

Interim Report 1999 Jan - June

HIGHLIGHTS

- The Group recorded an operating profit of HK\$28.8 million (1998: HK\$59.1 million) and a profit from ordinary activities of HK\$57.2 million (1998: HK\$93.6 million) for the six months period ended 30 June 1999. The profit attributable to shareholders was HK\$55.6 million (1998: HK\$97 million).
- Following the acquisition in November 1998 of a 49% stake in Lippo Capital Limited which is beneficially interested in approximately 49.85% of the listed Lippo Limited, the Group has been working on exploring the synergies between its principal activities and those of the Lippo group of companies.
- In February 1999, the Group consolidated its interest in Tian An China Investments Company Limited by effectively underwriting a rights issue undertaken by that company. Following the completion of the rights issue, the Group now directly and indirectly holds approximately 59.64% of the capital of Tian An China which has been re-classified as a subsidiary.
- By an agreement signed in December 1998, the Group sold all its shares in Sun Hung Kai Fund Management Limited and SHK Unit Trust Managers Limited at a total consideration of HK\$6 million and the sale was completed in April 1999.
- The turnover and brokerage incomes of our securities broking division both reflected the economic recovery. The Corporate Sales Departments were involved in a number of placements, sub-underwriting of share issues and placements of covered warrants. Two investment seminars on red-chip stocks were held in the Mongkok branch in February with favourable response from investors. The Group is planning to open one to two more branches in the future.
- The B-share markets in Shenzhen and Shanghai started to rebound in April and May respectively which remarkably increased the total trading volume handled by both China offices.
- The margin loan portfolio showed a decline as a result of the shrinkage in the securities market turnover but the interest spread remained at a satisfactory level. The term lending business continued to show improvement, providing a valuable contribution to the division's profits.
- The access rate of Research Department's web site has been ranked among the top five of all Asian research contributors at a real-time delivery system of global brokerage research.
- Remarkable growth figure was recorded by the Financial Information Service Department both in terms of turnover and operating profit, and it has successfully secured new business from a telecommunication operator.
- The Foreign Exchange Department was impacted by a declining interest in the foreign exchange market. The Bullion Department continued to provide a steady stream of earnings although gold has progressively weakened throughout the period. The Hong Kong Futures Execution Department received satisfactory income and turnover while the commission earnings generated from the Commodities Execution Department have been increasing.
- The Corporate Finance Division has continued to provide a full range of professional advisory services to its corporate clients and has been involved in a number of corporate finance transactions including managing and underwriting of rights issues and new issues of Hong Kong shares.
- The Insurance Broking Division achieved satisfactory performance in its business development by winning some construction projects, public listed companies and several quasi-government organizations as clients.

- The Philippines office's overall performance was favourable as a result of the rebound of the equities market. Strong volume performance increased the company's commission income over the same period last year.
- With the indications of a slowdown of the P.R.C.'s economic growth, the property market in P.R.C. turned relatively quiet and Tian An China was inevitably affected. However, it is anticipated that the situation will gradually improve when the economic momentum is regained.
- The Group has a clear policy to develop its "online" or electronic broking capacity and will continue to pursue our key objectives of providing quality services to clients as well as generating the best possible returns to shareholders. The Group is moving ahead to its 30th Anniversary in December 1999. By capitalizing on its long history and reputable status within the region and taking advantage of development opportunities, we are confident that Sun Hung Kai will remain in the forefront in the industry in the next millennium.

THE YEAR 2000 ISSUE

- The required disclosure of the Year 2000 Issue has been included in the Group's 1998 interim and annual reports. Update on the progress is provided below.
- The Group has already achieved full compliance for all systems, including critical and non-critical ones, currently in use. The integrated tests with our major business partners have been completed with satisfaction.
- The Business Continuity and Contingency Plan for the Year 2000 Issue has been completed and tested. The plan has included a risk and impact study for every critical operation in the core business units. Further refining and testing on the plan will continue throughout 1999.
- The Group has been actively providing updated information to clients with explanations of the Year 2000 Issue, informing them of the issue and our internal and external testing, back-up systems and additional safety precautions for their assets.

ARTHUR GEORGE DEW
Executive Chairman

Hong Kong, 26 August 1999

**UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the six months ended 30 June 1999**

	30.6.1999 HK\$'000	30.6.1998 HK\$'000
Turnover(Continuing operations)	281,297	288,532
Turnover(Discontinued operations)	1,041	4,864
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	282,338	293,396
Operating profit(Continuing operations)	29,214	59,857
Operating profit(Discontinued operations)	(387)	(800)
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	28,827	59,057
Exceptional items	28,391	34,563
Profit from ordinary activities	57,218	93,620
Share of profits less losses of associated companies	4,899	29,599
Jointly controlled entities	4,505	--
Profit before taxation	66,622	123,219
Taxation	(4,643)	(25,924)
Profit after taxation	61,979	97,295
Minority interests	(6,424)	(251)
Profit attributable to shareholders	55,555	97,044
Transfer to reserve by associated companies	(847)	--
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	54,708	97,044
Half year earnings per share	HKcts	HKcts
Basic	4.8	8.4
Fully diluted	N/A	7.6