



Stock Code: 0086

2022 INTERIM REPORT



Contents

2	.....About Us
3	.....Management Discussion and Analysis
17	.....Directors' Interests
19	.....Interests of Substantial Shareholders and Other Persons
20	.....Corporate Governance
21	.....Other Information
22	.....Report on Review of Condensed Consolidated Financial Statements
23	.....Condensed Consolidated Financial Statements
27	.....Notes to the Condensed Consolidated Financial Statements
44	.....Corporate Information

About Us

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 estate 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 held about HK\$49 billion in total assets as at 30 June 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

(HK\$ Million)	Six months ended		Change	Year ended
	Jun 2022	Jun 2021		Dec 2021
Revenue	2,056.1	2,096.0	-1.9%	4,324.0
Pre-tax (loss)/profit	(55.1)	3,215.7	N/A	3,773.2
(Loss)/profit attributable to owners of the Company	(401.2)	2,693.0	N/A	2,813.7
Basic (loss)/earnings per share (HK cents)	(20.5)	136.2	N/A	142.7
Interim dividend (HK cents)	12.0	12.0	-	18.0 [^]
Book value per share (HK\$)	12.1	12.8	-5.5%	12.7

[^] Second interim dividend and special dividend

The first half of 2022 was a challenging period characterised by extreme volatility across all asset classes, runaway inflation, as well as the intermittent COVID-19 lockdowns that resulted in sharp moves in markets and a drop in business activities across the globe. Against this economic backdrop the Group's financial results for the period were impacted, however, our robust financial position, high liquidity and diversified businesses, have positioned us relatively well to navigate through the continued uncertainties.

Loss attributable to the owners of the Company for the period was HK\$401.2 million (first half of 2021: profit of HK\$2,693.0 million), predominantly driven by the mark-to-market losses taken by the Investment Management segment, reflecting both the sharp fall in public valuations and the subsequent impact to private market valuations. The sudden US Dollar strength, triggered by a hawkish central bank and steepening interest rates during this period have also added to the volatility. Basic loss per share for the period was HK20.5 cents (first half of 2021: earnings per share ("EPS") of HK136.2 cents).

The Board of Directors (the "Board" or the "Directors") of the Company has declared an interim dividend of HK12 cents per share for the six months ended 30 June 2022, which is maintained at the same level as the first half of 2021. During the period, the Company repurchased 829,000 shares (first half of 2021: 550,000 shares) for a total net consideration of HK\$3.1 million (first half of 2021: HK\$2.3 million).

As at 30 June 2022, the Group's book value per share was HK\$12.1, a decrease of 4.7% from the end of 2021 (HK\$12.7) and 5.5% from 30 June 2021 (HK\$12.8).

RESULTS ANALYSIS

The Group's revenue in the first half of 2022 was HK\$2,056.1 million, which mainly consisted of interest income from Financing Business of HK\$1,943.1 million.

Pre-tax loss for the period was HK\$55.1 million as compared to a profit of HK\$3,215.7 million for the first half of 2021, which was an all-time-high record of first half result of the Group. The change was mainly due to the pre-tax loss recorded in Investment Management business, partially offset by the pre-tax profit contributed by the Financing Business.

The pre-tax loss of HK\$957.6 million of Investment Management for the period was primarily attributable to the mark-to-market losses of HK\$1,180.4 million (first half of 2021: gain of HK\$1,084.5 million).

Financing Business demonstrated its resilience amid the COVID-19 outbreaks in Hong Kong and Mainland China and generated pre-tax profit of HK\$718.4 million for the period.

Pre-tax profit from Group Management Support ("GMS") was HK\$184.1 million mainly because of the increase in fair value of financial instruments held for hedging and liquidity purposes.

Operating costs decreased by 16.8% to HK\$745.9 million mainly reflecting lower performance-related operating costs.

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 2022	Jun 2021	Change	Jun 2022	Dec 2021
FINANCING BUSINESS					
Consumer Finance	645.4	871.9	-26.0%	19,034.4	19,253.9
Private Credit	(5.0)	(11.4)	-56.1%	659.0	1,038.5
Mortgage Loans	78.0	58.9	32.4%	3,654.8	3,647.0
Sub-total	718.4	919.4	-21.9%	23,348.2	23,939.4
INVESTMENT MANAGEMENT	(957.6)	2,312.2	N/A	20,319.5	21,087.9
GMS	184.1	(15.9)	N/A	5,291.1	3,762.8
Total	(55.1)	3,215.7	N/A	48,958.8	48,790.1

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCING BUSINESS

The Group's Financing Business principally operates in the Greater China region. In the first half of 2022, the regional and local business activities and employment were negatively impacted by the social distancing and lockdown measures in response to COVID-19 outbreaks. As a result, the environment for our Financing Business deteriorated as compared to the same period of last year.

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 engages in offering unsecured loans to individuals and businesses in Hong Kong and Mainland China. Throughout the first half of 2022, UAF continued to lead in the Hong Kong unsecured loan market, ranking first amongst all money lenders and was one of the top five lenders amongst all market players including banks in terms of outstanding unsecured loan balance. In Mainland China, UAF holds an internet loan license and off-line money lending licenses in major cities nationwide.

Segment Half Year Results

(HK\$ Million)	Six months ended		
	2022	2021	Change
	30 June		
Revenue	1,759.3	1,741.4	1.0%
Return on loan (% average gross loan balance) ¹	28.1%	30.2%	
Operating costs Cost to income (% revenue)	(652.7)	(557.4)	17.1%
Finance costs	(131.9)	(115.2)	14.5%
Net impairment losses	(312.3)	(206.8)	51.0%
Other gains	11.1	8.6	29.1%
Other losses	(2.9)	(0.2)	1,350.0%
Exchange (loss)/gain	(25.2)	1.5	N/A
Pre-tax contribution	645.4	871.9	-26.0%
Loan Book:			
Net loan balance	11,738.3	11,082.8	5.9%
Gross loan balance ²	12,320.9	11,765.6	4.7%

¹ Interest and fee income/average gross loan balance

² Before impairment allowance

For the first half of 2022, UAF's revenue marginally increased by 1.0% year-over-year to HK\$1,759.3 million. The total loan balance at the end of the period, on a net (after impairment allowance) and gross basis, increased year-over-year by 5.9% and 4.7%, respectively.

