



新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

(Stock Code: 86)

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



二零一五年中期報告
Interim Report 2015





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lee Seng Huang

(Group Executive Chairman)

Simon Chow Wing Charn

Joseph Tong Tang

Peter Anthony Curry

Non-Executive Director

Ahmed Mohammed Aqil Qassim

*Alqassim (Joseph Kamal Iskander
as his alternate)*

Independent Non-Executive Directors

David Craig Bartlett

Alan Stephen Jones

Jacqueline Alee Leung

Peter Wong Man Kong

EXECUTIVE COMMITTEE

Lee Seng Huang *(Chairman)*

Simon Chow Wing Charn

Joseph Tong Tang

Peter Anthony Curry

NOMINATION COMMITTEE

Lee Seng Huang *(Chairman)*

David Craig Bartlett

Alan Stephen Jones

Jacqueline Alee Leung

Peter Wong Man Kong

REMUNERATION COMMITTEE

Peter Wong Man Kong *(Chairman)*

David Craig Bartlett

Alan Stephen Jones

Jacqueline Alee Leung

AUDIT COMMITTEE

Alan Stephen Jones *(Chairman)*

David Craig Bartlett

Jacqueline Alee Leung

Peter Wong Man Kong

RISK MANAGEMENT COMMITTEE

Lee Seng Huang *(Chairman)*

Simon Chow Wing Charn

Joseph Tong Tang

Peter Anthony Curry

COMPANY SECRETARY

Hester Wong Lam Chun

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AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Clifford Chance

King & Wood Mallesons

P. C. Woo & Co.

BANKERS

Standard Chartered Bank
(Hong Kong) Limited

The Bank of East Asia, Limited

Bank of China (Hong Kong) Limited

Oversea-Chinese Banking

Corporation Limited,

Hong Kong Branch

OCBC Wing Hang Bank Limited

China Construction Bank

(Asia) Corporation Limited

China CITIC Bank International Limited

Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
Dah Sing Bank, Limited
Chong Hing Bank Limited
Wing Lung Bank Limited
Mizuho Bank, Ltd., Hong Kong Branch
Taishin International Bank Co., Ltd.
Mega International Commercial
Bank Co., Ltd., Offshore Banking
Branch
Far Eastern International Bank,
Hong Kong Branch
Bank of China Limited Macau Branch
Industrial and Commercial Bank of
China (Macau) Limited
Tai Fung Bank Limited
First Gulf Bank PJSC, Singapore Branch

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Management Discussion and Analysis

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

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

Earnings per share for the six-month period were HK161.4 cents (first six months of 2014: HK28.8 cents) and the Board has declared an interim dividend of HK12 cents per share. In addition, the Board has resolved to allocate up to HK\$1 billion to buying back the Company's shares on market.

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

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

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

- Continue to develop our loan businesses through expansion in China as well as expansion into other market segments and related businesses.
- Build upon our operating expertise in financial services and with a view to higher returns on capital, we will actively seek investments in new financial platforms, particularly in fintech (financial technology).

RESULTS ANALYSIS

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

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

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

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

Loan balances and interest income

<i>(HK\$ Million)</i>	As at 30/6/2015	As at 30/6/2014	YoY Change	As at 31/12/2014	YTD Change
Loan Balances¹					
Consumer Finance	10,381.0	10,249.2	1%	11,391.7	-9%
Structured Finance	3,650.3	2,732.3	34%	3,346.0	9%
SHKFGI loan ²	1,066.5	—		—	
Total	15,097.8	12,981.5	16%	14,737.7	2%
Interest Income for the six-month period					
Consumer Finance	1,931.0	1,778.9	9%		
Structured Finance	195.1	172.0	13%		
Others	4.3	2.9	48%		
Total	2,130.4	1,953.8	9%		

¹ 2014 comparatives exclude loan balances from discontinued operations

² Loan as disclosed in the announcement of the Company dated 2 June 2015

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

SEGMENT INFORMATION

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

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

Contribution to pre-tax profit by segment:

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

STRUCTURED FINANCE

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

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

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

[^] Includes internal

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

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

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

CONSUMER FINANCE

<i>(HK\$ Million)</i>	1H2015	1H2014	Change
Revenue	1,946.5	1,787.5	9%
Operating Costs	(698.8)	(620.8)	13%
<i>Cost to income (% Revenue)</i>	35.9%	34.7%	
Finance cost [^]	(143.3)	(129.1)	11%
Operating Earnings Before Bad and Doubtful Debts	1,104.4	1,037.6	6%
Bad and doubtful debts	(643.3)	(331.8)	94%
Operating Earnings	461.1	705.8	-35%
Other income	9.7	2.9	
Exchange gain (loss)	(0.1)	36.3	
Pre-tax Contribution	470.7	745.0	-37%

[^] Includes internal

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

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

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

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

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

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

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

Bad and doubtful debts and impairment allowances:

<i>(HK\$ Million)</i>	1H2015	1H2014
a. Amounts written off	(610.6)	(329.2)
b. Recoveries	59.8	53.2
c. Charges to impairment allowance	(92.5)	(55.8)
Total charges for bad and doubtful debts¹	(643.3)	(331.8)
Impairment allowance at period end	845.6	650.5
Gross loan balance	11,226.6	10,899.7
Charge Off (a-b) as annualised % of gross loan balance	9.8%	5.1%
Impairment allowance as % of gross loan balance	7.5%	6.0%

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

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

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

Note: amount as a % of net loan balance.

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

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

Branch Network:

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

^ Loan marketing branches

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

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

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

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

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

PRINCIPAL INVESTMENTS

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

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

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

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

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

Principal Portfolio

For the first half of 2015, our Principal Portfolio recorded a profit of HK\$234.3 million, or a 13% return over an average balance of HK\$1,766.0 million, out-performing the 11% gain in the Hang Seng Index during the same period. The portfolio consists of a range of listed and unlisted financial instruments that are managed towards returns in a context of controlled risks. The gains were recorded both on our own managed investment portfolio as well as our externally managed funds.

For the internally managed portion, we adopted a bottom-up stock picking investment process and investment decisions were based on valuation, sector view as well as strategic suitability for the rest of the Group. Following that strategy, our portfolio benefited from gains in Chinese equities, especially in the financial sector. Also included in the Principal Portfolio is the contribution from a joint venture company, Fast Track Holdings Limited, which specialises in the trading of equity derivatives products. It had a very strong performance during the period due to the buoyant market environment.

