

INTERIM REPORT 2020

ENDURE. ADAPT. EXCEL

 新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

Stock Code: 0086

Endure. Adapt. Excel





Who We Are

Sun Hung Kai & Co. Limited

Sun Hung Kai & Co. Limited (the “Company”, together with its subsidiaries, the “Group”) is a financing and investing firm headquartered in Hong Kong. Since its establishment in 1969, the Group has owned and operated market-leading businesses in financial services. Building on its rich heritage, experience and network, the Group aims to generate long-term capital growth for its shareholders through a diverse, yet complementary, financing and investment model. It is the major shareholder of leading consumer finance firm United Asia Finance Limited, and a substantial shareholder of Everbright Sun Hung Kai Company Limited. Overall, the Group holds approximately HK\$43 billion* in total assets.

For more information, please view our website at www.shkco.com.

*As at 30 June 2020

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The dinghy is sponsored by the Company’s Sun Hung Kai Scallywag Foundation, which aims to create opportunities for underprivileged youth from Hong Kong to have access to sailing.

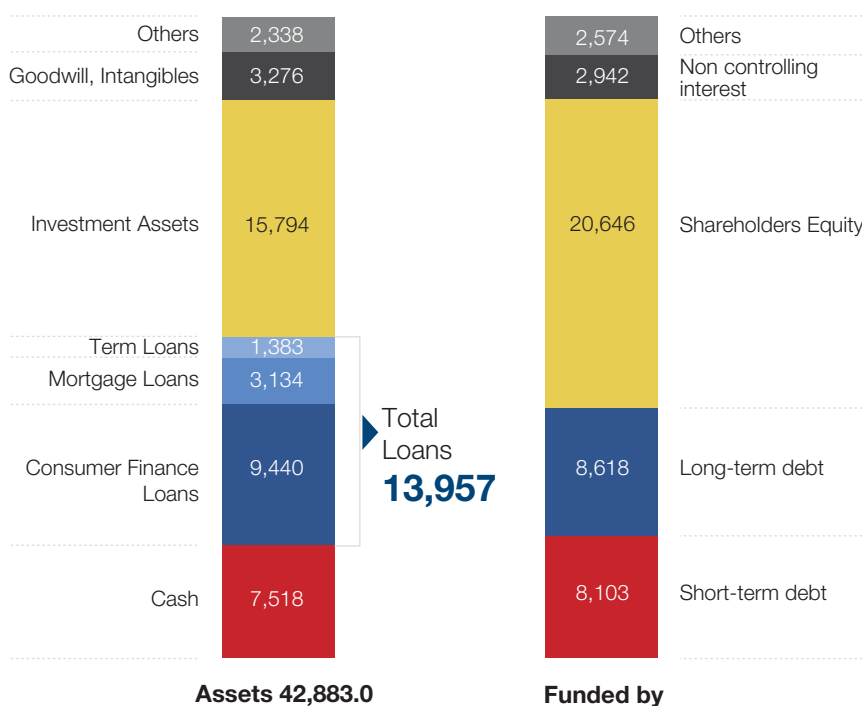
Financial Highlights

(year-on-year comparison)

Attributable Profit -32%	Total Assets +6%
HK\$695.2m	HK\$42,883.0m
Basic EPS -32%	Total Liabilities +8%
HK34.9c	HK\$19,295.7m
DPS no change	Net Gearing Ratio from 53.8% to
HK12.0c	44.6%
BVPS +6%	Interest Cover -32%
HK\$10.4	3.2x

Balance Sheet (HK\$ million)

The Group's balance sheet remained strong, with a healthy cash position and low gearing. Long-term loans and investment assets are funded by long-term debt and equity, while short-term assets are well-matched with short-term debt.



Management Discussion and Analysis

Financial Highlights

(HK\$ Million)	Six months ended		Change	Year ended
	Jun 2020	Jun 2019		Dec 2019
Revenue	2,042.9	2,071.6	-1%	4,216.8
Pre-tax profit	950.5	1,401.0	-32%	2,743.4
Profit attributable to				
owners of the Company	695.2	1,028.9	-32%	2,085.2
Basic earnings per share (HK cents)	34.9	51.5	-32%	104.4
Interim dividend (HK cents)	12.0	12.0	-	14.0 [^]
Book value per share (HK\$)	10.4	9.8	6%	10.2

[^] Second interim dividend

The results for the first half of 2020 represent a solid performance, as global markets wrestle with unprecedented shocks and sharp increases in volatility from the novel coronavirus (“COVID-19” or “COVID”) pandemic. Through this turbulent period, the Company remained liquid and profitable, adopted a strategy of thoughtfully reducing risk, and remained well-positioned for new business opportunities.

The profit attributable to the owners of the Company for the period was HK\$695.2 million (first half of 2019: HK\$1,028.9 million). Basic earnings per share (“EPS”) for the period were HK34.9 cents (first half of 2019: HK51.5 cents), down 32% year-on-year.

The Board has declared an interim dividend of HK12 cents per share for the six months ended 30 June 2020, which is the same as the corresponding period in 2019. During the period, the Company repurchased 8 million shares for a total consideration of HK\$26.4 million (first half of 2019: HK\$20.1 million).

As at 30 June 2020, the Group’s book value per share was HK\$10.4, which increased by 2% from the end of 2019 (HK\$10.2) and by 6% from 30 June 2019 (HK\$9.8).

Results Analysis

The Group’s first-half revenue in 2020 was HK\$2,042.9 million (first half of 2019: HK\$2,071.6 million), of which interest income remained the largest component. As at 30 June 2020, total loans and advances to customers, net of impairment allowance, was HK\$13,956.6 million (30 June 2019: HK\$16,060.5 million; 31 December 2019: HK\$15,946.6 million). Since January 2020, we reduced risk exposure across our lending businesses, being cautious with origination and making provisions for expected credit losses across the Group.

Operating costs declined by 14% to HK\$625.6 million (first half of 2019: HK\$729.0 million) with cost control and reduced office operations. In contrast, finance costs increased by 17% to HK\$438.3 million over the same period last year (first half of 2019: HK\$374.9 million) reflecting additional financing secured in the second half of 2019 through the issue of new medium-term notes and increased borrowings by the Consumer Finance business. Securing this additional financing last year strengthened the Group’s financial position before this year’s COVID-19 challenges.

Net impairment losses on financial instruments slightly increased from HK\$459.9 million for the first half of 2019 to HK\$484.8 million. Total net impairment losses from loans and advances to customers increased by 26% to HK\$528.0 million, which was partly offset by recoveries of trade receivables of HK\$43.7 million.

Business Review

The profit (loss) before tax by segment, before non-controlling interests, is as follows:

(HK\$ Million)	Pre-tax Contribution for the six months ended			Segment Assets as at	
	Jun 2020	Jun 2019	Change	Jun 2020	Dec 2019
FINANCING BUSINESS					
Consumer Finance	520.0	652.2	-20%	17,283.1	17,917.7
Specialty Finance	28.8	78.1	-63%	1,341.7	1,865.0
Mortgage Loans	65.5	68.5	-4%	3,267.7	3,694.4
INVESTING BUSINESS					
Investment Management	365.9	494.7	-26%	14,058.1	13,129.7
Strategic Investments	63.9	102.4	-38%	2,613.8	2,650.1
GROUP MANAGEMENT AND SUPPORT					
	(93.6)	5.1	N/A	4,318.6	3,304.7
Total	950.5	1,401.0	-32%	42,883.0	42,561.6

In the first half of 2020, the Company delivered solid profits across all business segments, despite the major disruptions due to COVID-19 and the delayed effect of last year’s social unrest in Hong Kong. While these results are a decline from the strong performance achieved in 2019, we remained profitable in our Financing and Investing businesses through the uncertainties of the pandemic, including repeated interruption to business activities, volatile capital markets and a global liquidity crunch. While the Investment Management (“IM”) portfolios were all affected, the business maintained liquidity and was able to take advantage of the recovery in markets.

Though the circumstances were far from ideal, our Financing business remained resilient. The Consumer Finance and Specialty Finance businesses with lower loan balances, reduced interest income and higher net impairment losses still contributed to our bottom line. Mortgage Loans were more stable off only 4% (see below) due to good margins in lending and relatively low impairment losses. Our cautious approach to credit approval has helped our Financing business weather these challenging times.

Pre-tax loss from Group Management and Support was HK\$93.6 million (pre-tax profit of first half of 2019: HK\$5.1 million), mainly due to higher liquidity and a decline in the fair value of financial assets held for liquidity purposes.

Financing Business

The Consumer Finance business contributed the largest share of the Financing pre-tax profits, HK\$520.0 million of the total HK\$614.3 million for the period.

Specialty Finance, while profitable, showed a drop in contribution due to a thoughtful reduction in the loan book size as loans were repaid, as well as increased provisions for expected credit loss.

The Mortgage Loans business also contributed a meaningful profit.

Consumer Finance

The Group's Consumer Finance business is conducted via United Asia Finance Limited ("UAF"), of which the Company owns 62.7%. Through a well-established branch network and sophisticated online platforms, UAF primarily offers unsecured loans to individual consumers and small businesses in Hong Kong and Mainland China. UAF is a market leader in personal loans in Hong Kong and in Mainland China, UAF holds several off-line money lending licences in major cities across the country, as well as internet money lending licences which allow it to conduct its online loan business across the country.

Segment Half Year Results

(HK\$ Million)	Six months ended		Change
	2020	2019	
Revenue	1,623.7	1,694.8	-4%
<i>Return on loans¹</i>	30.5%	32.1%	
Operating costs	(498.5)	(538.7)	-7%
<i>Cost to income (% Revenue)</i>	30.7%	31.8%	
Finance costs	(171.1)	(146.2)	17%
Net impairment losses	(440.6)	(373.1)	18%
Other gain	8.9	15.4	-42%
Exchange loss	(2.4)	0.0	-
Pre-tax contribution	520.0	652.2	-20%
Loan Book:			
Net loan balance	9,439.8	10,068.0	-6%
Gross loan balance ²	10,122.8	10,705.2	-5%

¹ Annualised interest and fee income/average gross loan balance

² Before impairment allowance

UAF's pre-tax contribution to the Group amounted to HK\$520.0 million, a decrease of 20% compared to the first half of 2019.

For the first half of 2020, revenue dropped by 4%, approximately in line with the decrease in the size of the total loan book. The total loan balance at the end of the period, on a gross and net basis (after impairment allowance), dropped by 5% and 6%, respectively, year-on-year.

Operating costs shrank due to further reduction of the branch network and reduced business activities at physical branches while certain cities were locked down during the period. Finance costs increased by 17% due to higher borrowings to support an increase in average loan balances in Hong Kong. Net impairment losses increased by 18%, reflecting higher loan delinquencies and related charge-offs as a result of deteriorating economic conditions arising from the delayed effects of social unrest in Hong Kong during the second half of 2019 and the COVID-19 outbreak during the period.

Net Impairment Losses on Financial Instruments

<i>(HK\$ Million)</i>	Jan – Jun 2020	Jan – Jun 2019	Jul – Dec 2019
Amounts written off	(565.5)	(479.8)	(453.4)
Recoveries	104.8	97.5	97.9
Charge off	(460.7)	(382.3)	(355.5)
as an annualised % of average gross loan balance	8.7%	7.2%	6.5%
Written back (charges) of impairment allowance	20.1	9.1	(75.2)
Total net impairment losses	(440.6)	(373.2)	(430.7)
as an annualised % of average gross loan balance	8.3%	7.1%	7.9%
Impairment allowance at period/year end	683.0	637.2	707.8
as a % of gross loan balance at period/year end	6.7%	6.0%	6.4%

Ageing analysis for net loan balance of Consumer Finance customers:

<i>(HK\$ Million)</i>	Jun 2020	Note	Dec 2019	Note
No. of days past due as at:				
Less than 31	536.7	5.7%	582.9	5.6%
31-60	39.7	0.4%	55.6	0.5%
61-90	26.7	0.3%	20.9	0.2%
91-180	151.9	1.6%	148.4	1.4%
Over 180	203.5	2.2%	61.4	0.6%
Total	958.5	10.2%	869.2	8.3%

Note: Amount as a % of net loan balance

Hong Kong Business

Key Operating Data	1H2020	1H2019	Full Year 2019
Number of branches <i>(end of period/year)</i>	48	49	48
Loan data:			
Gross loan balance <i>(HK\$ Million)</i> <i>(end of period/year)</i>	8,191.3	8,328.8	8,576.2
Loan originated for the period/ year <i>(HK\$ Million)</i>	4,703.7	5,664.1	12,499.1
Number of loans originated	89,239	100,434	183,354
Average gross balance per loan <i>(HK\$)</i>	59,342	60,247	60,174
Annualised ratios:			
Total return on loans ¹	30.3%	31.3%	32.1%
Charge-off ratio ²	5.5%	4.4%	4.9%
Net impairment losses ratio ³	5.0%	4.8%	6.0%
Impairment allowance ratio ⁴	5.7%	4.9%	5.7%

¹ Interest income and fee/average gross loan balance

² Charge-off/average gross loan balance

³ Net impairment losses/average gross loan balance

⁴ Impairment allowance/gross loan balance at period/year end, as applicable

While the COVID-19 pandemic affected business activities in Hong Kong, the local business of UAF (“UAF Hong Kong”) has navigated well through this turbulent period, maintaining its market leading position. The gross loan balance dropped marginally year-on-year and the charge-off ratio increased moderately compared to the second half of last year.

During the period, UAF Hong Kong continued to develop its fintech offerings to better meet the needs of its customers. In July 2020, UAF Hong Kong launched a revamped mobile app, “Yes UA”, with more advanced features, including Hong Kong identity (“HKID”) card authentication. UAF Hong Kong is the first local lender to enable online authentication of the new “smart” HKID card. Another feature, the “One-Click-to-Loan” service, allows customers to complete their loan application and approval processes anytime, anywhere. The customer can drawdown the loan in real time upon approval via the “Faster Payment System” interbank clearing solution launched by Hong Kong Monetary Authority.

UAF Hong Kong plans to continue to leverage its rich market expertise to provide innovative products and high-quality services to better serve the needs of customers. We believe UAF Hong Kong's strong customer base is key to generating solid growth in its business going forward.