The increase in operating costs was primarily driven by the increase in costs associated with investment into Information Technology ("IT") as we continued to strengthen our offering and user experience, the enhancement in our collection efforts, the marketing campaign launched at the end of 2021 as well as various promotional activities. Finance costs increased as UAF had arranged and utilised more banking facilities to finance the growth in loan balance amid a firming interest rates environment. The outbreak of the fifth wave of COVID-19 had a negative impact on delinquency and charge-off ratio in Hong Kong and Mainland China and consequently the impairment losses increased. As U.S. Dollar ("USD") appreciated over the period, an unrealised exchange loss on our renminbi ("RMB") deposits was also recorded in the first half of 2022.

As a result, UAF's pre-tax contribution to the Group was HK\$645.4 million, a decrease of 26.0% year-over-year.

Net Impairment Losses on Financial Assets

(HK\$ Million)	Jan-Jun 2022	Jan-Jun 2021	Jul-Dec 2021
Amounts written off ¹	(463.7)	(401.2)	(480.5)
Recoveries ²	112.5	119.7	123.8
Charge off as an annualised % of average gross loan balance	(351.2)	(281.5)	(356.7)
Written back of impairment allowance ³	38.9	74.7	54.1
Net impairment losses as an annualised % of average gross loan balance	(312.3)	(206.8)	(302.6)
Impairment allowance at period/year end as a % of gross loan balance at period/year end	582.6	682.8	630.8
	4.7%	5.8%	5.0%

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 has entered into bankruptcy proceedings

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

No. of days past due as at:	30 Jun		31 Dec	
	2022	Note	2021	Note
Less than 31	828.9	7.1%	828.4	6.9%
31-60	155.7	1.3%	102.6	0.9%
61-90	27.3	0.2%	28.5	0.2%
91-180	75.8	0.6%	1.6	0.0%
Over 180	68.4	0.6%	70.6	0.6%
Total	1,156.1	9.8%	1,031.7	8.6%

Note: Amount as a percentage of net loan balance

Hong Kong Business

Key Operating Data	1H2022	1H2021	Full Year 2021
Number of branches (end of period/year)	48	48	48
Loan data:			
Gross loan balance (HK\$ Million) (end of period/year)	8,703.6	8,572.4	8,767.3
Loan originated for the period/year (HK\$ Million)	5,872.0	6,095.3	12,177.3
Number of loans originated	91,657	96,562	172,030
Average gross balance per loan (HK\$)	60,343	61,404	61,271
Annualised Ratios:			
Total return on loans ¹	30.1%	30.4%	30.6%
Charge-off ratio ²	4.8%	4.2%	5.1%
Net impairment losses ratio ³	3.3%	3.6%	4.1%
Impairment allowance ratio ⁴	4.4%	5.9%	5.1%

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/year end

Hong Kong's economy continued to be impacted by the prolonged COVID-19 pandemic and the highly contagious Omicron variant. The gross domestic product ("GDP") reversed from a growth of 4.7% in the fourth quarter of 2021 to a decline of 4% in the first quarter of 2022. The unemployment rate increased from 3.8% in December 2021 to 4.7% in June 2022. In light of the drop in locally infected COVID-19 cases due to increased

vaccination rates, at the beginning of second quarter of 2022, the HKSAR government lifted certain social distancing measures. We have subsequently seen an improvement in performance since the second quarter of 2022 with lower delinquency and higher loan origination volume.

Market competition has intensified in first half of the year with aggressive promotion campaigns launched by existing and new players including traditional and virtual banks. Other money lenders also reactivated their marketing and incentive programmes to compete for market share in the unsecured lending sector as the economic recovery progressed. UAF as a market leader remains committed to product innovation by increasing our IT development spending. UAF launched its iconic robotic arm Non-Fungible Token ("NFT") adopting the latest blockchain technology in July 2022. The limited edition 3-D robotic arm NFT, has spurred interest amongst NFT collectors and was the first-ever amongst all money lenders. UAF will continue to invest and upgrade its online platforms and offline customer servicing facilities with the objective of better serving our customers and fostering business growth.

Mainland China Business

Key Operating Data	1H2022	1H2021	Full Year 2021
Number of branches (end of period/year)	18	21	19
Loan data:			
Gross loan balance (HK\$ Million) (end of period/year)	3,617.3	3,193.2	3,913.2
Loan originated for the period/year (HK\$ Million)	2,280.3	2,374.2	5,512.5
Number of loans originated	20,231	27,304	52,332
Average gross balance per loan (RMB)	76,122	48,715	69,572
Annualised Ratios:			
Total return on loans ¹	23.4%	29.4%	26.3%
Charge-off ratio ²	7.5%	6.8%	5.9%
Net impairment losses ratio ³	8.9%	3.6%	4.5%
Impairment allowance ratio ⁴	5.5%	5.6%	4.6%

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/year end

MANAGEMENT DISCUSSION AND ANALYSIS

The economic and business environment in Mainland China during the first half of 2022 was challenging as the mainland strived to maintain its dynamic zero-COVID status. Rolling citywide lockdowns and travel curbs have hampered the economic recovery. China GDP grew at 0.4% in second quarter of 2022, down from 4.8% in first quarter of 2022. UAF China's business was inevitably affected by the economic slowdown. Both the impairment charges and loan origination were adversely impacted for the period. Operating costs were reduced to mitigate this headwind, while market risks were reduced by the shift in focus to the secured loan business. As a consequence, the negative impact on consolidated profit of UAF has been proactively managed.