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

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

Long Term Investment Portfolio

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

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

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

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

Real Estate Portfolio

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

OUTLOOK

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

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

FINANCIAL REVIEW

Financial Resources, Liquidity and Capital Structure

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

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

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

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

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

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 2 June 2015, the Group completed the sale of 70% equity interest of SHKFGL to Everbright Securities ("SHKFGL Transaction" mentioned above). Total consideration was HK\$4,095.0 million and a gain of HK\$3,033.5 million was recognised. For more details of the transaction please refer to the Company's circular dated 27 February 2015, the announcement dated 2 June 2015 and Note 9 to the condensed consolidated financial statements.

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

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

Contingent Liabilities

Details regarding the contingent liabilities are set out in Note 22 to the condensed consolidated financial statements.

HUMAN RESOURCES AND TRAINING

As at 30 June 2015, the Group's headcount (including sales consultants) was 6,320 compared to 7,197 at 31 December 2014. This net decrease in headcount reflects the reclassification of SHKFGL as a 30% owned associate post the Group's sale of its 70% equity interest.

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

The Group operates various compensation schemes to reflect job roles within the organisation. For sales staff/sales consultants, packages consist of a base pay and commission/bonus/performance-based incentives as appropriate. 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 282,000 shares were granted to the Selected Grantees during the period 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 2015, the outstanding awarded shares under the EOS (excluding shares awarded, but subsequently forfeited) amounted to 1,873,000 (including 636,000 under Sun Hung Kai & Co. Limited and 1,237,000 under Sun Hung Kai Financial Limited), out of which 393,000 shares were awarded to Directors. In alignment with the Group's Vision and Mission, its Core Values are integral to the selection, assessment, recognition, remuneration and training of its people.

The Group is committed to fostering a culture of continuous learning in our organisation. Heavy emphasis is placed on staff training which is tailored to equip our workforce with the necessary knowledge and skills relevant for their work, as well as to build our talent pool. Management is involved, together with professional trainers, in designing training programmes to meet the demands of the work place environment. Training content and topics are set to cover the key aspects of our operations. Periodic development initiatives currently include courses on the prevention of bribery, bankruptcy laws, the data privacy, the Money Lenders' Ordinance, debt collection skills, product knowledge, computer skills, customer service techniques, communication and complaints handling. Workshops for managerial and supervisory staff are provided and are intended to enhance our employees' career development.

MANAGEMENT OF RISKS

Strong Risk Management Awareness

The Group adopts a comprehensive risk management framework. Risk management policies and procedures are regularly reviewed and updated to react to changes in market conditions and the Group's business strategy. The Risk Management Committee, a standing committee reporting to the Board of Directors, supervises risk-related policies necessary for monitoring and controlling major risks, arising from the Group's business activities, changing external risks and the regulatory environment.

Financial Risk Management

Financial risk management is designed to manage market risk, credit risk and liquidity risk. Market risk concerns that the value of an investment will change due to movements in market factors and which can be further divided into equity risk, interest rate risk and foreign exchange risk.

Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted.

Liquidity risk concerns that a given security or asset cannot be traded readily in the market to prevent a loss or make the required profit.

Financial risk management is further discussed and outlined in Note 24 to the condensed consolidated financial statements.

Operational Risk Management

Operational risk is concerned with possible losses caused by inadequate or failed internal processes, people, systems or external events.

Operational risk is mitigated and controlled through establishing robust internal controls, setting out clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of, and responsible for, managing the operational risks of their business units on a day-to-day basis.

Independent monitoring and reviews are conducted by the Group's Internal Audit function which reports regularly to the Group's senior management and the Audit Committee of the Board.

Reputational Risk Management

Reputational risk is related to the trustworthiness of a business. Loss of trust could result in the decline of the customer base, revenue erosion, costly litigation, destruction of shareholder value and damage to the Group's reputation as a whole. The Group manages reputational risk through sound corporate governance practices.

Interim Dividend and Book Close

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 September 2015 to 9 September 2015, both days inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be 2 September 2015. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 4 September 2015.



Directors' Interests

As at 30 June 2015, 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 OF THE COMPANY (THE "SHARES") AND THE UNDERLYING SHARES

Name of Directors	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of issued Shares
Lee Seng Huang	Interests of controlled corporation (Note 1)	1,575,178,575 (Note 2)	69.97%
Joseph Tong Tang	Beneficiary of trust	180,000 (Note 3(a))	0.01%
	Beneficial owner	45,000 (Note 3(b))	0.002%
Peter Anthony Curry	Beneficiary of trust	213,000 (Note 4(a))	0.01%
	Beneficiary owner	575,141 (Note 4(b))	0.03%

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 70.21% of the total number of shares of Allied Group Limited ("AGL") and was therefore deemed to have interests in the Shares in which AGL was interested.
2. This refers to the deemed interests in (i) 1,233,578,575 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) 100,000 unvested Shares out of the total of 300,000 Shares granted to Mr. Joseph Tong Tang ("Mr. Tong") on 7 December 2012 under the SHK Employee Ownership Scheme (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 was vested and became unrestricted from 1 November 2014; and the remaining one-third thereof shall be vested and become unrestricted from 1 November 2015;
 - (ii) 6,000 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 was vested and became unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016;
 - (iii) 38,000 unvested Shares out of the total of 57,000 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) was vested and became 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; and

- (iv) 36,000 unvested Shares granted to Mr. Tong on 21 April 2015 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 12,000 Shares) shall be vested and become unrestricted from 15 April 2016; another one-third thereof shall be vested and become unrestricted from 15 April 2017; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2018.
- (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.
4. (a) These include the deemed interests in:
- (i) 44,000 unvested Shares out of the total of 132,000 Shares granted to Mr. Peter Anthony Curry ("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 was vested and became unrestricted from 15 April 2015; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2016;
- (ii) 52,000 unvested Shares out of the total of 78,000 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) was vested and became 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; and
- (iii) 117,000 unvested Shares granted to Mr. Curry on 21 April 2015 under the EOS and was subsequently accepted. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 39,000 Shares) shall be vested and become unrestricted from 15 April 2016; another one-third thereof shall be vested and become unrestricted from 15 April 2017; and the remaining one-third thereof shall be vested and become unrestricted from 15 April 2018.
- (b) This includes 573,000 Shares granted to Mr. Curry under the EOS that were vested, became unrestricted and the title of which was transferred to him. The balance represents the Shares received by Mr. Curry by the allotment of scrip Shares pursuant to the scrip dividend scheme of the Company.