Mainland China Business

Key Operating Data	1H2020	1H2019	Full Year 2019
Number of branches (end of period/year)	28	31	30
Loan data:			
Gross loan balance (HK\$ Million) (end of period/year)	1,931.5	2,376.4	2,545.1
Loan originated for the period/ year (HK\$ Million)	1,376.6	1,948.9	4,522.2
Number of loans originated	28,092	29,124	104,716
Average gross balance per loan (RMB)	32,345	40,076	31,937
Annualised ratios:			
Total return on loans ¹	31.2%	34.7%	33.9%
Charge-off ratio ²	20.4%	16.3%	13.2%
Net impairment losses ratio ³	20.5%	14.5%	12.0%
Impairment allowance ratio ⁴	11.2%	9.7%	8.6%

¹ Interest income and fee/average gross loan balance

² Charge-off/average gross loan balance

³ Net impairment losses/average gross loan balance

⁴ Impairment allowance/gross loan balance at period/year end, as applicable

The economic and operating environment of Mainland China during the first half of 2020 was extremely difficult as the Chinese Government implemented domestic lockdowns to control the COVID-19 pandemic. Under these extraordinary circumstances, the economy was badly impacted, with GDP shrinking. UAF's Mainland China business ("UAF China") was not immune, with a drop in revenue and increased net impairment losses causing a loss in UAF China for the period.

Although business activity has not returned to pre-COVID levels, UAF China's business performance gradually picked up in the second quarter: origination increased and delinquencies fell. Nonetheless, UAF China continued to adopt cautious approach to loan approvals and has been monitoring the situation closely, ready to adjust its strategy and business plans as necessary.

To introduce UAF China to more mass-market customers, the company is exploring cooperation with various online platforms. These channels are expected to further increase the number of loans originated online (55% of new loans for the period), and leverage UAF China's online infrastructure. This type of online lending is carried out under two internet licences held by UAF subsidiaries in Shenzhen and Shenyang, acquired in May 2019 and July 2016, respectively. We are targeting to launch these collaborations by end of this year, once we have chosen the appropriate partners.

Prospects

Given the ongoing COVID-related uncertainties and escalating US-China tensions, we are cautious in our outlook for the remainder of the year. However, given our strong market position, cautious underwriting standards, and the experience and expertise of our management in dealing with the past crises, we believe that UAF will emerge stronger.

Specialty Finance

The Group's Specialty Finance business provides tailored funding solutions to corporates, investment funds and high net worth individuals. Almost all loans are either secured by assets or guarantees by corporates or high net worth individuals. The net loan balance was HK\$1,255.9 million as at 30 June 2020, representing a year-on-year decline of 47% and a year-to-date decline of 30% (30 June 2019: HK\$2,367.7 million; 31 December 2019: HK\$1,788.0 million). After taking into account net impairment losses of HK\$63.9 million (30 June 2019: HK\$44.7 million), the segment's pre-tax contribution was HK\$28.8 million (30 June 2019: HK\$78.1 million), which dropped by 63% against the first half of 2019. The results were attributable to a reduction of interest income (the loan book size reduced as loans matured and were not replaced) and an increase in provisions for expected credit loss.

Segment Half Year Results

(HK\$ Million)	Six months ended 30 June		
	2020	2019	Change
Revenue	146.2	182.8	-20%
Return on loans ¹	14.2%	12.7%	
Operating costs	(1.8)	(1.5)	20%
Cost to income (% Revenue)	-1.2%	-0.9%	
Finance costs	(51.3)	(58.4)	-12%
Net impairment losses	(63.9)	(44.7)	43%
Net loss on financial assets and liabilities	(0.4)	(0.1)	300%
Pre-tax contribution	28.8	78.1	-63%
Loan Book:			
Net loan balance	1,255.9	2,367.7	-47%
Gross loan balance ²	1,630.6	2,563.2	-36%

¹ Annualised interest and fee income/average gross loan balance

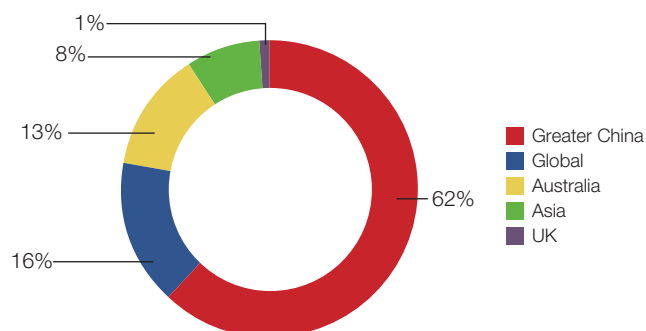
² Before impairment allowance

As the portfolio is primarily focused on the Greater China market, we have continued our conservative approach of focusing on managing the credit quality and profitability. The result has been a growth in the annualised return on loans to 14.2% (30 June 2019: 12.7%).

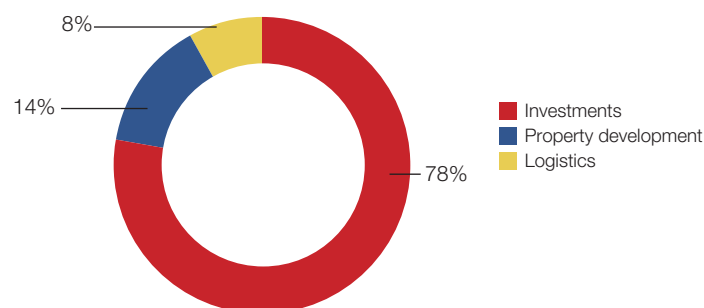
Though we remain open to new lending opportunities, management will continue our cautious approach to new lending and focus on management of existing loans. We remain confident in this business's prospects as it leverages the Group's business network and strong financial position at a time when commercial banks and large institutions provide fewer corporate loans or seek higher returns from them.

Specialty Finance Portfolio

Term Loan Breakdown by Geography



Term Loan Breakdown by Sector



Mortgage Loans

The Group's Mortgage Loans business is operated by Sun Hung Kai Credit Limited ("Sun Hung Kai Credit"). It contributed a pre-tax profit of HK\$65.5 million during the period, a decrease of 4% from HK\$68.5 million year-on-year.

Segment Half Year Results

(HK\$ Million)	Six months ended 30 June		
	2020	2019	Change
Revenue	169.3	150.1	13%
Return on loans ¹	9.9%	8.0%	
Operating costs	(20.9)	(20.2)	3%
Cost to income (% Revenue)	12.3%	13.5%	
Finance costs	(58.8)	(61.5)	-4%
Net impairment losses	(24.1)	(0.1)	24,000%
Other gains	-	0.2	-100%
Pre-tax contribution	65.5	68.5	-4%
Loan Book:			
Net loan balance	3,134.1	3,593.5	-13%
Gross loan balance ²	3,179.9	3,603.3	-12%

¹ Annualised interest and fee income/average gross loan balance

² Before impairment allowance

Revenue increased by 13%, driven by the year-on-year increase in the average loan yield on our portfolio. The net loan balance was HK\$3,134.1 million as at 30 June 2020 (30 June 2019: HK\$3,593.5 million; 31 December 2019: HK\$3,626.9 million). During the period, Sun Hung Kai Credit has extended fewer lower-margin loans. Finance costs for the period were slightly lower year-on-year as average borrowings reduced.

The credit quality of the loan book remained strong and no actual credit losses were incurred during the period. However, expected credit losses increased based on a general decrease in the market value of collateral in the first half of 2020. Management is cognizant of the potential volatility in residential property prices in Hong Kong and continues to adopt a cautious underwriting approach. The overall loan-to-value ratio of the portfolio was below 65% at the end of the period.

Given the broad impacts of the COVID-19 pandemic and resulting global economic uncertainties, management expects the Hong Kong property market to be impacted in the remainder of 2020. Thus, we expect to continue our prudent lending approach as we build the business through further diversification to higher margin loan products, launching of new marketing campaigns, strengthening our sales force, and investing in upgraded infrastructure.

INVESTING BUSINESS

Investment Management

The IM division leverages the Group's internal expertise, external network and financial position to invest in attractive risk-adjusted investment opportunities. During the period, the six-month return on the average assets for the segment was 4.4%. Taking into account operating expense and funding cost allocation, the segment contributed HK\$365.9 million to pre-tax profit, a decrease of 26% from the HK\$494.7 million contributed in the first half of 2019.

Analysis of Pre-tax Profit by Nature

(HK\$ Million)	For the six months ended		
	Jun 2020	Jun 2019	Change
Net gain on financial assets and liabilities and interest income	606.4	734.7	-17%
Dividends received	16.5	8.8	88%
Rental income	12.5	11.6	8%
Net impairment allowance reversal/(losses) on financial instruments	42.7	(42.0)	N/A
Net exchange (loss)/gain	(0.2)	19.4	N/A
Share of results of associates & joint venture ¹	3.8	–	N/A
Other (loss)/income	(92.0)	9.0	N/A
Total gains	589.7	741.5	-20%
Operating costs²	(223.8)	(246.8)	-9%
Pre-tax contribution	365.9	494.7	-26%

¹ Exclude Sun Hung Kai Financial Group Limited

² Net of cost of capital

The first half of 2020 was a dramatic period in financial markets. The COVID-19 pandemic roiled markets, with the magnitude and volatility of the downward moves reminiscent of the Global Financial Crisis and the Crash of 1987. The response by governments and central banks globally was swift and decisive, putting a floor under the market toward the end of March and marking the low point in the markets for the first half of 2020.

Thanks to our strong financial position, the Company was able to ride out the volatility and remain well-positioned through this period. We focused on the fundamentals of our underlying investments and carefully monitored the pandemic's impact on our public and private portfolios.

Overall, the equity and credit portfolios were heavily impacted but saw a considerable improvement from the lows of March. Our real estate portfolio was negatively affected by our Hong Kong and hospitality exposure. However, diversification and the underlying asset quality enabled them to retain solid valuations.

From here we remain cautious and, while markets are strong, we expect further volatility as the aftereffects of the government and central bank interventions take hold. We are in unprecedented times and are committed to extra diligence and focus across all our investments to carefully manage our risks.

Segment Assets Breakdown and Annual Return

(HK\$ Million)	1H 2020				Return track record ¹	
	Period End Value	Average Value for the Period	Gain/(Loss)	Six-month Return ¹	2019 ²	2018 ²
Public Markets	3,814.4	3,522.3	(245.6)	-7.0%	15.0%	-8.6%
Alternatives	7,796.3	7,336.3	862.3	11.8%	17.1%	9.2%
Real Assets	2,447.4	2,483.5	(27.0)	-1.1%	-3.9%	9.8%
Total	14,058.1	13,342.1	589.7	4.4%	12.4%	4.1%

¹ Gain (Loss) before costs of capital/average value for the period

² Annual return

Public Markets (27.1% of IM)

The Public Markets portfolio consists of an internally managed equity strategy, an internally managed credit strategy, corporate holdings and cash.

Breakdown of Public Markets Portfolio as at 30 June 2020

(HK\$ Million)	Period End Value	Gain/ (Loss)	Six-month Return ²
Equity ¹	1,072.6	32.2	3.5%
Credit ¹	1,011.1	(0.9)	-0.1%
Corporate Holdings & Cash	1,730.7	(276.9)	N/A
Total	3,814.4	(245.6)	-7.0%

¹ Certain assets have been reclassified to Corporate Holdings & Cash to give a more accurate representation of the performance of the portfolio

² Gain (Loss) before cost of capital/average value for the period

Equity Portfolio

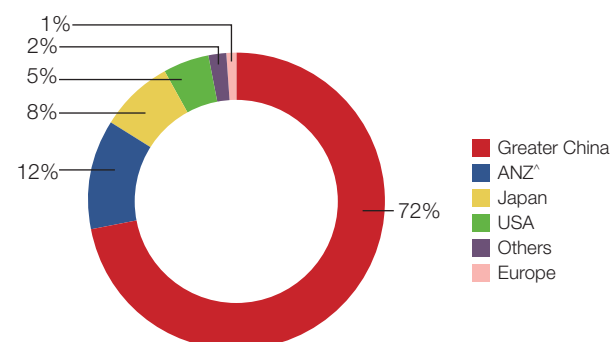
The Public Markets equity portfolio consists of the actively managed APAC long/short strategy.

Given the difficult markets, the portfolio performed as well as we could have hoped. The “long” portfolio’s focus on great businesses held up well and recovered better than the broader market, while our short positions added the additional alpha we target in a downturn.

As at the end of June, the long/short portfolio had outperformed the MSCI Asia Pacific Index with lower market exposure. In the second half of 2020, we plan to move the long/short strategy to the Fund Management platform and expect to take in third party capital.

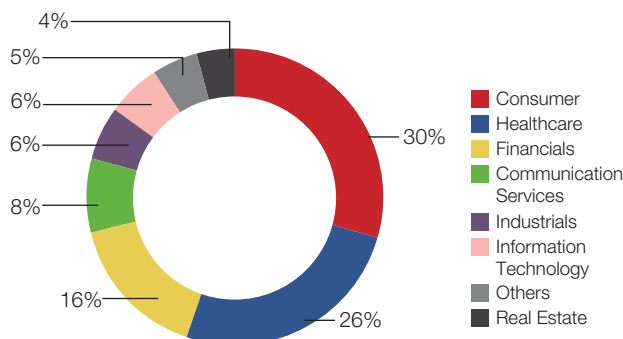
APAC Long/Short portfolio

Holdings by Geography



[^] Australia and New Zealand

Holdings by Sector



Credit Portfolio

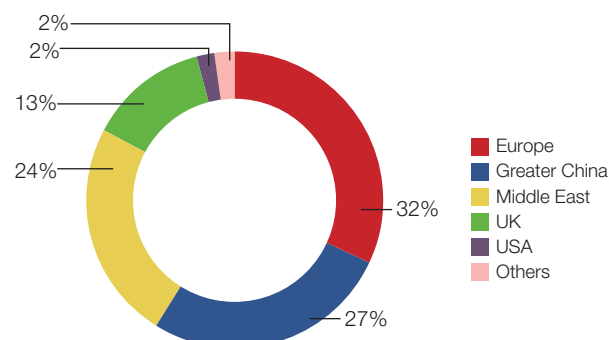
The Public Markets credit portfolio consists of the actively managed global strategy.

This strategy, which focuses on defensive names, showed its resilience during this crisis with no credit events (such as non-payment, restructuring or bankruptcies) occurring. The investments into oil & gas through high-quality Middle East sovereign bonds near oil’s low point turned out to be very profitable trades. With the strong rebound in credit markets in June 2020, our credit portfolio was down 0.1% year-to-date and has further strengthened after the end of the period.