Prospects

The job market in Hong Kong has improved since the beginning of the second quarter of 2022 amid the moderating local COVID-19 cases and gradual relaxation of quarantine and social distancing measures. The various measures rolled out by the HKSAR government including successive payout of consumption vouchers, and relaunch of the employer support scheme could help cushion the damage to the domestic economy in the second half of the year. Similarly, in Mainland China, we expect looser monetary policy and stronger fiscal stimulus measures will come into play as COVID restrictions ease in the coming months. UAF is expected to benefit and is cautiously optimistic of higher demand of our loan services and lower credit losses as both economies gradually adjust their COVID policies.

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\$78.0 million in the first half of 2022, representing a year-over-year increase of 32.4%.

Segment Half Year Results

(HK\$ Million)	Six months ended		
	2022	2021	Change
	30 June		
Revenue	144.7	149.4	-3.1%
<i>Return on loans¹</i>	8.3%	9.3%	
Operating costs	(35.6)	(27.0)	31.9%
<i>Cost to income (% Revenue)</i>	24.6%	18.1%	
Finance costs	(48.1)	(51.5)	-6.6%
Net impairment reversals/(losses)	15.7	(12.5)	N/A
Other gains	1.3	0.5	160.0%
Pre-tax contribution	78.0	58.9	32.4%
Loan Book:			
Net loan balance	3,402.7	3,341.2	1.8%
Gross loan balance ²	3,440.1	3,396.8	1.3%

¹ Annualised interest and fee income/average gross loan balance

² Before impairment allowance

Revenue for the period was HK\$144.7 million, representing a slight decrease of 3.1% year-over-year. Despite the backdrop of the fifth and worst wave of COVID-19 in Hong Kong in the first half of 2022, we were able to keep the net loan balance at HK\$3,402.7 million as at 30 June 2022, a similar level compared to 2021 year end (30 June 2021: HK\$3,341.2 million; 31 December 2021: HK\$3,461.3 million). The loan-to-value ratio remained below 65% as at 30 June 2022.

First mortgage loans continued to dominate and accounted for over 90% of the gross loan balance as at 30 June 2022. Operating costs for the period were HK\$35.6 million, increased 31.9% year-over-year, primarily driven by continuous investments in our IT infrastructure enhancement and an advertising campaign which was launched at the end of 2021 and lasted until first half of 2022. Despite the recent interest hikes, finance costs continued to decline in the first half of 2022 by 6.6% to HK\$48.1 million as a result of the Group's increasingly diversified funding channels. Net impairment losses recorded a reversal of HK\$15.7 million for the period with certain loan recovery, compared to a loss of HK\$12.5 million for the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

On the operational side, SHK Credit launched a proprietary and industry-leading property valuation solution “Centaline • Nova Valuation+” in June 2022 through a collaboration with two business partners. Through the provision of instant property valuation with a broader coverage on past property transaction data, this solution enables customers from a wide demographic segment to access SHK Credit’s innovative loan service “Mortgage Fast Pass”.

Looking ahead, SHK Credit will continue to exercise prudence in loan underwriting against an increased downward pressure on Hong Kong’s property values and continued impacted demand as a consequence of COVID border restrictions between Hong Kong and Mainland China. The management team will closely monitor market conditions while focusing on risk diversification, loan quality as well as profitability.

Private Credit

The Group’s Private Credit 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. Due to continued efforts in receivables collection, the net loan balance reduced to HK\$412.0 million as at 30 June 2022, representing a year-on-year decline of 65.5% (30 June 2021: HK\$1,193.8 million) and a year-to-date decline of 41.4% (31 December 2021: HK\$703.1 million). The segment recorded a pre-tax loss of HK\$5.0 million, narrowing by 56.1% (30 June 2021: HK\$11.4 million). As certain loans in the portfolio are related to leisure and hospitality sectors which continued to be heavily impacted by COVID-19, we maintained the impairment allowance at a similar level compared to the end of 2021.

Looking ahead, given the uncertainty in the economic recovery and volatility in the capital market, we would continue to actively manage our existing loan book and opportunistically originate new business.

Segment Half Year Results

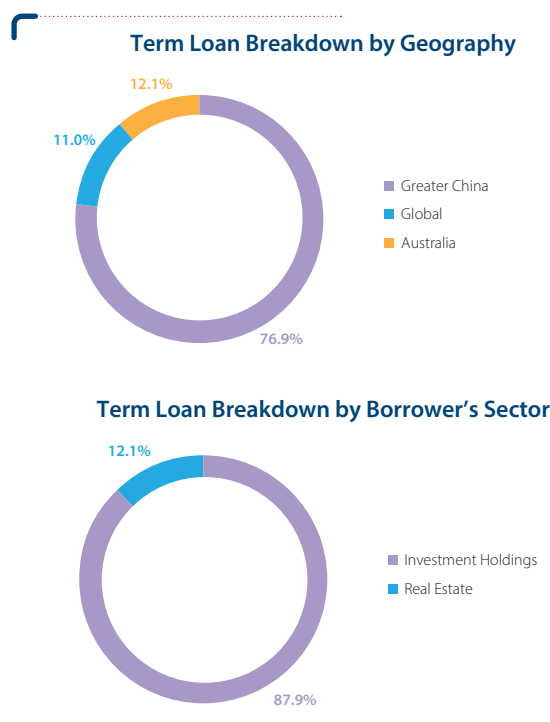
(HK\$ Million)	Six months ended		
	30 June	2021	Change
Revenue	52.0	108.2	-51.9%
<i>Return on loans¹</i>	7.9%	10.4%	
Operating costs	(16.0)	(1.3)	1,130.8%
<i>Cost to income (% Revenue)</i>	30.8%	1.2%	
Finance costs	(18.1)	(49.7)	-63.6%
Net impairment losses	(21.2)	(109.5)	-80.6%
Net gain on financial assets and liabilities	7.0	62.7	-88.8%
Others	(8.7)	(21.8)	-60.1%
Pre-tax contribution	(5.0)	(11.4)	-56.1%
Loan Book:			
Net loan balance	412.0	1,193.8	-65.5%
Gross loan balance ²	1,144.5	1,914.9	-40.2%
Other investments			
Listed shares and others	4.2	2.9	44.8%
Interest in joint venture	183.9	223.8	-17.8%
	188.1	226.7	-17.0%

¹ Annualised interest and fee income/average gross loan balance

² Before impairment allowance

Also included in Private Credit 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Private Credit Loan Portfolio**INVESTMENT MANAGEMENT**

The Investment Management division leverages the Group's internal expertise and external network to seek attractive risk-adjusted investment returns. Against the backdrop of a gloomy economy and highly volatile markets, the Group has proactively adopted various hedging strategies to protect a proportion of our positions and rebalanced part of our portfolio in a timely manner.

