7
Less: inter-segment revenue	(1.8)	—	—	(144.2)	(146.0)
Segment revenue from external customers	<u>490.0</u>	<u>212.3</u>	<u>1,787.5</u>	<u>21.9</u>	<u>2,511.7</u>

Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2014				
	Wealth Management and Brokerage HK\$ Million	Capital Markets HK\$ Million	Consumer Finance HK\$ Million	Principal Investments HK\$ Million	Total HK\$ Million
Segment profit or loss	74.1	34.0	745.0	187.7	1,040.8
Share of results of associates	—	—	—	2.4	2.4
Share of results of joint ventures	0.3	—	—	(1.0)	(0.7)
Profit before taxation	<u>74.4</u>	<u>34.0</u>	<u>745.0</u>	<u>189.1</u>	<u>1,042.5</u>
Included in segment profit or loss:					
Interest income	164.7	175.7	1,778.9	6.7	2,126.0
Other income	—	0.3	2.9	26.2	29.4
Net profit (loss) on financial assets and liabilities	(4.1)	(30.0)	—	80.8	46.7
Net exchange gain	—	—	36.3	3.5	39.8
Bad and doubtful debts written back (provided)	<u>3.3</u>	<u>(0.1)</u>	<u>(331.8)</u>	<u>—</u>	<u>(328.6)</u>
Finance costs	(48.7)	(79.2)	(129.1)	(103.3)	(360.3)
Less: inter-segment finance costs	<u>45.1</u>	<u>79.2</u>	<u>8.9</u>	<u>4.3</u>	<u>137.5</u>
Finance costs to external suppliers	<u>(3.6)</u>	<u>—</u>	<u>(120.2)</u>	<u>(99.0)</u>	<u>(222.8)</u>

Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION (CONTINUED)

	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
Revenue other than 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	<u>471.9</u>	<u>184.8</u>	<u>1,487.0</u>	<u>30.1</u>	<u>2,173.8</u>
Segment profit or loss, as previously stated	125.1	81.1	625.5	(101.0)	730.7
Change in cost allocation *	(29.2)	(11.5)	—	40.7	—
Segment profit or loss, as restated	95.9	69.6	625.5	(60.3)	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	<u>97.7</u>	<u>69.6</u>	<u>625.5</u>	<u>(48.1)</u>	<u>744.7</u>
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 written back (provided)	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	<u>39.3</u>	<u>61.7</u>	<u>3.6</u>	<u>1.0</u>	<u>105.6</u>
Finance costs to external suppliers	<u>(1.7)</u>	<u>—</u>	<u>(95.0)</u>	<u>(87.1)</u>	<u>(183.8)</u>

* During the period, for more appropriate cost allocation, the Group changed the allocation basis for cost incurred by Group Management and Support section under the Principal Investments segment. The comparative figures of segment profit or loss for the six months ended 30 June 2013 were restated to conform to the current period presentation.

Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION (CONTINUED)

The geographical information of revenue is disclosed as follows:

	Six months ended	
	30/6/2014 HK\$ Million	30/6/2013 HK\$ Million
Revenue from external customers by location of operations		
— Hong Kong	1,658.3	1,541.9
— Mainland China	829.6	618.8
— Others	23.8	13.1
	<u>2,511.7</u>	<u>2,173.8</u>

4. OTHER INCOME

	Six months ended	
	30/6/2014 HK\$ Million	30/6/2013 HK\$ Million
Net realised profit on disposal of available-for-sale investments	0.3	0.6
Increase in fair value of investment properties	22.7	18.5
Miscellaneous income	6.4	4.2
	<u>29.4</u>	<u>23.3</u>

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

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

	Six months ended	
	30/6/2014 HK\$ Million	30/6/2013 HK\$ Million
Net realised and unrealised profit (loss) on derivatives	9.8	(44.0)
Net profit on other dealing activities	0.4	0.2
Net profit on dealing in leveraged foreign currencies	0.2	—
Net realised and unrealised loss on trading in equity securities	(12.4)	(60.2)
Net realised and unrealised profit (loss) on trading in bonds and notes	5.4	(6.7)
Net realised and unrealised profit on financial assets designated as at fair value through profit or loss	43.3	47.0
	<u>46.7</u>	<u>(63.7)</u>