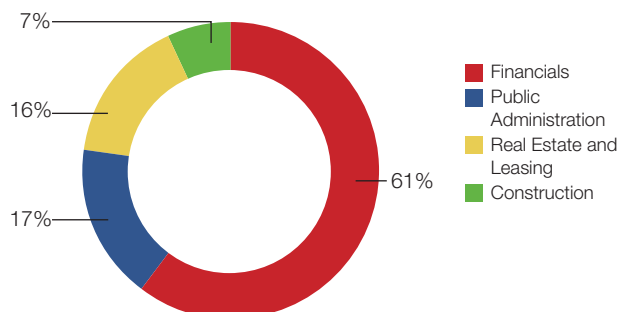
Looking ahead, we expect continued uncertainty in the credit markets and hence we have decided to take some profits and monitor the markets for attractive opportunities.

Global Credit portfolio

Holdings by Geography



Holdings by Sector



Corporate Holdings & Cash

The Company has corporate holdings used for strategic investment, hedging of certain IM positions, and cash holdings within IM, some of which incurred mark-to-market losses in the volatility and market turbulence of the period. Going forward, some or all these holdings may be moved to GMS as we reassess where to hold them to best reflect the performance of the investment strategies.

Alternatives (55.5% of IM)

Over the past several years, we have invested the Group’s expertise and capital to build a portfolio of private equity funds, direct investments and co-investments to generate returns and diversify our exposure by industry and geography. The portfolio is invested with companies or fund managers who are selected based on performance, strategic fit, and access to markets and sectors. With the Group’s expertise and network in the financial services segment, we expect this to continue to be a core theme of the portfolio.

Breakdown of Alternatives Portfolio as at 30 June 2020

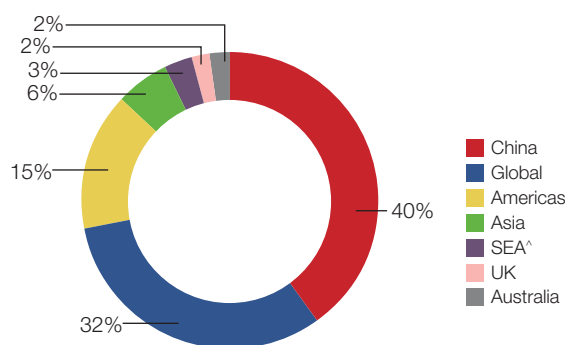
(HK\$ Million)	Period End Value	Gain	Six-month Return [^]
External Hedge Funds	1,422.2	132.5	11.2%
External Private Equity Funds	2,375.0	1.1	0.0%
Direct and Co-investments	3,999.1	728.7	19.1%
Total	7,796.3	862.3	11.8%

[^] Gain before cost of capital/average value for the period

Due to the mature nature of the portfolio, the first half of 2020 saw distributions increased to HK\$1,298.3 million, well above the full-year 2019 total of HK\$745.8 million, which was itself an all-time high. During this period, the Company met capital calls for existing fund investments for a total of HK\$867.9 million. The net effect was cash inflows of HK\$425.4 million.

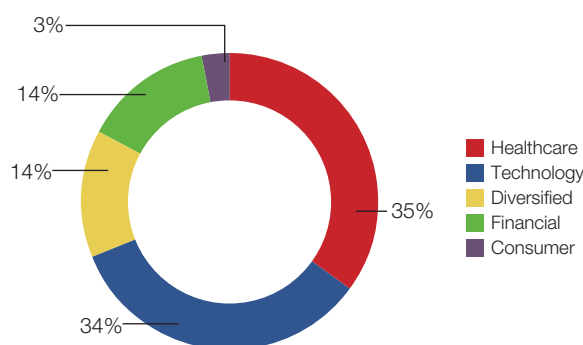
During the period, the team allocated capital to new and existing fund managers, as well as direct and co-investment opportunities sourced through the Group’s network.

Private Equity Exposure by Geography



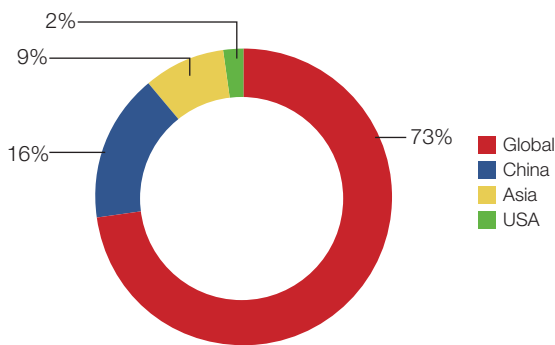
[^] South-eastern Asian Countries

Private Equity Exposure by Sector

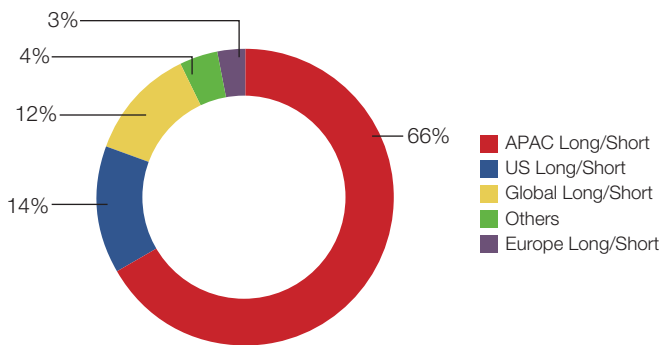


During the first half of 2020, we undertook to rebalance our hedge fund portfolio, making additional commitments to three existing funds, investing in three new funds and redeeming our positions in three funds. Especially considering the market conditions in the first half and current market uncertainty, we are actively managing our portfolio. These investments enable us to gain access to additional information and market views as we manage our own portfolio and evaluate external managers.

External Hedge Funds Exposure by Geography



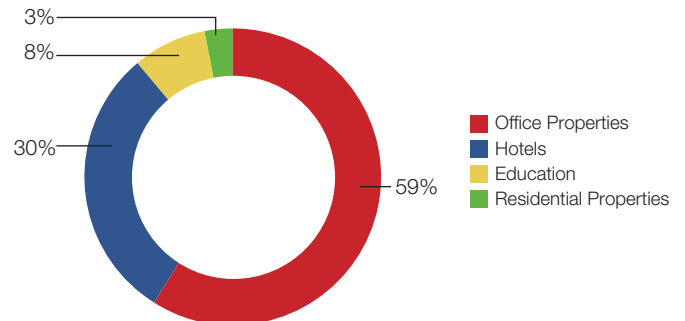
External Hedge Funds Holdings by Sector



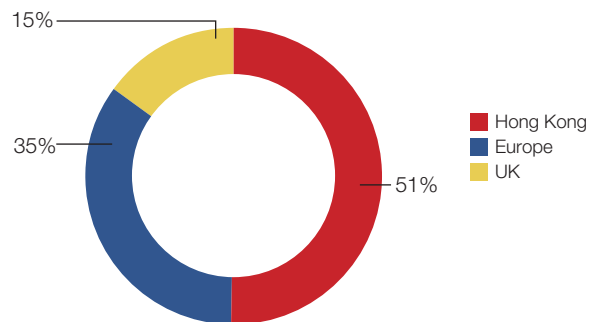
Real Assets (17.4% of IM)

The Real Assets portfolio had a valuation of HK\$2,447.4 million as at 30 June 2020 (30 June 2019: HK\$2,284.6 million; 31 December 2019: HK\$2,542.5 million). The portfolio includes the Group’s interests in Hong Kong commercial real estate as well as hotels and commercial investments in global markets. During the first half of the year, there was a small loss on the portfolio arising from increased provisions on the office portfolio in Hong Kong. We continue to look for opportunities in the real estate space with a focus on the UK and Europe.

Real Assets Exposure by Asset Class



Real Assets Exposure by Geography



Real estate is a core strength of the Group and an area where we expect to grow our portfolio going forward. In addition to our equity real estate holdings, we plan to launch our first real estate debt fund. With the Group’s long track record and strong institutional knowledge of the lending space, we see private debt in real estate as an attractive opportunity to expand and offer our expertise and deal flow to outside investors.

Fund Management Initiative

Over the course of the last several years, we have built all the above pieces of the IM business through careful consideration and continuous efforts to find the best internal team members and external partners. During this time, the IM business has invested balance sheet capital to produce strong returns for the Group. We believe the next logical step is to expand into Fund Management and expand the capabilities we have built to manage external capital.

For the initial launch this year, we are targeting to launch the Fund Management platform, transition at least one internally-managed strategy and make seed investments into new teams and existing fund managers. Going forward, we expect Fund Management to be a new driver for sustainable growth in assets under management and revenue.

Strategic Investments

The Group has strategic interests in financial services through a joint venture and an investment in an associated company. These interests are complementary to our Financing and IM businesses, and the Group has benefited from these strategic investments. Pre-tax contribution from this during the period was HK\$63.9 million (first half of 2019: HK\$102.4 million), a decrease of 38%.

In 2015, the Group disposed of a 70% interest in a wholly owned subsidiary, Sun Hung Kai Financial Group Limited (“SHKFGL”) to Everbright Securities Financial Holdings Limited, a wholly owned subsidiary of Everbright Securities Company Limited (stock code: 6178.HK). SHKFGL has become an associate of the Group with a carrying value of HK\$1,644 million for the retained 30% interest upon completion of the transaction. As part of the sale transaction, the Group received a put right on the retained 30% equity interest of SHKFGL, which owns the business now known as Everbright Sun Hung Kai Company Limited (“EBSHK”). In the first half of 2020, the Group maintained its 30% shareholding, amounting to 90,365,142 shares, in SHKFGL. In the first half, EBSHK delivered a solid performance amid a volatile capital market in Hong Kong, with a decrease in turnover of HK\$71.4 million. During the period, the business won several prestigious industry awards in Hong Kong and Mainland China. Client assets under management, custody, and/or advice was over HK\$120 billion.

In the first half, the net gain from impairment losses on the Group’s 30% stake in EBSHK and change in fair value of the put right of the stake was HK\$31.8 million (first half of 2019: HK\$51.3 million). The total unrealised gain from the associate during the period was recognised as HK\$73.0 million (first half of 2019: HK\$101.5 million), including valuation accretion on equity of HK\$41.2 million (first half of 2019: HK\$50.2 million), an impairment loss of HK\$3.2 million (first half of 2019: reversal of HK\$0.3 million), and gain on the put right of HK\$35.0 million (first half of 2019: HK\$51.0 million). No realised gain from the associate was recognised in the first half of 2020 (first half of 2019: Nil).

As at 30 June 2020, the carrying amount of the Group’s 30% equity interest in EBSHK together with fair value of the put right on the 30% stake amounted to HK\$2,340.0 million (30 June 2019: HK\$2,254.0 million; 31 December 2019: HK\$2,363.0 million), representing 5.5% of the Group’s total assets and constituting a significant investment of the Company according to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). During the period, the Group received dividends of HK\$96.0 million from EBSHK (2019: HK\$98.5 million).

According to the 2015 transaction, the put option became exercisable on 2 June 2020. The Group intends to conclude arrangements in respect of the put option prior to its expiry.

In 2020, LSS Financial Leasing (Shanghai) Limited (“LSS Leasing”) entered its fifth year of operation, continuing a strategic transformation from a traditional consumer loan lender for automobile purchases to an integrated financing solution provider for new car hailing and logistic industries. In the first half of this year, LSS Leasing faced significant challenges from the outbreak of COVID-19 pandemic with business being interrupted and seeing increased number of overdue loans. The company made comprehensive payment arrangements for deferred payment to help its clients through the difficulties. During the period, in spite of facing a disruptive market, LSS Leasing still achieved positive progress in new transportation market, where it started to provide direct service to logistic companies and strengthen its strategic cooperation with Lalamove (貨拉拉), the leading online logistic service platform in China. The company also formed several new cooperative ventures during the period which helped grow the scale of its business.

Outlook

At the time we present this report, the world is facing new waves of the COVID-19 pandemic. We are proud to have remained profitable in a period when many companies have not, however we expect the uncertain business environment and volatile investment conditions to remain.

The efforts to move more of the UAF China business online has mitigated the negative effects of COVID-19 during the first half of 2020 and we expect to continue that effort and see positive results. UAF Hong Kong remained resilient in profitability and credit quality during the pandemic. We are confident in management's capability to weather these challenges and adapt to the changing market conditions.

The mortgage loans business has maintained its scales and profitability thus far and Hong Kong home prices have held relatively steady. As the longer-term effects of central bank policy and the pandemic on Hong Kong's real estate market are yet to be seen, management will remain prudent in new underwriting and vigilant in monitoring loan servicing.

The IM business felt the impact of the volatile markets after a strong 2019 and has been actively managing the investment portfolio through these difficult market conditions. During the period, we committed to several new investments and expect to continue to deploy capital through the remainder of the year. We are continuing with our plans to launch our Fund Management platform this year, and believe this platform will add additional assets and revenue to the Group.

Our continuous investment in infrastructure and systems has prepared our staff to work safely and productively through remote working and other backup arrangements. The Company will continue to improve our infrastructure and keep our team safe as we navigate these turbulent times.

We believe the current financing and investing business model, plus our strong financial position, enables the Company to weather the current storm and take advantage of new opportunities. We will maintain our diversified funding sources and liquid assets to provide staying power and enable our business development. We are cognizant that, as we remain cautious in our lending and investment businesses, we are retaining additional liquidity on our balance sheet and that this affects the overall returns of the Group. Given the ongoing global economic uncertainties, we feel that this slightly more conservative approach is prudent. The Group will continue our business model and aims to deliver strong performance over the long term with sound governance and risk controls.

Financial Review

Financial Resources, Liquidity, Capital Structure and Key Performance Indicators

<i>(HK\$ Million)</i>	30 Jun 2020	31 Dec 2019	Change
Capital Structure			
Equity attributable to owners of the Company	20,645.6	20,381.7	1%
Total cash	7,518.1	5,726.2	31%
Total borrowings ¹	16,721.5	16,755.8	–
Net debt ²	9,203.4	11,029.6	-17%
Net debt to equity ratio	44.6%	54.1%	
Liquidity			
Interest cover ³	3.2	4.5	-29%
Return Ratios (Annualised)			
Return on assets ⁴	4.0%	6.0%	
Return on equity	6.8%	10.6%	
Key Performance Indicator			
Book value per share <i>(HK\$)</i>	10.4	10.2	2%
Dividend per share <i>(HK cents)</i>	12	26	N/A

¹ Bank and other borrowings and notes/papers payable

² Total borrowing minus total cash

³ Earnings before interest and tax/interest expense

⁴ Annualised profit including non-controlling interests/average assets

The Group's gearing ratio reduced to 44.6% at the end of the period and has remained healthy. Interest cover for the period dropped to 3.2x, compared with 4.5x for the year ended 2019, mainly due to reduced earnings.