Nonetheless, our portfolio was not immune to the volatility in asset prices across the board. The division recorded a pre-tax loss of HK\$957.6 million for the period, mainly attributed to the loss from mark-to-market changes of HK\$1,180.4 million. The comparative drop in profits was further exacerbated by the fall in realised gains on financial assets and interest income to HK\$582.9 million, as compared to HK\$1,611.5 million for the same period of last year, reflecting the reduction in the number of investment exits due to the turn in market conditions. In the past three financial years from 2019 to 2021, the cumulative total gain and interest income from this business segment were HK\$7,118.1 million, of which HK\$5,507.1 million had been realised, and the three-year total return of this segment was 40.6%.

Analysis of Pre-tax Profit by Nature

(HK\$ Million)	For the six months ended		Change
	Jun 2022	Jun 2021	
Realised gain on financial assets and interest income	582.9	1,611.5	-63.8%
Dividends received	27.4	15.4	77.9%
Rental income	13.9	15.6	-10.9%
Fee received/receivable	14.9	4.2	254.8%
(Loss)/gain on mark-to-market valuation	(1,180.4)	1,084.5	N/A
Net impairment allowance reversal/(losses) on financial assets	5.2	(9.1)	N/A
Net exchange loss	(9.8)	(7.8)	25.6%
Share of results of associates & joint venture	32.5	(11.9)	N/A
Loss from revaluation on investment properties	(12.8)	(19.0)	-32.6%
Others	(1.4)	45.5	N/A
Total (losses)/gains	(527.6)	2,728.9	N/A
Operating costs	(430.0)	(416.7)	3.2%
Pre-tax contribution	(957.6)	2,312.2	N/A

Amid the market downturns driven by the decades-high inflation and central banks' rate hikes seen worldwide in the first half of 2022, the Investment Management division reported a return of -2.5% for the period. Public Markets achieved a positive return of 3.5% primarily attributable to diversification and our hedging strategies.

In a complex macro environment with the joint influence of global economic recession risks, the COVID-19 pandemic impacts and escalated geopolitical tensions, the Group is adopting a cautious approach to investing, tightening our return hurdles, risk management as well as placing a premium on liquidity. We remain confident about this business segment's future performance in hopefully a less volatile environment.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Assets Breakdown and Annual Return

(HK\$ Million)	First Half 2022				Return track record ¹	
	Period End Value	Average Value for the Period	Gain/(Loss)	Six-month Return ¹	2021 ²	2020 ²
Public Markets	3,974.6	4,220.7	147.8	3.5%	11.0%	8.7%
Alternatives	14,172.6	14,576.7	(680.1)	-4.7%	17.4%	24.7%
Real Estate	2,172.3	2,296.2	4.7	0.2%	3.6%	-5.6%
Total	20,319.5	21,093.6	(527.6)	-2.5%	14.4%	16.9%

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

² Annual return

Public Markets

The Public Markets portfolio consisted of an internally managed credit strategy and corporate holdings. In the first half of 2022, the Public Credit strategy was spun off and launched as a partnership fund on the Group's Funds Management platform.

Breakdown of Public Markets Portfolio as at 30 June 2022

(HK\$ Million)	Period End Value	Gain/(Loss)	Six-month Unlevered Return ¹
Credit	–	(11.9)	-1.6%
Corporate Holdings	3,974.6	159.7	4.6%
Total	3,974.6	147.8	3.5%

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.

Market started this year on a cautious tone as the rates hiking plans of global central banks had been well communicated to the markets. In February, Russia launched its special military operations in Ukraine. This conflict has caused significant disruption to global supply chains, including energy and agricultural products. This impact has been transmitted to the rest of the world through higher import prices, and as a result, rising inflation figures. This drives the central banks to adopt a more aggressive rates hiking cycle with the primary goal to contain inflation. With rising interest rates and uncertain macroeconomic outlook, global credit markets traded down meaningfully alongside with other risk assets such as equities in the first half of 2022. In response to this market uncertainty, we started, at the beginning of 2022, to actively put on hedges to protect the long positions in our credit portfolio.

Navigating the market volatilities well relative to benchmarks in the first half of 2022, the Public Credit portfolio was transferred to GCO Asset Management Limited, an independent partnership launched on Funds Management platform in June 2022, as part of the subscription of the first fund it manages.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Holdings