Notes to the Condensed Consolidated Financial Statements

6. BAD AND DOUBTFUL DEBTS

	Six months ended	
	30/6/2014 HK\$ Million	30/6/2013 HK\$ Million
Loans and advances to consumer finance customers		
— Impairment loss	(331.8)	(232.4)
Trade and other receivables		
— Reversal of impairment loss	3.3	9.9
— Bad debts written off	(0.1)	(0.4)
	3.2	9.5
Bad and doubtful debts recognised in profit or loss	(328.6)	(222.9)

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	
	30/6/2014 HK\$ Million	30/6/2013 HK\$ Million
Loans and advances to consumer finance customers		
— Amounts written off in allowance of impairment	(329.2)	(249.0)
— Recoveries credited to allowance of impairment	53.2	40.8
Trade and other receivables		
— Amounts written off in allowance of impairment	(54.3)	(137.0)

Notes to the Condensed Consolidated Financial Statements

7. PROFIT BEFORE TAXATION

	Six months ended	
	30/6/2014 HK\$ Million	30/6/2013 HK\$ Million
Profit before taxation has been arrived at after crediting (charging):		
Dividends from listed investments	2.2	1.4
Dividends from unlisted investments	2.8	3.8
Interest income	2,126.0	1,783.3
Amortisation of leasehold interests in land	(0.2)	(0.2)
Depreciation of property and equipment	(32.6)	(28.5)
Amortisation of intangible assets		
— Computer software (included in administrative expenses)	(13.9)	(15.3)
— Intangible assets acquired in business combination (included in direct cost and operating expenses)	(3.1)	(3.1)
Interest expenses	(219.0)	(175.0)
Net loss on disposal/write-off of equipment and intangible assets	(4.8)	(0.3)
Share of taxation of associates and joint ventures (included in share of results of associates and joint ventures)	(0.1)	(1.5)
	<u> </u>	<u> </u>

8. TAXATION

	Six months ended	
	30/6/2014 HK\$ Million	30/6/2013 HK\$ Million
Current tax		
— Hong Kong	106.5	109.2
— PRC and other jurisdictions	94.7	73.6
	<u>201.2</u>	<u>182.8</u>
Under (over) provision in prior years	7.9	(1.0)
	<u>209.1</u>	<u>181.8</u>
Deferred tax	(25.1)	(25.9)
	<u>184.0</u>	<u>155.9</u>

Hong Kong profits tax is calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2013: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in the relevant jurisdictions.

Notes to the Condensed Consolidated Financial Statements

9. DIVIDEND

	Six months ended	
	30/6/2014 HK\$ Million	30/6/2013 HK\$ Million
Dividends recognised as distribution during the period		
— 2013 final dividend of HK12 cents (2012 final dividend: HK12 cents) per share	254.7	256.8

Subsequent to the end of the interim reporting period, the Board of Directors has declared an interim dividend of HK10 cents per share (2013: HK10 cents per share) amounting to HK\$211.4 million (2013: HK\$212.8 million). In addition, a special dividend of HK2 cents per share amounting to HK\$42.3 million was also declared to commemorate the Group's 45th Anniversary, making a total dividend of HK12 cents per share.

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	
	30/6/2014 HK\$ Million	30/6/2013 HK\$ Million
Earnings		
Earnings for the purposes of basic earnings per share and diluted earnings per share (profit for the period attributable to owners of the Company)	610.3	380.2
	Million Shares	Million Shares
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,116.9	2,132.9
Effect of dilutive potential ordinary shares:		
— Shares held for the SHK Employee Ownership Scheme	0.1	0.1
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,117.0	2,133.0