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

Name of 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)	128,703,662	70.20%
	APL	Interests of controlled corporation (Note 3)	6,229,545,730 (Note 4)	91.34%
	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)	0.0002%

Notes:

1. Mr. Lee Seng Huang, by virtue of his interests in AGL and APL, was deemed to be interested in the shares of the subsidiaries of AGL (including SHK HK Ind, a listed subsidiary of AGL) and APL, 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 22 July 2015.

2. Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust, being a discretionary trust which indirectly owned 128,703,662 shares of AGL.
3. This refers to the same interests held directly or indirectly by AGL in APL.
4. These include interests in (i) 5,373,539,521 shares of APL; and (ii) listed physically settled warrants of APL giving rise to an interest in 856,006,209 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 2015, 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 2015, 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 2015, 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"):

Name of Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of issued Shares
APL	Interests of controlled corporation <i>(Note 1)</i>	1,575,178,575 <i>(Note 2)</i>	69.97%
AGL	Interests of controlled corporation <i>(Note 3)</i>	1,575,178,575 <i>(Note 4)</i>	69.97%
Lee and Lee Trust	Interests of controlled corporation <i>(Note 5)</i>	1,575,178,575 <i>(Note 4)</i>	69.97%
Dubai Ventures L.L.C ("Dubai Ventures")	Beneficial owner	166,000,000 <i>(Note 6)</i>	7.37%
Dubai Ventures Group (L.L.C) ("DVG")	Interests of controlled corporation <i>(Note 7)</i>	166,000,000 <i>(Note 8)</i>	7.37%
Dubai Group (L.L.C) ("Dubai Group")	Interests of controlled corporation <i>(Note 9)</i>	166,000,000 <i>(Note 8)</i>	7.37%
Dubai Holding Investments Group LLC ("DHIG")	Interests of controlled corporation <i>(Note 10)</i>	166,000,000 <i>(Note 8)</i>	7.37%
Dubai Holding (L.L.C) ("Dubai Holding")	Interests of controlled corporation <i>(Note 11)</i>	166,000,000 <i>(Note 8)</i>	7.37%
Dubai Group Limited ("DGL")	Interests of controlled corporation <i>(Note 12)</i>	166,000,000 <i>(Note 8)</i>	7.37%
HSBC Trustee (C.I.) Limited ("HSBC Trustee")	Trustee (other than a bare trustee) <i>(Note 13)</i>	166,000,000 <i>(Note 8)</i>	7.37%
HH Mohammed Bin Rashid Al Maktoum	Interests of controlled corporation <i>(Note 14)</i>	166,000,000 <i>(Note 8)</i>	7.37%
AFSC	Beneficial owner	341,600,000 <i>(Note 15)</i>	15.17%

Interests of Substantial Shareholders and Other Persons

Name of Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of issued Shares
Asia Financial Services Holdings Limited ("AFSH")	Interests of controlled Corporation <i>(Note 16)</i>	341,600,000 <i>(Note 17)</i>	15.17%
Asia Financial Services Group Limited ("AFSG")	Interests of controlled corporation <i>(Note 18)</i>	341,600,000 <i>(Note 17)</i>	15.17%
Asia Financial Services Group Holdings Limited ("AFSGH")	Interests of controlled corporation <i>(Note 19)</i>	341,600,000 <i>(Note 17)</i>	15.17%
CVC Capital Partners Asia Pacific III L.P. ("CVC LP")	Interests of controlled corporation <i>(Note 20)</i>	341,600,000 <i>(Note 17)</i>	15.17%
CVC Capital Partners Asia III Limited ("CVC Capital III")	Interests of controlled corporation <i>(Note 21)</i>	341,600,000 <i>(Note 17)</i>	15.17%
CVC Capital Partners Advisory Company Limited ("CVC Capital Partners Advisory")	Interests of controlled corporation <i>(Note 22)</i>	341,600,000 <i>(Note 17)</i>	15.17%
CVC Capital Partners Finance Limited ("CVC Capital Partners Finance")	Interests of controlled corporation <i>(Note 23)</i>	341,600,000 <i>(Note 17)</i>	15.17%
CVC Group Holdings L.P. ("CVC Group Holdings")	Interests of controlled corporation <i>(Note 24)</i>	341,600,000 <i>(Note 17)</i>	15.17%
CVC Portfolio Holdings Limited ("CVC Portfolio")	Interests of controlled corporation <i>(Note 25)</i>	341,600,000 <i>(Note 17)</i>	15.17%
CVC MMXII Limited ("CVC MMXII")	Interests of controlled corporation <i>(Note 26)</i>	341,600,000 <i>(Note 17)</i>	15.17%
CVC Capital Partners 2013 PCC (acting in respect of its protected cell, CVC Capital Partners Cell D PC) ("CVC Capital Partners 2013")	Interests of controlled corporation <i>(Note 27)</i>	341,600,000 <i>(Note 17)</i>	15.17%

Interests of Substantial Shareholders and Other Persons

Name of Shareholders	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of issued Shares
CVC Capital Partners SICAV-FIS S.A. ("CVC Capital Partners SA")	Interests of controlled corporation (Note 28)	341,600,000 (Note 17)	15.17%
Sun Hung Kai Structured Finance Limited ("SHKSF")	Security interest holder	341,600,000 (Note 29)	15.17%
Shipshape Investments Limited ("Shipshape")	Interests of controlled corporation (Note 30)	341,600,000 (Note 31)	15.17%
Sun Hung Kai & Co. Limited (the "Company")	Interests of controlled corporation (Note 32)	341,600,000 (Note 31)	15.17%
Ontario Teachers' Pension Plan Board	Beneficial owner	138,035,002 (Note 33)	6.13%

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 1,233,578,575 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 74.80% 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 1,575,178,575 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 70.21% 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.



Interests of Substantial Shareholders and Other Persons

16. AFSH held 100% interest in AFSC and was therefore deemed to have an interest in the Shares in which AFSC was interested.
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, (i) held 80.83% interest in CVC Group Limited (“CVC Group” which was the sole limited partner of CVC Group Holdings) and was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested, and (ii) 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. Shipshape 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. The Company held 100% interest in Shipshape and was therefore deemed to have an interest in the Shares in which Shipshape was interested.
33. This represents an interest in 138,035,002 Shares.

All interests stated above represent long positions. As at 30 June 2015, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 30 June 2015, the Directors are not aware of any other persons who have interests or short positions in the Shares or underlying Shares 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 2015, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

(a) Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisational structure of the Company, the functions of a chief executive are performed by the Group Executive Chairman, Mr. Lee Seng Huang, in conjunction with the Group Deputy Chief Executive Officer, Mr. Simon Chow Wing Charn. The Group Executive Chairman oversees the Group's Principal Investments, as well as the Group's interest in UAF whose day-to-day management lies with its designated Managing Director. Mr. Simon Chow assists the Group Executive Chairman in driving the performance of business segments of the Group as well as exploring new areas of growth.