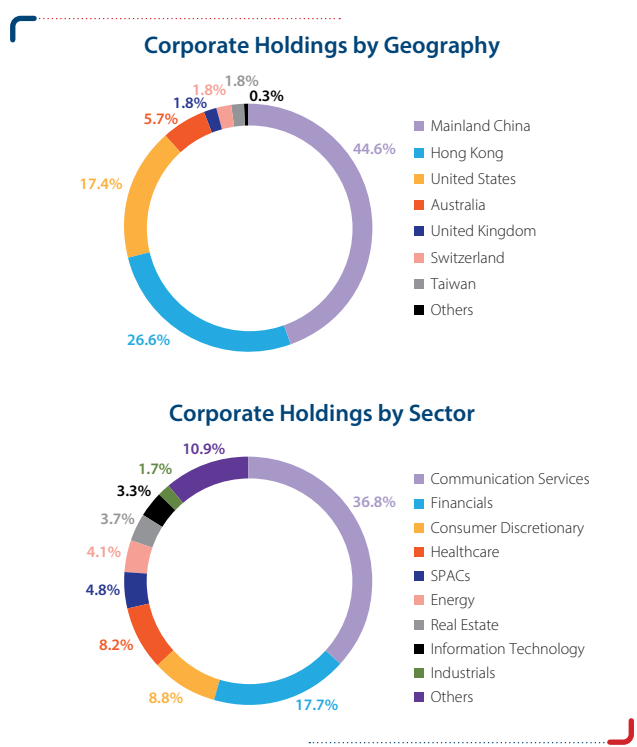
The Corporate Holdings segment mainly consists of a mix of long-term strategic positions and other shorter-term positions. In the first half of 2022, we further strengthened the investment and portfolio management capabilities, striving to achieve sustainable and risk-adjusted returns.

In the first half of 2022, global inflationary pressure continued to be the main topic of concern, with Core CPI of US for June surging to 9.1% year-on-year from 6.6% at the start of the year. These extreme inflation levels have forced the market to take into account an increasingly aggressive Fed rate hiking cycle, with median estimates for Fed rates at 3.375% at the end of 2022, up from 0.75% at the start of the year. As a result, market participants have begun to question if these rate hikes could push the economy into recession in the second half of 2022 or early 2023. This led to one of the worst first half performances in the US for 50 years, with S&P500 index falling 21%, and NDX -29%.

On other hand, China continued to trade asynchronously with US. We have seen the major economies decouple as a result of different credit cycles, and their differing approaches to COVID-19 management. China indices were weak in the first quarter on the back of strict COVID-19 lockdown measures imposed in the mainland. Since then, the economy has started to show signs of rebounding, as major cities such as Shanghai reopened, and the government appears to be moving to stimulate the economy, with support for the struggling property sector. This led indices to rebound from the April lows, closing the half with HSI Index -6.5%. China’s credit cycle also bottomed in early 2022, and we see the upcycle acting as a slight tailwind for the second half of 2022. Despite this, we continue to remain somewhat cautious on China, given continuing COVID-19 risks and the potentially overly high expectations for future stimulus.

Notwithstanding this, the performance for the Corporate Holdings segment in the first half was +4.6%. In late 2021, the rising rate environment in the US pressured some of the strategic holdings that had gone public in the past year. We were wary of this dynamic, and early in the year we started to diversify and more aggressively hedge our public positions, in order to offset this.

We will continue to manage our portfolio prudently and monitor risk positions closely to navigate through the uncertainties.



MANAGEMENT DISCUSSION AND ANALYSIS

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 2022

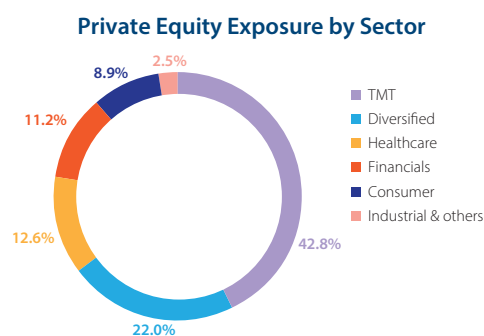
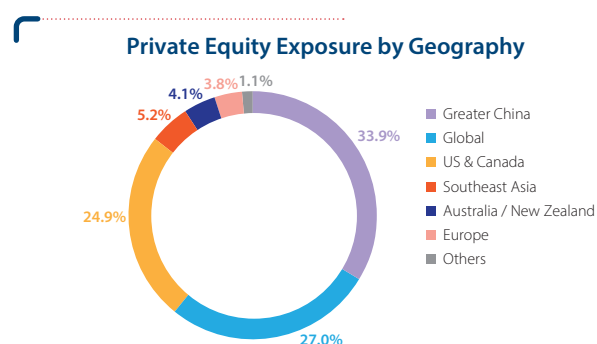
<i>(HK\$ Million)</i>	Period End Value	Gain/ (loss)	Six-month Return [^]
Private Equity:			
– External funds	5,350.7	(333.7)	-6.1%
– Direct/Co-investments	4,534.0	(39.2)	-0.8%
Sub-total	9,884.7	(372.9)	-3.7%
Hedge Funds	4,287.9	(307.2)	-7.0%
Total	14,172.6	(680.1)	-4.7%

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

Private Equity

The Private Equity segment consists of our investments into external funds, co-investments alongside such funds, as well as direct investments. Amidst an increasingly challenging macro environment in the first half of 2022, this segment recorded a loss of HK\$372.9 million, or -3.7%, mainly arising from the headwinds of interest rate hikes, ongoing US-China tensions and China regulatory tightening, which drove mark-to-market losses on some listed portfolio companies that we have not exited or subject to lockup constraints.

While we exercise greater prudence in capital allocation given the highly uncertain global economic outlook, we will continue to deploy capital towards opportunities with strong risk adjusted returns.



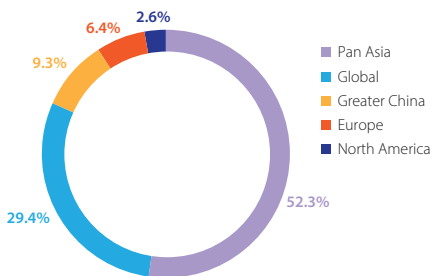
MANAGEMENT DISCUSSION AND ANALYSIS

Hedge Funds

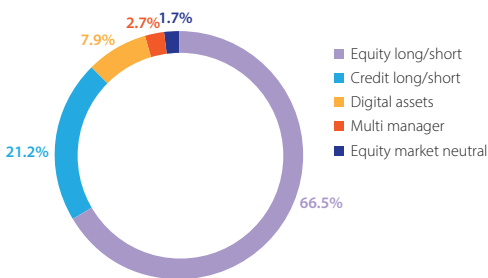
Incepted in January 2017, the Group’s multi-manager hedge fund portfolio consists of a group of selected external hedge funds that complemented our capabilities and extended our investment networks. Building on success of this investment program, in 2021, a large portion of the portfolio was transferred to SHK Latitude Alpha Fund, a proprietary Fund of Hedge Funds (“FoHF”) strategy launched on the Group’s Funds Management platform.