Notes to the Condensed Consolidated Financial Statements

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 2014				
	Fair value			Cost less impairment HK\$ Million	Total HK\$ Million
	Level 1 HK\$ Million	Level 2 HK\$ Million	Level 3 HK\$ Million		
Available-for-sale investments					
Equity securities issued by corporate entities					
— Shares listed in Hong Kong	138.9	—	—	—	138.9
— Unlisted Hong Kong shares	—	—	—	0.4	0.4
— Unlisted overseas shares	—	—	34.5	50.3	84.8
— Equity securities in unlisted overseas investment funds	—	—	9.7	—	9.7
	<u>138.9</u>	<u>—</u>	<u>44.2</u>	<u>50.7</u>	<u>233.8</u>
Financial assets at fair value through profit or loss					
Held for trading investments					
— Equity securities listed in Hong Kong					
• Issued by corporate entities	236.3	—	—	—	236.3
• Issued by banks	25.4	—	—	—	25.4
— Equity securities issued by corporate entities listed outside Hong Kong	80.3	—	—	—	80.3
— Exchange-traded funds listed in Hong Kong	89.6	—	—	—	89.6
— Forward currency contracts	—	1.9	—	—	1.9
— Over the counter equity derivatives	—	—	1.8	—	1.8
— Warrants, futures and options listed in Hong Kong	0.6	—	—	—	0.6
— Unlisted overseas options	—	—	1.2	—	1.2
— Unlisted bonds issued by listed companies	—	100.6	—	—	100.6
— Listed bond issued by listed company	15.8	—	—	—	15.8
— Unlisted convertible bonds issued by listed companies	—	—	3.4	—	3.4
	<u>448.0</u>	<u>102.5</u>	<u>6.4</u>	<u>—</u>	<u>556.9</u>
Investments designated as at fair value through profit or loss issued by corporate entities					
— Unlisted bonds issued by a Singapore listed company	—	—	44.4	—	44.4
— Equity securities in unlisted overseas investment funds	—	—	528.6	—	528.6
	<u>—</u>	<u>—</u>	<u>573.0</u>	<u>—</u>	<u>573.0</u>
	<u>448.0</u>	<u>102.5</u>	<u>579.4</u>	<u>—</u>	<u>1,129.9</u>
Analysed for reporting purposes as:					
— Non-current assets					280.5
— Current assets					849.4
					<u>1,129.9</u>
Financial liabilities at fair value through profit or loss					
Held for trading					
— Forward currency contracts	—	9.7	—	—	9.7
— Futures and options listed in Hong Kong	2.1	—	—	—	2.1
— Over the counter equity derivatives	—	—	15.1	—	15.1
— Over the counter currency derivatives	—	—	4.5	—	4.5
— Stock borrowings	—	1.2	—	—	1.2
	<u>2.1</u>	<u>10.9</u>	<u>19.6</u>	<u>—</u>	<u>32.6</u>
Financial liabilities designated as at fair value through profit or loss					
— Renminbi denominated asset-backed bonds *	—	—	41.8	—	41.8
Analysed for reporting purposes as current liabilities	<u>2.1</u>	<u>10.9</u>	<u>61.4</u>	<u>—</u>	<u>74.4</u>

