

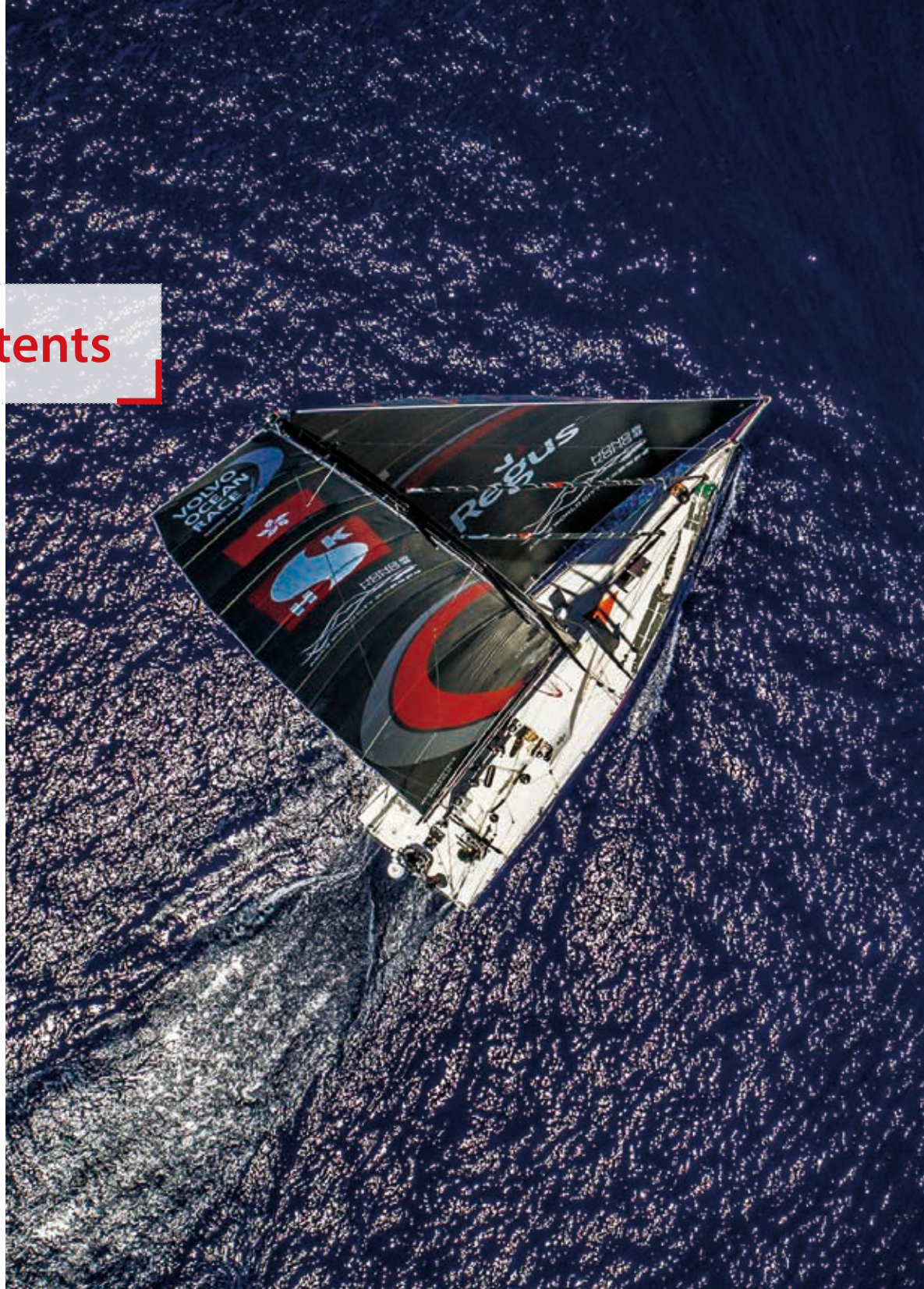


新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

Stock Code: 0086

INTERIM REPORT
2021

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About Us

Sun Hung Kai & Co. Limited



Sun Hung Kai & Co. Limited (stock code: 86) (“SHK & Co.” or the “Company”, together with its subsidiaries, the “Group”) is a leader in alternative investing headquartered in Hong Kong. Since its establishment in 1969, the Group has owned and operated market-leading platforms in financial services. The Group invests across public markets, alternatives and real assets and has an established track record of generating long-term risk adjusted returns for its shareholders. Most recently, it has extended its strategy to incubate, accelerate and support emerging asset managers in the Asian region. It is also the major shareholder of a leading Consumer Finance firm, United Asia Finance Limited.

The Group currently holds about HK\$48 billion in total assets as at 30 June 2021.

FINANCIAL HIGHLIGHTS

(year-on-year comparison)

Attributable Profit +287%

HK\$2,693.0m

Total Assets +11%

HK\$47,654.0m

Basic EPS +290%

HK136.2c

Total Liabilities -1%

HK\$19,179.3m

DPS no change

HK12.0c

Net Gearing Ratio from 44.6% to

39.2%

BVPS +23%

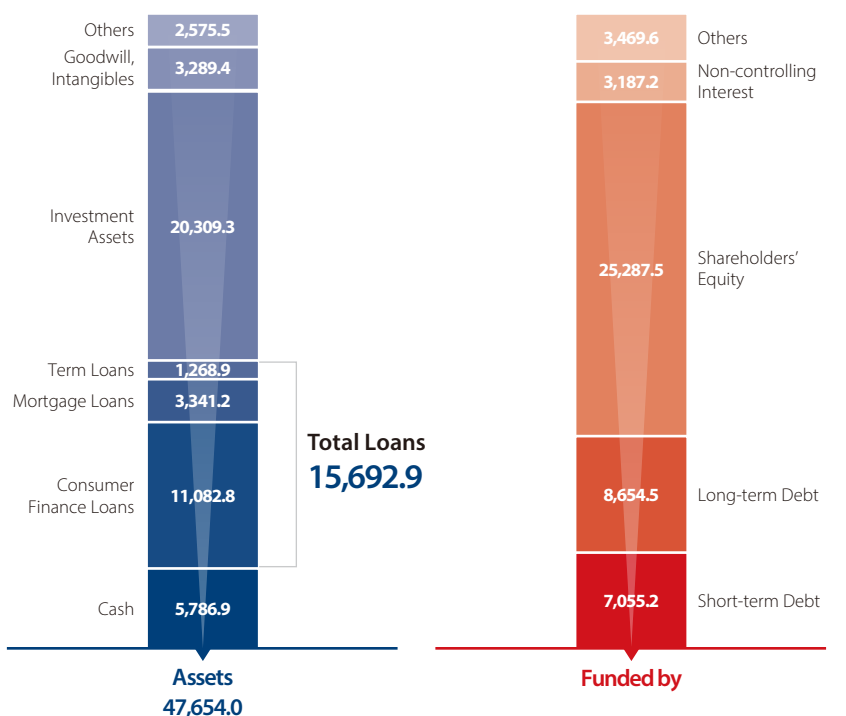
HK\$12.8

Interest Cover +213%

10.0x

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 2021	Jun 2020		Dec 2020
Revenue	2,096.0	2,042.9	2.6%	4,056.6
Pre-tax profit	3,215.7	950.5	238.3%	3,200.6
Profit attributable to owners of the Company	2,693.0	695.2	287.4%	2,547.7
Basic earnings per share (HK cents)	136.2	34.9	290.3%	128.3
Interim dividend (HK cents)	12.0	12.0	–	14.0 [^]
Book value per share (HK\$)	12.8	10.4	23.1%	11.4

[^] Second interim dividend

The Group produced a very strong performance reflected in the results for the first half of 2021, despite continued volatility in global financial markets, prolonged impact from COVID-19 and a changing regulatory environment. The Group's financial position remained strong and liquid, and we continued to focus on appropriately containing risk and positioning the business for expansion opportunities.

The profit attributable to the owners of the Company for the period was HK\$2,693.0 million (first half of 2020: HK\$695.2 million), up 287.4%. Basic earnings per share ("EPS") for the period were HK136.2 cents (first half of 2020: HK34.9 cents), increased by 290.3% year-on-year.

The Board has declared an interim dividend of HK12 cents per share for the six months ended 30 June 2021, which we maintained at same level out of prudence as the corresponding period in 2020. The Board will review dividend policy at year end depending on the evolution of COVID-19, progress on economic recovery and the overall capital returned via the buy-back program. During the period, the Company repurchased 550,000 shares (first half of 2020: 8,008,000 shares) for a total consideration of HK\$2.3 million (first half of 2020: HK\$26.4 million).

As at 30 June 2021, the Group's book value per share was HK\$12.8, an increase of 12.3% from the end of 2020 (HK\$11.4) and 23.1% from 30 June 2020 (HK\$10.4).

RESULTS ANALYSIS

The Group's first-half revenue in 2021 was HK\$2,096.0 million, which mainly consisted of interest income from Financing Business of HK\$1,966.6 million.

Pre-tax profit for the first half of 2021 was HK\$3,215.7 million (first half of 2020: HK\$950.5 million), up 238.3% year-on-year and was mainly driven by the significant gains in Investment Management. Pre-tax profit of Investment Management for the period was HK\$2,312.2 million (first half of 2020: HK\$436.3 million after re-presentation), increased by 430.0%, due to the strong performance across all asset classes and a total realised gain and interest income of HK\$1,611.5 million.

Financing Business also improved and generated pre-tax profit of HK\$919.4 million (first half of 2020: HK\$607.8 million), up 51.3%, continuing to be a consistent contributor to the Group's pre-tax profit.

Pre-tax loss from Group Management Support ("GMS") was HK\$15.9 million (first half of 2020: HK\$93.6 million), narrowed by 83.0%.

Operating costs increased by 43.3% to HK\$896.5 million (first half of 2020: HK\$625.6 million) which was mainly driven by the Consumer Finance and Investment Management segments, as a result of pick-up of loan business volume and increase in staff expenses, respectively.

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 2021	Jun 2020	Change	Jun 2021	Dec 2020
FINANCING BUSINESS					
Consumer Finance	871.9	520.0	67.7%	18,477.6	17,937.0
Specialty Finance	(11.4)	22.3 [^]	N/A	1,479.4	3,153.0
Mortgage Loans	58.9	65.5	-10.1%	3,490.9	3,117.4
INVESTING BUSINESS					
Investment Management	2,312.2	436.3 [^]	430.0%	20,298.9	14,603.4
GMS	(15.9)	(93.6)	-83.0%	3,907.2	5,272.4
Total	3,215.7	950.5	238.3%	47,654.0	44,083.2

[^] Re-presented following the removal of Strategic Investments segment and regrouping its items in the second half of 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCING BUSINESS

Despite the continued impact of COVID-19 pandemic globally, the Greater China region fared better than some others in the first half of 2021 with a gradual recovery of regional and local business activities, employment and economic performance. As a result, the environment for our Financing Business also improved.

Consumer Finance

The Group's Consumer Finance business is conducted via its majority-owned subsidiary United Asia Finance Limited ("UAF"). Through a well-established branch network and sophisticated online and mobile platforms, UAF primarily offers unsecured loans to individuals and businesses in Hong Kong and Mainland China. In terms of the amount of outstanding loan balance as at 30 June 2021, UAF ranked first amongst all money lenders and the third amongst all players including banks in Hong Kong. In Mainland China, UAF holds several off-line money lending licences in major cities across the country, as well as internet money lending licences.

Segment Half Year Results

(HK\$ Million)	Six months ended 30 June		
	2021	2020	Change
Revenue	1,741.4	1,623.7	7%
Return on loan (% average gross loan balance) ¹	30.2%	30.5%	
Operating costs	(557.4)	(497.5)	12%
Cost to income (% revenue)	32.0%	30.6%	
Finance costs	(115.2)	(171.1)	-33%
Net impairment losses	(206.8)	(440.6)	-53%
Other gains	8.6	9.0	-4%
Other losses	(0.2)	(1.1)	-82%
Exchange gain/(loss)	1.5	(2.4)	N/A
Pre-tax contribution	871.9	520.0	68%
Loan Book:			
Net loan balance	11,082.8	9,439.8	17%
Gross loan balance ²	11,765.6	10,122.8	16%

¹ Interest and fee income/average gross loan balance

² Before impairment allowance

UAF's pre-tax contribution to the Group amounted to HK\$871.9 million, an increase of 68% compared to the first half of 2020.

For the first half of 2021, revenue increased by 7%. The total loan balance at the end of the period, on a gross and net basis (after impairment allowance), increased by 16% and 17%, respectively, year-on-year.

The increase in operating costs was driven by pick-up of the business volume compared to the corresponding period last year. UAF took advantage of lower interest rates to bring down its borrowing costs by 33% and with fewer delinquencies compared to the very challenging COVID-19 downturn in 2020, was able to reduce net impairment losses substantially (down by 53%).