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

(b) Code Provisions B.1.2 and C.3.3

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

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

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

The reasons for the above deviations were set out in the Corporate Governance Report contained in the Company's annual report for the financial year ended 31 December 2014. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to their respective terms of reference as adopted by the Company. The Board will review the terms of reference at least annually and would make appropriate changes if considered necessary.

CHANGES IN DIRECTORS' INFORMATION

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

For Executive Directors

- Change of emoluments of all Executive Directors during the period has been disclosed in the Corporate Governance Report of the 2014 Annual Report.
- In June 2015, a special bonus of HK\$25 million and HK\$1.5 million was paid to Mr. Lee Seng Huang and Mr. Peter Anthony Curry respectively upon the completion of the sale of 70% stake in Sun Hung Kai Financial Group Limited.

Ms. Jacqueline Alee Leung, Independent Non-Executive Director

- Ms. Leung's Chinese name was changed to "梁慧" on 10 June 2015.

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 2015, the Company repurchased a total of 2,813,000 Shares on the Hong Kong Stock Exchange at an aggregate consideration (before expenses) of HK\$19,806,520. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases are as follows:

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

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



Audit Committee Review

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited condensed consolidated financial report for the six months ended 30 June 2015. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

On behalf of the Board

Lee Seng Huang

Group Executive Chairman

Hong Kong, 20 August 2015

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 66, which comprise the condensed consolidated statement of financial position as of 30 June 2015 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, 20 August 2015

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended	
		30/6/2015 Unaudited HK\$ Million	30/6/2014 Unaudited and restated HK\$ Million
Revenue (turnover)		2,168.6	1,989.5
Other income	4	47.0	25.8
Total income		2,215.6	2,015.3
Brokerage and commission expenses		(25.2)	(21.9)
Advertising and promotion expenses		(47.1)	(53.3)
Direct cost and operating expenses		(23.1)	(13.4)
Administrative expenses		(684.1)	(572.5)
Net profit on financial assets and liabilities	5	239.8	47.2
Net exchange gain (loss)		(7.3)	27.8
Bad and doubtful debts	6	(654.2)	(331.8)
Finance costs		(238.7)	(214.7)
Other expenses		(163.8)	(2.6)
		611.9	880.1
Share of results of associates		14.4	2.4
Share of results of joint ventures		43.8	(1.2)
Profit before taxation	7	670.1	881.3
Taxation	8	(105.7)	(156.2)
Profit for the period from continuing operations		564.4	725.1
Profit for the period from discontinued operations	9	3,228.8	133.4
		3,793.2	858.5
Profit attributable to:			
— Owners of the Company		3,630.6	610.3
— Non-controlling interests		162.6	248.2
		3,793.2	858.5
Earnings per share	11		
From continuing and discontinued operations			
— Basic (HK cents)		161.4	28.8
— Diluted (HK cents)		161.4	28.8
From continuing operations			
— Basic (HK cents)		17.9	22.5
— Diluted (HK cents)		17.9	22.5

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

Condensed Consolidated Statement of Financial Position

	Notes	30/6/2015 Unaudited HK\$ Million	31/12/2014 Audited HK\$ Million
Non-current Assets			
Investment properties		1,024.5	864.9
Leasehold interests in land		4.9	9.3
Property and equipment		488.9	447.5
Intangible assets		888.9	982.9
Goodwill		2,384.0	2,384.0
Interest in associates	9	1,692.9	35.7
Interest in joint ventures		222.5	198.9
Available-for-sale investments	12	118.6	232.6
Financial assets at fair value through profit or loss	12	1,098.7	603.5
Statutory deposits		—	39.9
Deferred tax assets		363.2	265.0
Amounts due from associates and joint ventures		64.8	64.7
Loans and advances to consumer finance customers	13	2,856.1	3,308.4
Trade and other receivables	14	1,749.9	1,468.2
Deposits for acquisition of property and equipment		31.1	108.5
		12,989.0	11,014.0
Current Assets			
Financial assets at fair value through profit or loss	12	1,308.9	924.2
Taxation recoverable		9.3	11.8
Amounts due from associates and joint ventures	9	1,174.1	0.2
Loans and advances to consumer finance customers	13	7,524.9	8,083.3
Trade and other receivables	14	2,152.4	7,682.7
Bank deposits	15	840.9	993.4
Cash and cash equivalents	15	7,044.3	4,051.2
		20,054.8	21,746.8
Current Liabilities			
Dividend payable		315.5	—
Financial liabilities at fair value through profit or loss	12	89.2	66.3
Bank borrowings	16	2,775.8	3,833.9
Trade and other payables	17	295.6	2,819.8
Amounts due to fellow subsidiaries and a holding company		—	7.5
Amounts due to associates		0.1	0.1
Provisions		19.3	62.3
Taxation payable		201.9	186.0
Notes	19	76.6	71.3
		3,774.0	7,047.2
Net Current Assets		16,280.8	14,699.6
Total Assets less Current Liabilities		29,269.8	25,713.6

Condensed Consolidated Statement of Financial Position

	Notes	30/6/2015 Unaudited HK\$ Million	31/12/2014 Audited HK\$ Million
Capital and Reserves			
Share capital	18	8,752.3	8,752.3
Reserves		9,577.8	6,174.7
Equity attributable to owners of the Company		18,330.1	14,927.0
Non-controlling interests		3,762.2	3,740.3
Total Equity		22,092.3	18,667.3
Non-current Liabilities			
Deferred tax liabilities		194.8	201.5
Bank borrowings	16	3,352.9	3,196.0
Provisions		0.1	11.6
Notes	19	3,629.7	3,637.2
		7,177.5	7,046.3
		29,269.8	25,713.6