As at 30 June 2020, total borrowings of the Group amounted to HK\$16,721.5 million (31 December 2019: HK\$16,755.8 million). Of this amount, 48.5% is repayable within one year (31 December 2019: 37.2%). The Group maintained a balanced mix of funding from various sources. Bank borrowings accounted for 50.9% of total debt (31 December 2019: 48.7%) and were at floating interest rates, primarily denominated in Hong Kong dollars and US dollars. There were no known seasonal factors in the Group's borrowing profile.

Return on assets (annualised) dropped to 4.0% as at 30 June 2020 (30 June 2019: 6.2% (annualised); 31 December 2019: 6.0%), mainly due to lower returns on lending and investment assets and increased cash reserves. Return on equity (annualised) also dropped to 6.8% as at the end of first half of 2020 (30 June 2019: 10.6% (annualised); 31 December 2019: 10.6%) for similar reasons. The strong cash position has provided us with comfortable liquidity during the volatile market conditions. The Company is well equipped to take advantage of available opportunities to optimize our capital efficiency in long term.

As at 30 June 2020, the following notes were outstanding:

Note	Maturity Date	HK\$ Equivalent (In Million)	% Total
4.75% USD notes [^]	5/2021	1,926.5	23.5%
4.65% USD notes [^]	9/2022	3,483.9	42.4%
5.75% USD notes [^]	11/2024	2,722.2	33.1%
HKD papers/notes	7/2020	82.8	1.0%
Total		8,215.4	100.0%

[^] Listed on the Stock Exchange

After the partial repurchase of 4.75% USD notes and 4.65% USD notes, and the issuance of new 5.75% USD notes completed in late 2019, the Group has successfully maintained a stable capital structure, which positioned us well to avoid a liquidity crunch.

The Group maintained foreign currency positions to manage its present and potential operating and investment activities. Most non-US or HK dollar investment assets were hedged against currency fluctuations. Exchange risks were closely monitored by the Group and held within approved limits.

Significant Investments

The Group recognised a significant investment in the securities of EBSHK. The carrying amounts of the Group's interest in the equity stake plus fair value of a put right on the stake accounted for 5.5% of the Group's total assets as at 30 June 2020. A detailed discussion on the investment is stated in the section titled "Strategic Investments" of this report.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2020, the Group had no material acquisitions and disposal of subsidiaries, associates and joint ventures.

Important Events After the End of the Financial Period

There are no important events affecting the Group which have occurred after the end of the financial period for the six months ended 30 June 2020 and up to the date of this report.

Charges on Group Assets

Properties of the Group with a total book value of HK\$1,005.0 million and cash of HK\$47.0 million were pledged by subsidiaries to banks for facilities granted to them. HK\$393.0 million was drawn down as at 30 June 2020.

Contingent Liabilities

Details regarding the contingent liabilities are set out in Note 28 of the condensed consolidated financial statements.

Human Resources and Training

As at 30 June 2020, the Group's total staff numbered 2,248 (31 December 2019: 2,318). Out of this, 62 staff (31 December 2019: 55) were corporate and IM staff and the remainder were within the main subsidiaries UAF and Sun Hung Kai Credit. The net decrease in staff numbers was a result of the branch consolidation in the Consumer Finance business in Mainland China, as the business migrated further online and its continuous effort in driving cost efficiency. Total staff costs amounted to HK\$325.8 million (first half of 2019: HK\$415.8 million) as a result of lower performance-related compensation.

The Group adopts various compensation structures as relevant to different job roles and functions within the organisation. For most staff, compensation comprises base salary with bonus or performance-based incentives, as appropriate. The remuneration packages of employees in a sales function consist of a base pay and commission, bonus or performance-based incentives as appropriate.

Under the Employee Ownership Scheme (“EOS”), selected employees or directors of the Group (the “Selected Grantees”) were awarded shares of the Company. Following management’s recommendation, a total of 1,626,000 shares were granted to the Selected Grantees during the period subject to various terms. A total of 1,445,000 shares were vested in the first half of 2020. As at 30 June 2020, the outstanding award shares under the EOS amounted to 3,376,000 shares.

The Group values its people as our greatest asset. We believe that a competent and motivated workforce, able to work in safe conditions, is integral to the sustainable growth of our business. In line with our business strategies and ongoing development, the Group supports employees’ professional development and life-long learning in cooperation with their managers by providing sponsorship for their training and development programs in areas such as compliance, regulatory matters, management skills, practical job skills and personal development.

COVID-19 Pandemic Response

The COVID-19 spread globally during the first half of 2020. The Group has implemented, since January 2020, certain protocols below to protect the health and safety of our workforce, their families, local suppliers and neighbouring communities while ensuring a safe environment for operations to continue as usual:

- measures to maximize social distancing and staff protection within the offices;
- meetings are held off-site or by conference calls or video conference as far as possible;
- cancellation of all non-essential travel;
- flexible and remote working plans for employees;
- access to office, restrictions and temperature screening;
- self-isolation following outbound travel, development of symptoms, or interaction with a confirmed case of COVID-19 and do coronavirus test as and when necessary at the Company’s cost; and
- increased inventory of face mask, hand sanitiser and hygiene supplies and increased focus on cleaning and sanitation.

Directors' Interests

As at 30 June 2020, the interests of the Directors and the chief executive 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)	1,245,582,575 (Note 2)	62.54%
Simon Chow Wing Charn	Beneficial owner	2,031,000	0.10%
Peter Anthony Curry	Beneficial owner	1,241,141	0.06%

Notes:

- 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. The Lee and Lee Trust controlled approximately 74.95% of the total number of issued shares of Allied Group Limited ("AGL") (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have interests in the Shares in which AGL was interested.
- This referred to the deemed interests in 1,245,582,575 Shares held by Allied Properties (H.K.) Limited ("APL").

(B) Interests in the shares and underlying shares of associated corporations

Name of Director	Associated corporations	Capacity	Number of shares and underlying shares	Approximate % of the total number of relevant shares
Lee Seng Huang (Note 1)	AGL	Trustee (Note 2)	131,706,380	74.93%
	APL	Interests of controlled corporation (Note 3)	5,108,911,521 (Note 4)	74.99%
	SHK Hong Kong Industries Limited ("SHK HK Ind")	Interests of controlled corporation (Note 5)	3,082,889,606 (Note 6)	74.97%

Notes:

- 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 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 Stock Exchange on 17 July 2020.
- Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust, being a discretionary trust which indirectly controlled 131,706,380 shares of AGL.
- This referred to the same interests held directly or indirectly by AGL in APL.
- This referred to the interests in 5,108,911,521 shares of APL which were held 968,354,880 directly and 4,140,556,641 indirectly by AGL.
- This referred to the same interests held indirectly by AGL in SHK HK Ind.
- This referred to the interests in 3,082,889,606 shares of SHK HK Ind.

All interests stated above represent long positions. As at 30 June 2020, 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 2020, 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Interests of Substantial Shareholders and Other Persons

As at 30 June 2020, 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 (Note 1)	1,245,582,575 (Note 2)	62.54%
AGL	Interests of controlled corporation (Note 3)	1,245,582,575 (Note 4)	62.54%
Lee and Lee Trust	Interests of controlled corporation (Note 5)	1,245,582,575 (Note 4)	62.54%
Dubai Ventures LLC ("Dubai Ventures")	Beneficial owner	166,000,000 (Note 6)	8.30%
Dubai Ventures Group LLC ("DVG")	Interests of controlled corporation (Note 7)	166,000,000 (Note 8)	8.30%
Dubai Group LLC ("Dubai Group")	Interests of controlled corporation (Note 9)	166,000,000 (Note 8)	8.30%
Dubai Holding Investments Group LLC ("DHIG")	Interests of controlled corporation (Note 10)	166,000,000 (Note 8)	8.30%
Dubai Holding LLC ("Dubai Holding")	Interests of controlled corporation (Note 11)	166,000,000 (Note 8)	8.30%
Dubai Group 2024 Limited ("DG 2024")	Interests of controlled corporation (Note 12)	166,000,000 (Note 8)	8.30%
Dubai Group Limited ("DGL")	Interests of controlled corporation (Note 13)	166,000,000 (Note 8)	8.30%
HSBC Trustee (C.I.) Limited ("HSBC Trustee")	Trustee (Note 14)	166,000,000 (Note 8)	8.31%
HH Mohammed Bin Rashid Al Maktoum	Interests of controlled corporation (Note 15)	166,000,000 (Note 8)	8.30%
Asia Financial Services Company Limited ("AFSC")	Beneficial owner	196,600,000 (Note 16)	9.79%
Asia Financial Services Holdings Limited ("AFSH")	Interests of controlled corporation (Note 17)	196,600,000 (Note 18)	9.79%
Asia Financial Services Group Limited ("AFSG")	Interests of controlled corporation (Note 19)	196,600,000 (Note 18)	9.79%
Asia Financial Services Group Holdings Limited ("AFSGH")	Interests of controlled corporation (Note 20)	196,600,000 (Note 18)	9.79%

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 Asia Pacific III L.P. ("CVC LP")	Interests of controlled corporation (Note 21)	196,600,000 (Note 18)	9.79%
CVC Capital Partners Asia III Limited ("CVC Capital III")	Interests of controlled corporation (Note 22)	196,600,000 (Note 18)	9.79%
CVC Capital Partners Finance Limited ("CVC Capital Partners Finance")	Interests of controlled corporation (Note 23)	196,600,000 (Note 18)	9.79%
CVC Group Holdings L.P. ("CVC Group Holdings")	Interests of controlled corporation (Note 24)	196,600,000 (Note 18)	9.79%
CVC Portfolio Holdings Limited ("CVC Portfolio")	Interests of controlled corporation (Note 25)	196,600,000 (Note 18)	9.79%
CVC Management Holdings Limited ("CVC Management")	Interests of controlled corporation (Note 26)	196,600,000 (Note 18)	9.79%
CVC MMXII Limited ("CVC MMXII")	Interests of controlled corporation (Note 27)	196,600,000 (Note 18)	9.79%
CVC Capital Partners 2013 PCC (acting in respect of its protected cell, CVC Capital Partners Cell I PC) ("CVC Capital Partners 2013")	Interests of controlled corporation (Note 28)	196,600,000 (Note 18)	9.79%
CVC Capital Partners SICAV-FIS S.A. ("CVC Capital Partners SA")	Interests of controlled corporation (Note 29)	196,600,000 (Note 18)	9.79%
Everbright Sun Hung Kai Structured Solutions Limited ("EBSHK Structured Solutions")	Entity having a security interest in Shares (Note 30)	196,600,000 (Note 31)	9.13%
Sun Hung Kai Financial Group Limited ("SHKFG")	Interests of controlled corporation (Note 32)	196,600,000 (Note 33)	9.13%
Everbright Securities Financial Holdings Limited ("ESFH")	Interests of controlled corporation (Note 34)	196,600,000 (Note 33)	9.13%
Everbright Securities Company Limited ("ESCL")	Interests of controlled corporation (Note 35)	196,600,000 (Note 33)	9.13%

Interests of Substantial Shareholders and Other Persons

Notes:

1. The interests were held by AP Emerald Limited ("AP Emerald"), a wholly-owned subsidiary of AP Jade Limited which in turn was a wholly-owned subsidiary of APL. APL was therefore deemed to have interests in the Shares in which AP Emerald was interested.
2. This represented an interest in 1,245,582,575 Shares held by APL through AP Emerald.
3. AGL owned approximately 74.99% of the total number of shares of APL and was therefore deemed to have an interest in the Shares in which APL was interested.
4. This referred to the same deemed interests in 1,245,582,575 Shares held by APL.
5. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang (a Director) are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.95% of the total number of issued shares of AGL (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have an interest in the Shares in which AGL was interested.
6. This represented an interest in 166,000,000 Shares.
7. DVG owned 99% interest in Dubai Ventures and was therefore deemed to have an interest in the Shares in which Dubai Ventures was interested.
8. This referred to the same interests in 166,000,000 Shares held by Dubai Ventures.
9. Dubai Group owned 99% interest in DVG and was therefore deemed to have an interest in the Shares in which DVG was interested.
10. DHIG owned 51% interest in Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.
11. Dubai Holding owned 99% interest in DHIG and was therefore deemed to have an interest in the Shares in which DHIG was interested.
12. DG 2024 owned 49% interest in Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.
13. DGL owned 100% interest in DG 2024 and was therefore deemed to have an interest in the Shares in which DG 2024 was interested.
14. HSBC Trustee owned 100% interest in DGL and was therefore deemed to have an interest in the Shares in which DGL was interested.
15. HH Mohammed Bin Rashid Al Maktoum owned 99% interest in Dubai Holding and was therefore deemed to have an interest in the Shares in which Dubai Holding was interested.
16. This represented an interest in 196,600,000 Shares.
17. AFSH held 100% interest in AFSC and was therefore deemed to have an interest in the Shares in which AFSC was interested.
18. This referred to the same interests in 196,600,000 Shares held by AFSC.
19. AFSG owned 99.06% interest in AFSH and was therefore deemed to have an interest in the Shares in which AFSH was interested.
20. AFSGH held 100% interest in AFSG and was therefore deemed to have an interest in the Shares in which AFSG was interested.
21. CVC LP owned 88% interest in AFSGH and was therefore deemed to have an interest in the Shares in which AFSGH was interested.
22. 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.
23. CVC Capital Partners Finance 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.
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 approximately 81.8% interest in CVC Management (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 Management, as the limited partner of CVC Group Holdings, was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested.
27. 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.
28. 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.
29. 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.
30. This represented 196,600,000 Shares held by AFSC which were pledged in favour of EBSHK Structured Solutions for a term loan facility.
31. This represented an interest in 196,600,000 Shares.
32. SHKFG, through its wholly-owned subsidiary Everbright Sun Hung Kai Company Limited, owned 100% interest in EBSHK Structured Solutions and was therefore deemed to have an interest in the Shares in which EBSHK Structured Solutions was interested.
33. This referred to the same interest in 196,600,000 Shares held by EBSHK Structured Solutions.
34. ESFH owned 70% interest in SHKFG and was therefore deemed to have an interest in the Shares in which SHKFG was interested.
35. ESCL owned 100% interest in ESFH and was therefore deemed to have an interest in the Shares in which ESFH was interested.
36. The percentages were disclosed pursuant to the relevant disclosure forms filed under the SFO.