The global markets have experienced a full cycle over the past few years, from a robust liquidity-fueled rally in 2020 to a relatively severe selloff in 2022, impacted by monetary policy tightening and recession fears. The EurekaHedge Asia Fund of Funds Index was down by 12.4% during the first half of 2022. We have been de-risking since last year by rebalancing more towards market neutral strategies.

External Hedge Funds Exposure by Geography



External Hedge Funds Exposure by Strategy

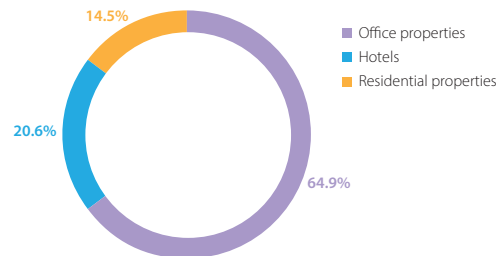


Real Estate

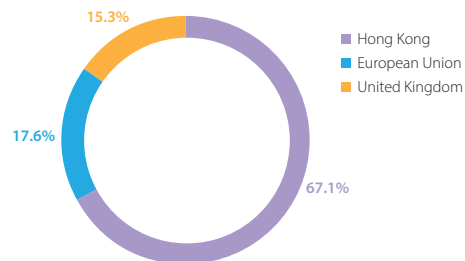
The Real Estate portfolio was valued at HK\$2,172.3 million as at 30 June 2022 (31 December 2021: HK\$2,364.3 million; 30 June 2021: HK\$2,357.6 million). The portfolio includes the Group’s interests in Hong Kong commercial real estate as well as hotels and commercial investments abroad.

The Group is mindful of heightened uncertainty in global real estate markets, particularly with respect to rising cost of capital and rapidly shifting preferences in how we utilise real estate. We remain patient and adopt a cautious stance with respect to new investment opportunities.

Real Estate Exposure by Asset Class





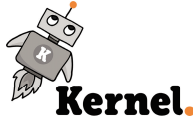



Real Estate Exposure by Geography





MANAGEMENT DISCUSSION AND ANALYSIS

FUNDS MANAGEMENT

With the build out of the alternative Funds Management platform, Sun Hung Kai Capital Partners Limited ("SHKCP") in 2021, a strong startup year with the establishment of 6 partnerships/funds, significant progress has continued in the first half of 2022.

 <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established January 2021 APAC Equity L/S Fund AuM US\$129mn¹ 	 <p>ACTUSRAY PARTNERS DISCRETIONARY PROBABILISTIC INVESTING</p> <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established May 2021 European Discretionary Probabilistic Market Neutral Fund AuM US\$240mn¹ 	 <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established July 2019 Market Neutral Crypto Fund AuM US\$42mn¹
 <p>E15VC</p> <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established January 2021 Deep Technology Venture Fund AuM US\$32mn¹ 	 <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established July 2021 Global FoHF AuM US\$193mn¹ 	 <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established March 2021 APAC Real Estate Loan Fund AuM US\$107mn¹

The first half of 2022 saw the launch of a further partnership, GCO Asset Management, an internal spinout from SHK & Co. managing essentially the same credit strategy as managed internally being a global credit opportunities fund. In addition, SHKCP established the SHK Capital Partners Private Access Fund which collaborates with SHK & Co. Investment Management division to target specific alternative investment opportunities for our clients.

 <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established March 2022 Specific alternative investment opportunities AuM US\$3mn¹ 	 <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established June 2022 Global credit opportunities AuM US\$65mn¹
---	--

¹ As at 30 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

We achieved encouraging progress in increasing external capital totaling US\$165 million raised by our Partner Funds during the period, bringing our total AuM (including committed capital) of both our Partners and SHKCP Funds (including EAM) to approximately US\$834 million.

The first half of 2022 has been characterised by challenging market conditions. Despite this, certain strategies on our Funds Management platform have been performing well.

The second half of 2022 will be focused on a distribution build out, working with our Partners to raise third party capital and the promotion of our own SHKCP Funds.

In addition, our pipeline is strong, as we continue to source partnership opportunities with external managers to create a broader and more diversified platform in support of the overall vision of the Group to build an Asian leading alternatives firm.

OUTLOOK

Looking into the second half of 2022, we believe it will continue to be extremely challenging. At the time of this report, the inflation rates in major developed economies remain at decades high levels, the conflict in Ukraine persists and the markets are in fear of a global recession. The tensions between China and US continue to escalate and China continues to adhere to its zero-COVID policy and the borders between Mainland China and Hong Kong remain partially closed.

We remain highly vigilant about the various risks and challenges in the market, and will continue to act nimbly and in so far as possible, mitigate the volatility in our business and investment portfolios. With a strong balance sheet and liquidity position, the Group is confident in our ability to navigate the complex dynamics and capitalise on opportunities for further business development and growth.

FINANCIAL REVIEW

Financial Resources, Liquidity, Capital Structure and Key Performance Indicators

<i>(HK\$ Million)</i>	30 Jun 2022	31 Dec 2021	Change
Capital Structure			
Equity attributable to owners of the Company	23,929.6	25,075.2	-4.6%
Total cash	8,241.0	6,000.7	37.3%
Total borrowings ¹	19,882.3	18,283.0	8.7%
Net debt ²	11,641.3	12,282.3	-5.2%
Net debt to equity ratio	48.6%	49.0%	
Liquidity			
Interest cover ³	0.9	6.3	-85.7%
Return Ratios (Annualised)			
Return on assets ⁴	-0.8%	7.1%	
Return on equity	-3.3%	11.8%	
Key Performance Indicators			
Book value per share (HK\$)	12.1	12.7	-4.7%
Dividend per share (HK cents)	12	30	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 or loss including non-controlling interests/average assets

The Group's gearing ratio decreased to 48.6% at the end of the period and has remained healthy. Interest cover for the period was 0.9x, compared with 6.3x for the year ended 2021, mainly due to the decreased earnings as a result of the mark-to-market losses for Investment Management of HK\$1,180.4 million.