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital 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 2015	8,752.3	(20.2)	13.3	121.2	454.4	60.8	5,545.2	14,927.0	3,740.3	18,667.3
Profit for the period	—	—	—	—	—	—	3,630.6	3,630.6	162.6	3,793.2
Other comprehensive income (expenses) for the period	—	—	—	(0.1)	108.4	—	—	108.3	3.0	111.3
Total comprehensive income (expenses) for the period	—	—	—	(0.1)	108.4	—	3,630.6	3,738.9	165.6	3,904.5
Recognition of equity-settled share-based payments	—	—	(0.4)	—	—	—	—	(0.4)	—	(0.4)
Vesting of shares of the SHK Employee Ownership Scheme	—	6.1	(7.1)	—	—	—	1.0	—	—	—
Recognition of 2014 final dividend	—	—	—	—	—	—	(315.5)	(315.5)	—	(315.5)
Shares repurchased and cancelled	—	—	—	—	—	—	(19.9)	(19.9)	—	(19.9)
Transfer retained earnings to capital reserves	—	—	—	—	—	0.1	(0.1)	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(143.7)	(143.7)
At 30 June 2015	8,752.3	(14.1)	5.8	121.1	562.8	60.9	8,841.3	18,330.1	3,762.2	22,092.3

	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 (expenses) 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	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

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended	
		30/6/2015 Unaudited HK\$ Million	30/6/2014 Unaudited HK\$ Million
OPERATING ACTIVITIES			
Cash used in operations			
— Change in trade and other receivables		(1,761.7)	(2,877.1)
— Change in loans and advances to consumer finance customers		371.3	(620.6)
— Other operating cash flows		196.7	(28.2)
		(1,193.7)	(3,525.9)
Dividends received from held for trading investments		2.4	2.2
Interest received		2,240.4	2,110.6
Interest paid		(204.4)	(188.2)
Taxation paid		(179.5)	(154.3)
Net cash from (used in) operating activities		665.2	(1,755.6)
INVESTING ACTIVITIES			
Purchase of investment properties		—	(33.9)
Purchase of property and equipment		(37.4)	(47.8)
Proceeds on disposal of equipment		0.3	0.3
Purchase of intangible assets		(7.9)	(9.4)
Proceeds on disposal of a subsidiary	9	3,555.7	—
Proceeds on disposal of associates		—	43.7
Repayment from (advance to) associates		(29.1)	1.1
Capital injection to a joint venture		(57.7)	—
Dividends received from joint ventures		32.5	0.2
Advance to joint ventures		(1.3)	(0.7)
Dividends received from available-for-sale investments		7.3	2.8
Proceeds on disposal of available-for-sale investments		113.6	2.8
Purchase of long-term financial assets designated as at fair value through profit or loss		(399.0)	(65.0)
Proceeds on disposal of long-term financial assets designated as at fair value through profit or loss		51.3	13.2
Net (payment) refund of statutory deposits		(5.5)	9.0
Payment of deposits for acquisition of property and equipment		(8.6)	(56.3)
Fixed deposits with banks withdrawn (placed)		152.4	(542.8)
Net cash from (used in) investing activities		3,366.6	(682.8)

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30/6/2015 Unaudited HK\$ Million	30/6/2014 Unaudited HK\$ Million
FINANCING ACTIVITIES		
Net short-term bank borrowings raised (repaid)	(1,754.7)	1,680.5
New long-term bank borrowings raised	941.8	1,478.1
Repayment of long-term bank loans	(58.8)	(42.7)
Proceeds from issue of notes	—	449.1
Purchase of notes	(6.5)	(23.7)
Redemption of notes	—	(356.0)
Purchase of shares for the SHK Employee Ownership Scheme	—	(6.1)
Shares repurchased and cancelled	(19.9)	(52.5)
Dividends to non-controlling interests	(143.7)	(81.2)
Capital contribution by non-controlling interests	—	0.4
	<u>(1,041.8)</u>	<u>3,045.9</u>
Net cash from (used in) financing activities		
	2,990.0	607.5
Net increase in cash and cash equivalents		
Cash and cash equivalents at 1 January	4,051.2	2,982.9
Effect of foreign exchange rate changes	3.1	(37.0)
	<u>7,044.3</u>	<u>3,553.4</u>
Cash and cash equivalents at 30 June		

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 that are mandatorily effective for the Group's financial year beginning on 1 January 2015. The adoption of these Amendments has had no material effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2014.

3. SEGMENT INFORMATION

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

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

Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION (CONTINUED)

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

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

Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION (CONTINUED)

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

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

4. OTHER INCOME

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

5. NET PROFIT ON FINANCIAL ASSETS AND LIABILITIES

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

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

6. BAD AND DOUBTFUL DEBTS

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

7. PROFIT BEFORE TAXATION

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

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

8. TAXATION

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

Hong Kong profits tax is calculated at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2014: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in the relevant jurisdictions.

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

Notes to the Condensed Consolidated Financial Statements

9. DISPOSAL OF A SUBSIDIARY

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

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

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

9. DISPOSAL OF A SUBSIDIARY (CONTINUED)

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

The cash flows from discontinued operations is analysed as follows:

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

Notes to the Condensed Consolidated Financial Statements

9. DISPOSAL OF A SUBSIDIARY (CONTINUED)

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

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

Notes to the Condensed Consolidated Financial Statements

9. DISPOSAL OF A SUBSIDIARY (CONTINUED)

The profit on disposal of SHKFGL is as follows:

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

* The Group may, during the option periods (which are the period of six months commencing on the third and fifth anniversaries of the completion date) or following the occurrence of certain trigger events, exercise its put right to require the buyer to buy some or all of the shares it holds in SHKFGL at a price per share equal to the consideration per share paid by the buyer for the acquisition of the 70% interest plus a pre-agreed annualised yield. Further details have been disclosed in the Company's circular dated 27 February 2015 and Note 12.

10. DIVIDEND

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

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

Notes to the Condensed Consolidated Financial Statements

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following information:

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

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

Notes to the Condensed Consolidated Financial Statements

12. FINANCIAL ASSETS AND LIABILITIES

The following tables provide analyses of financial assets and liabilities of the Group that are measured at cost less impairment and at fair value subsequent to initial recognition.