All interests stated above represented long positions. As at 30 June 2020, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 30 June 2020, the Directors were 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

Corporate Governance Code

During the six months ended 30 June 2020, 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 to 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 IM business with support from the management team of the division, as well as its 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 Mortgage Loans and the other operating businesses 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 code provision B.1.2 of the CG Code, except that the Remuneration Committee shall 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 the code provision C.3.3 of the CG Code except that the Audit Committee shall (i) recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditor to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have effective risk management and internal control systems; (iii) can promote (as opposed to ensure under the code provision) co-ordination between the internal and external auditors; and (iv) can check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced and has appropriate standing within the Company.

The reasons for the above deviations were set out in the Corporate Governance Report contained in the Company’s annual report for the financial year ended 31 December 2019. 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.

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.

Other Information

Interim Dividend

The Board has declared an interim dividend of HK12 cents per Share for the six months ended 30 June 2020 (2019: HK12 cents per Share) payable to the shareholders whose names appear on the register of members of the Company on 9 September 2020. Dividend warrants for the interim dividend are expected to be dispatched on 17 September 2020.

Closure of Register of Members

The register of members of the Company will be closed from 7 September 2020 to 9 September 2020, during which period no transfer of shares will be registered. The ex-dividend date will be 3 September 2020. 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 4 September 2020.

Changes in Directors' Information

- Change of the annual consultancy fee for each of the four Independent Non-Executive Directors and Mr. Peter Anthony Curry, a Non-Executive Director, which commenced from 1 January 2020 has been disclosed in the Corporate Governance Report of the 2019 Annual Report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.
- The amount of monthly rental-related expenses, which forms part of the emoluments of Mr. Lee Seng Huang, the Group Executive Chairman, will change with the provision of new residential accommodation to Mr. Lee by the Group. For details, please refer to the Company's announcement dated 24 July 2020.

Purchase, Sale or Redemption of Securities

(1) Repurchase of Shares

During the six months ended 30 June 2020, the Company repurchased a total of 8,008,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$26,338,080. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases were as follows:

Month	Number of Shares repurchased	Purchase price per Share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January	3,008,000	3.75	3.47	10,965,790
March	380,000	2.94	2.91	1,111,940
April	2,620,000	3.34	2.84	8,148,890
June	2,000,000	3.10	3.00	6,111,460
Total	8,008,000			26,338,080

(2) Repurchase and redemption of Guaranteed Notes of a subsidiary, Sun Hung Kai & Co. (BVI) Limited ("SHK BVI")

During the six months ended 30 June 2020, US\$400,000 in the principal amount of 4.65% Guaranteed Notes due September 2022 (the "2022 Notes") issued by SHK BVI and listed on the Stock Exchange (stock code: 5267) under the US\$3,000,000,000 Guaranteed Medium Term Note Programme were purchased and redeemed by the Company at a consideration of US\$400,000 by private arrangement. The repurchased 2022 Notes were cancelled on 26 May 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's or its subsidiaries' listed securities during the six months ended 30 June 2020.

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 2020. 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, 19 August 2020



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

德勤

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 23 to 47, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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 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 inquiries, 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, 19 August 2020

Condensed Consolidated Statement of Profit or Loss

(HK\$ Million)	Notes	Six months ended	
		30/6/2020 Unaudited	30/6/2019 Unaudited
Interest income		1,988.0	2,020.8
Other revenue	5	54.9	50.8
Other gains	6	6.7	21.2
Total income		2,049.6	2,092.8
Brokerage and commission expenses		(19.9)	(22.5)
Advertising and promotion expenses		(58.5)	(70.5)
Direct cost and operating expenses		(45.4)	(40.0)
Administrative expenses		(501.8)	(596.0)
Net gain on financial assets and liabilities at fair value through profit or loss		470.9	790.1
Net exchange gain		36.3	32.2
Net impairment losses on financial instruments	7	(484.8)	(459.9)
Finance costs		(438.3)	(374.9)
Other losses	8	(96.1)	(0.6)
		912.0	1,350.7
Share of results of associates		43.2	50.3
Share of results of joint ventures		(4.7)	–
Profit before taxation	9	950.5	1,401.0
Taxation	10	(87.8)	(140.6)
Profit for the period		862.7	1,260.4
Profit attributable to:			
– Owners of the Company		695.2	1,028.9
– Non-controlling interests		167.5	231.5
		862.7	1,260.4
Earnings per share	12		
– Basic (HK cents)		34.9	51.5
– Diluted (HK cents)		34.9	51.3

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

(HK\$ Million)	Six months ended	
	30/6/2020 Unaudited	30/6/2019 Unaudited
Profit for the period	862.7	1,260.4
Other comprehensive (expenses) income:		
Items that will not be reclassified to profit or loss		
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income	(33.3)	37.3
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translating foreign operations	(127.2)	4.6
Share of other comprehensive income (expenses) of associates	5.7	(0.1)
Share of other comprehensive expenses of joint ventures	(19.8)	–
	(141.3)	4.5
Other comprehensive (expenses) income for the period	(174.6)	41.8
Total comprehensive income for the period	688.1	1,302.2
Total comprehensive income attributable to:		
– Owners of the Company	569.0	1,066.9
– Non-controlling interests	119.1	235.3
	688.1	1,302.2

Condensed Consolidated Statement of Financial Position

(HK\$ Million)	Notes	30/6/2020 Unaudited	31/12/2019 Audited	(HK\$ Million)	Notes	30/6/2020 Unaudited	31/12/2019 Audited
Non-current Assets				Current Liabilities			
Investment properties		1,218.7	1,312.5	Financial liabilities at fair value through profit or loss	14	614.3	715.8
Property and equipment		385.1	377.2	Bank and other borrowings	20	6,019.8	5,659.9
Right-of-use assets	13	97.1	125.5	Trade payables, other payables and accruals	21	337.1	338.4
Intangible assets		892.1	893.2	Financial assets sold under repurchase agreements	22	1,062.0	386.2
Goodwill		2,384.0	2,384.0	Amounts due to fellow subsidiaries and a holding company		3.7	35.3
Interest in associates		1,146.0	1,196.1	Provisions		94.2	152.9
Interest in joint ventures		421.0	445.5	Taxation payable		229.1	339.6
Financial assets at fair value through other comprehensive income	14	95.2	129.5	Lease liabilities	23	68.5	89.9
Financial assets at fair value through profit or loss	14	7,863.0	7,687.2	Notes/paper payable	25	2,083.5	569.5
Deferred tax assets		816.0	780.0			<u>10,512.2</u>	<u>8,287.5</u>
Amounts due from associates		260.1	261.3	Net Current Assets		13,127.8	14,570.9
Loans and advances to consumer finance customers	15	2,704.2	2,770.5	Total Assets less Current Liabilities		32,370.8	34,274.1
Mortgage loans	16	903.3	1,270.7	Capital and Reserves			
Term loans	17	48.3	49.6	Share capital	24	8,752.3	8,752.3
Trade receivables, prepayments and other receivables	18	8.9	20.4	Reserves		11,893.3	11,629.4
		<u>19,243.0</u>	<u>19,703.2</u>	Equity attributable to owners of the Company		20,645.6	20,381.7
				Non-controlling interests		2,941.7	3,194.9
Current Assets				Total Equity		<u>23,587.3</u>	<u>23,576.6</u>
Financial assets at fair value through profit or loss	14	5,050.5	4,285.6	Non-current Liabilities			
Taxation recoverable		-	3.7	Deferred tax liabilities		141.5	143.0
Amounts due from associates		66.5	68.6	Bank and other borrowings	20	2,486.3	2,497.2
Loans and advances to consumer finance customers	15	6,735.6	7,643.0	Provisions		0.3	0.3
Mortgage loans	16	2,230.8	2,356.2	Lease liabilities	23	23.5	27.8
Term loans	17	1,334.4	1,856.6	Notes/paper payable	25	6,131.9	8,029.2
Trade receivables, prepayments and other receivables	18	392.0	466.8			<u>8,783.5</u>	<u>10,697.5</u>
Amounts due from brokers		312.1	451.7			32,370.8	34,274.1
Short-term pledged bank deposits and bank balances	19	47.0	33.2				
Bank deposits	19	45.0	68.1				
Cash and cash equivalents	19	7,426.1	5,624.9				
		<u>23,640.0</u>	<u>22,858.4</u>				

Condensed Consolidated Statement of Changes in Equity

(HK\$ Million)	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Shares held for Employee Ownership Scheme	Employee share-based compensation reserve	Exchange reserve	Revaluation reserve	Capital reserves	Retained earnings			
At 1 January 2020	8,752.3	(22.5)	8.3	(360.1)	161.4	84.8	11,757.5	20,381.7	3,194.9	23,576.6
Profit for the period	-	-	-	-	-	-	695.2	695.2	167.5	862.7
Other comprehensive expenses for the period	-	-	-	(95.8)	(30.4)	-	-	(126.2)	(48.4)	(174.6)
Total comprehensive (expenses) income for the period	-	-	-	(95.8)	(30.4)	-	695.2	569.0	119.1	688.1
Purchase of shares held for SHK Employee Ownership Scheme	-	(3.1)	-	-	-	-	-	(3.1)	-	(3.1)
Recognition of equity-settled share-based payments	-	-	3.8	-	-	-	-	3.8	-	3.8
Vesting of shares of the SHK Employee Ownership Scheme	-	6.7	(6.7)	-	-	-	-	-	-	-
Shares repurchased and cancelled	-	-	-	-	-	-	(26.4)	(26.4)	-	(26.4)
Interim dividend paid	-	-	-	-	-	-	(279.4)	(279.4)	-	(279.4)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(372.3)	(372.3)
At 30 June 2020	8,752.3	(18.9)	5.4	(455.9)	131.0	84.8	12,146.9	20,645.6	2,941.7	23,587.3

(HK\$ Million)	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Shares held for Employee Ownership Scheme	Employee share-based compensation reserve	Exchange reserve	Revaluation reserve	Capital reserves	Retained earnings			
At 1 January 2019	8,752.3	(29.7)	10.5	(287.6)	195.9	77.5	10,320.3	19,039.2	3,805.9	22,845.1
Profit for the period	-	-	-	-	-	-	1,028.9	1,028.9	231.5	1,260.4
Other comprehensive income for the period	-	-	-	1.8	36.2	-	-	38.0	3.8	41.8
Total comprehensive income for the period	-	-	-	1.8	36.2	-	1,028.9	1,066.9	235.3	1,302.2
Purchase of shares held for SHK Employee Ownership Scheme	-	(4.7)	-	-	-	-	-	(4.7)	-	(4.7)
Transfer of revaluation reserve to retained earnings	-	-	-	-	(19.1)	-	19.1	-	-	-
Recognition of equity-settled share-based payments	-	-	5.1	-	-	-	-	5.1	-	5.1
Capital redemption of non-controlling interests	-	-	-	-	-	-	(106.0)	(106.0)	(625.5)	(731.5)
Vesting of shares of the SHK Employee Ownership Scheme	-	7.6	(7.6)	-	-	-	-	-	-	-
Shares repurchased and cancelled	-	-	-	-	-	-	(20.1)	(20.1)	-	(20.1)
Interim dividend paid	-	-	-	-	-	-	(280.7)	(280.7)	-	(280.7)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(375.9)	(375.9)
At 30 June 2019	8,752.3	(26.8)	8.0	(285.8)	213.0	77.5	10,961.5	19,699.7	3,039.8	22,739.5

Condensed Consolidated Statement of Cash Flows

(HK\$ Million)	Six months ended		(HK\$ Million)	Six months ended	
	30/6/2020 Unaudited	30/6/2019 Unaudited		30/6/2020 Unaudited	30/6/2019 Unaudited
Operating activities			Financing activities		
Cash from (used in) operations			Short-term loans due to fellow- subsidiaries repaid	(32.8)	–
– Change in financial assets sold under repurchase agreements	675.8	(790.2)	Net short-term bank and other borrowings repaid	(8,775.7)	(12,332.6)
– Change in loans and advances to consumer finance customers	393.6	(766.2)	Long-term bank and other borrowings raised	9,163.5	12,855.6
– Change in mortgage loans	473.0	250.3	Proceeds from issue of notes/paper	–	1,008.5
– Change in term loans	460.3	86.3	Redemption of notes/paper	(3.1)	–
– Change in financial assets at fair value through profit or loss	(993.4)	1,126.1	Repayment of notes/paper	(351.4)	(636.1)
– Other operating cash flows	(388.7)	(686.3)	Purchase of shares for the SHK Employee Ownership Scheme	(3.1)	(4.7)
	620.6	(780.0)	Lease payments	(45.3)	(34.9)
Dividends received from financial assets at fair value through profit or loss	16.5	8.8	Shares repurchased and cancelled	(26.4)	(20.1)
Interest received	1,974.5	1,998.4	Capital redemption of non-controlling interests	–	(730.4)
Interest paid	(376.5)	(629.1)	Dividends paid	(279.4)	(280.7)
Taxation paid	(244.8)	(134.4)	Dividends to non-controlling interests	(372.3)	(375.9)
Net cash from operating activities	1,990.3	463.7	Net cash used in financing activities	(726.0)	(551.3)
Investing activities			Net increase in cash and cash equivalents	1,856.5	59.7
Purchase of property and equipment	(35.2)	(6.4)	Cash and cash equivalents at 1 January	5,624.9	4,622.4
Proceeds from disposal of equipment	–	0.3	Effect of foreign exchange rate changes	(55.3)	2.9
Payment of deposits of right-of-use assets	(0.5)	(7.1)	Cash and cash equivalents at 30 June	7,426.1	4,685.0
Prepaid rental for right-of-use assets	(0.7)	(5.4)			
Dividends received from associates	96.0	98.5			
Proceeds from disposal of financial assets at fair value through other comprehensive income	0.9	1.6			
Purchase of long-term financial assets at fair value through profit or loss	(732.8)	(177.4)			
Proceeds from disposal of long- term financial assets as at fair value through profit or loss	1,256.4	172.0			
Net fixed deposits with banks withdrawal	8.1	71.2			
Net cash from investing activities	592.2	147.3			

Notes to the Condensed Consolidated Financial Statements

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

The financial information relating to the financial year ended 31 December 2019 included in these unaudited condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for this financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. 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.

The ultimate impact of the COVID-19 pandemic on the Group is uncertain at the date on which the unaudited condensed consolidated financial statements were authorised for issue. Management has assessed the potential cash generation of the Group, the liquidity of the Group, existing funding available to the Group and mitigating actions which have been and may be taken to reduce non-necessary spending. On the basis of these

assessments, we have determined that, at the date on which the unaudited condensed consolidated financial statements were authorised for issue, the use of the going concern basis of accounting to prepare the unaudited condensed consolidated financial statements is appropriate.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

Significant events and transactions in the current interim period

The COVID-19 pandemic has impacted all aspects of our business, particularly Consumer Finance, Specialty Finance and Investment Management.