As at 30 June 2022, total borrowings of the Group amounted to HK\$19,882.3 million (31 December 2021: HK\$18,283.0 million). Of this amount, 54.8% was repayable within one year (31 December 2021: 58.2%). The Group maintained a balanced mix of funding from various sources. Bank and other borrowings accounted for 46.2% of total debt (31 December 2021: 45.6%) and were at floating interest rates, primarily denominated in Hong Kong dollars and US dollars. There were no known seasonal factors in the Group's borrowing profile.

MANAGEMENT DISCUSSION AND ANALYSIS

Return on assets decreased to -0.8% as at 30 June 2022 (31 December 2021: 7.1%). Return on equity decreased to -3.3% as at 30 June 2022 (31 December 2021: 11.8%), mainly due to the impact of unrealised mark-to-market losses. The strong cash position has provided us with comfortable liquidity during the volatile market conditions. The Company is well equipped to take advantage of available opportunities to optimise our capital efficiency in the long term.

As at 30 June 2022, the following notes were outstanding:

Note	Maturity Date	HK\$ Equivalent (In Million)	% Total
4.65% USD notes [^]	9/2022	3,451.9	32.3%
5.75% USD notes [^]	11/2024	2,760.3	25.8%
5.00% USD notes ^{^*}	9/2026	3,574.4	33.5%
Asset backed notes	4/2024	901.2	8.4%
Total		10,687.8	100.0%

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

^{*} In March 2022, the Group completed issuance of additional US\$75.0 million or equivalent to HK\$584.8 million of 5.00% notes

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.

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 2022.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2022, the Group had no material acquisitions and disposal of subsidiaries, associates and joint ventures.

Important Events After the End of the Financial Period

There are no important events affecting the Group which have occurred after the end of the financial period ended 30 June 2022 and up to the date of this report.

Charges on Group Assets

Properties of the Group with a total book value of HK\$918.0 million were pledged by subsidiaries to banks for facilities granted to them as at 30 June 2022.

As at 30 June 2022, HK\$1,186.2 million (2021: HK\$977.0 million) of mortgage loan receivables were pledged for a securitisation financing transaction.

Other Financial Liabilities

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

MANAGEMENT DISCUSSION AND ANALYSIS

PEOPLE & CULTURE

As at 30 June 2022, the Group's total staff numbered 1,673 (31 December 2021: 1,738). Out of this, 80 staff (31 December 2021: 81) were corporate and Investment Management staff and the remainder were within the main subsidiaries UAF and SHK Credit. The net decrease in staff numbers was a result of the branch consolidation in the Consumer Finance business in Mainland China, as the business migrated further online and its continuous effort in driving cost efficiency. Total staff costs amounted to HK\$248.1 million (first half of 2021: HK\$538.9 million) mainly reflecting lower performance-related compensation.

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

Under the Employee Ownership Scheme ("EOS"), selected employees or directors of the Group (the "Selected Grantees") were awarded shares of the Company. Following management's recommendation, a total of 3,054,000 shares were granted to the Selected Grantees during the period subject to various terms. A total of 3,047,000 shares were vested in the first half of 2022. As at 30 June 2022, the outstanding award shares under the EOS amounted to 6,270,000 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.

COVID-19 PANDEMIC RESPONSE

The COVID-19 continued to spread around the world during the first half of 2022. We closely monitor the situation and review our preventative protocols regularly to help the Company resume 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 maximise 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;
- maintain inventory of face mask, hand sanitiser and hygiene supplies and focus on cleaning and sanitation; and
- conduct regular rapid tests.

DIRECTORS' INTERESTS

As at 30 June 2022, 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 (the "Section 352 Register") were as follows:

(A) Interests in the shares of the Company (the "Shares")

Name of Director	Capacity	Number of 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>)	73.11%
Simon Chow Wing Charn	Beneficial owner	1,681,000	0.08%
Peter Anthony Curry	Beneficial owner	1,241,141	0.06%

Notes:

1. Mr. Lee Seng Huang, a Director, together with Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.99% 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.
2. 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 of associated corporations

Name of Director	Associated corporations	Capacity	Approximate %	
			Number of shares	of the total number of relevant shares
Lee Seng Huang (<i>Note 1</i>)	AGL	Trustee (<i>Note 2</i>)	2,634,646,760	74.98%
	Tian An China Investments Company Limited ("TACI")	Interests of controlled corporation (<i>Note 3</i>)	745,269,096	50.83%
	Tian An Australia Limited ("TIA")	Interests of controlled corporation (<i>Note 4</i>)	66,432,267	76.70%
	Asiasec Properties Limited ("Asiasec")	Interests of controlled corporation (<i>Note 5</i>)	930,376,898	74.98%
	MCIP CI I Limited ("MCIP CI") (<i>Note 6</i>)	Beneficial owner	5 (<i>Note 7</i>)	33.33%
Vivian Alexa Kao	SHK Latitude Alpha Feeder Fund (<i>Note 8</i>)	Interests of controlled corporation (<i>Note 9</i>)	950 (<i>Note 10</i>)	0.27%

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 in this report Mr. Lee's deemed interests in the shares of such associated corporations of the Company as recorded in the Section 352 Register, and a waiver was granted by the Stock Exchange on 19 July 2022.