	At 30 June 2015				
	Level 1 HK\$ Million	Fair value		Cost less impairment HK\$ Million	Total 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	61.4	—	—	—	61.4
— Unlisted overseas shares	—	—	41.0	16.2	57.2
	<u>61.4</u>	<u>—</u>	<u>41.0</u>	<u>16.2</u>	<u>118.6</u>
Financial assets at fair value through profit or loss					
Held for trading investments					
— Equity securities listed in Hong Kong					
• Issued by corporate entities	478.6	—	—	—	478.6
• Issued by banks	6.6	—	—	—	6.6
• Issued by public utility entities	60.9	—	—	—	60.9
— Equity securities listed outside Hong Kong					
• Issued by corporate entities	155.2	—	—	—	155.2
• Issued by banks	5.0	—	—	—	5.0
• Issued by public utility entities	0.8	—	—	—	0.8
— Exchange-traded funds listed in Hong Kong	26.2	—	—	—	26.2
— Options listed in Hong Kong	0.5	—	—	—	0.5
— Options listed outside Hong Kong	1.4	—	—	—	1.4
— Unlisted put right for shares in an associate	—	—	111.0	—	111.0
— Unlisted call option for club memberships	—	—	9.3	—	9.3
— Unlisted call option for shares listed outside Hong Kong	—	—	62.1	—	62.1
— Certificates for difference	—	14.1	—	—	14.1
— Unlisted bond issued by listed companies	—	2.5	—	—	2.5
— Listed bonds issued by listed company	—	195.3	—	—	195.3
	<u>735.2</u>	<u>211.9</u>	<u>182.4</u>	<u>—</u>	<u>1,129.5</u>
Investments designated as at fair value through profit or loss					
— Unlisted convertible bond issued by an unlisted company	—	—	3.9	—	3.9
— Unlisted convertible preferred shares issued by an unlisted company	—	—	62.6	—	62.6
— Unlisted overseas investment funds	—	—	1,211.6	—	1,211.6
	<u>—</u>	<u>—</u>	<u>1,278.1</u>	<u>—</u>	<u>1,278.1</u>
	<u>735.2</u>	<u>211.9</u>	<u>1,460.5</u>	<u>—</u>	<u>2,407.6</u>
Analysed for reporting purposes as:					
— Non-current assets					1,098.7
— Current assets					1,308.9
					<u>2,407.6</u>
Financial liabilities at fair value through profit or loss					
Held for trading					
— Futures and options listed in Hong Kong	0.6	—	—	—	0.6
— Unlisted options	—	—	0.2	—	0.2
— Over the counter equity derivatives	—	—	28.8	—	28.8
— Over the counter currency derivatives	—	—	3.4	—	3.4
— Stock borrowings	—	48.6	—	—	48.6
— Certificates for difference	—	7.6	—	—	7.6
	<u>0.6</u>	<u>56.2</u>	<u>32.4</u>	<u>—</u>	<u>89.2</u>

Notes to the Condensed Consolidated Financial Statements

12. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	At 31 December 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	131.8	—	—	—	131.8
— Unlisted Hong Kong shares	—	—	—	0.4	0.4
— Unlisted overseas shares	—	—	35.5	52.6	88.1
Unlisted overseas investment funds	—	—	12.3	—	12.3
	<u>131.8</u>	<u>—</u>	<u>47.8</u>	<u>53.0</u>	<u>232.6</u>
Financial assets at fair value through profit or loss					
Held for trading investments					
— Equity securities listed in Hong Kong					
• Issued by corporate entities	296.1	—	—	—	296.1
• Issued by banks	20.3	—	—	—	20.3
• Issued by public utility entities	24.8	—	—	—	24.8
— Equity securities listed outside Hong Kong					
• Issued by corporate entities	56.7	—	—	—	56.7
• Issued by banks	5.4	—	—	—	5.4
• Issued by public utility entities	0.7	—	—	—	0.7
— Exchange-traded funds listed in Hong Kong	68.8	—	—	—	68.8
— Unlisted bond issued by listed companies	—	2.5	—	—	2.5
— Listed bonds issued by listed companies	—	181.4	—	—	181.4
	<u>472.8</u>	<u>183.9</u>	<u>—</u>	<u>—</u>	<u>656.7</u>
Investments designated as at fair value through profit or loss					
— Unlisted convertible preferred shares issued by an unlisted company	—	—	39.5	—	39.5
— Unlisted overseas investment funds	—	—	831.5	—	831.5
	<u>—</u>	<u>—</u>	<u>871.0</u>	<u>—</u>	<u>871.0</u>
	<u>472.8</u>	<u>183.9</u>	<u>871.0</u>	<u>—</u>	<u>1,527.7</u>
Analysed for reporting purposes as:					
— Non-current assets					603.5
— Current assets					924.2
					<u>1,527.7</u>
Financial liabilities at fair value through profit or loss					
Held for trading					
— Over the counter equity derivatives	—	—	48.5	—	48.5
— Over the counter currency derivatives	—	—	17.8	—	17.8
	<u>—</u>	<u>—</u>	<u>66.3</u>	<u>—</u>	<u>66.3</u>
Analysed for reporting purposes as current liabilities					
	<u>—</u>	<u>—</u>	<u>66.3</u>	<u>—</u>	<u>66.3</u>

12. FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

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

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 bonds and notes under Level 2 at the reporting date were derived from quoted prices from pricing services.

The fair value of Level 3 financial assets and liabilities are mainly derived from an unobservable range of data. In estimating the fair value of a financial asset or a financial 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

12. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

		At 30 June 2015		
	Valuation technique	Unobservable inputs	Input values	Fair value HK\$ Million
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\$56.6 million	41.0
Financial assets at fair value through profit or loss				
Unlisted put right for shares in an associate	Option model	Volatility Risk free rate Equity growth rate	56.0% 0.6% 4.7%	111.0
Unlisted call option for shares listed outside Hong Kong	Option model	Volatility Risk free rate	53.7% 0.1%	62.1
Financial assets designated as at fair value through profit or loss				
Unlisted convertible preferred shares	Market comparable approach	Price to sales Illiquidity discount	15.9 times 40%	62.6
Unlisted overseas investment funds	Net asset value*	n/a	n/a	1,211.6
Financial liabilities held for trading				
Over the counter equity derivatives	Price quoted by counter parties	n/a	n/a	(28.8)

Notes to the Condensed Consolidated Financial Statements

12. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	At 31 December 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	35.5
Unlisted overseas investment funds	Net asset value*	n/a	n/a	12.3
Financial assets designated as at fair value through profit or loss				
Unlisted convertible preferred shares	Market comparable approach	Price to sales Illiquidity discount	22.6 times 50%	39.5
Unlisted overseas investment funds	Net asset value*	n/a	n/a	831.5
Financial liabilities held for trading				
Over the counter equity derivatives	Price quoted by counter parties	n/a	n/a	(48.5)
Over the counter currency derivatives	Price quoted by counter parties	n/a	n/a	(17.8)