Notes to the Condensed Consolidated Financial Statements

11. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	At 31 December 2013				
	Level 1 HK\$ Million	Fair value 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 in Hong Kong	149.8	—	—	—	149.8
— Unlisted Hong Kong shares	—	—	—	0.4	0.4
— Unlisted overseas shares	—	—	47.4	53.2	100.6
— Equity securities in unlisted overseas investment funds	—	—	12.1	—	12.1
	<u>149.8</u>	<u>—</u>	<u>59.5</u>	<u>53.6</u>	<u>262.9</u>
Financial assets at fair value through profit or loss					
Held for trading investments					
— Equity securities listed in Hong Kong					
• Issued by corporate entities	210.1	—	—	—	210.1
• Issued by banks	20.0	—	—	—	20.0
• Issued by public utility entities	3.1	—	—	—	3.1
— Equity securities issued by corporate entities listed outside Hong Kong	29.2	—	—	—	29.2
— Exchange-traded funds listed in Hong Kong	70.7	—	—	—	70.7
— Forward currency contracts	—	21.9	—	—	21.9
— Over the counter equity derivatives	—	—	1.4	—	1.4
— Warrants, futures and options listed in Hong Kong	1.9	—	—	—	1.9
— Unlisted overseas options	—	10.2	0.1	—	10.3
— Unlisted bonds and notes issued by listed companies	—	62.3	—	—	62.3
— Unlisted convertible bonds issued by listed companies	—	—	3.4	—	3.4
— Unlisted convertible bonds and notes issued by unlisted companies	—	10.9	—	—	10.9
	<u>335.0</u>	<u>105.3</u>	<u>4.9</u>	<u>—</u>	<u>445.2</u>
Investments designated as at fair value through profit or loss issued by corporate entities					
— Unlisted bonds issued by a Singapore listed company	—	—	45.5	—	45.5
— Unlisted overseas redeemable convertible securities	—	75.2	—	—	75.2
— Equity securities in unlisted overseas investment funds	—	—	468.0	—	468.0
	<u>—</u>	<u>75.2</u>	<u>513.5</u>	<u>—</u>	<u>588.7</u>
	<u>335.0</u>	<u>180.5</u>	<u>518.4</u>	<u>—</u>	<u>1,033.9</u>
Analysed for reporting purposes as:					
— Non-current assets					378.3
— Current assets					655.6
					<u>1,033.9</u>
Financial liabilities at fair value through profit or loss					
Held for trading					
— Forward currency contracts	—	29.6	—	—	29.6
— Futures and options listed in Hong Kong	1.6	—	—	—	1.6
— Over the counter equity derivatives	—	—	28.9	—	28.9
— Stock borrowings	—	0.7	—	—	0.7
	<u>1.6</u>	<u>30.3</u>	<u>28.9</u>	<u>—</u>	<u>60.8</u>
Non-current financial liabilities designated as at fair value through profit or loss					
— Renminbi denominated asset-backed bonds *	—	—	42.9	—	42.9
	<u>1.6</u>	<u>30.3</u>	<u>71.8</u>	<u>—</u>	<u>103.7</u>

Notes to the Condensed Consolidated Financial Statements

11. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

- * In June 2013, SWAT Securitisation Fund, a subsidiary of the Group, issued RMB106.8 million 9.5% 2-year Renminbi denominated bonds at par for a net consideration of HK\$134.8 million. 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.

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

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 and forward currency contracts 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.

Notes to the Condensed Consolidated Financial Statements

11. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

	At 30 June 2014			Fair value HK\$ Million
	Valuation technique	Unobservable inputs	Input values	
Available-for-sale investments				
Unlisted overseas shares issued by corporate entities	Discounted cash flow	Weighted average cost of capital Average annual dividend pay-out	5.0% HK\$43.8 million	34.5
Equity securities in unlisted overseas investment funds	Net asset value*	n/a	n/a	9.7
Financial assets designated as at fair value through profit or loss				
Unlisted bonds issued by a Singapore listed company	Discounted cash flow	Discount rate Recovery probability	12.5% 25% on nominal value	44.4
Equity securities in unlisted overseas investment funds	Net asset value*	n/a	n/a	528.6
Financial liabilities held for trading				
Over the counter equity derivatives	Price quoted by counter parties	n/a	n/a	(15.1)
Over the counter currency derivatives	Price quoted by counter parties	n/a	n/a	(4.5)
Financial liabilities designated as at fair value through profit or loss				
Renminbi denominated asset-backed bonds	Discounted cash flow	Payments based on recovery from asset-backed bonds	n/a	(41.8)

Notes to the Condensed Consolidated Financial Statements

11. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	At 31 December 2013			Fair value HK\$ Million
	Valuation technique	Unobservable inputs	Input values	
Available-for-sale investments				
Unlisted overseas shares issued by corporate entities	Discounted cash flow	Weighted average cost of capital Average annual dividend pay-out	5.0% HK\$59.5 million	47.4
Equity securities in unlisted overseas investment funds	Net asset value*	n/a	n/a	12.1
Financial assets designated as at fair value through profit or loss				
Unlisted bonds issued by a Singapore listed company	Discounted cash flow	Discount rate Recovery probability	12.5% 25% on nominal value	45.5
Equity securities in unlisted overseas investment funds	Net asset value*	n/a	n/a	468.0
Financial liabilities held for trading				
Over the counter equity derivatives	Price quoted by counter parties	n/a	n/a	(28.9)
Financial liabilities designated as at fair value through profit or loss				
Renminbi denominated asset-backed bonds	Discounted cash flow	Payments based on recovery from asset-backed bonds	n/a	(42.9)