Net Impairment Losses on Financial Instruments

(HK\$ Million)	Jan – Jun 2021	Jan – Jun 2020	Jul – Dec 2020
Amounts written off ¹	(401.2)	(565.5)	(391.6)
Recoveries ²	119.7	104.8	117.1
Charge off	(281.5)	(460.7)	(274.5)
as an annualised % of average gross loan balance	4.9%	8.7%	5.1%
Written back/(charges) of impairment allowance ³	74.7	20.1	(54.1)
Net impairment losses	(206.8)	(440.6)	(328.6)
as an annualised % of average gross loan balance	3.6%	8.3%	6.1%
Impairment allowance at period end	682.8	683.0	754.3
as a % of gross loan balance at period end	5.8%	6.7%	6.7%

¹ The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty is in bankruptcy

² Reflect recovery/repayment of loans which have previously been impaired and derecognised

³ An adjustment to reflect changes in expected credit loss in the loan portfolio balance

Ageing analysis for net loan balance of Consumer Finance customers (HK\$ Million):

No. of days past due as at:	30 Jun 2021	Note	31 Dec 2020	Note
Less than 31	582.7	5.3%	491.4	4.7%
31 – 60	49.8	0.4%	36.0	0.3%
61 – 90	13.8	0.1%	23.6	0.2%
91 – 180	1.2	0.0%	10.2	0.1%
Over 180	186.1	1.7%	293.9	2.8%
Total	833.6	7.5%	855.1	8.1%

Note: Amount as a percentage of net loan balance

MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong Business

Key Operating Data	1H2021	1H2020	Full Year 2020
Number of branches (end of period/year)	48	48	48
Loan data:			
Gross loan balance (HK\$ Million) (end of period/year)	8,572.4	8,191.3	8,318.0
Loan originated for the period/year (HK\$ Million)	6,095.3	4,703.7	10,373.6
Number of loans originated	96,562	89,239	159,969
Average gross balance per loan (HK\$)	61,404	59,342	60,736
Annualised Ratios:			
Total return on loans ¹	30.4%	30.3%	30.5%
Charge-off ratio ²	4.2%	5.5%	4.8%
Net impairment losses ratio ³	3.6%	5.0%	5.3%
Impairment allowance ratio ⁴	5.9%	5.7%	6.4%

¹ Interest and fee income/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 end

The HKSAR Government's COVID-19 Vaccination Programme has progressively helped reduce COVID-related restrictions. Economic activities have gradually resumed compared to the same period in 2020 as infection cases came down. Retail, food and catering, and construction sectors especially started to reactivate. Consequently, unemployment rate dropped month by month since the COVID-19 induced peak at 7.2% in February 2021 to 5.5% in June 2021. The rebound in economic conditions and job market helped UAF's business in Hong Kong which recorded recovery in profitability due to higher loan business demand and lower credit impairment.

Information Technology ("IT") upgrades at UAF Hong Kong ("UAF HK") continue to contribute to improvements in loan operation and credit evaluation. For example, credit evaluation processes now incorporate comprehensive business analytics, a new credit risk scorecard using proprietary statistical modelling and a multi-dimensional dataset, linked to UAF HK's internal credit database and external credit agency information. Thus, credit risk assessment is performed in a uniform, systematic and more sophisticated manner than before, facilitating credit screening and loan approval and allowing UAF HK to balance the potential benefits from business growth against the possibility of loan default.

We have also used system data to analyse and improve our selection of on-line marketing channels. UAF HK is using more of these in preference to traditional but less effective TV commercials and physical press media for reaching our target customers. With dedicated effort of experienced team of staff at UAF HK, we keep exploring areas of improvements and launching initiatives to innovate our loan services to respond to market changes and gain market shares amid keen market competition.

Mainland China Business

Key Operating Data	1H2021	1H2020	Full Year 2020
Number of branches (end of period/year)	21	28	26
Loan data:			
Gross loan balance (HK\$ Million) (end of period/year)	3,193.2	1,931.5	3,000.0
Loan originated for the period/year (HK\$ Million)	2,374.2	1,376.6	4,223.7
Number of loans originated	27,304	28,092	87,347
Average gross balance per loan (RMB)	48,715	32,345	39,293
Annualised Ratios:			
Total return on loans ¹	29.4%	31.2%	27.0%
Charge-off ratio ²	6.8%	20.4%	12.0%
Net impairment losses ratio ³	3.6%	20.5%	11.7%
Impairment allowance ratio ⁴	5.6%	11.2%	7.4%

¹ Interest and fee income/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 end

MANAGEMENT DISCUSSION AND ANALYSIS

The economic and operating environment of Mainland China during the first half of 2021 continued to improve. With increase in loan volume and reduction in credit losses, UAF China's profitability also rebounded.

UAF piloted a new secured property loan product in cooperation with an established asset management company in the latter half of last year. It achieved solid growth during the first half of 2021. Although secured property loan products command a lower interest return for UAF, the repayment of these loans is guaranteed by the asset management company, which has a strong financial background, the customer base is different and typically has a stronger credit profile and this business offers UAF China cross selling potential. In addition, we believe this secured loan business will diversify UAF's overall credit risk on its portfolio and produce a reasonable return to increase its top line growth over time.

The Mainland China market presents both growth potential and challenges. UAF China will keep monitoring the opportunities and threats, as well as capitalizing on its long experience in the region seeking to deliver incremental profit contribution in the remaining half of the year.

Prospects

Despite the gradual recovery in job market and economy in Hong Kong, the unemployment rate in Hong Kong has remained elevated; recovery to pre-pandemic level will be a prolonged process. Uncertainties caused by Sino-US political tension, timing on safe re-opening of borders, pandemic variants, etc. are still prevailing risks which could materially and continuously affect UAF business in Hong Kong and Mainland China. Given management's proven track record of managing all up and down cycles during turbulence times, we remain cautiously confident that UAF can deliver a promising full year performance.

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 guaranteed by corporates or high net worth individuals. The net loan balance was HK\$1,193.8 million as at 30 June 2021, representing a year-on-year decline of 4.9% and a year-to-date decline of 27.1% (30 June 2020: HK\$1,255.9 million; 31 December 2020: HK\$1,637.9 million). Those of our borrowers with loans related to leisure and hospitality sectors have been particularly hard hit by COVID-19. We have increased impairment provisions by HK\$109.5 million (first half of 2020: HK\$63.9 million) and consequently the segment's pre-tax loss was HK\$11.4 million (30 June 2020: pre-tax contribution HK\$22.3 million).

Segment Half Year Results

(HK\$ Million)	Six months ended		
	2021	2020	Change
Revenue	108.2	146.2	-26.0%
<i>Return on loans¹</i>	10.4%	15.7% ²	
Operating costs	(1.3)	(1.8)	-27.8%
<i>Cost to income (% Revenue)</i>	1.2%	1.2%	
Finance costs	(49.7)	(51.3)	-3.1%
Net impairment losses	(109.5)	(63.9)	71.4%
Net gain/(loss) on financial assets and liabilities	62.7	(0.4)	N/A
Others	(21.8)	(6.5)	-235.4%
Pre-tax (loss)/contribution	(11.4)	22.3 ³	N/A
Loan Book:			
Net loan balance	1,193.8	1,255.9	-4.9%
Gross loan balance ⁴	1,914.9	1,630.6	17.4%
Other investments			
Listed shares and warrants	2.9	2.5	16.0%
Interest in joint venture	223.8	227.3	-1.5%
	226.7	229.8	-1.3%

¹ Annualised interest and fee income/average gross loan balance

² To better reflect our revenue streams, fee income was included and the return on loans was recalculated

³ Re-presented following the removal of Strategic Investments segment and regrouping its items in the second half of 2020

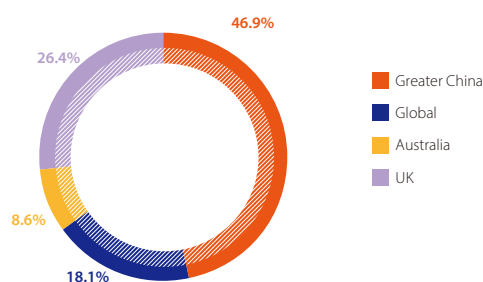
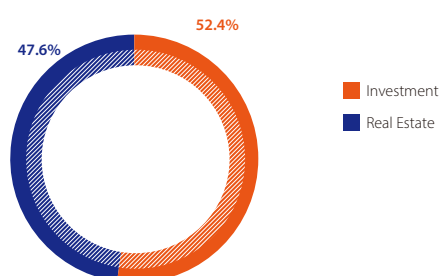
⁴ Before impairment allowance

MANAGEMENT DISCUSSION AND ANALYSIS

While we remain open to new business opportunities, we will continue to adopt cautious approach in new business generation and focus on managing existing loans.

The Group exercised its put option in November 2020 to dispose of its interest in Sun Hung Kai Financial Group Limited (“SHKFGL”), and the Group received 90,365,142 SHKFGL preference shares as part of the total consideration of HK\$2,413.1 million. Following the removal of “Strategic Investments” segment, the SHKFGL preference shares were booked under the Specialty Finance. In June 2021, SHKFGL redeemed all the 90,365,142 preference shares and as a result the Group received a consideration of HK\$1,236.9 million and therefore did not have any equity interest in SHKFGL at the end of the period.

What was also included in Specialty Finance was the Group’s interest in LSS leasing (previously in the “Strategic Investments”), a Business-to-Business (B2B) and Business-to-Customer (B2C) auto leasing business in Mainland China.

Specialty Finance Loan Portfolio**Term Loan Breakdown by Geography****Term Loan Breakdown by Sector****Mortgage Loans**

The Group’s Mortgage Loans business is operated by its majority-owned subsidiary, Sun Hung Kai Credit Limited (“SHK Credit”). SHK Credit contributed a pre-tax profit of HK\$58.9 million during the period, a year-on-year decrease of 10.1% from HK\$65.5 million.

Segment Half Year Results

(HK\$ Million)	Six months ended		
	2021	2020	Change
Revenue	149.4	169.3	-11.8%
Return on loans ¹	9.3%	9.9%	
Operating costs	(27.0)	(20.9)	29.2%
Cost to income (% Revenue)	18.1%	12.3%	
Finance costs	(51.5)	(58.8)	-12.4%
Net impairment losses	(12.5)	(24.1)	-48.1%
Other gains	0.5	–	N/A
Pre-tax contribution	58.9	65.5	-10.1%
Loan Book:			
Net loan balance	3,341.2	3,134.1	6.6%
Gross loan balance ²	3,396.8	3,179.9	6.8%

¹ Annualised interest and fee income/average gross loan balance

² Before impairment allowance

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue decreased by 11.8% for the period, primarily due to certain recoveries of interest income in the first half of 2020 which were absent in the same period this year. The net loan balance increased by 6.6% year-on-year to HK\$3,341.2 million as at 30 June 2021 (30 June 2020: HK\$3,134.1 million; 31 December 2020: HK\$3,013.7 million) with the Hong Kong economy and property market starting to recover in the first half of 2021 as pandemic outbreak was contained and business activities resumed gradually. Operating costs for the period increased by 29.2% to HK\$27.0 million compared to HK\$20.9 million for the same period last year, primarily driven by an IT system upgrade to further improve lending process efficiency and user experience. Finance costs for the period were down by 12.4% year-on-year as we diversified our funding channels.

The quality of the loan book remained strong and net impairment losses decreased significantly by 48.1% year-on-year to HK\$12.5 million. The overall loan-to-value ratio of the portfolio was below 65% at the end of the period.

Looking ahead, SHK Credit will enter the next phase of growth and continue to strive for enhancement in business scale, revenue mix, capital and funding structures as well as product and services to our customers.

INVESTMENT MANAGEMENT

The Investment Management division leverages the Group's internal expertise, external network and strong financial position to seek attractive risk-adjusted investment returns. During the period, the six-month return on the average assets for the segment was 14.2%. Taking into account operating expenses and funding cost allocations, the segment contributed HK\$2,312.2 million to pre-tax profit, a substantial increase of 430.0% compared to HK\$436.3 million for the same period last year.