(i) Consumer Finance

The Consumer Finance business segment experienced reduced profitability in the first half of 2020 as the gross loan book size decreased by 5% and net impairment losses increased by 18% compared with the first half of 2019. The reduced loan book reflects a cautious approach to underwriting new loans. The impairment losses reflect higher loan delinquencies and related charge-offs from deteriorating economic conditions as a result of the delayed effects of social unrest in Hong Kong during the second half of 2019 and the COVID-19 outbreak during the period. While Consumer Finance should enjoy a solid recovery as the pandemic is contained and its impacts recede, it will continue to operate in an unpredictable environment given the effects of the pandemic. In determining the expected credit losses ("ECL") allowance at 30 June 2020, and in order to adequately capture the risks inherent in this uncertain environment, management has prepared three forward-looking economic scenarios where the weightings of downside scenarios in relation to Hong Kong and PRC economy have been increased.

In relation to the carrying value of goodwill and intangible assets related to UAF, management assessed whether there were any indicators of impairment and did not identify any. Management therefore concluded that no impairment of UAF related goodwill or intangible assets was required as at 30 June 2020.

2. BASIS OF PREPARATION *(Continued)*

Significant events and transactions in the current interim period *(Continued)*

(ii) Specialty Finance

The profit of specialty finance in the first half of 2020 decreased as a result of a decrease in the gross loan book balance by 36% and an increase in net impairment losses by 43% compared with the first half of 2019, reflecting the impact on the economy from various factors including COVID-19 and political conflicts between PRC and the United States. In order to better reflect the possible future changes in economic activity as a result of COVID-19, the probability of default used in assessing ECL by management was derived from a regression between GDP growth and historical bad debt ratio. Management concluded that sufficient and adequate ECL was made as at 30 June 2020.

(iii) Investment Management

For investment management, the net gain on financial assets and liabilities and interest income decreased by 17% in the first half of 2020 compared to the first half of 2019 as the COVID-19 pandemic disrupted global financial markets. The volatility in global financial markets in the first half of 2020 has impacted level 1 and 2 financial assets of the Group, although markets recovered significant lost ground by the end of June 2020. On the other hand, the volatility in financial markets and global economic conditions caused by the pandemic have to date had less impact on the fair value of level 3 investments. The business invests in level 3 assets with a focus on private equity funds, direct investments and co-investments. Management obtains latest available fund valuations issued by fund managers or engages independent professionals to prepare valuations where necessary. Management concluded that the fair value of the financial instruments in Investment Management are properly recorded as at 30 June 2020.

3. 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 2020. 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. Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements for the six month ended 30 June 2020 as were applied in the preparation of the Group's financial statements for the year ended 31 December 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

4. SEGMENT INFORMATION

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

(HK\$ Million)	Six months ended 30 June 2020						
	Financing Business			Investing Business		Group Management and Support	Total
	Consumer Finance	Specialty Finance	Mortgage Loans	Investment Management	Strategic Investments		
Segment revenue	1,623.7	146.2	169.3	75.7	-	137.7	2,152.6
Less: inter-segment revenue	-	-	-	-	-	(109.7)	(109.7)
Segment revenue from external customers	1,623.7	146.2	169.3	75.7	-	28.0	2,042.9
Segment profit or loss	520.0	28.8	65.5	362.1	29.2	(93.6)	912.0
Share of results of associates	-	-	-	2.0	41.2	-	43.2
Share of results of joint ventures	-	-	-	1.8	(6.5)	-	(4.7)
Profit (loss) before taxation	520.0	28.8	65.5	365.9	63.9	(93.6)	950.5
Included in segment profit or loss:							
Interest income	1,611.3	132.4	169.3	46.7	-	28.3	1,988.0
Other gains (losses)	6.8	-	-	1.5	-	(1.6)	6.7
Net (loss) gain on financial assets and liabilities	(0.1)	(0.4)	-	559.7	32.7	(121.0)	470.9
Net exchange (loss) gain	(2.3)	-	-	(0.2)	-	38.8	36.3
Net impairment (losses) reversal on financial instruments	(439.2)	(63.9)	(24.1)	42.7	(0.3)	-	(484.8)
Other losses	(0.9)	-	-	(92.0)	(3.2)	-	(96.1)
Amortisation and depreciation	(60.5)	-	(3.4)	-	-	(7.3)	(71.2)
Finance costs	(171.1)	(51.3)	(58.8)	-	-	(259.1)	(540.3)
Less: inter-segment finance costs	-	51.3	50.7	-	-	-	102.0
Finance costs to external suppliers	(171.1)	-	(8.1)	-	-	(259.1)	(438.3)
Cost of capital (charges) income *	-	-	-	(200.7)	-	200.7	-

(HK\$ Million)	Six months ended 30 June 2019 (re-presented)						
	Financing Business			Investing Business		Group Management and Support	Total
	Consumer Finance	Specialty Finance**	Mortgage Loans	Investment Management**	Strategic Investments		
Segment revenue	1,694.8	182.8	150.1	18.4	-	148.4	2,194.5
Less: inter-segment revenue	-	-	-	-	-	(122.9)	(122.9)
Segment revenue from external customers	1,694.8	182.8	150.1	18.4	-	25.5	2,071.6
Segment profit or loss	652.2	78.1	68.5	494.7	52.1	5.1	1,350.7
Share of results of associates	-	-	-	-	50.3	-	50.3
Profit before taxation	652.2	78.1	68.5	494.7	102.4	5.1	1,401.0
Included in segment profit or loss:							
Interest income	1,681.6	165.3	150.0	-	-	23.9	2,020.8
Other gains (losses)	15.4	-	0.2	9.0	0.1	(3.5)	21.2
Net (loss) gain on financial assets and liabilities	(0.1)	(0.1)	-	734.7	52.0	3.6	790.1
Net exchange gain	-	-	-	19.4	-	12.8	32.2
Net impairment losses on financial instruments	(373.1)	(44.7)	(0.1)	(42.0)	-	-	(459.9)
Other losses	-	-	(0.4)	-	(0.2)	-	(0.6)
Amortisation and depreciation	(56.6)	-	(1.1)	-	-	(6.1)	(63.8)
Finance costs	(146.2)	(58.4)	(61.5)	-	-	(228.7)	(494.8)
Less: inter-segment finance costs	-	58.4	61.5	-	-	-	119.9
Finance costs to external suppliers	(146.2)	-	-	-	-	(228.7)	(374.9)
Cost of capital (charges) income *	-	-	-	(166.2)	-	166.2	-

* Cost of capital (charges) income are intersegment transactions charged by Group Management and Support segment to other segments. The charges are determined by the internal capital consumed by the segments.

** The comparative figures for Specialty Finance and Investment Management Segment were restated for align with the changes to segment reporting adopted in the 2019 annual report.

4. SEGMENT INFORMATION *(Continued)*

The geographical information of revenue is disclosed as follows:

(HK\$ Million)	Six months ended	
	30/6/2020	30/6/2019
Revenue from external customers by location of operations		
– Hong Kong	1,690.7	1,638.8
– Mainland China	352.2	432.8
	2,042.9	2,071.6

5. OTHER REVENUE

(HK\$ Million)	Six months ended	
	30/6/2020	30/6/2019
Service and commission income	23.4	27.5
Dividends from listed investments	16.8	8.7
Dividends from unlisted investments	2.1	2.2
Gross rental income from investment properties	12.6	12.4
	54.9	50.8

6. OTHER GAINS

(HK\$ Million)	Six months ended	
	30/6/2020	30/6/2019
Increase in fair value of investment properties	–	5.8
Miscellaneous income	6.7	15.1
Reversal of impairment in an associate*	–	0.3
	6.7	21.2

* The Group disposed of 70% interest in a wholly-owned subsidiary Sun Hung Kai Financial Group Limited (“SHKFGL”) in June 2015 and classified the remaining 30% equity interest as an associate. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. The fair value was measured by discounted cash flow approach at the reporting date using a discount rate of 17.3% (December 2019: 17.5%). As part of the disposal, the Group was awarded a put right on the 30% equity interest of SHKFGL. This put right recorded a valuation gain during the period of HK\$35.0 million (six months ended 30 June 2019: gain HK\$51.0 million) classified under net gain on financial assets and liabilities at fair value through profit or loss.

An impairment loss in the investment in SHKFGL of HK\$3.2 million (six months ended 30 June 2019: reversal of impairment of HK\$0.3 million) was recognised.

The put option period will end within 6 months commencing on 2 June 2020 and the Group shall have the right (but not the obligation) to reinvest into the sold shares within 18 months upon the exercise of put right.

7. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

(HK\$ Million)	Six months ended	
	30/6/2020	30/6/2019
Loans and advances to consumer finance customers		
– Net impairment losses	(545.3)	(470.6)
– Recoveries of amounts previously written off	104.7	97.3
	(440.6)	(373.3)
Mortgage loans		
– Net impairment losses	(24.1)	(0.1)
	(24.1)	(0.1)
Term loans		
– Net impairment losses	(63.3)	(44.7)
	(63.3)	(44.7)
Amounts due from associates		
– Net impairment losses	(0.5)	–
	(0.5)	–
Trade and other receivables		
– Net reversal (recognition) of impairment losses	42.2	(42.0)
– Recoveries of amounts previously written off	1.5	0.2
	43.7	(41.8)
	(484.8)	(459.9)

8. OTHER LOSSES

(HK\$ Million)	Six months ended	
	30/6/2020	30/6/2019
Decrease in fair value of investment properties	92.9	–
Impairment loss on interest in an associate	3.2	0.3
Net loss on disposal/write-off of equipment	–	0.3
	96.1	0.6

9. PROFIT BEFORE TAXATION

(HK\$ Million)	Six months ended	
	30/6/2020	30/6/2019
Profit before taxation has been arrived at after charging:		
Depreciation of property and equipment	(21.2)	(24.7)
Depreciation of right-of-use assets	(49.1)	(38.1)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	(0.9)	(1.0)
Payments for short-term leases and leases of low-value assets	(4.7)	(19.4)
Interest expenses on bank borrowings and notes/paper payable other than lease liabilities	(427.1)	(368.0)
Interest expenses of lease liabilities	(2.3)	(2.7)
Share of taxation of associates and joint ventures (included in share of results of associates and joint ventures)	(5.8)	(5.4)

10. TAXATION

(HK\$ Million)	Six months ended	
	30/6/2020	30/6/2019
Current tax		
– Hong Kong	97.3	125.8
– PRC	41.6	53.4
	138.9	179.2
Deferred tax	(51.1)	(38.6)
	87.8	140.6

Hong Kong profits tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2019: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in the relevant jurisdictions.

Deferred tax recognised in other comprehensive income during the period was immaterial in both periods presented.

11. DIVIDENDS

(HK\$ Million)	Six months ended	
	30/6/2020	30/6/2019
Dividends recognised as distribution during the period		
– 2019 second interim dividend of HK14 cents per share (2019: 2018 second interim dividend of HK14 cents per share)	279.1	280.7

Subsequent to the end of the interim reporting period, the Board of Directors has declared an interim dividend of HK12 cents per share amounting to HK\$238.7 million (2019: interim dividend of HK12 cents per share amounting to HK\$240.3 million).

12. EARNINGS PER SHARE

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

(HK\$ Million)	Six months ended	
	30/6/2020	30/6/2019
Earnings for the purposes of basic and diluted earnings per share	695.2	1,028.9
Number of shares (in million)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,989.6	1,999.5
Effect of dilutive potential ordinary shares:		
– Impact of contingently issuable shares under SHK Employee Ownership Scheme	3.0	4.2
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,992.6	2,003.7

13. RIGHT-OF-USE ASSETS

The Group leases several assets including leasehold land, retail shops and equipment. The average lease term of right-of-use assets are as follows:

	30/6/2020	31/12/2019
Leasehold land	44.5 years	44.5 years
Retail shops	2.7 years	2.3 years
Equipment	5.0 years	–

(HK\$ Million)	30/6/2020	31/12/2019
Net carrying amount		
– Leasehold land	3.8	4.0
– Retail shops	91.5	121.5
– Equipment	1.8	–

(HK\$ Million)	30/6/2020	30/6/2019
Amount recognised in profit or loss		
– Depreciation expenses of right-of-use assets	49.1	38.1
– Interest expense of lease liabilities	2.3	2.7
– Expense relating to short-term leases and leases of low-value assets	4.7	19.4

Additions to right-of-use assets amount to HK\$21.2 million in the interim reporting period (six months ended 30 June 2019: HK\$39.0 million).

The total cash outflow for leases amount to HK\$52.3 million in the interim reporting period (six months ended 30 June 2019: HK\$57.0 million).