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

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

Notes to the Condensed Consolidated Financial Statements

12. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

	2015						Unrealised profit or loss for six months ended 30/6/2015 HK\$ Million	
	Balance at 1/1/2015 HK\$ Million	Recognised gains or losses			Purchase HK\$ Million	Disposal HK\$ Million		Balance at 30/6/2015 HK\$ Million
		Profit or loss HK\$ Million	Other comprehen- sive income HK\$ Million					
Available-for-sale investments								
Unlisted overseas shares	35.5	—	5.5	—	—	41.0	—	
Unlisted overseas investment funds	12.3	—	(0.8)	—	(11.5)	—	—	
Held for trading investments								
Unlisted put right for shares in an associate	—	—	—	111.0	—	111.0	—	
Unlisted call option for club memberships	—	—	—	9.3	—	9.3	—	
Unlisted call option for shares listed outside Hong Kong	—	62.1	—	—	—	62.1	62.1	
Investments designated as at fair value								
Unlisted convertible bond	—	—	—	3.9	—	3.9	—	
Unlisted convertible preferred shares	39.5	—	—	23.1	—	62.6	—	
Unlisted overseas investment funds	831.5	64.0	—	422.4	(106.3)	1,211.6	46.7	
Financial liabilities held for trading								
Over the counter equity derivatives	(48.5)	19.7	—	—	—	(28.8)	19.7	
Over the counter currency derivatives	(17.8)	14.4	—	—	—	(3.4)	14.4	

Notes to the Condensed Consolidated Financial Statements

12. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	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 31/12/2014 HK\$ Million	
		Profit or loss HK\$ Million	Other comprehensive income HK\$ Million				
Available-for-sale investments							
Unlisted overseas shares	47.4	—	(11.9)	—	—	35.5	—
Unlisted overseas investment funds	12.1	7.0	2.1	—	(8.9)	12.3	—
Held for trading investments							
Over the counter equity derivatives	1.4	(1.4)	—	—	—	—	0.4
Unlisted overseas options	0.1	(0.1)	—	—	—	—	1.1
Unlisted convertible bonds	3.4	7.6	—	—	(11.0)	—	—
Investments designated as at fair value							
Unlisted bonds issued by a Singapore company	45.5	(44.5)	(1.0)	—	—	—	—
Unlisted convertible preferred shares	—	—	—	39.5	—	39.5	—
Unlisted overseas investment funds	468.0	98.6	—	488.9	(224.0)	831.5	43.3
Financial liabilities held for trading							
Over the counter equity derivatives	(28.9)	(19.6)	—	—	—	(48.5)	13.8
Over the counter currency derivatives	—	(17.8)	—	—	—	(17.8)	(4.5)
Financial liabilities designated as at fair value							
Renminbi denominated asset-backed bonds	(42.9)	41.9	1.0	—	—	—	—

Notes to the Condensed Consolidated Financial Statements

13. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

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

Most of the loans and advances to consumer finance customers are unsecured loans. The average gross balance per loan in Hong Kong and Mainland China at the reporting date were HK\$61,549 and RMB50,809 respectively (31/12/2014: HK\$64,875 and RMB57,835 respectively).

For the collective impairment assessment, the management of UAF has taken into consideration of the recent bad debt written off information net of the recoveries for Hong Kong and China loan portfolio balances at period/year end. Based on historical loss experiences, the management of UAF considers that the allowance sufficiently covered the write off balances net of bad debt written back. During the period, the management of UAF closely monitors any changes in credit loss pattern and behavior of borrowers and the overdue loan portfolio in view of the more volatile economic environment in PRC during the period through tightening the loan growth and the lending policy.

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

	30/6/2015 HK\$ Million	31/12/2014 HK\$ Million
Less than 31 days past due	932.5	805.2
31 — 60 days	182.3	278.3
61 — 90 days	126.7	101.6
91 — 180 days	496.1	232.8
Over 180 days	47.3	36.9
	1,784.9	1,454.8

Notes to the Condensed Consolidated Financial Statements

14. TRADE AND OTHER RECEIVABLES

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

Notes to the Condensed Consolidated Financial Statements

14. 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:

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

15. BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	30/6/2015 HK\$ Million	31/12/2014 HK\$ Million
Bank balances and cash	3,446.4	2,760.6
Fixed deposits with banks with a term within 3 months	3,597.9	1,290.6
Cash and cash equivalents	7,044.3	4,051.2
Fixed deposits with banks with a term between 4 to 12 months	840.9	993.4
	<u>7,885.2</u>	<u>5,044.6</u>

There were no trust and segregated accounts with licensed banks to hold clients' deposits arising from normal business transactions at 30 June 2015 (31/12/2014: HK\$6,218.2 million).

16. BANK BORROWINGS

	30/6/2015 HK\$ Million	31/12/2014 HK\$ Million
Bank loans		
— Unsecured term loans	6,112.3	6,954.7
— Secured instalment loans	16.4	75.2
Total bank borrowings	<u>6,128.7</u>	<u>7,029.9</u>
Analysed for reporting purposes as:		
— Current liabilities	2,775.8	3,833.9
— Non-current liabilities	3,352.9	3,196.0
	<u>6,128.7</u>	<u>7,029.9</u>

17. TRADE AND OTHER PAYABLES

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

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

Notes to the Condensed Consolidated Financial Statements

18. SHARE CAPITAL

	Number of shares		Share capital	
	Six months ended 30/6/2015 Million Shares	Year ended 31/12/2014 Million Shares	Six months ended 30/6/2015 HK\$ Million	Year ended 31/12/2014 HK\$ Million
Issued and fully paid				
Balance brought forward	2,253.6	2,123.6	8,752.3	424.7
Shares cancelled after repurchase	(2.8)	(30.0)	—	—
Transfers from share premium and capital redemption reserve upon the abolition of par value under the new Companies Ordinance	—	—	—	7,325.2
Issue of shares (net of expenses)	—	160.0	—	1,002.4
Balance carried forward	2,250.8	2,253.6	8,752.3	8,752.3

During the period, the Company repurchased 2.8 million shares of the Company through purchases on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$19.9 million. All the shares were cancelled after the repurchases.

Notes to the Condensed Consolidated Financial Statements

19. NOTES

	30/6/2015 HK\$ Million	31/12/2014 HK\$ Million
US dollar denominated notes (the "US\$ Notes")		
— 6.375% US dollar denominated notes maturing in September 2017 (the "6.375% Notes")	2,625.8	2,624.1
— 3% US dollar denominated notes maturing in December 2017 (the "3% Notes")	457.6	455.8
Renminbi denominated notes (the "RMB Notes")		
— 6.9% Renminbi denominated notes maturing in May 2018 (the "6.9% Notes")	622.9	628.6
	3,706.3	3,708.5
Analysed for reporting purposes as:		
— Current liabilities	76.6	71.3
— Non-current liabilities	3,629.7	3,637.2
	3,706.3	3,708.5

The US\$ Notes were issued by a subsidiary, Sun Hung Kai & Co. (BVI) Limited, under a US\$2 billion guaranteed medium term note programme. The nominal value of the 6.375% Notes after eliminating the intra-group holdings was US\$335.2 million or equivalent to HK\$2,598.4 million (31/12/2014: US\$335.2 million or equivalent to HK\$2,600.1 million) at the reporting date. The fair value of the 6.375% Notes based on the price quoted from pricing service at the reporting date was HK\$2,761.7 million (31/12/2014: HK\$2,737.8 million) which was categorised as Level 2.