Analysis of Pre-tax Profit by Nature

(HK\$ Million)	For the six months ended		
	Jun 2021	Jun 2020	Change
Realised gain on financial assets and interest income	1,611.5	854.7	88.5%
Dividends received	15.4	16.5	-6.7%
Rental income	15.6	12.5	24.8%
Fee received	4.2	–	N/A
Mark-to-market valuation	1,084.5	(215.6) ¹	N/A
Net impairment allowance (losses)/reversal on financial assets	(9.1)	42.4 ¹	N/A
Net exchange loss	(7.8)	(0.2)	3,800.0%
Share of results of associates & joint venture	(11.9)	45.0 ¹	N/A
Loss from revaluation on investment properties	(19.0)	(92.0)	-79.3%
Other income/(loss)	45.5	(3.2) ¹	N/A
Total gains	2,728.9	660.1 ¹	313.4%
Operating costs	(416.7)	(223.8)	86.2%
Pre-tax contribution	2,312.2	436.3 ¹	430.0%

¹ Re-presented following the removal of Strategic Investments segment and regrouping its items in the second half of 2020

Despite the continuous challenges and uncertainties, the overall global financial markets recorded strong performance in the first half of 2021. The Group's Investment Management segment has appropriately navigated the evolving dynamics in the public markets and completed several successful exits, leading to its significant contribution of HK\$2,312.2 million to the pre-tax profit in the first half period. In addition, all sub-segments with Investment Management recorded positive returns.

While the global financial markets are on course for continued recovery, we do expect volatility to persist given uneven access to vaccines across economies and the outbreaks of new variants of COVID-19 virus which have added uncertainties to the speed and scope of the global economic recovery. Hence, we remained committed to our cautious approach at investments and extra diligence at risk monitoring.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Assets Breakdown and Annual Return

(HK\$ Million)	First Half 2021				Return track record ¹	
	Period End Value	Average Value for the Period	Gain	Six-month Return ¹	2020 ²	2019 ²
Public Markets	4,500.8	3,925.9	926.5	23.6%	8.7%	15.0%
Alternatives	13,440.5	12,863.0	1,765.1	13.7%	24.7%	15.0%
Real Assets	2,357.6	2,463.1	37.3	1.5%	-5.6%	-3.9%
Total	20,298.9	19,251.9	2,728.9	14.2%	16.9%	11.9%

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

² Annual return

Public Markets

The Public Markets portfolio consists of an internally managed credit strategy and corporate holdings. The Public Equity strategy had been spun off as East Point Asset Management, which became one of the partnerships under the Funds Management segment in January 2021.

Breakdown of Public Markets Portfolio as at 30 June 2021

(HK\$ Million)	Period End Value	Gain	Six-month Unlevered Return ¹
Credit	1,618.3	48.3	3.4%
Corporate Holdings	2,882.5	878.2	35.3%
Total	4,500.8	926.5	23.6%

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

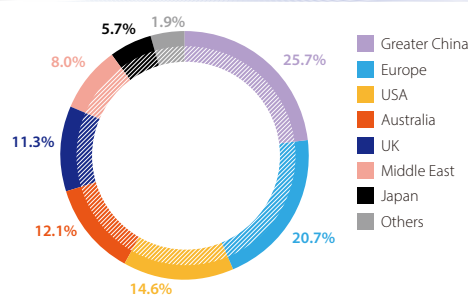
Public Credit

The Public Credit portfolio is actively managed with a global credit strategy.

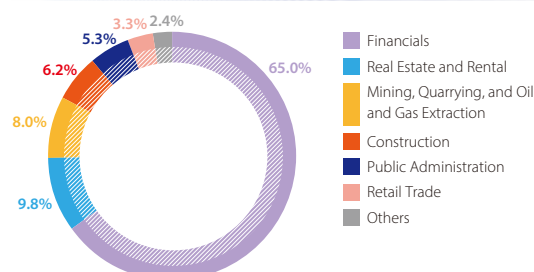
The global fixed income markets started 2021 on a firm note with continued market optimism about on-going vaccinations against COVID-19 globally. However, the increased spread of Delta variants cast doubts on the speed of global economic recovery and with the regulatory changes over certain key sectors, market sentiment turned more cautionary and conservative in the second quarter. This sentiment sent U.S. interest rates lower and triggered some sell-offs in particular global equities markets.

Despite such market volatility, our Public Credit portfolio performed well and delivered a strong return through its sound credit selection, portfolio diversification, and hedging strategies. In addition, our Public Credit portfolio uses leverage to further enhance the return generated by this portfolio for SHK & Co.

Public Credit Holdings by Geography



Public Credit Holdings by Sector



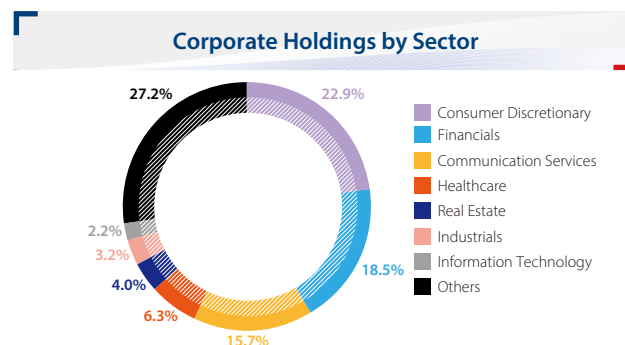
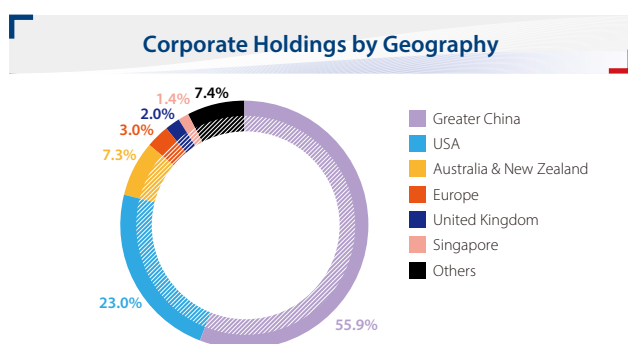
MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Holdings

The Corporate Holdings segment consisted of a mix of long-term strategic positions and other shorter-term positions. In the first half of 2021, we further strengthened the investment and portfolio management capabilities, striving to achieve sustainable and risk-adjusted returns.

Our portfolio delivered a strong performance with a six-month return of 35.3% for the first half of 2021, significantly outperforming the 14% gain in the S&P 500 Index, 13% gain in the NASDAQ 100 Index and 12% gain in the MSCI World Index over the same period. Our long positions focused on names with strong and resilient businesses and averted the volatile moves on the Chinese Internet sector. Our largest position, a Chinese Pharmaceutical stock returned 38% for the first half and contributed a significant portion of the gains. We also held a position in a consumer finance company that returned 3.6 times during the first half. Despite the major market indices making gains, our short book also generated a positive return in the first half, which not only protected our portfolio but helped enhance our returns in this volatile period.

As the markets will still be exposed to risks including the continuous outbreak of COVID-19 variant, regulatory environment evolution and the inflationary pressure, we remain cautious about the potential volatility in the market and will prudently monitor our risk position.



Alternatives

Over the past several years, we have leveraged the Group's expertise and capital strength to build a portfolio consisting of private equity funds, direct investments and co-investments to generate risk-adjusted returns and diversify our exposure by sector and geography. The portfolio is invested with companies or fund managers who are selected based on parameters including performance, strategic fit, as well as access to markets and sectors.

Breakdown of Alternatives Portfolio as at 30 June 2021

(HK\$ Million)	Period End	Gain	Six-month
	Value		Return [^]
External Hedge Funds	4,055.8	210.2	5.1%
Private Equity:	9,384.7	1,554.9	17.7%
– External Funds	4,810.5	1,121.5	25.3%
– Direct and Co-investments	4,574.2	433.4	10.0%
Total	13,440.5	1,765.1	13.7%

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

For the first half of 2021, the alternatives portfolio delivered positive half-year returns across all sub-segments, reflecting the Group's unique insight in private investments and proprietary deal sourcing network.

MANAGEMENT DISCUSSION AND ANALYSIS

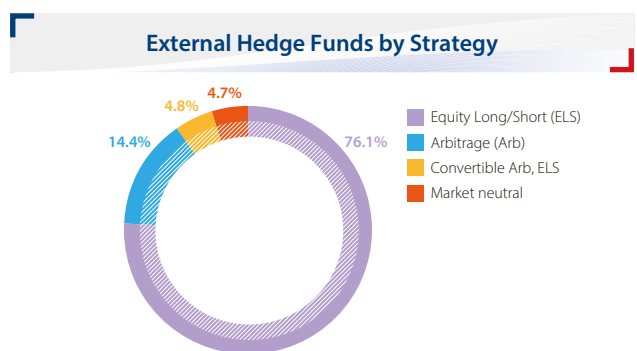
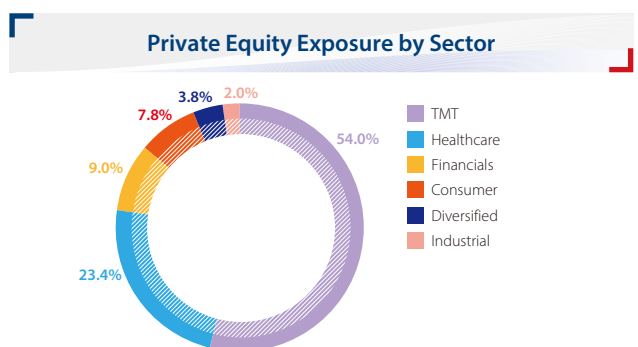
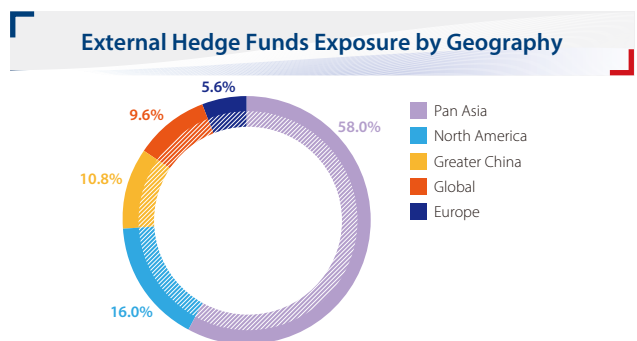
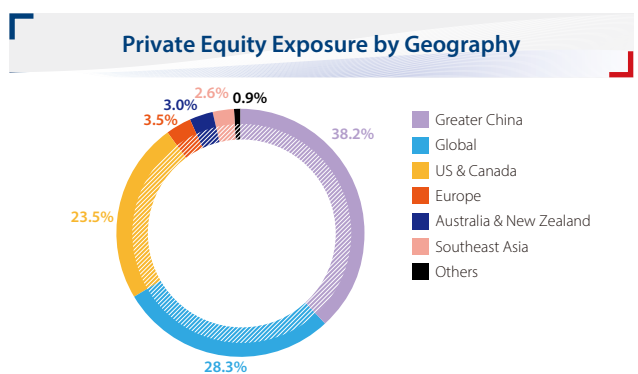
Private Equity

The Private Equity segment recorded strong combined returns of 17.7% in the first half of 2021 mainly contributed by successful exits from several flagship investments such as Fairstone Holdings Inc. and other exits in healthcare and TMT sector. Our investments continued to focus primarily on TMT and healthcare, with particular attention paid to the impact of innovations such as blockchain across industries.

Looking ahead, we will continue to review and analyse new investment opportunities and remain prudent in allocating capital considering the impact of continuing COVID-19 pandemic and other prevalent risks and challenges in the market globally.

Hedge Funds

The multi-manager hedge fund portfolio, since inception in January 2017, has generated a cumulative return which was more than double of the Eurekahedge Fund of Funds Index’s cumulative return of 32.9% during the same period. Building on the success of this investment program, additional professionals were hired in the first half of 2021 to further strengthen overall risk management, research and asset allocation in preparation for a seamless transition to SHK Latitude Alpha Fund, an alternative investment product launched on our Funds Management platform and officially open for external investors subscription in July 2021.



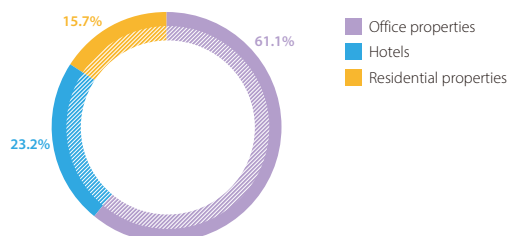
MANAGEMENT DISCUSSION AND ANALYSIS

Real Assets

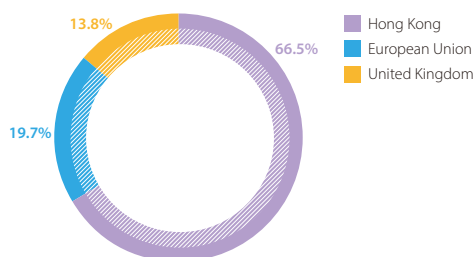
The Real Assets portfolio was valued at HK\$2,357.6 million as at 30 June 2021 (30 June 2020: HK\$2,447.4 million; 31 December 2020: HK\$2,601.5 million). The portfolio includes the Group's interests in Hong Kong commercial real estate as well as hotels and commercial investments abroad.