14. FINANCIAL ASSETS AND LIABILITIES

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

(HK\$ Million)	At 30 June 2020			
	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income				
– Listed equity securities in Hong Kong	32.7	–	–	32.7
– Listed equity securities outside Hong Kong	54.0	–	–	54.0
– Unlisted overseas equity securities	–	–	8.5	8.5
	86.7	–	8.5	95.2
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	560.9	–	–	560.9
– Listed equity and debt securities outside Hong Kong	626.6	12.5	–	639.1
– Over the counter equity currency derivatives	–	0.3	–	0.3
– Quoted options and futures	–	33.9	–	33.9
– Unlisted put right for shares in an associate	–	–	1,422.0	1,422.0
– Unlisted call option for club memberships	–	–	14.6	14.6
– Unlisted call option for shares listed outside Hong Kong	–	–	0.1	0.1
– Contracts for difference	–	20.8	–	20.8
– Bonds	–	2,200.4	–	2,200.4
– Unlisted convertible preferred and ordinary shares issued by an unlisted company	–	109.7	–	109.7
– Unlisted preferred shares issued by unlisted companies	–	–	59.6	59.6
– Unlisted convertible preferred shares issued by an unlisted company	–	–	23.8	23.8
– Unlisted shares issued by unlisted companies	–	–	117.5	117.5
– Unlisted convertible bonds issued by unlisted companies	–	–	25.1	25.1
– Unlisted overseas equity securities with a put right for shares	–	–	775.0	775.0
– Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	–	–	189.2	189.2
– Unlisted overseas investment funds	–	–	6,694.1	6,694.1
– Unlisted trust fund	–	27.4	–	27.4
	1,187.5	2,405.0	9,321.0	12,913.5
Analysed for reporting purposes as:				
– Non-current assets				7,863.0
– Current assets				5,050.5
				12,913.5
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	3.2	24.1	–	27.3
– Foreign currency contracts	–	0.4	–	0.4
– Over the counter equity derivatives	–	–	36.2	36.2
– Short position in listed equity securities under stock borrowing arrangement	547.2	3.2	–	550.4
Analysed for reporting purposes as current liabilities	550.4	27.7	36.2	614.3

14. FINANCIAL ASSETS AND LIABILITIES (Continued)

(HK\$ Million)	At 31 December 2019			Total
	Fair value			
	Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income				
– Listed equity securities in Hong Kong	41.6	–	–	41.6
– Listed equity securities outside Hong Kong	79.4	–	–	79.4
– Unlisted overseas equity securities	–	–	8.5	8.5
	<u>121.0</u>	<u>–</u>	<u>8.5</u>	<u>129.5</u>
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	287.7	–	–	287.7
– Listed equity and debt securities outside Hong Kong	1,553.8	10.1	–	1,563.9
– Over the counter equity currency derivatives	–	0.3	–	0.3
– Forward currency contract	–	79.1	–	79.1
– Quoted options and futures	3.2	30.4	–	33.6
– Unlisted put right for shares in an associate	–	–	1,387.0	1,387.0
– Unlisted call option for club memberships	–	–	13.1	13.1
– Unlisted call option for shares listed outside Hong Kong	–	–	0.1	0.1
– Contracts for difference	–	8.0	–	8.0
– Bonds	–	984.8	–	984.8
– Unlisted convertible preferred and ordinary shares issued by an unlisted company	–	110.3	–	110.3
– Unlisted preferred shares issued by unlisted companies	–	–	60.7	60.7
– Unlisted convertible preferred shares issued by an unlisted company	–	–	19.2	19.2
– Unlisted shares issued by unlisted companies	–	82.8	36.4	119.2
– Unlisted convertible bonds issued by unlisted companies	–	25.0	3.9	28.9
– Unlisted overseas equity securities with a put right for shares	–	–	778.7	778.7
– Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	–	–	177.5	177.5
– Unlisted overseas investment funds	–	–	6,292.7	6,292.7
– Unlisted trust fund	–	–	28.0	28.0
	<u>1,844.7</u>	<u>1,330.8</u>	<u>8,797.3</u>	<u>11,972.8</u>
Analysed for reporting purposes as:				
– Non-current assets				7,687.2
– Current assets				4,285.6
				<u>11,972.8</u>
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	–	17.6	–	17.6
– Foreign currency contracts	3.4	0.1	–	3.5
– Over the counter equity derivatives	–	–	18.2	18.2
– Short position in listed equity securities under stock borrowing arrangement	667.9	–	–	667.9
– Contracts for difference	–	8.6	–	8.6
	<u>671.3</u>	<u>26.3</u>	<u>18.2</u>	<u>715.8</u>
Analysed for reporting purposes as current liabilities				

14. FINANCIAL ASSETS AND LIABILITIES

(Continued)

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.

The fair values of bonds under Level 2 at the reporting date were derived from quoted prices from pricing services. Where Level 1 and Level 2 inputs are not available, the Group engages external valuers to perform the valuation for certain complex or material financial assets and liabilities.

The fair values of Level 3 financial assets and liabilities are mainly derived from valuation technique using 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 valuations which are reviewed by management.

14. FINANCIAL ASSETS AND LIABILITIES *(Continued)*

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

	At 30 June 2020				
	Valuation technique	Unobservable inputs	Input values	Fair value HK\$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss					
Unlisted put right for shares in an associate	Option model	Expected volatility Equity growth rate Estimated equity value Discount rate (for estimated equity value)	12.5% 0.1% HK\$918 million 17.3%	1,422.0	An increase in volatility would result in an increase in the fair value. An increase in equity growth rate would result in a decrease in the fair value. An increase in estimated equity value would result in a decrease in fair value. An increase in discount rate would result in a decrease in the fair value.
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	30.1%	53.5	An increase in volatility would result in a decrease in the fair value.
Unlisted convertible preferred shares issued by an unlisted company	Net asset value	<i>Note 1</i>	<i>Note 1</i>	23.8	<i>Note 1</i>
Unlisted shares issued by an unlisted company	Market approach	Price to sales ratio	2.0	16.1	An increase in price to sale ratio would result in an increase in the fair value.
Unlisted shares issued by an unlisted company	Net asset value	<i>Note 1</i>	<i>Note 1</i>	69.6	<i>Note 1</i>
Unlisted convertible bonds issued by an unlisted company	Binomial Model	Risk free rate Expected volatility Discount rate	0.2% 45.7% 16.2%	21.3	An increase in risk-free rate would result in a decrease in the fair value. An increase in volatility would result in an increase in the fair value. An increase in discount rate would result in a decrease in the fair value.

14. FINANCIAL ASSETS AND LIABILITIES (Continued)

At 30 June 2020					
	Valuation technique	Unobservable inputs	Input values	Fair value HK\$ Million	Sensitivity analysis
Unlisted overseas equity securities with a put right for shares	Market approach and option model	Expected volatility Risk-free rate Equity growth rate Estimated equity value	13.8% 0.1% -1.8% HK\$370 million	775.0	An increase in volatility would result in an increase in the fair value of the put right. An increase in risk-free rate would result in a decrease in the fair value of the put right. An increase in equity growth rate would result in a decrease in the fair value of the put right. An increase in estimated equity value would result in a decrease in fair value of the put right.
Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	Market approach	Enterprise value to earnings before interest, taxes, depreciation and amortisation ratio	7.9	189.2	An increase in enterprise value to earnings before interest, taxes, depreciation and amortisation ratio would result in an increase in the fair value of ordinary shares.
Unlisted overseas investment funds	Net asset value	<i>Note 1</i>	<i>Note 1</i>	5,347.9	<i>Note 1</i>
Unlisted overseas investment funds	Net asset value	Discount for lack of marketability	15.1%-16.4%	1,346.2	An increase in discount rate of the underlying investment would result in a decrease in the fair value.

14. FINANCIAL ASSETS AND LIABILITIES *(Continued)*

At 31 December 2019					
	Valuation technique	Unobservable inputs	Input values	Fair value HK\$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss					
Unlisted put right for shares in an associate	Option model	Expected volatility Equity growth rate Estimated equity value Discount rate (for estimated equity value)	12.3% 0.1% HK\$976 million 17.5%	1,387.0	An increase in volatility would result in an increase in the fair value. An increase in equity growth rate would result in a decrease in the fair value. An increase in estimated equity value would result in a decrease in fair value. An increase in discount rate would result in a decrease in the fair value.
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	21.4%	54.5	An increase in volatility would result in a decrease in the fair value.
Unlisted overseas equity securities with a put right for shares	Market approach and option model	Expected volatility Risk-free rate Equity growth rate Estimated equity value	5.3% 1.6% 0.1% HK\$445 million	778.7	An increase in volatility would result in an increase in the fair value of the put right. An increase in risk-free rate would result in a decrease in the fair value of the put right. An increase in equity growth rate would result in a decrease in the fair value of the put right. An increase in estimated equity value would result in a decrease in fair value of the put right.
Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	Market approach	Enterprise value to earnings before interest, taxes, depreciation and amortisation ratio	8.3	177.5	An increase in enterprise value to earnings before interest, taxes, depreciation and amortisation ratio would result in an increase in the fair value of ordinary shares.
Unlisted overseas investment funds	Net asset value	<i>Note 1</i>	<i>Note 1</i>	4,566.3	<i>Note 1</i>
Unlisted overseas investment funds	Net asset value	Discount for lack of marketability	13.1%-24.4%	1,726.4	An increase in discount rate of the underlying investment would result in a decrease in the fair value.

Note 1: The significant unobservable inputs of the investments of the Group are the net assets value of the underlying investments made by the funds/Companies. The higher the net assets value of the underlying investments, the higher the fair value of the financial assets at fair value through profit or loss will be. The Group has determined that the reported net asset values represent the fair values of the investments provided by the external counterparties.

Note 2: There is no indication that any changes in the unobservable inputs to reflect reasonably possible alternative assumptions for the investments would result in significantly higher or lower fair value measurements.

14. FINANCIAL ASSETS AND LIABILITIES (Continued)

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

(HK\$ Million)	2020							
	Balance at 1/1/2020	Transfer*	Recognised gains or losses				Balance at 30/6/2020	Unrealised gain or loss for six months ended 30/6/2020
			Profit or loss	Other comprehen- sive income	Purchase	Disposal		
Financial assets at fair value through other comprehensive income								
Unlisted overseas equity securities	8.5	-	-	-	-	-	8.5	-
Financial assets at fair value through profit or loss								
Unlisted put right for shares in an associate	1,387.0	-	35.0	-	-	-	1,422.0	35.0
Unlisted call option for club memberships	13.1	-	1.5	-	-	-	14.6	1.5
Unlisted call option for shares listed outside Hong Kong	0.1	-	-	-	-	-	0.1	-
Unlisted preferred shares issued by unlisted companies	60.7	-	(1.1)	-	-	-	59.6	(1.1)
Unlisted convertible preferred shares issued by an unlisted company	19.2	-	0.8	-	3.8	-	23.8	0.8
Unlisted shares issued by unlisted companies	36.4	85.6	(4.5)	-	-	-	117.5	(4.5)
Unlisted convertible bonds issued by unlisted companies	3.9	25.0	(3.8)	-	-	-	25.1	(3.8)
Unlisted overseas equity securities with a put right for shares	778.7	-	(3.7)	-	-	-	775.0	(3.7)
Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	177.5	-	11.7	-	-	-	189.2	11.7
Unlisted overseas investment funds	6,292.7	-	806.4	-	872.9	(1,277.9)	6,694.1	(11.9)
Unlisted trust fund	28.0	-	(0.8)	-	-	(27.2)	-	-
Financial liabilities at fair value through profit or loss								
Over the counter equity derivatives	(18.2)	-	(18.0)	-	-	-	(36.2)	(18.0)

* The investments were transferred from Level 2 to Level 3 category and the transfers are primarily attributable to changes in observability of valuation inputs in valuing these investments. Transfers between levels of the fair value hierarchy are deemed to occur at the end of each reporting period.

14. FINANCIAL ASSETS AND LIABILITIES (Continued)

(HK\$ Million)	2019								
	Balance at 1/1/2019	Transfer*	Recognised gains or losses			Purchase	Disposal	Balance at 31/12/2019	Unrealised gain or loss for the year
			Profit or loss	Other comprehen- sive income					
Financial assets at fair value through other comprehensive income									
Unlisted overseas equity securities	21.6	-	-	11.9	-	(25.0)	8.5	-	
Financial assets at fair value through profit or loss									
Unlisted put right for shares in an associate	1,120.0	-	267.0	-	-	-	1,387.0	267.0	
Unlisted call option for club memberships	13.3	-	(0.2)	-	-	-	13.1	(0.2)	
Unlisted call option for shares listed outside Hong Kong	0.4	-	(0.3)	-	-	-	0.1	(0.3)	
Unlisted preferred shares issued by unlisted companies	57.2	-	3.5	-	-	-	60.7	3.5	
Unlisted convertible preferred shares issued by an unlisted company	-	12.4	6.8	-	-	-	19.2	6.8	
Unlisted shares issued by an unlisted company	42.0	-	(5.6)	-	-	-	36.4	(3.0)	
Unlisted convertible bonds issued by unlisted companies	21.0	-	(17.1)	-	-	-	3.9	(17.1)	
Unlisted overseas equity securities with a put right for shares	856.6	-	(77.9)	-	-	-	778.7	(77.9)	
Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	-	181.4	(3.9)	-	-	-	177.5	(3.9)	
Unlisted overseas investment funds	5,157.3	-	1,228.9	-	663.8	(757.3)	6,292.7	950.4	
Unlisted trust fund	28.5	-	1.1	-	29.1	(30.7)	28.0	1.1	
Financial liabilities at fair value through profit or loss									
Over the counter equity derivatives	(22.9)	-	4.7	-	-	-	(18.2)	4.7	

* The investments were transferred from Level 2 to Level 3 category and the transfers are primarily attributable to changes in observability of valuation inputs in valuing these investments. Transfers between levels of the fair value hierarchy are deemed to occur at the end of each reporting period.

15. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

(HK\$ Million)	30/6/2020	31/12/2019
Loans and advances to consumer finance customers		
– Hong Kong	8,191.3	8,576.2
– Mainland China	1,931.5	2,545.1
Less: impairment allowance	(683.0)	(707.8)
	9,439.8	10,413.5
Analysed for reporting purposes as:		
– Non-current assets	2,704.2	2,770.5
– Current assets	6,735.6	7,643.0
	9,439.8	10,413.5

The loans and advances to consumer finance customers bear interest rate are as follows:

	30/6/2020	31/12/2019
Fixed rate loan receivables	6% to 48%	6% to 48%
Variable rate loan receivables	P-1% to P+15%	P-1% to P+22.6%

The following is an ageing analysis for the loans and advances to consumer finance customers that are past due at the reporting date.

(HK\$ Million)	30/6/2020	31/12/2019
Less than 31 days past due	536.7	582.9
31–60 days	39.7	55.6
61–90 days	26.7	20.9
91–180 days	151.9	148.4
Over 180 days	203.5	61.4
	958.5	869.2

16. MORTGAGE LOANS

(HK\$ Million)	30/6/2020	31/12/2019
Mortgage loans		
– Hong Kong	3,179.9	3,648.6
Less: impairment allowance	(45.8)	(21.7)
	3,134.1	3,626.9
Analysed for reporting purposes as:		
– Non-current assets	903.3	1,270.7
– Current assets	2,230.8	2,356.2
	3,134.1	3,626.9

The mortgage loans bear interest rate are as follows:

	30/6/2020	31/12/2019
Fixed rate loan receivables	5.8% to 31.2%	5.8% to 31.2%
Variable rate loan receivables	P-2.3% to P+6.8%	P-2.3% to P+6.8%

The following is an ageing analysis for the mortgage loans that are past due at the reporting date.

(HK\$ Million)	30/6/2020	31/12/2019
Less than 31 days past due	124.4	148.8
31–60 days	64.2	32.0
61–90 days	107.0	4.0
91–180 days	177.7	–
Over 180 days	244.0	143.8
	717.3	328.6

17. TERM LOANS

(HK\$ Million)	30/6/2020	31/12/2019
Secured term loans	1,649.6	2,111.6
Unsecured term loans	107.8	106.0
	1,757.4	2,217.6
Less: impairment allowance	(374.7)	(311.4)
	1,382.7	1,906.2
Analysed for reporting purposes as:		
– Non-current assets	48.3	49.6
– Current assets	1,334.4	1,856.6
	1,382.7	1,906.2

The term loans bear interest rate are as follows:

	30/6/2020	31/12/2019
Fixed rate loan receivables	8.2% to 21.6%	4.0% to 21.6%

No ageing analysis is disclosed for term loans financing, as, in the opinion of the management, the ageing analysis does not give additional value in the view of the nature of the term loans financing business.

18. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

(HK\$ Million)	30/6/2020	31/12/2019
Deposits	34.9	38.0
Others	301.2	391.3
Less: impairment allowance	(5.3)	(47.5)
Trade and other receivables at amortised cost	330.8	381.8
Prepayments	70.1	105.4
	400.9	487.2
Analysed for reporting purposes as:		
– Non-current assets	8.9	20.4
– Current assets	392.0	466.8
	400.9	487.2

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

(HK\$ Million)	30/6/2020	31/12/2019
Less than 31 days	262.2	279.2
Trade and other receivables without ageing	68.6	102.6
Trade and other receivables at amortised cost	330.8	381.8

19. BANK DEPOSITS, CASH AND CASH EQUIVALENTS

(HK\$ Million)	30/6/2020	31/12/2019
Bank balances and cash	4,052.7	2,732.2
Fixed deposits with banks with a term within 3 months	3,373.4	2,892.7
Cash and cash equivalents	7,426.1	5,624.9
Short-term pledged bank deposits and bank balances	47.0	33.2
Fixed deposits with banks with a term between 4 to 12 months	45.0	68.1
	7,518.1	5,726.2

20. BANK AND OTHER BORROWINGS

(HK\$ Million)	30/6/2020	31/12/2019
Bank loans		
– Unsecured term loans	8,051.0	7,544.2
– Secured loans	393.0	550.8
Total bank borrowings	8,444.0	8,095.0
Other borrowings	62.1	62.1
	8,506.1	8,157.1
Analysed for reporting purposes as:		
– Current liabilities	6,019.8	5,659.9
– Non-current liabilities	2,486.3	2,497.2
	8,506.1	8,157.1

At the reporting date, bank and other borrowings were repayable as follows:

(HK\$ Million)	30/6/2020	31/12/2019
Bank borrowings		
– Within one year	4,392.2	4,468.7
– In the second year	1,447.8	1,483.3
– Over two years and within five years	976.4	951.7
Bank borrowings with a repayment on demand clause		
– Within one year	1,627.6	1,191.3
	8,444.0	8,095.0
Other borrowings		
– Over five years	62.1	62.1
	8,506.1	8,157.1

21. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

(HK\$ Million)	30/6/2020	31/12/2019
Less than 31 days/repayable on demand	159.4	125.3
31–60 days	21.5	6.3
61–90 days	3.4	5.6
91–180 days	3.8	0.7
	188.1	137.9
Accrued staff costs, other accrued expenses and other payables without ageing	149.0	200.5
	337.1	338.4

22. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(HK\$ Million)	30/6/2020	31/12/2019
Analysed by collateral type:		
Debt instruments classified as:		
Financial assets at fair value through profit or loss	1,062.0	386.2

As at 30 June 2020, debt instruments which are classified as financial assets at fair value through profit or loss with carrying amount of HK\$1,408.9 million (2019: HK\$524.9 million) were sold under repurchase agreements with other financial institutions. All repurchase agreements are due within 12 months from the end of the reporting period.

23. LEASE LIABILITIES

(HK\$ Million)	30/6/2020	31/12/2019
Current liabilities	68.5	89.9
Non-current liabilities	23.5	27.8
	92.0	117.7

(HK\$ Million)	30/6/2020	31/12/2019
Maturity analysis		
Not later than 1 year	68.5	89.9
Later than 1 year and not later than 5 years	23.5	27.8
	92.0	117.7

24. SHARE CAPITAL

	Number of shares		Share capital	
	Six months ended 30/6/2020 Million Shares	Year ended 31/12/2019 Million Shares	Six months ended 30/6/2020 HK\$ Million	Year ended 31/12/2019 HK\$ Million
Issued and fully paid				
Balance brought forward	1,998.8	2,008.0	8,752.3	8,752.3
Shares cancelled after repurchase	(7.4)	(8.9)	–	–
Shares repurchased but not yet cancelled	(0.6)	(0.3)	–	–
Balance carried forward	1,990.8	1,998.8	8,752.3	8,752.3

During the period, the trustee of the SHK Employee Ownership Scheme (the “EOS”) acquired 1.0 million shares (six months ended 30 June 2019: 1.3 million) of the Company through purchases on the Stock Exchange for the awarded shares of the EOS. The total amount paid to acquire the shares during the period was HK\$3.1 million (six months ended 30 June 2019: HK\$4.7 million), which has been deducted from the owners’ equity.

During the period, the Company repurchased its own shares through purchases on the Stock Exchange for HK\$26.4 million (six months ended 30 June 2019: HK\$20.1 million).

For the period ended 30 June 2019, an indirectly owned subsidiary of the Group – UAF repurchased its own shares through a private agreement for HK\$731.5 million which increased the Group’s ownership interest from 58.18% to 62.74%.

25. NOTES/PAPER PAYABLE

(HK\$ Million)	30/6/2020	31/12/2019
US dollar denominated notes (the "US\$ Notes")		
– 4.75% US\$ Notes maturing in May 2021 (the "4.75% Notes")	1,926.5	1,927.0
– 4.65% US\$ Notes maturing in September 2022 (the "4.65% Notes")	3,483.9	3,504.8
– 5.75% US\$ Notes maturing in November 2024 (the "5.75% Notes")	2,722.2	2,734.3
HK dollar denominated notes/paper (the "HK\$ Notes/Paper")		
– HK\$ Notes/Paper	82.8	432.6
	8,215.4	8,598.7
Analysed for reporting purposes as:		
– Current liabilities	2,083.5	569.5
– Non-current liabilities	6,131.9	8,029.2
	8,215.4	8,598.7

The US\$ Notes were issued by a subsidiary, Sun Hung Kai & Co. (BVI) Limited, under a US\$3 billion guaranteed medium term note programme.

The HK\$ Notes/Paper were issued by a subsidiary, Sun Hung Kai (ECP) Limited, under a US\$1 billion guaranteed commercial paper programme.

The 4.75% Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 4.75% Notes was US\$249.8 million or equivalent to HK\$1,935.9 million (31/12/2019: US\$249.8 million or equivalent to HK\$1,994.9 million) at the reporting date. The fair value of the 4.75% Notes based on the price quoted from pricing service at the reporting date was HK\$1,943.8 million (31/12/2019: HK\$1,950.6 million) which was categorised as Level 2.

The 4.65% Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 4.65% Notes outstanding after eliminating the intra-group holdings was US\$444.1 million or equivalent to HK\$3,441.8 million (31/12/2019: US\$444.5 million or equivalent to HK\$3,461.2 million) at the reporting date. The fair value of the 4.65% Notes based on the price quoted from pricing service at the reporting date was HK\$3,435.8 million (31/12/2019: HK\$3,492.1 million) which was categorised as Level 2.

The 5.75% Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 5.75% Notes was US\$350.0 million or equivalent to HK\$2,712.5 million (31/12/2019: US\$350.0 million or equivalent to HK\$2,725.5 million) at the reporting date. The fair value of the 5.75% Notes based on the price quoted from pricing service at the reporting date was HK\$2,753.8 million (31/12/2019: HK\$2,761.6 million) which was categorised as Level 2.

26. RELATED PARTY TRANSACTIONS

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

(HK\$ Million)	Six months ended	
	30/6/2020	30/6/2019
Associates and joint ventures of a holding company		
Rental and building management fees to an associate of a holding company for short-term leases	(1.1)	(1.5)
Rental and building management fees to a joint venture of a holding company	(12.4)	(12.2)
Interest expense to a joint venture of a holding company on lease liabilities*	(0.3)	(0.8)
Interest expense to an associate of a holding company	(2.2)	(2.8)
Associates and joint ventures		
Loan referral fee and participation fee received from an associate	7.6	6.6
Management and service fees received from associates and joint ventures	1.5	1.5
Brokerage expenses to an associate	–	(0.4)
Service fees to an associate	(2.3)	(2.3)
Insurance premiums paid to an associate	(2.9)	(1.1)
Holding company and its subsidiaries		
Repayment of loan from a fellow subsidiary	(32.9)	–
Finance costs to fellow subsidiaries	(11.9)	(20.1)
Management fees paid/payable to a holding company	(8.1)	(7.5)
Rental and building management fees to a holding company	(0.9)	(0.5)
Other related party		
Interest income from loan to Independent Non-Executive Director [#]	–	3.0
Repayment of loan from Independent Non-Executive Director [#]	2.8	3.3

[#] The amounts due from a deceased director are secured, interest bearing at market interest rate and repayable within 12 months from the date of drawdown.

* As at 30 June 2020, the Group has lease liabilities of HK\$11.7 million (31/12/2019: HK\$24.1 million) to the joint venture of a holding company.

26. RELATED PARTY TRANSACTIONS

(Continued)

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

(HK\$ Million)	Six months ended	
	30/6/2020	30/6/2019
Short-term benefits	20.8	20.3
Post-employment benefits	1.0	0.9
	<u>21.8</u>	<u>21.2</u>

During the period, 528,000 shares were granted under the EOS to key management personnel. In addition, 157,000 shares with a total amount of HK\$0.48 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\$0.04 million (six months ended 30 June 2019: HK\$0.2 million). Further details of the EOS are disclosed in the Management Discussion and Analysis section of this interim report.

27. COMMITMENTS

(a) Other commitments

(HK\$ Million)	30/6/2020	31/12/2019
Capital commitments for funds	1,177.0	751.5
Other capital commitments	8.1	–
	<u>1,185.1</u>	<u>751.5</u>

(b) Operating lease commitments

The Group as lessee:

At 30 June 2020, the Group is committed to HK\$2.1 million (31/12/2019: HK\$6.4 million) for short-term leases.

The maturity profile of the lease liabilities are disclosed in note 23.

The Group as lessor:

At 30 June 2020, all of the properties held for rental purpose have committed leases for the next 3 to 6 years (31/12/2019: 3 to 6 years) respectively. Minimum lease payments receivables on leases are as follows:

(HK\$ Million)	30/6/2020	31/12/2019
Within one year	24.4	26.1
In the second year	9.9	17.3
In the third year	0.3	4.2
In the fourth year	0.4	0.3
In the fifth year	0.5	0.4
After five years	0.1	0.3
	<u>35.6</u>	<u>48.6</u>

(c) Loan commitments

(HK\$ Million)	30/6/2020	31/12/2019
Within one year	1,375.1	1,397.0

28. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had guarantees to a joint venture in the amount of HK\$102.9 million (31/12/2019: HK\$105.2 million) and an independent third party of HK\$387.5 million (31/12/2019: HK\$389.3 million), respectively and the movement is as follows:

(HK\$ Million)	30/6/2020	31/12/2019
At 1 January	494.5	107.0
Additions	–	387.7
Exchange adjustments	(4.1)	(0.2)
	<u>490.4</u>	<u>494.5</u>

29. 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 risk 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.

(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 investment 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 term financing and loans and advances to consumer finance customers. 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, British pounds, Euro, Canadian dollar 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.

(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.

The Group takes into consideration forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information includes economic data and forecasts published by governmental bodies and monetary authorities.

29. FINANCIAL RISK MANAGEMENT

(Continued)

(b) Credit Risk *(Continued)*

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not changed in the estimation techniques or significant assumptions during the reporting period.

(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 Group CFO and the Group Treasurer.

30. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the management of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing the unaudited condensed consolidated financial statements, the Group has made accounting related estimates based on assumptions about current and, for some estimates, future economic and market conditions and in particular has assumed that the current market conditions as a result of the COVID-19 pandemic is not a long-term norm. Although our estimates and assumptions contemplate current and, as applicable, expected future conditions that the Group considers are relevant and reasonable, including but not limited to the potential impacts to our operations arising from the COVID-19 pandemic and different monetary, fiscal and government policy responses aimed at reviving the economies, it is reasonably possible that actual conditions could differ from our expectations. In particular, a number of estimates have been and will continue to be affected by the ongoing COVID-19 outbreak. The severity, magnitude and duration, as well as the economic consequences of the COVID-19 pandemic, are uncertain, rapidly changing and it is currently impossible to predict. As a result, our accounting estimates and assumptions may change over time in response to how market conditions develop. In addition, actual results could differ significantly from those estimates and assumptions.

Corporate Information

Board of Directors

Executive Directors

Lee Seng Huang (*Group Executive Chairman*)
Simon Chow Wing Charn

Non-Executive Directors

Peter Anthony Curry
Jonathan Andrew Cimino

Independent Non-Executive Directors

Evan Au Yang Chi Chun
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung

Executive Committee

Lee Seng Huang (*Chairman*)
Simon Chow Wing Charn

Nomination Committee

Lee Seng Huang (*Chairman*)
Evan Au Yang Chi Chun
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung

Remuneration Committee

Evan Au Yang Chi Chun (*Chairman*)
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung

Audit Committee

Alan Stephen Jones (*Chairman*)
Evan Au Yang Chi Chun
David Craig Bartlett
Peter Anthony Curry
Jacqueline Alee Leung

Risk Management Committee

Robert James Quinlivan (*Chairman*)
Simon Chow Wing Charn
Alfred Leung Sai Kit
Lindsay Megan Wright (*appointed on 19 August 2020*)
Paul Olivera (*appointed on 19 August 2020*)
Benjamin John Falloon (*ceased on 19 August 2020*)

Company Secretary

Hester Wong Lam Chun

Investor Relations

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Auditor

Deloitte Touche Tohmatsu

Solicitors

Clifford Chance
Davis Polk & Wardwell
DLA Piper
King & Wood Mallesons
Maples & Calder (Hong Kong) LLP
P.C. Woo & Co.

Bankers

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Bank of China (Hong Kong) Limited
OCBC Wing Hang Bank Limited
China Construction Bank (Asia) Corporation Limited
China CITIC Bank International Limited
Chong Hing Bank Limited
Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
Dah Sing Bank, Limited
Taipei Fubon Commercial Bank Co., Ltd.
CMB 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
Industrial and Commercial Bank of China (Macau) Limited
Industrial and Commercial Bank of China (Asia) Ltd.
Tai Fung Bank Limited
Cathay United Bank Company, Limited, Hong Kong Branch
China Everbright Bank Co., Ltd., Hong Kong Branch
China Minsheng Banking Corp. Ltd., Hong Kong Branch
Shanghai Pudong Development Bank Co., Ltd.
Hong Kong Branch
East West Bank, Hong Kong Branch

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