The nominal value of the 3% Notes was US\$60.0 million or equivalent to HK\$465.1 million (31/12/2014: US\$60 million or equivalent to HK\$465.4 million) at the reporting date. The fair value of the 3% Notes measured by discounted cash flow approach at the reporting date was HK\$450.6 million (31/12/2014: HK\$448.7 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. During the period, the Group purchase part of the 6.9% Notes with a total nominal value of RMB5.0 million from the market at a consideration of HK\$6.5 million. The nominal value of the 6.9% Notes after eliminating the intra-group holdings was RMB495.0 million or equivalent to HK\$618.8 million at the reporting date (31/12/2014: RMB500.0 million or equivalent to HK\$624.9 million). The fair value of the 6.9% Notes based on the price quoted from pricing service at the reporting date was HK\$639.0 million (31/12/2014: HK\$644.2 million) which was categorised as Level 2.

Notes to the Condensed Consolidated Financial Statements

20. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30/6/2015 HK\$ Million	30/6/2014 HK\$ Million
Associates and joint ventures of a holding company		
Rental and building management fees to an associate of a holding company	(2.4)	(2.5)
Rental and building management fees to a joint venture of a holding company	(9.1)	(7.8)
Interest received from an associate of a holding company	4.0	3.1
Repayment of 6% unsecured term loans expiring on 31 March 2015 due by an associate of a holding company	—	54.1
	<u>—</u>	<u>54.1</u>
Associates and joint ventures		
Interest received from an associate	4.9	—
Management and service fees received from associates and joint ventures	1.6	1.8
Purchase a motor vehicle from an associate	(0.8)	—
	<u>5.7</u>	<u>1.8</u>
Holding company and its subsidiaries		
Brokerage received from holding companies and fellow subsidiaries	0.3	0.6
Insurance premiums received from a holding company and fellow subsidiaries in the course of provision of insurance brokerage services	1.2	1.9
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	(7.0)	(9.5)
Management fees paid to a holding company	(3.0)	(2.7)
	<u>(8.5)</u>	<u>(10.7)</u>

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

	Six months ended	
	30/6/2015 HK\$ Million	30/6/2014 HK\$ Million
Short-term benefits	50.9	34.8
Post-employment benefits	0.9	0.8
	<u>51.8</u>	<u>35.6</u>

During the period, 0.15 million shares were granted under the SHK Employee Ownership Scheme to key management personnel. In addition, 0.64 million shares with a total amount of HK\$4.96 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\$0.30 million (2014: HK\$0.27 million).

21. COMMITMENTS

(a) Capital commitments

	30/6/2015 HK\$ Million	31/12/2014 HK\$ Million
Contracted for but not provided in the condensed consolidated financial statements	<u><u>2.3</u></u>	<u><u>6.2</u></u>

(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:

	30/6/2015 HK\$ Million	31/12/2014 HK\$ Million
Within one year	148.9	218.6
In the second to fifth years inclusive	155.0	370.6
Over five years	<u>—</u>	<u>39.0</u>
	<u><u>303.9</u></u>	<u><u>628.2</u></u>

The lease payments represent rentals payable by the Group for its office premises and office equipment under operating lease arrangements. The lease terms and rentals of properties are fixed at one to five years. The lease commitments include rental payable to a holding company of HK\$0.4 million (2014: Nil), a joint venture of a holding company of HK\$7.0 million (2014: HK\$14.3 million) and an associate of a holding company of HK\$4.3 million (2014: HK\$5.8 million).

(c) Loan commitments

	30/6/2015 HK\$ Million	31/12/2014 HK\$ Million
Within one year	<u><u>928.1</u></u>	<u><u>1,535.2</u></u>

Notes to the Condensed Consolidated Financial Statements

22. CONTINGENT LIABILITIES

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

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

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

23. MATURITY PROFILE OF ASSETS AND LIABILITIES

	At 30 June 2015					Total HK\$ Million
	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	
Assets						
Bonds included in financial assets at fair value through profit or loss	—	—	2.5	199.2	—	201.7
Loans and advances to consumer finance customers	1,852.1	1,810.2	3,862.6	2,069.1	787.0	10,381.0
Term loans	395.8	499.0	1,005.6	1,749.9	—	3,650.3
Fixed deposits with banks	—	3,870.5	568.3	—	—	4,438.8
	—	3,870.5	568.3	—	—	4,438.8
Liabilities						
Bank borrowings	—	(930.8)	(1,833.4)	(3,364.5)	—	(6,128.7)
Notes	—	(69.8)	(6.8)	(3,629.7)	—	(3,706.3)
	—	(930.8)	(1,833.4)	(3,364.5)	—	(6,128.7)

Notes to the Condensed Consolidated Financial Statements

23. MATURITY PROFILE OF ASSETS AND LIABILITIES (CONTINUED)

	At 31 December 2014					Total HK\$ Million
	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	
Assets						
Bonds included in financial assets at fair value through profit or loss	—	2.1	6.5	175.3	—	183.9
Loans and advances to consumer finance customers	1,534.1	2,044.6	4,504.6	2,422.3	886.1	11,391.7
Term loans	416.4	79.4	1,389.6	1,460.6	—	3,346.0
Fixed deposits with banks	—	1,458.1	825.9	—	—	2,284.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities						
Bank borrowings	—	(3,577.1)	(242.8)	(3,210.0)	—	(7,029.9)
Notes	—	(64.4)	(6.9)	(3,637.2)	—	(3,708.5)
	<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.

24. 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 functions including Internal Audit, 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.

Notes to the Condensed Consolidated Financial Statements

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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. Proprietary trading, across the Group is subject to limits approved by senior management. 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.

(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 senior management. 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.

24. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(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 procedures, governed by the Executive Committee, sets out the credit approval processes and monitoring procedures, which are established in accordance with sound business practices.

(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. This is achieved by a transparent and collective monitoring approach across the Group involving Executive Directors, the Director of Banking & Treasury and the Group CFO.