In the first half of 2021, the Group completed the exit of the investment in Parmaco, a Finnish company which specialises in building and renting buildings for schools, day-care providers and nursing homes. The Group invested alongside Terra Firma and Metric Capital, two leading London-based investors. As result, the Real Assets portfolio recorded a gain of 1.5% despite the prolonged impact from COVID-19 and further write-down on certain investments. We continue to prudently manage the existing portfolio and judiciously look for opportunities to diversify our overall exposures.

Real Assets Exposure by Asset Class



Real Assets Exposure by Geography



FUNDS MANAGEMENT

In 2019, the Group decided to build on the success of the Investment Management business and to create an Alternative Funds Management platform, with a focus on expanding our capabilities to manage external capital. Such expansion will broaden our revenue streams, further diversify our products and strategies, as well as attract and retain key talents. The Funds Management platform also leverages the existing investment management platform, corporate services and marketing capabilities of SHK & Co.

In 2020, we focused on building the infrastructure of Funds Management platform strengthening and expanding the professional team with the appointment of Lindsay Wright as CEO, and setting up governance frameworks. In addition, we completed the seamless transition of several in-house strategies to the Funds Management platform. We also continued to source partnership opportunities with external managers to create win-win outcome for our Funds Management platform and the external parties.

In the first half of 2021, we formally established our Funds Management vehicle – Sun Hung Kai Capital Partners with SFC Type 1 & 9 licenses. Four partnerships have been launched on this platform, the partners being East Point Asset Management, E15VC, ActusRayPartners, and Multiple Capital Investment Partners. SHK & Co. committed total seeding capital of over US\$280.0 million, laying solid foundations for growth and performance in coming years.

As at the date we present this report, SHK Latitude Alpha Fund, the previously in-house Fund of Hedge Funds ("FoHF") strategy, was also launched in July 2021. This fund is managed by Allen Sing who has over 20 years' experience in managing FoHF portfolios, and SHK & Co. has committed US\$330 million to it.

MANAGEMENT DISCUSSION AND ANALYSIS

East Point Asset Management (“EPAM”)

In January 2021, EPAM was established on the Funds Management platform with a seed commitment of US\$150 million provided by SHK & Co. EPAM was spun off from the Group’s public equity portfolio team.

Led by CEO and CIO Simon Walsh, who has more than 15 years of experience in investment, EPAM’s first fund, East Point Asset Management Master Fund, was launched together with the establishment of EPAM in January 2021.

EPAM invests in a high conviction, concentrated long-short portfolio which seeks to provide investors, risk-adjusted, absolute returns through Asia Pacific (APAC) exposed equities over a medium to long term horizon.

E15VC

In January 2021, a partnership with E15VC was launched on our Funds Management platform with a commitment of US\$15 million provided by SHK & Co. to E15VC’s second fund.

Led by Philip Liang, the Founder and Managing Partner, E15VC is a stage and geographically agnostic venture capital firm focusing on Deep Tech. The E15VC team consists of scientists and engineers who have successfully worked across the spectrum of science and technology, equipping the firm with extensive network and deep understanding of science and technology as well as the reputation of a proven and value-adding investor.

In the first half of 2021, Vicarious Surgical, which is a robotic surgery pioneer and an anchor investment of E15VC’s second fund, announced its merger with D8 Holdings, a special purpose acquisition company (SPAC). After the merger, Vicarious Surgical will trade on the New York Stock Exchange (NYSE) under the symbol RBOT.

ActusRayPartners

The partnership with ActusRayPartners was launched in March 2021 with a capital commitment provided by SHK & Co. to the ActusRayPartners European Alpha Fund, an alpha-focused Europe long/short equity fund managed by ActusRayPartners.

ActusRayPartners is an emerging asset manager co-founded by Andrew Alexander, Raymond Chan and Patrick Cheung, who were decade long colleagues at Macquarie Bank’s Quantitative Hedge Funds division.

ActusRayPartners employs a highly differentiated investment process called Discretionary Probabilistic Investing, which has a quantitative base synthesised with a discretionary edge to address challenges with pure systematic processes. Aiming to produce strong alpha-led net returns targeting volatility of 5-7%p.a., the fund endeavors to provide investors with a portfolio having lower correlations to other managers and a larger breadth of positions affording better risk control.

Multiple Capital Investment Partners (“MCIP”)

Multiple Capital Investment Partners (“MCIP”) was launched in April 2021. The new fund brings together experienced investment professionals from SHK & Co. and Mulpha Australia to create a new entity that invests in first and second mortgage loans across developed markets in Asia. The fund is co-led by Rai Katimansah and Simon Tozer.

With investment teams in Singapore and Melbourne, Australia, MCIP invests in Australia, New Zealand, Singapore, Hong Kong, South Korea and select Mainland Chinese cities, lending to experienced real estate developers to finance acquisition, construction and repositioning of assets.

SHK & Co. has committed US\$100 million in the fund and is supporting the team through the Sun Hung Kai Capital Partners marketing platform and the Company’s back office. The MCIP team is currently raising outside capital and making investments in the target markets.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

At the time we present this report, the world is still battling with the continuous outbreak of COVID-19 variants and striving to develop the new normal which would allow the proper resumption of business and social activities. We are proud about our stellar performance for the first half of 2021 against such challenging environment. However, we remain cautious about risk and uncertainty related to COVID-19 resurgence, inflationary pressure, changes in regulatory landscape as well as continuous geopolitical tension, and will continue to apply prudence in all our business endeavours.

FINANCIAL REVIEW

Financial Resources, Liquidity, Capital Structure and Key Performance Indicators

(HK\$ Million)	30 Jun 2021	31 Dec 2020	Change
Capital Structure			
Equity attributable to owners of the Company	25,287.5	22,625.2	12%
Total cash	5,786.9	7,257.9	-20%
Total borrowings ¹	15,709.7	16,614.1	-5%
Net debt ²	9,922.8	9,356.2	6%
Net debt to equity ratio	39.2%	41.4%	
Liquidity			
Interest cover ³	10.0	5.0	100%
Return Ratios (Annualised)			
Return on assets ⁴	12.9%	6.8%	
Return on equity	22.5%	11.8%	
Key Performance Indicator			
Book value per share (HK\$)	12.8	11.4	12%
Dividend per share (HK cents)	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 39.2% at the end of the period and has remained healthy. Interest cover for the period improved to 10.0x, compared with 5.0x for the year ended 2020, mainly due to increased earnings.

As at 30 June 2021, total borrowings of the Group amounted to HK\$15,709.7 million (31 December 2020: HK\$16,614.1 million). Of this amount, 44.9% is repayable within one year (31 December 2020: 48.7%). The Group maintained a balanced mix of funding from various sources. Bank borrowings accounted for 54.8% of total debt (31 December 2020: 51.0%) and were at floating interest rates, primarily denominated in Hong Kong dollars and US dollars. There are no known seasonal factors in the Group's borrowing profile.

Return on assets (annualised) increased to 12.9% as at 30 June 2021 (30 June 2020: 4.0% (annualised); 31 December 2020: 6.8%), mainly due to higher returns on investment assets. Return on equity (annualised) also increased to 22.5% as at the end of first half of 2021 (30 June 2020: 6.8% (annualised); 31 December 2020: 11.8%) for similar reasons. The strong cash position has provided us with comfortable liquidity during volatile market conditions. The Company is well equipped to take advantage of available opportunities to optimise our capital efficiency in long term.

As at 30 June 2021, the following notes were outstanding:

Note	Maturity Date	HK\$ Equivalent (In Million)	% Total
4.65% USD notes [^]	9/2022	3,493.6	49.1%
5.75% USD notes [^]	11/2024	2,729.9	38.4%
HKD paper/notes	7/2021	83.6	1.2%
Asset backed notes	4/2022	800.0	11.3%
Total		7,107.1	100.0%

[^] Listed on The Stock Exchange of Hong Kong Limited

On 31 May 2021, the Group redeemed USD249.8 million, the full outstanding amount of the 4.75% USD notes upon its maturity at its principal amount together with accrued and unpaid interest. The Group continues to maintain a stable capital structure and is well positioned to avoid a liquidity crunch situation.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 30 June 2021.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2021, the Group made no material acquisitions nor material disposals 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 ended 30 June 2021 and up to the date of this report.

Charges on Group Assets

Properties of the Group with a total book value of HK\$930.0 million were pledged by subsidiaries to banks for facilities granted to them. HK\$252.8 million was drawn down as at 30 June 2021.

As of 30 June 2021, HK\$1,066.7 million (2020: Nil) of mortgage loan receivables were pledged for a securitization financing transaction.

Other Financial Liabilities

Details regarding other financial liabilities are set out in Note 29 of the condensed consolidated financial statements.

PEOPLE & CULTURE (PREVIOUSLY HUMAN RESOURCES AND TRAINING)

As at 30 June 2021, the Group's total staff numbered 1,941 (31 December 2020: 2,219). Out of this, 65 staff (31 December 2020: 64) were corporate and Investment Management staff and the remainder were from the main subsidiaries UAF and SHK Credit. The net decrease in staff numbers was a result of the branch consolidation and the digitalization of operation at the Consumer Finance business in Mainland China. Total staff costs amounted to HK\$538.9 million (first half of 2020: HK\$325.8 million) due to higher 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. In addition to monetary reward, the Group also provide competitive fringe benefits to attract and retain the best talent, e.g. Medical and Dental Benefit Enhancement and Unlimited Annual Leave policy.

Under the SHK 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 6,799,000 shares were granted to the Selected Grantees during the period subject to various terms. A total of 2,035,000 shares were vested in the first half of 2021. As at 30 June 2021, the outstanding award shares under the EOS amounted to 9,169,000 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 continued development and retention of a high-performance team, the Group supports employee engagement activities and professional development with in-person training and online learning platforms.

MANAGEMENT DISCUSSION AND ANALYSIS

COVID-19 PANDEMIC RESPONSE

COVID-19 continued to spread around the world during the first half of 2021. In addition to carrying on preventative protocols, early vaccination reminders and incentives are also provided to help the Company resume more normal business and social activities.

The protocols 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
- maintain inventory of face mask, hand sanitiser and hygiene supplies and focus on cleaning and sanitation.



DIRECTORS' INTERESTS

As at 30 June 2021, 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 (<i>Note 1</i>)	1,442,182,575 (<i>Note 2</i>)	72.75%
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 74.96% 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 1,442,182,575 Shares held by AP Emerald Limited ("AP Emerald"), a wholly-owned subsidiary of AP Jade Limited ("AP Jade") which in turn was a wholly-owned subsidiary of Allied Properties (H.K.) Limited ("APL"). AGL directly and indirectly (through Capscore Limited, Citiwealth Investment Limited and Sunhill Investments Limited, all being direct wholly-owned subsidiaries of AGL) owned 100% of the total number of issued shares of APL. AGL was therefore deemed to have interests in the Shares in which AP Emerald was interested.

DIRECTORS' INTERESTS

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

Name of Director	Associated corporations	Capacity	Number of shares and underlying shares and amount of debentures	Approximate % of the total number of relevant shares
Lee Seng Huang (<i>Note 1</i>)	AGL	Trustee (<i>Note 2</i>)	2,634,646,760	74.95%
	MCIP CI I Limited ("MCIP CI") (<i>Note 3</i>)	Beneficial owner	5 (<i>Note 4</i>)	33.33%
	Sun Hung Kai & Co. (BVI) Limited ("SHK BVI")	Interests of controlled corporation (<i>Note 5</i>)	US\$1,834,784 (<i>Note 5</i>)	n/a
			US\$50,009,604 (<i>Note 5</i>)	n/a

Notes:

- Mr. Lee Seng Huang, by virtue of his interests in AGL, was deemed to be interested in the shares of the subsidiaries of AGL, which are associated corporations of the Company as defined under the SFO.

A waiver application was submitted to The Stock Exchange of Hong Kong Limited (the "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 22 July 2021.

- Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust, being a discretionary trust which indirectly controlled 2,634,646,760 shares of AGL.
- MCIP CI was a non wholly-owned subsidiary of the Company and therefore was an associated corporation of the Company as defined under the SFO.
- This referred to non-voting participating class C shares in the issued share capital of MCIP CI.
- These referred to (i) 4.65% guaranteed notes due 2022 (stock code: 5267) valued US\$1,834,784 at face value with relevant accrued interest; and (ii) 5.75% guaranteed notes due 2024 (stock code: 40065) valued US\$50,009,604 at face value with relevant accrued interest both issued by SHK BVI (a wholly-owned subsidiary of the Company) under its Guaranteed Medium Term Note Program and were held by a wholly-owned subsidiary of the Company as pledged securities.