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

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

Notes to the Condensed Consolidated Financial Statements

11. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

	2014						Unrealised profit or loss for six months ended 30/6/2014 HK\$ Million	
	Balance at 1/1/2014 HK\$ Million	Recognised gains or losses			Purchase HK\$ Million	Disposal HK\$ Million		Balance at 30/6/2014 HK\$ Million
		Profit or loss HK\$ Million	Other comprehensive income HK\$ Million					
Available-for-sale investments								
Unlisted overseas shares	47.4	—	(12.9)	—	—	34.5	—	
Unlisted overseas investment funds	12.1	—	0.1	—	(2.5)	9.7	—	
Held for trading investments								
Over the counter equity derivatives	1.4	0.4	—	—	—	1.8	0.4	
Unlisted overseas options	0.1	1.1	—	—	—	1.2	1.1	
Unlisted convertible bonds	3.4	—	—	—	—	3.4	—	
Investments designated as at fair value								
Unlisted bonds issued by a Singapore listed company	45.5	—	(1.1)	—	—	44.4	—	
Unlisted overseas investment funds	468.0	43.3	—	82.1	(64.8)	528.6	43.3	
Financial liabilities held for trading								
Over the counter equity derivatives	(28.9)	13.8	—	—	—	(15.1)	13.8	
Over the counter currency derivatives	—	(4.5)	—	—	—	(4.5)	(4.5)	
Financial liabilities designated as at fair value								
Renminbi denominated asset-backed bonds	(42.9)	—	1.1	—	—	(41.8)	—	

Notes to the Condensed Consolidated Financial Statements

11. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2013

	Balance at 1/1/2013 HK\$ Million	Recognised gains or losses			Disposal HK\$ Million	Reclassifi- cation to Level 2 HK\$ Million	Balance at 31/12/2013 HK\$ Million	Unrealised profit or loss for six months ended 30/6/2013 HK\$ Million
		Profit or loss HK\$ Million	Other comprehen- sive income HK\$ Million	Purchase HK\$ Million				
Available-for-sale investments								
Unlisted overseas shares	43.6	—	3.8	—	—	—	47.4	—
Unlisted overseas investment funds	25.1	—	3.4	—	(16.4)	—	12.1	—
Held for trading investments								
Over the counter equity derivatives	1.6	(0.2)	—	—	—	—	1.4	(1.5)
Unlisted overseas options	0.1	—	—	—	—	—	0.1	—
Unlisted convertible and non-convertible bonds and notes	6.1	(0.3)	—	—	—	(2.4)	3.4	(0.1)
Investments designated as at fair value								
Unlisted bonds issued by a Singapore listed company	—	(81.4)	—	126.9	—	—	45.5	—
Unlisted overseas redeemable convertible securities	50.0	18.1	—	7.1	—	(75.2)	—	10.1
Unlisted overseas investment funds	282.6	66.4	—	165.6	(46.6)	—	468.0	42.9
Financial liabilities held for trading								
Over the counter equity derivatives	(32.4)	3.5	—	—	—	—	(28.9)	(42.8)
Financial liabilities designated as at fair value								
Renminbi denominated asset-backed bonds	—	91.9	—	(134.8)	—	—	(42.9)	—

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

	30/6/2014 HK\$ Million	31/12/2013 HK\$ Million
Loans and advances to consumer finance customers	10,899.7	10,642.7
Less: impairment allowance	(650.5)	(599.2)
	10,249.2	10,043.5
Analysed for reporting purposes as:		
— Non-current assets	3,393.0	3,440.5
— Current assets	6,856.2	6,603.0
	10,249.2	10,043.5