All interests stated above represent long positions. As at 30 June 2021, 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 2021, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2021, 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
AGL	Interests of controlled corporation (<i>Note 1</i>)	1,442,182,575 (<i>Note 2</i>)	72.75%
Lee and Lee Trust	Interests of controlled corporation (<i>Note 3</i>)	1,442,182,575 (<i>Note 2</i>)	72.75%
Dubai Ventures LLC ("Dubai Ventures")	Beneficial owner	166,000,000	8.37%
Dubai Ventures Group LLC ("DVG")	Interests of controlled corporation (<i>Note 4</i>)	166,000,000 (<i>Note 5</i>)	8.37%
Dubai Group LLC ("Dubai Group")	Interests of controlled corporation (<i>Note 6</i>)	166,000,000 (<i>Note 5</i>)	8.37%
Dubai Holding Investments Group LLC ("DHIG")	Interests of controlled corporation (<i>Note 7</i>)	166,000,000 (<i>Note 5</i>)	8.37%
Dubai Holding LLC ("Dubai Holding")	Interests of controlled corporation (<i>Note 8</i>)	166,000,000 (<i>Note 5</i>)	8.37%
Dubai Group 2024 Limited ("DG 2024")	Interests of controlled corporation (<i>Note 9</i>)	166,000,000 (<i>Note 5</i>)	8.37%
Dubai Group Limited ("DGL")	Interests of controlled corporation (<i>Note 10</i>)	166,000,000 (<i>Note 5</i>)	8.37%
HSBC Trustee (C.I.) Limited ("HSBC Trustee")	Trustee (<i>Note 11</i>)	166,000,000 (<i>Note 5</i>)	8.37%
HH Mohammed Bin Rashid Al Maktoum	Interests of controlled corporation (<i>Note 12</i>)	166,000,000 (<i>Note 5</i>)	8.37%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

Notes:

1. The interests were held by AP Emerald, a wholly-owned subsidiary of AP Jade which in turn was a wholly-owned subsidiary of APL. AGL directly and indirectly (through Capscore Limited, Citiwealth Investment Limited and Sunhill Investments Limited, all being direct wholly-owned subsidiaries of AGL) owned 100% of the total number of issued shares of APL. AGL was therefore deemed to have interests in the Shares in which AP Emerald was interested.
2. This represented an interest in 1,442,182,575 Shares held by AGL through AP Emerald.
3. 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 74.96% 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 through AP Emerald.
4. DVG owned 99% interest in Dubai Ventures and was therefore deemed to have an interest in the Shares in which Dubai Ventures was interested.
5. This referred to the same interests in 166,000,000 Shares held by Dubai Ventures.
6. Dubai Group owned 99% interest in DVG and was therefore deemed to have an interest in the Shares in which DVG was interested.
7. DHIG owned 51% interest in Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.
8. Dubai Holding owned 99% interest in DHIG and was therefore deemed to have an interest in the Shares in which DHIG was interested.
9. 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.
10. DGL owned 100% interest in DG 2024 and was therefore deemed to have an interest in the Shares in which DG 2024 was interested.
11. HSBC Trustee owned 100% interest in DGL and was therefore deemed to have an interest in the Shares in which DGL was interested.
12. 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.
13. All the above percentage holdings were calculated based on the total number of issued Shares as at 30 June 2021.

All interests stated above represented long positions. As at 30 June 2021, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 30 June 2021, 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 2021, 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 Investment Management 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. Chow assists the Group Executive Chairman in driving the performance of the Mortgage Loans and 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 the 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 had been set out in the Corporate Governance Report contained in the Company's annual report for the financial year ended 31 December 2020. 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 2021 (2020: HK12 cents per Share) payable to the shareholders whose names appear on the register of members of the Company on 8 September 2021. Dividend warrants for the interim dividend are expected to be dispatched on 16 September 2021.

Closure of Register of Members

The register of members of the Company will be closed from 6 September 2021 to 8 September 2021, during which period no transfer of shares will be registered. The ex-dividend date will be 2 September 2021. 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 3 September 2021.

Changes in Directors' Information

- Mr. Evan Au Yang Chi Chun was elected as an independent non-executive director of Asia Financial Holdings Limited, a company listed in Hong Kong, on 21 May 2021.
- Ms. Jacqueline Alee Leung was appointed as Justice of Peace (JP) by the Government of Hong Kong Special Administrative Region on 1 July 2021.
- The remuneration to the Non-Executive Director (Mr. Peter Anthony Curry) and the four Independent Non-Executive Directors (namely Mr. Evan Au Yang Chi Chun, Mr. David Craig Bartlett, Mr. Alan Stephen Jones and Ms. Jacqueline Alee Leung) consisting of director's fee plus consultancy fee (as disclosed in the Corporate Governance Report of the 2020 Annual Report) was combined into one fee and was renamed as director's fee effective from 25 May 2021. The total remuneration payable to each of the then Non-Executive Director and Independent Non-Executive Directors remains unchanged.
- The director's fee to the Executive Directors (namely Mr. Lee Seng Huang and Mr. Simon Chow Wing Charn) as part of their remuneration was cancelled effective from 25 May 2021.

Purchase, Sale or Redemption of Securities

(1) Repurchase of Shares

During the six months ended 30 June 2021, the Company repurchased a total of 550,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$2,317,150. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price per Share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
June	550,000	4.25	4.15	2,317,150
Total	550,000			2,317,150

(2) Redemption of Notes of a subsidiary, SHK BVI

On 31 May 2021, US\$361,639,000 4.75% notes due 2021 (the "2021 Notes") issued by SHK BVI and listed on the Stock Exchange (stock code: 5654) under the US\$3,000,000,000 Guaranteed Medium Term Note Programme (of which US\$249,768,000 were outstanding) were redeemed in full upon its maturity at its principal amount together with accrued and unpaid interest, and the 2021 Notes were delisted from the Stock Exchange.

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 2021.

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 2021. 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, 18 August 2021

 **INDEPENDENT REVIEW REPORT**

Deloitte.

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 25 to 47, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and 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, 18 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(HK\$ Million)	Notes	Six months ended	
		30/6/2021 Unaudited	30/6/2020 Unaudited
Interest income		2,031.8	1,988.0
Other revenue	5	64.2	54.9
Other gains	6	74.2	6.7
Total income		2,170.2	2,049.6
Brokerage and commission expenses		(42.7)	(19.9)
Advertising and promotion expenses		(47.9)	(58.5)
Direct cost and operating expenses		(49.3)	(45.4)
Administrative expenses		(756.6)	(501.8)
Net gain on financial assets and liabilities at fair value through profit or loss		2,726.1	470.9
Net exchange (loss) gain		(33.7)	36.3
Net impairment losses on financial assets	7	(337.9)	(484.8)
Finance costs		(357.7)	(438.3)
Other losses	8	(19.2)	(96.1)
		3,251.3	912.0
Share of results of associates		0.9	43.2
Share of results of joint ventures		(36.5)	(4.7)
Profit before taxation	9	3,215.7	950.5
Taxation	10	(263.8)	(87.8)
Profit for the period		2,951.9	862.7
Profit attributable to:			
– Owners of the Company		2,693.0	695.2
– Non-controlling interests		258.9	167.5
		2,951.9	862.7
Earnings per share	12		
– Basic (HK cents)		136.2	34.9
– Diluted (HK cents)		136.1	34.9

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(HK\$ Million)	Six months ended	
	30/6/2021 Unaudited	30/6/2020 Unaudited
Profit for the period	2,951.9	862.7
Other comprehensive income (expenses):		
Items that will not be reclassified to profit or loss		
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income	207.3	(33.3)
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translating foreign operations	90.0	(127.2)
Share of other comprehensive (expenses) income of associates	(2.9)	5.7
Share of other comprehensive income (expenses) of joint ventures	6.9	(19.8)
	94.0	(141.3)
Other comprehensive income (expenses) for the period	301.3	(174.6)
Total comprehensive income for the period	3,253.2	688.1
Total comprehensive income attributable to:		
– Owners of the Company	2,959.7	569.0
– Non-controlling interests	293.5	119.1
	3,253.2	688.1


CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(HK\$ Million)	Notes	30/6/2021 Unaudited	31/12/2020 Audited	(HK\$ Million)	Notes	30/6/2021 Unaudited	31/12/2020 Audited
Non-current Assets				Current Liabilities			
Investment properties		1,258.2	1,276.5	Financial liabilities at fair value			
Property and equipment		452.0	436.5	through profit or loss	14	1,120.3	172.8
Right-of-use assets	13	310.7	323.2	Bank and other borrowings	20	6,092.6	6,083.2
Intangible assets		905.4	904.4	Trade payables, other payables and			
Goodwill		2,384.0	2,384.0	accruals	21	595.2	705.4
Interest in associates		210.1	212.2	Financial assets sold under			
Interest in joint ventures		436.9	466.4	repurchase agreements	22	974.8	–
Financial assets at fair value				Amounts due to fellow subsidiaries			
through other comprehensive				and a holding company		2.2	4.7
income	14	327.6	120.9	Provisions		39.2	46.2
Financial assets at fair value				Taxation payable		189.3	137.6
through profit or loss	14	11,418.6	9,124.6	Other liabilities	26	53.6	–
Deferred tax assets		648.4	780.7	Lease liabilities	23	87.5	84.2
Amounts due from associates		272.6	279.0	Notes/paper payable	25	962.6	2,013.4
Loans and advances to consumer						<u>10,117.3</u>	<u>9,247.5</u>
finance customers	15	3,410.4	3,088.9	Net Current Assets		<u>13,203.9</u>	<u>13,673.7</u>
Mortgage loans	16	1,729.8	1,192.9	Total Assets less Current Liabilities		<u>37,536.7</u>	<u>34,835.7</u>
Term loans	17	547.0	554.5				
Trade receivables, prepayments				Capital and Reserves			
and other receivables	18	21.1	17.3	Share capital	24	8,752.3	8,752.3
		<u>24,332.8</u>	<u>21,162.0</u>	Reserves		16,535.2	13,872.9
Current Assets				Equity attributable to owners of the			
Financial assets at fair value				Company		25,287.5	22,625.2
through profit or loss	14	6,657.9	4,461.5	Non-controlling interests		3,187.2	3,327.1
Taxation recoverable		13.6	3.3	Total Equity		<u>28,474.7</u>	<u>25,952.3</u>
Amounts due from associates		2.2	12.1				
Loans and advances to consumer				Non-current Liabilities			
finance customers	15	7,672.4	7,474.8	Deferred tax liabilities		137.2	137.1
Mortgage loans	16	1,611.4	1,820.8	Bank and other borrowings	20	2,510.0	2,384.1
Term loans	17	721.9	1,158.2	Provisions		0.4	0.3
Trade receivables, prepayments				Other liabilities	26	53.0	–
and other receivables	18	211.5	378.3	Lease liabilities	23	216.9	228.5
Amounts due from brokers		643.4	354.3	Notes/paper payable	25	6,144.5	6,133.4
Bank deposits	19	–	12.3			<u>9,062.0</u>	<u>8,883.4</u>
Cash and cash equivalents	19	5,786.9	7,245.6			<u>37,536.7</u>	<u>34,835.7</u>
		<u>23,321.2</u>	<u>22,921.2</u>				


CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(HK\$ Million)	Attributable to owners of the Company							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			Total
At 1 January 2021	8,752.3	(18.8)	9.0	(118.4)	181.9	91.9	13,727.3	22,625.2	3,327.1	25,952.3
Profit for the period	-	-	-	-	-	-	2,693.0	2,693.0	258.9	2,951.9
Other comprehensive income for the period	-	-	-	60.4	206.3	-	-	266.7	34.6	301.3
Total comprehensive income for the period	-	-	-	60.4	206.3	-	2,693.0	2,959.7	293.5	3,253.2
Purchase of shares held for SHK Employee Ownership Scheme	-	(29.6)	-	-	-	-	-	(29.6)	-	(29.6)
Recognition of equity-settled share-based payments	-	-	8.5	-	-	-	-	8.5	-	8.5
Vesting of shares of the SHK Employee Ownership Scheme	-	7.6	(7.6)	-	-	-	-	-	-	-
Shares repurchased and cancelled	-	-	-	-	-	-	(2.3)	(2.3)	-	(2.3)
Shares buyback of non-controlling interests	-	-	-	-	-	-	3.5	3.5	(78.8)	(75.3)
Interim dividend paid	-	-	-	-	-	-	(277.5)	(277.5)	-	(277.5)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(354.6)	(354.6)
At 30 June 2021	8,752.3	(40.8)	9.9	(58.0)	388.2	91.9	16,144.0	25,287.5	3,187.2	28,474.7

(HK\$ Million)	Attributable to owners of the Company							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			Total
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)	-	(289.4)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(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


CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(HK\$ Million)	Six months ended		(HK\$ Million)	Six months ended	
	30/6/2021 Unaudited	30/6/2020 Unaudited		30/6/2021 Unaudited	30/6/2020 Unaudited
Operating activities			Financing activities		
Cash (used in) from operations			Short-term loans due to fellow-subidiaries repaid	–	(32.8)
– Change in financial assets sold under repurchase agreements	974.8	675.8	Bank and other borrowings repaid	(13,548.1)	(8,775.7)
– Change in loans and advances to consumer finance customers	(814.5)	393.6	Bank and other borrowings raised	13,661.2	9,163.5
– Change in mortgage loans	(339.6)	473.0	Proceeds from issue of notes/paper	1,000.4	–
– Change in term loans	446.7	460.3	Redemption of notes/paper	–	(3.1)
– Change in financial assets at fair value through profit or loss	(1,485.2)	(993.4)	Repayment of notes/paper	(2,104.8)	(351.4)
– Other operating cash flows	84.4	(388.7)	Purchase of shares for the SHK Employee Ownership Scheme	(29.6)	(3.1)
	(1,133.4)	620.6	Lease payments	(48.3)	(45.3)
Dividends received from financial assets at fair value through profit or loss	15.4	16.5	Shares repurchased and cancelled	(2.3)	(26.4)
Interest received	2,030.2	1,974.5	Dividends paid	(277.5)	(279.4)
Interest paid	(287.9)	(376.5)	Dividends to non-controlling interests	(354.6)	(372.3)
Taxation paid	(81.3)	(244.8)	Payment for shares buyback of non-controlling interests	(39.8)	–
Net cash from operating activities	543.0	1,990.3	Net cash used in financing activities	(1,743.4)	(726.0)
Investing activities			Net (decrease) increase in cash and cash equivalents	(1,495.0)	1,856.5
Purchase of property and equipment	(34.3)	(35.2)	Cash and cash equivalents at 1 January	7,245.6	5,624.9
Purchase of intangible assets	(2.3)	–	Effect of foreign exchange rate changes	36.3	(55.3)
Refund (payment) of deposits of right-of-use assets	0.7	(0.5)	Cash and cash equivalents at 30 June	5,786.9	7,426.1
Prepaid rental for right-of-use assets	–	(0.7)			
Proceeds on disposal of subsidiaries	37.0	–			
Dividends received from associates	0.1	96.0			
Proceeds from disposal of financial assets at fair value through other comprehensive income	0.7	0.9			
Purchase of long-term financial assets at fair value through profit or loss	(2,466.1)	(732.8)			
Proceeds from disposal of long-term financial assets as at fair value through profit or loss	2,157.1	1,256.4			
Net withdrawal of fixed deposits with banks	12.5	8.1			
Net cash (used in) from investing activities	(294.6)	592.2			



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 2020 included in these unaudited condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that 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 2020 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. The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, 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 increased profitability in the first half of 2021 as the gross loan book size increased by 16% and net impairment losses decreased by 53% compared with the first half of 2020. While Consumer Finance enjoys a recovery in economic conditions from the pandemic downturn, it will continue to operate in an unpredictable environment given the long lasting effects of the pandemic. In determining the expected credit losses ("ECL") allowance at 30 June 2021, 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 different scenarios in relation to Hong Kong and PRC economy have been reflected.

In relation to the carrying value of goodwill and intangible assets related to United Asia Finance ("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 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)***Significant events and transactions in the current interim period** *(Continued)***(ii) Specialty Finance**

There is a loss in specialty finance in the first half of 2021 as a result of a decrease in revenue by 26% and an increase in net impairment losses by 71.4% compared with the first half of 2020, 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, management has prepared three forward-looking economic scenarios in the determination of ECL and the probability of default used in assessing ECL by management was adjusted based on a regression between GDP growth and historical bad debt ratio. Management concluded that sufficient and adequate ECL was made as at 30 June 2021.

(iii) Investment Management

For investment management, the net gain on financial assets and liabilities and interest income increased by 321.8% in the first half of 2021 compared to the first half of 2020. The volatility in global financial markets in the first half of 2021 has impacted all levels of financial assets of the Group. Specifically, the business invests in level 3 assets with a focus on private equity funds, direct investments and co-investments in the aggregate amount of HK\$12,576.5 million. The reconciliation of financial assets under level 3 are disclosed in Note 14, some financial assets have moved from level 3 to level 2.

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 2021. 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 months ended 30 June 2021 as were applied in the preparation of the Group's financial statements for the year ended 31 December 2020.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements.

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim 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.

As at 30 June 2021, the Group has several London Interbank Offered Rate ("LIBOR")/Hong Kong Interbank Offered Rate ("HIBOR") loans and advances to consumer finance customers, mortgage loans, term loans and bank and other borrowings which will be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

NOTES TO 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 2021					
	Financing Business				Group Management and Support	Total
	Consumer Finance	Specialty Finance	Mortgage Loans	Investment Management		
Segment revenue	1,741.1	108.2	149.4	69.4	129.2	2,197.3
Less: inter-segment revenue	-	-	-	-	(101.3)	(101.3)
Segment revenue from external customers	1,741.1	108.2	149.4	69.4	27.9	2,096.0
Segment profit or loss	871.9	12.3	58.9	2,324.1	(15.9)	3,251.3
Share of results of associates	-	-	-	0.9	-	0.9
Share of results of joint ventures	-	(23.7)	-	(12.8)	-	(36.5)
Profit (loss) before taxation	871.9	(11.4)	58.9	2,312.2	(15.9)	3,215.7
Included in segment profit or loss:						
Interest income	1,732.1	85.1	149.4	34.2	31.0	2,031.8
Other gains	3.5	1.8	0.5	61.4	7.0	74.2
Net gain on financial assets and liabilities	-	62.7	-	2,661.8	1.6	2,726.1
Net exchange gain (loss)	1.5	-	-	(7.8)	(27.4)	(33.7)
Net impairment losses on financial assets	(206.8)	(109.5)	(12.5)	(9.1)	-	(337.9)
Other losses	(0.2)	-	-	(19.0)	-	(19.2)
Amortisation and depreciation	(58.0)	-	(2.6)	-	(23.7)	(84.3)
Finance costs	(115.2)	(49.7)	(51.5)	-	(234.7)	(451.1)
Less: inter-segment finance costs	-	49.7	43.7	-	-	93.4
Finance costs to external suppliers	(115.2)	-	(7.8)	-	(234.7)	(357.7)
Cost of capital (charges) income *	-	-	-	(273.3)	273.3	-

(HK\$ Million)	Six months ended 30 June 2020					
	Financing Business				Group Management and Support	Total
	Consumer Finance	Specialty Finance**	Mortgage Loans	Investment Management**		
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	391.3	(93.6)	912.0
Share of results of associates	-	-	-	43.2	-	43.2
Share of results of joint ventures	-	(6.5)	-	1.8	-	(4.7)
Profit (loss) before taxation	520.0	22.3	65.5	436.3	(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)	-	592.4	(121.0)	470.9
Net exchange (loss) gain	(2.3)	-	-	(0.2)	38.8	36.3
Net impairment (losses) reversal on financial assets	(439.2)	(63.9)	(24.1)	42.4	-	(484.8)
Other losses	(0.9)	-	-	(95.2)	-	(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	-

* 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 segments were re-presented to align with the changes to segment reporting adopted in the 2020 annual report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION *(Continued)*

The geographical information of revenue is disclosed as follows:

(HK\$ Million)	Six months ended	
	30/6/2021	30/6/2020
Revenue from external customers by location of operations		
– Hong Kong	1,638.9	1,690.7
– Mainland China	457.1	352.2
	2,096.0	2,042.9

5. OTHER REVENUE

(HK\$ Million)	Six months ended	
	30/6/2021	30/6/2020
Service and commission income	31.9	23.4
Dividends from listed investments	9.3	16.8
Dividends from unlisted investments	6.1	2.1
Gross rental income from investment properties	15.9	12.6
Management fee income	1.0	–
	64.2	54.9

6. OTHER GAINS

(HK\$ Million)	Six months ended	
	30/6/2021	30/6/2020
Gain on disposal of investments	61.4	–
Third-party interests in consolidated structure entities	3.2	–
Miscellaneous income	9.6	6.7
	74.2	6.7

7. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

(HK\$ Million)	Six months ended	
	30/6/2021	30/6/2020
Loans and advances to consumer finance customers		
– Net impairment losses	(326.5)	(545.3)
– Recoveries of amounts previously written off	119.7	104.7
	(206.8)	(440.6)
Mortgage loans		
– Net impairment losses	(12.5)	(24.1)
	(12.5)	(24.1)
Term loans		
– Net impairment losses	(109.9)	(63.3)
	(109.9)	(63.3)
Amounts due from associates		
– Net impairment losses	(10.8)	(0.5)
	(10.8)	(0.5)
Trade and other receivables		
– Net reversal of impairment losses	2.1	42.2
– Recoveries of amounts previously written off	–	1.5
	2.1	43.7
	(337.9)	(484.8)

8. OTHER LOSSES

(HK\$ Million)	Six months ended	
	30/6/2021	30/6/2020
Decrease in fair value of investment properties	19.0	92.9
Impairment loss on interest in an associate*	–	3.2
Net loss on disposal/write-off of equipment	0.2	–
	19.2	96.1

* 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 up to 16 November 2020. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. As part of the disposal, the Group was awarded a put right on the 30% equity interest of SHKFGL. In the first half of 2020, this put right recorded a valuation gain of HK\$35.0 million classified under net gain on financial assets and liabilities at fair value through profit or loss and an impairment loss in the investment in SHKFGL of HK\$3.2 million was recognised.

On 17 November 2020, the Group exercised the put option on SHKFGL at the consideration of HK\$1,257.1 million in cash and HK\$1,156.0 million in SHKFGL preference shares.

On 1 June 2021, SHKFGL preference shares were fully redeemed and a gain of HK\$62.9 million was recognised under net gain on financial assets and liabilities at fair value through profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. PROFIT BEFORE TAXATION

(HK\$ Million)	Six months ended	
	30/6/2021	30/6/2020
Profit before taxation has been arrived at after charging:		
Depreciation of property and equipment	(28.7)	(21.2)
Depreciation of right-of-use assets	(54.0)	(49.1)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	(1.6)	(0.9)
Payments for short-term leases and leases of low-value assets	(2.3)	(4.7)
Interest on bank borrowings, notes/paper payable and financial assets sold under repurchase agreements	(351.4)	(427.1)
Interest on lease liabilities	(6.3)	(2.3)
Share of taxation of associates and joint ventures (included in share of results of associates and joint ventures)	–	(5.8)

10. TAXATION

(HK\$ Million)	Six months ended	
	30/6/2021	30/6/2020
Current tax		
– Hong Kong	147.1	97.3
– PRC	0.5	41.6
	147.6	138.9
Deferred tax	116.2	(51.1)
	263.8	87.8

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Group considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2020: 25%).

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

11. DIVIDENDS

(HK\$ Million)	Six months ended	
	30/6/2021	30/6/2020
Dividends recognised as distribution during the period		
– 2020 second interim dividend of HK14 cents per share (2020: 2019 second interim dividend of HK14 cents per share)	277.5	279.1

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\$237.6 million (2020: interim dividend of HK12 cents per share amounting to HK\$238.7 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	
	30/6/2021	30/6/2020
Earnings for the purposes of basic and diluted earnings per share	2,693.0	695.2
Number of shares (in million)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,977.2	1,989.6
Effect of dilutive potential ordinary shares:		
– Adjustments on SHK Employee Ownership Scheme	1.7	3.0
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,978.9	1,992.6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. RIGHT-OF-USE ASSETS

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

	30/6/2021	31/12/2020
Leasehold land	44.5 years	44.5 years
Office and retail shops	6.3 years	6.4 years
Equipment	4.5 years	4.5 years

The analysis of the carrying amount of right-of-use assets by class of underlying asset is as follows:

(HK\$ Million)	30/6/2021	31/12/2020
Net carrying amount		
– Leasehold land	4.1	4.1
– Office and retail shops	304.8	317.0
– Equipment	1.8	2.1
	310.7	323.2

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

(HK\$ Million)	Six months ended	
	30/6/2021	30/6/2020
Amount recognised in profit or loss		
– Depreciation of right-of-use assets	54.0	49.1
– Interest expenses of lease liabilities	6.3	2.3
– Expenses relating to short-term leases and leases of low-value assets	2.3	4.7

Additions to right-of-use assets amount to HK\$41.2 million in the interim reporting period (six months ended 30 June 2020: HK\$21.2 million).

The total cash outflow for leases amount to HK\$56.9 million in the interim reporting period (six months ended 30 June 2020: HK\$52.3 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2021			
	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income				
– Listed equity securities in Hong Kong	34.7	–	–	34.7
– Listed equity securities outside Hong Kong	284.4	–	–	284.4
– Unlisted overseas equity securities	–	–	8.5	8.5
	<u>319.1</u>	<u>–</u>	<u>8.5</u>	<u>327.6</u>
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	834.1	–	–	834.1
– Listed equity and debt securities outside Hong Kong	1,287.7	30.3	–	1,318.0
– Over the counter derivatives	–	729.9	–	729.9
– Forward currency contract	–	5.4	–	5.4
– Quoted options and futures	2.2	90.6	–	92.8
– Equity linked notes	–	149.2	–	149.2
– Unlisted call option for club memberships	–	–	12.2	12.2
– Contracts for difference	–	27.1	–	27.1
– Bonds	–	1,726.7	81.0	1,807.7
– Unlisted convertible preferred and ordinary shares issued by an unlisted company	–	229.2	–	229.2
– Unlisted preferred and ordinary shares issued by unlisted companies	–	–	74.5	74.5
– Unlisted shares issued by companies	–	–	114.9	114.9
– Unlisted convertible bonds issued by an unlisted company	–	–	23.7	23.7
– Unlisted overseas equity securities with a put right	–	396.1	–	396.1
– Unlisted overseas investment funds	–	–	12,260.8	12,260.8
– Unlisted trust fund	–	–	0.9	0.9
	<u>2,124.0</u>	<u>3,384.5</u>	<u>12,568.0</u>	<u>18,076.5</u>
Analysed for reporting purposes as:				
– Non-current assets				11,418.6
– Current assets				6,657.9
				<u>18,076.5</u>
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	3.9	113.3	–	117.2
– Short position in bonds	–	27.1	–	27.1
– Foreign currency contracts	–	21.1	–	21.1
– Over the counter derivatives	–	741.7	167.1	908.8
– Short position in listed equity securities under stock borrowing arrangement	46.1	–	–	46.1
	<u>50.0</u>	<u>903.2</u>	<u>167.1</u>	<u>1,120.3</u>
Analysed for reporting purposes as current liabilities				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. FINANCIAL ASSETS AND LIABILITIES *(Continued)*

(HK\$ Million)	At 31 December 2020			Total
	Fair value			
	Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income				
– Listed equity securities in Hong Kong	32.8	–	–	32.8
– Listed equity securities outside Hong Kong	79.6	–	–	79.6
– Unlisted overseas equity securities	–	–	8.5	8.5
	<u>112.4</u>	<u>–</u>	<u>8.5</u>	<u>120.9</u>
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	137.1	–	–	137.1
– Listed equity and debt securities outside Hong Kong	559.9	18.5	–	578.4
– Over the counter derivatives	–	3.0	–	3.0
– Quoted options and futures	–	32.2	–	32.2
– Equity linked notes	–	345.7	–	345.7
– Unlisted call option for club memberships	–	–	14.1	14.1
– Bonds	–	433.9	–	433.9
– Unlisted convertible preferred and ordinary shares issued by an unlisted company	–	–	134.5	134.5
– Unlisted preferred shares issued by an unlisted company	–	–	1,174.0	1,174.0
– Unlisted preferred and ordinary shares issued by unlisted companies	–	–	73.9	73.9
– Unlisted shares issued by companies	–	–	117.1	117.1
– Unlisted convertible bonds issued by companies	–	–	24.4	24.4
– Unlisted overseas equity securities with a put right	–	–	635.7	635.7
– Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	–	–	216.1	216.1
– Unlisted overseas investment funds	–	–	9,636.4	9,636.4
– Unlisted trust fund	–	29.6	–	29.6
	<u>697.0</u>	<u>862.9</u>	<u>12,026.2</u>	<u>13,586.1</u>
Analysed for reporting purposes as:				
– Non-current assets				9,124.6
– Current assets				<u>4,461.5</u>
				<u>13,586.1</u>
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	–	27.5	–	27.5
– Foreign currency contracts	–	82.5	–	82.5
– Over the counter derivatives	–	–	62.4	62.4
– Contracts for difference	–	0.4	–	0.4
	<u>–</u>	<u>110.4</u>	<u>62.4</u>	<u>172.8</u>
Analysed for reporting purposes as current liabilities				
	<u>–</u>	<u>110.4</u>	<u>62.4</u>	<u>172.8</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

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

	At 30 June 2021				
	Valuation technique	Significant unobservable inputs	Input values	Fair value HK\$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss					
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	47.4%	30.3	An increase in expected volatility would result in a decrease in the fair value.
Unlisted convertible bonds issued by an unlisted company	Binomial Model	Risk free rate Expected volatility Discount rate	0.1% 42.4% 25.0%	23.7	An increase in risk free rate would result in a decrease in the fair value. An increase in expected volatility would result in an increase in the fair value. An increase in discount rate would result in a decrease in the fair value.
Unlisted overseas investment funds	Net asset value	Note 1	Note 1	10,893.2	Note 1
Unlisted overseas investment funds	Net asset value	Discount for lack of marketability	14.6%-21.6%	1,367.6	An increase in discount for lack of marketability would result in a decrease in the fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. FINANCIAL ASSETS AND LIABILITIES (Continued)

	At 31 December 2020				
	Valuation technique	Significant unobservable inputs	Input values	Fair value HK\$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss					
Unlisted convertible preferred and ordinary shares issued by an unlisted company	Market approach	Price to sales ratio	14.9	134.5	An increase in price to sales ratio would result in an increase in the fair value.
Unlisted preferred shares issued by an unlisted company	Discounted cash flow	Discount rate	12.6%	1,174.0	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	46.5%	35.6	An increase in expected volatility would result in a decrease in the fair value.
Unlisted ordinary shares issued by an unlisted company	Net asset value	Note 1	Note 1	32.1	Note 1
Unlisted shares issued by companies	Net asset value	Note 1	Note 1	83.6	Note 1
Unlisted convertible bonds issued by an unlisted company	Binomial Model	Risk free rate Expected volatility Discount rate	0.1% 52.8% 28.0%	20.6	An increase in risk free rate would result in a decrease in the fair value. An increase in expected volatility would result in an increase in the fair value. An increase in discount rate would result in a decrease in the fair value.
Unlisted overseas equity securities with a put right	Market approach and option model	Expected volatility Discount rate Equity growth rate Estimated equity value	11.5% 0.1% 1.3% HK\$116.3 million	635.7	An increase in expected volatility would result in an increase in the fair value of the put right. An increase in discount 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 the 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	8.4	216.1	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.
	Discounted cash flow	Discount rate	8%-10%		An increase in discount rate would result in a decrease in the fair value of debt securities and preferred shares.
Unlisted overseas investment funds	Net asset value	Note 1	Note 1	8,361.2	Note 1
Unlisted overseas investment funds	Net asset value	Discount for lack of marketability	15.6%-21.5%	1,275.2	An increase in discount for lack of marketability would result in a decrease in the fair value.

Note 1: The significant unobservable inputs of the investments of the Group are the net asset value of the underlying investments made by the funds/Companies. The higher the net asset 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. FINANCIAL ASSETS AND LIABILITIES (Continued)

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

(HK\$ Million)	2021							Balance at 30/6/2021	Unrealised gain or loss for six months ended 30/6/2021
	Balance at 1/1/2021	Transfer**	Recognised gains or losses		Purchase	Disposal			
			Profit or loss	Other comprehensive income					
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 call option for club memberships	14.1	-	(1.9)	-	-	-	12.2	(1.9)	
Bonds	-	80.7	0.3	-	-	-	81.0	0.3	
Unlisted convertible preferred and ordinary shares issued by an unlisted company	134.5	(229.2)	94.7	-	-	-	-	94.7	
Unlisted preference shares issued by an unlisted company	1,174.0	-	62.9	-	-	(1,236.9)	-	-	
Unlisted preferred and ordinary shares issued by unlisted companies	73.9	-	0.6	-	-	-	74.5	0.6	
Unlisted shares issued by companies	117.1	-	11.5	-	-	(13.7)	114.9	3.3	
Unlisted convertible bonds issued by companies	24.4	-	(0.7)	-	-	-	23.7	(0.7)	
Unlisted overseas equity securities with a put right for shares	635.7	(396.1)	(239.6)	-	-	-	-	(239.6)	
Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	216.1	-	332.8	-	-	(548.9)	-	(3.1)	
Unlisted overseas investment funds	9,636.4	(112.6)	1,804.7	-	2,643.6	(1,711.3)	12,260.8	868.1	
Unlisted trust fund	-	29.6	0.4	-	-	(29.1)	0.9	0.4	
Financial liabilities at fair value through profit or loss									
Over the counter derivatives	(62.4)	-	(104.7)	-	-	-	(167.1)	(104.7)	

** The investments were transferred between level 2 and level 3 category and the transfers are primarily attributable to changes in observability of valuation inputs (e.g. availability of recent transaction price) in valuing these investments. Transfers between levels of the fair value hierarchy are deemed to occur at the end of each reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. FINANCIAL ASSETS AND LIABILITIES (Continued)

(HK\$ Million)	2020							Balance at 31/12/2020	Unrealised gain or loss for the year
	Balance at 1/1/2020	Transfer*	Profit or loss	Recognised gains or losses Other comprehensive income	Purchase	Disposal/ Exercise			
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	-	70.3	-	-	(1,457.3)	-	-	
Unlisted call option for club memberships	13.1	-	1.0	-	-	-	14.1	1.0	
Unlisted convertible preferred and ordinary shares issued by an unlisted company	-	109.7	24.8	-	-	-	134.5	24.8	
Unlisted call option for shares listed outside Hong Kong	0.1	-	(0.1)	-	-	-	-	(0.1)	
Unlisted preference shares issued by an unlisted company	-	-	18.0	-	1,156.0	-	1,174.0	18.0	
Unlisted preferred and ordinary shares issued by unlisted companies	79.9	-	(14.0)	-	8.0	-	73.9	(14.0)	
Unlisted shares issued by companies	36.4	69.6	36.4	-	-	(25.3)	117.1	22.6	
Unlisted convertible bonds issued by companies	3.9	25.0	(4.5)	-	-	-	24.4	(4.5)	
Unlisted overseas equity securities with a put right for shares	778.7	-	(143.0)	-	-	-	635.7	(143.0)	
Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	177.5	-	38.6	-	-	-	216.1	38.6	
Unlisted overseas investment funds	6,292.7	16.0	2,675.0	-	3,200.3	(2,547.6)	9,636.4	1,537.9	
Unlisted trust fund	28.0	-	(0.8)	-	-	(27.2)	-	-	
Financial liabilities at fair value through profit or loss									
Over the counter derivatives	(18.2)	-	(44.2)	-	-	-	(62.4)	(44.2)	

* 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)	30/6/2021	31/12/2020
Loans and advances to consumer finance customers		
– Hong Kong	8,572.4	8,318.0
– Mainland China	3,193.2	3,000.0
	11,765.6	11,318.0
Less: impairment allowance	(682.8)	(754.3)
	11,082.8	10,563.7
Analysed for reporting purposes as:		
– Non-current assets	3,410.4	3,088.9
– Current assets	7,672.4	7,474.8
	11,082.8	10,563.7

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

(Per annum)	30/6/2021	31/12/2020
Fixed rate loan receivables	6.0% to 48.0%	6.0% to 48.0%
Variable rate loan receivables	P-1.0% to P+15.0%	P-1.0% to P+15.0%

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)	30/6/2021	31/12/2020
Less than 31 days past due	582.7	491.4
31–60 days	49.8	36.0
61–90 days	13.8	23.6
91–180 days	1.2	10.2
Over 180 days	186.1	293.9
	833.6	855.1

16. MORTGAGE LOANS

(HK\$ Million)	30/6/2021	31/12/2020
Mortgage loans		
– Hong Kong	3,396.8	3,061.1
Less: impairment allowance	(55.6)	(47.4)
	3,341.2	3,013.7
Analysed for reporting purposes as:		
– Non-current assets	1,729.8	1,192.9
– Current assets	1,611.4	1,820.8
	3,341.2	3,013.7

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The mortgage loans bear interest rate are as follows:

(Per annum)	30/6/2021	31/12/2020
Fixed rate loan receivables	7.5% to 20.4%	5.8% to 31.2%
Variable rate loan receivables	P+0.5% to P+7.0%	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)	30/6/2021	31/12/2020
Less than 31 days past due	97.6	66.7
31–60 days	149.5	26.6
61–90 days	–	11.5
91–180 days	76.8	160.4
Over 180 days	426.9	459.0
	750.8	724.2

As of 30 June 2021, HK\$1,066.7 million (2020: Nil) of mortgage loan receivables were pledged for a securitization financing transaction. Details of the transaction are disclosed in Note 25.