Notes to the Condensed Consolidated Financial Statements

13. TRADE AND OTHER RECEIVABLES

	30/6/2014 HK\$ Million	31/12/2013 HK\$ Million
Trade receivables – accounts receivable from exchanges, brokers and clients	1,158.8	1,068.2
Less: impairment allowance	(19.4)	(19.4)
	1,139.4	1,048.8
Secured term loans	2,292.6	2,244.4
Unsecured term loans	444.5	117.0
Less: impairment allowance	(4.8)	(4.8)
	2,732.3	2,356.6
Margin loans	4,060.1	4,074.3
IPO margin financing	1,864.3	—
Less: impairment allowance	(98.1)	(155.6)
	5,826.3	3,918.7
Other receivables		
— Deposits	45.1	90.1
— Dividend receivable on behalf of clients	549.6	22.0
— Claims from counter parties, receivable from sale proceeds and other receivables	115.4	179.8
	710.1	291.9
Trade and other receivables at amortised cost	10,408.1	7,616.0
Prepayments	54.3	45.9
Current portion of leasehold interests in land	0.3	0.3
	10,462.7	7,662.2
Analysed for reporting purposes as:		
— Non-current assets	731.7	1,131.8
— Current assets	9,731.0	6,530.4
	10,462.7	7,662.2

Notes to the Condensed Consolidated Financial Statements

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:

	30/6/2014 HK\$ Million	31/12/2013 HK\$ Million
Less than 31 days	1,622.2	1,035.0
31 — 60 days	2.5	2.4
61 — 90 days	1.5	2.9
91 — 180 days	4.5	7.5
Over 180 days	31.8	30.6
	1,662.5	1,078.4
Term loans, margin loans, and trade and other receivables without ageing	8,867.9	6,717.4
Impairment allowances	(122.3)	(179.8)
Trade and other receivables at amortised cost	10,408.1	7,616.0

14. BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	30/6/2014 HK\$ Million	31/12/2013 HK\$ Million
Bank balances and cash	1,945.7	1,766.8
Fixed deposits with banks with a term within 3 months	1,607.7	1,216.1
Cash and cash equivalents	3,553.4	2,982.9
Fixed deposits with banks with a term between 4 to 12 months	1,275.6	755.6
	4,829.0	3,738.5

The Group maintains trust and segregated accounts with licensed banks to hold clients' deposits arising from normal business transactions. At 30 June 2014, trust and segregated accounts not dealt with in these condensed consolidated financial statements totalled HK\$6,554.9 million (31/12/2013: HK\$6,095.3 million).

Notes to the Condensed Consolidated Financial Statements

15. BANK AND OTHER BORROWINGS

	30/6/2014 HK\$ Million	31/12/2013 HK\$ Million
Bank loans		
— Secured term loans	660.0	—
— Unsecured term loans	7,219.4	4,706.9
— Secured instalment loans	59.7	102.4
Total bank borrowings	7,939.1	4,809.3
Preference shares issued to non-controlling interests	43.8	42.3
Other borrowings	32.1	32.6
	8,015.0	4,884.2
Analysed for reporting purposes as:		
— Current liabilities	4,792.6	2,435.4
— Non-current liabilities	3,222.4	2,448.8
	8,015.0	4,884.2

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:

	30/6/2014 HK\$ Million	31/12/2013 HK\$ Million
Less than 31 days	2,170.0	1,559.1
31 — 60 days	7.3	8.8
61 — 90 days	6.6	6.5
91 — 180 days	8.4	8.3
Over 180 days	8.2	3.9
	2,200.5	1,586.6
Accrued staff costs, other accrued expenses and other payables without ageing	262.8	279.9
	2,463.3	1,866.5

Notes to the Condensed Consolidated Financial Statements

17. SHARE CAPITAL

	Number of shares		Share capital	
	Six months ended 30/6/2014 Million Shares	Year ended 31/12/2013 Million Shares	Six months ended 30/6/2014 HK\$ Million	Year ended 31/12/2013 HK\$ Million
Authorised				
Balance brought forward	15,000.0	15,000.0	3,000.0	3,000.0
Abolition of authorised share capital and par value under the new Companies Ordinance	Note	—	Note	—
Balance carried forward		15,000.0		3,000.0
Issued and fully paid				
Balance brought forward	2,123.6	2,162.1	424.7	432.4
Shares issued for scrip dividends	—	0.7	—	0.1
Shares cancelled after repurchase	(9.6)	(39.2)	—	(7.8)
Transfers from share premium and capital redemption reserve upon the abolition of par value under the new Companies Ordinance (Note)	—	—	7,325.2	—
Balance carried forward	2,114.0	2,123.6	7,749.9	424.7

Note: Under the Hong Kong Companies Ordinance (Cap. 622) with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition. The par value of the Company's shares before the abolition was HK\$0.2 per share.

- (a) During the period, the trustee of the SHK Employee Ownership Scheme (the "EOS") acquired 1.2 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\$6.1 million, which has been deducted from the owners' equity.
- (b) During the period, the Company repurchased 9.6 million shares of the Company through purchases on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$52.5 million. All the shares were cancelled after the repurchases.

Notes to the Condensed Consolidated Financial Statements

18. BONDS AND NOTES

	30/6/2014 HK\$ Million	31/12/2013 HK\$ Million
US dollar denominated notes (the "US\$ Notes")		
— 6.375% US dollar denominated notes maturing in September 2017 (the "6.375% Notes")	2,667.9	2,689.0
— 3% US dollar denominated notes maturing in December 2017 (the "3% Notes")	453.3	—
Renminbi denominated notes (the "RMB Notes")		
— 4% Renminbi denominated notes maturing in April 2014 (the "4% Notes")	—	366.2
— 6.9% Renminbi denominated notes maturing in May 2018 (the "6.9% Notes")	628.0	643.1
	3,749.2	3,698.3
Analysed for reporting purposes as:		
— Current liabilities	67.1	366.2
— Non-current liabilities	3,682.1	3,332.1
	3,749.2	3,698.3

The US\$ 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 6.375% Notes with a total nominal value of US\$3 million from the market at a consideration of HK\$23.7 million. The nominal value of the 6.375% Notes after eliminating the intra-group holdings was US\$341.5 million or equivalent to HK\$2,646.8 million at the reporting date (31/12/2013: US\$344.5 million or equivalent to HK\$2,671.4 million). The fair value of the 6.375% Notes based on the price quoted from pricing service at the reporting date was HK\$2,837.2 million (31/12/2013: HK\$2,771.8 million) which was categorised as Level 2.

On 26 March 2014, under the guaranteed medium term note programme, Sun Hung Kai & Co. (BVI) Limited further issued US\$60 million 3% Notes at par for a net consideration of HK\$449.1 million. The 3% Notes will mature on 28 December 2017. The fair value of the 3% Notes measured by discounted cash flow approach at the reporting date was HK\$441.8 million which was categorised as Level 3.

The RMB Notes were issued by a subsidiary, UA Finance (BVI) Limited, under a US\$3 billion medium term note programme. The 4% Notes matured in April 2014 and the outstanding balance was repaid. The nominal value of the 6.9% Notes was RMB500.0 million or equivalent to HK\$624.7 million at the reporting date (31/12/2013: RMB500.0 million or equivalent to HK\$640.5 million). The fair value of the 6.9% Notes based on the price quoted from pricing service at the reporting date was HK\$655.3 million (31/12/2013: HK\$662.0 million) which was categorised as Level 2.