17. TERM LOANS

(HK\$ Million)	30/6/2021	31/12/2020
Secured term loans	1,911.0	2,242.3
Unsecured term loans	80.4	82.9
	1,991.4	2,325.2
Less: impairment allowance	(722.5)	(612.5)
	1,268.9	1,712.7
Analysed for reporting purposes as:		
– Non-current assets	547.0	554.5
– Current assets	721.9	1,158.2
	1,268.9	1,712.7

The term loans bear interest rate are as follows:

(Per annum)	30/6/2021	31/12/2020
Fixed rate loan receivables	8.2% to 21.6%	8.0% to 21.7%
Variable rate loan receivables	P+1.0% to 3-month LIBOR +10.0%	3-month HIBOR +7.0% to 3-month LIBOR +10.0%

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

(HK\$ Million)	30/6/2021	31/12/2020
Deposits	68.3	117.6
Others	94.4	239.0
Less: impairment allowance	–	(2.1)
Trade and other receivables at amortised cost	162.7	354.5
Prepayments	69.9	41.1
	232.6	395.6
Analysed for reporting purposes as:		
– Non-current assets	21.1	17.3
– Current assets	211.5	378.3
	232.6	395.6

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)	30/6/2021	31/12/2020
Less than 31 days	88.2	247.2
Trade and other receivables without ageing	74.5	107.3
Trade and other receivables at amortised cost	162.7	354.5

19. BANK DEPOSITS, CASH AND CASH EQUIVALENTS

(HK\$ Million)	30/6/2021	31/12/2020
Bank balances and cash	4,825.9	4,483.0
Fixed deposits with banks with a term within 3 months	961.0	2,762.6
Cash and cash equivalents	5,786.9	7,245.6
Fixed deposits with banks with a term between 4 to 12 months	–	12.3
	5,786.9	7,257.9

20. BANK AND OTHER BORROWINGS

(HK\$ Million)	30/6/2021	31/12/2020
Bank loans		
– Unsecured term loans	8,287.7	8,121.6
– Secured loans	252.8	281.0
Total bank borrowings	8,540.5	8,402.6
Other borrowings	62.1	64.7
	8,602.6	8,467.3
Analysed for reporting purposes as:		
– Current liabilities	6,092.6	6,083.2
– Non-current liabilities	2,510.0	2,384.1
	8,602.6	8,467.3

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

(HK\$ Million)	30/6/2021	31/12/2020
Bank borrowings		
– Within one year	4,398.7	4,116.3
– In the second year	1,049.4	1,640.2
– Over two years and within five years	1,398.5	679.2
Bank borrowings with a repayment on demand clause		
– Within one year	1,693.9	1,966.9
	8,540.5	8,402.6
Other borrowings		
– Over five years	62.1	64.7
	8,602.6	8,467.3

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)	30/6/2021	31/12/2020
Less than 31 days/repayable on demand	135.3	225.5
31–60 days	4.8	3.7
61–90 days	1.3	2.0
91–180 days	–	–
	141.4	231.2
Accrued staff costs, other accrued expenses and other payables without ageing	453.8	474.2
	595.2	705.4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(HK\$ Million)	30/6/2021	31/12/2020
Analysed by collateral type:		
Debt instruments classified as:		
Financial assets at fair value through profit or loss	<u>974.8</u>	<u>–</u>

As at 30 June 2021, debt instruments which are classified as financial assets at fair value through profit or loss with carrying amount of HK\$1,319.3 million (2020: Nil) were sold under repurchase agreements with other financial institutions. All repurchase agreements are due within 12 months from the end of the reporting period.

24. SHARE CAPITAL

	Number of shares		Share capital	
	Six months ended 30/6/2021 Million Shares	Year ended 31/12/2020 Million Shares	Six months ended 30/6/2021 HK\$ Million	Year ended 31/12/2020 HK\$ Million
Issued and fully paid				
Balance brought forward	1,982.3	1,998.8	8,752.3	8,752.3
Shares cancelled after repurchase	–	(16.5)	–	–
Shares repurchased but not yet cancelled	(0.5)	–	–	–
Balance carried forward	<u>1,981.8</u>	<u>1,982.3</u>	<u>8,752.3</u>	<u>8,752.3</u>

During the period, the trustee of the SHK Employee Ownership Scheme (the “EOS”) acquired 7.3 million shares (six months ended 30 June 2020: 1.0 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\$29.6 million (six months ended 30 June 2020: HK\$3.1 million), which has been deducted from the owners’ equity.

23. LEASE LIABILITIES

(HK\$ Million)	30/6/2021	31/12/2020
Current liabilities	87.5	84.2
Non-current liabilities	216.9	228.5
	<u>304.4</u>	<u>312.7</u>

(HK\$ Million)	30/6/2021	31/12/2020
Maturity analysis:		
Not later than 1 year	87.5	84.2
Later than 1 year and not later than 5 years	138.1	139.5
Later than 5 years	78.8	89.0
	<u>304.4</u>	<u>312.7</u>

During the period, the Company repurchased its own shares through purchases on the Stock Exchange for HK\$2.3 million (six months ended 30 June 2020: HK\$26.4 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. NOTES/PAPER PAYABLE

(HK\$ Million)	30/6/2021	31/12/2020
US dollar denominated notes (the "US\$ Notes")		
– 4.75% US\$ Notes maturing in May 2021 (the "4.75% Notes")	–	1,936.5
– 4.65% US\$ Notes maturing in September 2022 (the "4.65% Notes")	3,493.6	3,486.0
– 5.75% US\$ Notes maturing in November 2024 (the "5.75% Notes")	2,729.9	2,724.3
HK dollar denominated notes/paper (the "HK\$ Notes/Paper")		
– HK\$ Notes/Paper maturing in July 2021	83.6	–
– Asset backed notes maturing in April 2022	800.0	–
	7,107.1	8,146.8
Analysed for reporting purposes as:		
– Current liabilities	962.6	2,013.4
– Non-current liabilities	6,144.5	6,133.4
	7,107.1	8,146.8

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 4.65% 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\$3,448.8 million (31/12/2020: US\$444.1 million or equivalent to HK\$3,442.7 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\$3,617.8 million (31/12/2020: HK\$3,491.0 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\$2,718.1 million (31/12/2020: US\$350.0 million or equivalent to HK\$2,713.2 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\$2,834.7 million (31/12/2020: HK\$2,742.7 million) which was categorised as Level 2.

The 4.75% Notes matured in May 2021 and the outstanding balance was fully repaid.

In 2021, the Group entered into a HK\$1,066.7 million securitization financing transaction (the "Transaction"). Pursuant to the Transaction, the Group transferred mortgage loan receivables to a special purpose vehicle ("the SPV") established and operated in Hong Kong. The Transaction consists of two classes – Class A and Class B. Class B notes of HK\$266.7 million was subscribed by a subsidiary of the Group.

The Group holds undivided interest in the mortgage loan receivables transferred. In accordance with HKFRS 10 Consolidated Financial Statements, the SPV is controlled by the Group and the results thereof are consolidated by the Group in its condensed consolidated financial statements. According to HKFRS 9, both assets transferred and debt issued under the Transaction have not been derecognized and remained in the Group's condensed consolidated financial statements. The Transaction is backed by the mortgage loan receivables transferred and with the carrying amount denominated in HKD.

26. OTHER LIABILITIES

(HK\$ Million)	30/6/2021	31/12/2020
Non-current		
– Third-party interests in consolidated structured entities	53.0	–
Current		
– Third-party interests in consolidated structured entities	53.6	–
	106.6	–

Third-party interests in consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities which are reflected as liabilities since there is a contractual obligation for the Group to repurchase or redeem the unit for cash.

The realisation of third-party interests in consolidated funds cannot be predicted with accuracy since these interests represent the interests of third-party unit holders in consolidated funds held to back investment contract liabilities and are subject to market risk and the actions of third-party investors.

27. RELATED PARTY TRANSACTIONS

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

(HK\$ Million)	Six months ended	
	30/6/2021	30/6/2020
Associates and joint ventures of ultimate holding company		
Rental and building management fees to an associate of ultimate holding company for short-term leases	(1.2)	(1.1)
Rental and building management fees to a joint venture of ultimate holding company	(12.8)	(12.4)
Interest expense to a joint venture of ultimate holding company on lease liabilities *	(0.7)	(0.3)
Interest expense to an associate of ultimate holding company	(2.2)	(2.2)
Associates and joint ventures		
Loan referral fee and participation fee received from an associate	-	7.6
Management and service fees received from associates and joint ventures	-	1.5
Service fees to an associate	-	(2.3)
Holding company and its subsidiaries		
Repayment of loan from a fellow subsidiary	-	(32.9)
Finance costs to fellow subsidiaries	(5.2)	(11.9)
Management fees paid/payable to a holding company	(2.2)	(8.1)
Rental and building management fees to a holding company	(0.8)	(0.9)
Other related party		
Repayment of loan from Independent Non-Executive Director #	-	2.8

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 2021, the Group has lease liabilities of HK\$50.9 million (31/12/2020: HK\$58.3 million) to the joint venture of ultimate holding company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(HK\$ Million)	Six months ended	
	30/6/2021	30/6/2020
Short-term benefits	23.9	20.8
Post-employment benefits	1.0	1.0
	24.9	21.8

During the period, 1,380,000 shares were granted under the EOS to key management personnel. In addition, 273,000 shares with a total amount of HK\$1.1 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\$0.1 million (six months ended 30 June 2020: HK\$0.04 million). Further details of the EOS are disclosed in the Management Discussion and Analysis section of this interim report.

28. COMMITMENTS

(a) Other commitments

(HK\$ Million)	30/6/2021	31/12/2020
Capital commitments for funds	2,470.6	1,421.6
Other capital commitments	0.2	1.4
	2,470.8	1,423.0

(b) Lease commitments

The Group as lessee:

At 30 June 2021, the Group is committed to HK\$2.4 million (31/12/2020: HK\$2.4 million) for short-term leases.

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

The Group as lessor:

At 30 June 2021, all of the properties held for rental purpose have committed operating leases for the next 3 to 5 years (31/12/2020: 3 to 5 years) respectively. Undiscounted lease payments receivables on leases are as follows:

(HK\$ Million)	30/6/2021	31/12/2020
Within one year	28.5	23.4
In the second year	13.4	7.9
In the third year	11.5	0.5
In the fourth year	0.9	0.8
In the fifth year	0.1	0.6
	54.4	33.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28. COMMITMENTS *(Continued)***(c) Loan commitments**

(HK\$ Million)	30/6/2021	31/12/2020
Within one year	1,625.4	1,606.9
In the second year	12.9	–
In the third year	71.2	12.1
	<u>1,709.5</u>	<u>1,619.0</u>

29. OTHER FINANCIAL LIABILITIES

At the end of the reporting period, the Group issued financial guarantee to an independent third party of HK\$118.2 million (31/12/2020: HK\$387.6 million) which did not recognise as financial liabilities in respect of the financial guarantee contracts in the condensed consolidated statement of financial position and the movement is as follows:

(HK\$ Million)	30/6/2021	31/12/2020
At 1 January	387.6	494.5
Expire	(269.6)	(105.1)
Exchange adjustments	0.2	(1.8)
	<u>118.2</u>	<u>387.6</u>

30. 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 specialty finance, mortgage loans as well as 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 and Renminbi. Foreign exchange risk is managed and monitored by senior management. The risk arises from open currency positions are subject to ratios that are monitored and reported weekly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT *(Continued)***(b) Credit Risk**

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

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

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.

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 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.

31. 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 significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that applied to the audited consolidated financial statements for the year ended 31 December 2020. Loss rates used in ECL estimation have changed across different segment during the current interim period.

The directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.



CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-Executive Director

Peter Anthony Curry

Independent Non-Executive Directors

Evan Au Yang Chi Chun
David Craig Bartlett
Alan Stephen Jones
Vivian Alexa Kao (*appointed on 26 May 2021*)
Jacqueline Alee Leung
Wayne Robert Porritt (*appointed on 26 May 2021*)

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

Wayne Robert Porritt (*Chairman*)
(*appointed as member on 26 May 2021 and
as chairman on 5 July 2021*)
Simon Chow Wing Charn
Brendan James McGraw (*appointed on 5 July 2021*)
Alfred Leung Sai Kit
Lindsay Megan Wright
Paul Olivera

Company Secretary

Lee Sze Wai (*appointed on 5 July 2021*)

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Davis Polk & Wardwell
DLA Piper
King & Wood Mallesons
Maples and Calder
Mayer Brown
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
Chong Hing Bank Limited
Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
Taipei Fubon Commercial Bank Co., Ltd.
CMB Wing Lung Bank Limited
Mizuho Bank, Ltd., Hong Kong Branch
Taishin International Bank Co., Ltd.
Cathay United Bank Company, Limited, Hong Kong Branch
China Minsheng Banking Corp. Ltd., Hong Kong Branch
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch
Chiyu Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China (Macau) Limited
Mega International Commercial Bank Co., Ltd., Offshore Banking Branch

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