Notes to the Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30/6/2014 HK\$ Million	30/6/2013 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	0.1
Rental and building management fees to an associate of a holding company	(2.5)	(0.5)
Rental and building management fees to a joint venture of a holding company	(7.8)	(7.4)
Interest received from an associate of a holding company	3.1	1.1
6% unsecured term loans expiring on 31 March 2015 due by an associate of a holding company repaid (drawdown)	<u>54.1</u>	<u>(64.6)</u>
Joint ventures		
Management fees received from a joint venture	<u>1.8</u>	<u>1.8</u>
Holding company and its subsidiaries		
Brokerage received from holding companies and fellow subsidiaries	0.6	0.5
Insurance premiums received from a holding company and fellow subsidiaries in the course of provision of insurance brokerage services	1.9	2.2
Short-term loan due to fellow subsidiaries raised	600.0	—
Short-term loan due to fellow subsidiaries repaid	(600.0)	—
Finance costs to fellow subsidiaries	(9.5)	(6.2)
Management fees paid to a holding company	<u>(2.7)</u>	<u>(2.0)</u>

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

	Six months ended	
	30/6/2014 HK\$ Million	30/6/2013 HK\$ Million
Short-term benefits	34.8	36.8
Post-employment benefits	<u>0.8</u>	<u>0.8</u>
	<u>35.6</u>	<u>37.6</u>

During the period, 0.61 million shares were granted under the SHK Employee Ownership Scheme to key management personnel. In addition, 0.6 million shares with a total amount of HK\$3.29 million were vested for key management personnel during the period. The total dividend payments paid to the key management personnel during the period is HK\$0.27 million (2013: HK\$0.4 million).

Notes to the Condensed Consolidated Financial Statements

20. COMMITMENTS**(a) Capital commitments**

	30/6/2014 HK\$ Million	31/12/2013 HK\$ Million
Contracted for but not provided in the condensed consolidated financial statements	61.4	3.9

(b) Operating leases commitments

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:

	30/6/2014 HK\$ Million	31/12/2013 HK\$ Million
Within one year	188.6	185.2
In the second to fifth years inclusive	279.0	275.7
Over five years	38.9	55.4
	506.5	516.3

(c) Loan commitments

	30/6/2014 HK\$ Million	31/12/2013 HK\$ Million
Within one year	878.5	1,170.3
In the second to fifth years inclusive	307.2	—
	1,185.7	1,170.3

(d) Other commitments

At 30 June 2014, the Group had no underwriting commitment (31/12/2013: HK\$237.6 million in respect of open offer and rights issue). The Group had commitment for capital injection to a joint venture of HK\$46.6 million.

21. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had indemnities on banking guarantees made available to a clearing house and regulatory body of HK\$4.5 million (31/12/2013: HK\$4.5 million).

Notes to the Condensed Consolidated Financial Statements

22. MATURITY PROFILE OF ASSETS AND LIABILITIES

	At 30 June 2014					
	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						
Bonds and notes included in financial assets at fair value through profit or loss	44.4	—	6.6	113.2	—	164.2
Loans and advances to consumer finance customers	1,084.9	1,863.7	3,907.6	2,515.8	877.2	10,249.2
Term loans	15.8	842.8	1,148.4	725.3	—	2,732.3
Fixed deposits with banks	—	2,149.9	733.4	—	—	2,883.3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities						
Renminbi denominated asset-backed bonds included in financial liabilities at fair value through profit or loss	(41.8)	—	—	—	—	(41.8)
Bank and other borrowings	(12.0)	(3,682.9)	(1,096.1)	(3,224.0)	—	(8,015.0)
Bonds and notes	—	(60.0)	(7.1)	(3,682.1)	—	(3,749.2)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	At 31 December 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						
Bonds and notes included in financial assets at fair value through profit or loss	—	10.9	22.7	50.8	37.7	122.1
Loans and advances to consumer finance customers	995.6	1,858.3	3,749.1	2,625.0	815.5	10,043.5
Term loans	9.4	501.1	720.7	1,125.4	—	2,356.6
Fixed deposits with banks	—	1,469.7	502.0	—	—	1,971.7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities						
Renminbi denominated asset-backed bonds included in financial liabilities at fair value through profit or loss	—	—	—	(42.9)	—	(42.9)
Bank and other borrowings	(12.0)	(976.2)	(1,390.8)	(2,505.2)	—	(4,884.2)
Bonds and notes	—	—	(366.2)	(3,332.1)	—	(3,698.3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

Notes to the Condensed Consolidated Financial Statements

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.

Notes to the Condensed Consolidated Financial Statements

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.