- 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.
- This referred to the same interest held indirectly by AGL in TACI.
- This referred to the same interest held indirectly by AGL in TIA through TACI.
- This referred to the same interest held indirectly by AGL in Asiasec through TACI.
- 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.
- SHK Latitude Alpha Feeder Fund was a non wholly-owned subsidiary of the Company and therefore was an associated corporation of the Company as defined under the SFO.
- The interests were held by Tamarind Limited, which in turn was wholly-owned by Shou Zi Chew 2019 Trust. Ms. Vivian Alexa Kao together with Mr. Shou Zi Chew are the co-trustees of Shou Zi Chew 2019 Trust and was therefore deemed to have interests in the shares held by Tamarind Limited.
- This referred to redeemable, non-voting participating class A shares in the issued share capital of SHK Latitude Alpha Feeder Fund.

All interests stated above represent long positions. As at 30 June 2022, 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 2022, 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 Section 352 Register 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 2022, the following shareholders had interests in the Shares as recorded in the register required to be kept under Section 336 of the SFO (the "SFO Register"):

Name of Shareholder	Capacity	Number of Shares	Approximate % of the total number of issued Shares
AGL	Interests of controlled corporation (<i>Note 1</i>)	1,442,182,575	73.11%
Lee and Lee Trust	Interests of controlled corporation (<i>Note 2</i>)	1,442,182,575	73.11%
Lee Su Hwei	Interests of controlled corporation and interests of spouse (<i>Note 3</i>)	1,446,182,575	73.31%

Notes:

- 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.
- 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 74.99% 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.
- This represented interests in (i) same parcel of Shares in which the Lee and Lee Trust was deemed to have an interest; and (ii) 4,000,000 Shares held by Mr. Chen Yue Jia James, the spouse of Ms. Lee Su Hwei.
- All the above percentage holdings were calculated based on the total number of issued Shares as at 30 June 2022.

All interests stated above represented long positions. As at 30 June 2022, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 30 June 2022, 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 2022, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for certain deviations which are summarised below:

(a) Code Provision C.2.1

Code provision C.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. Simon 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 E.1.2 and D.3.3

Code provisions E.1.2 and D.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 E.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 D.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 2021. 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.

(c) Code Provision F.2.2

Code provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. The Group Executive Chairman was unable to attend the annual general meeting of the Company held on 24 May 2022 (the "AGM") due to other important business engagement. However, Mr. Simon Chow Wing Charn, an Executive Director and the Group Deputy Chief Executive Officer, had chaired the AGM in accordance with article 73 of the Company's articles of association.

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 2022 (2021: HK12 cents per Share) payable to the shareholders whose names appear on the register of members of the Company on 7 September 2022. Dividend warrants for the interim dividend are expected to be dispatched on 16 September 2022.

Closure of Register of Members

The register of members of the Company will be closed from 5 September 2022 to 7 September 2022 (both days inclusive), during which period no transfer of shares will be registered. The ex-dividend date will be 1 September 2022. In order to qualify for entitlement to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 2 September 2022.

Changes in Directors' Information

- Mr. Evan Au Yang Chi Chun has become a member of the Innovation and Technology Advisory Committee of the Hong Kong Trade Development Council with effect from 1 April 2022.
- Mr. Wayne Robert Porritt ("Mr. Porritt") ceased to be an independent non-executive director of Floatel International Limited and a member of Animal Ethics Committee of QIMR Berghofer since 28 March 2022 and 22 June 2022 respectively.
- Mr. Porritt was appointed as a director of Dalton School Hong Kong Foundation and Asia Society Australia with effect from 8 June 2022 and 13 June 2022 respectively.

Purchase, Sale or Redemption of Securities

(1) Repurchase of Shares

During the six months ended 30 June 2022, the Company repurchased a total of 829,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$3,135,260. 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\$)	
January	185,000	4.20	4.13	772,600
February	-	-	-	-
March	-	-	-	-
April	263,000	3.89	3.60	974,840
May	189,000	3.70	3.61	692,230
June	192,000	3.66	3.58	695,590
Total	829,000			3,135,260

(2) Redemption of Notes of a subsidiary, Sun Hung Kai & Co. (BVI) Limited ("SHK BVI")

During the six months ended 30 June 2022, the Group repurchased an aggregate principal amount of US\$10,320,000 of the US\$550,000,000 4.65% guaranteed notes due September 2022 (the "2022 Notes") issued by SHK BVI and listed on the Stock Exchange (stock code: 5267) under the US\$3,000,000,000 Guaranteed Medium Term Note Programme. The repurchased 2022 Notes were cancelled thereafter respectively.

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 2022.

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 2022. 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, 17 August 2022

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 23 to 43, which comprise the condensed consolidated statement of financial position as of 30 June 2022 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, 17 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(HK\$ Million)	Notes	Six months ended	
		30/6/2022 Unaudited	30/6/2021 Unaudited
Interest income		1,991.0	2,031.8
Other revenue	5	65.1	64.2
Other gains	6	18.5	74.2
Total income		2,074.6	2,170.2
Brokerage and commission expenses		(83.5)	(42.7)
Advertising and promotion expenses		(57.4)	(47.9)
Direct costs and operating expenses		(56.3)	(49.3)
Administrative expenses		(548.7)	(756.6)
Net (loss) gain on financial assets and liabilities at fair value through profit or loss		(519.5)	2,726.1
Net exchange loss		(133.1)	(33.7)
Net impairment losses on financial assets	7	(312.5)	(337.9)
Finance costs		(426.7)	(357.7)
Other losses	8	(15.8)	(19.2)
		(78.9)	3,251.3
Share of results of associates		(21.7)	0.9
Share of results of joint ventures		45.5	(36.5)
(Loss) profit before taxation	9	(55.1)	3,215.7
Taxation	10	(145.6)	(263.8)
(Loss) profit for the period		(200.7)	2,951.9
(Loss) profit attributable to:			
– Owners of the Company		(401.2)	2,693.0
– Non-controlling interests		200.5	258.9
		(200.7)	2,951.9
(Loss) earnings per share	12		
– Basic (HK cents)		(20.5)	136.2
– Diluted (HK cents)		(20.4)	136.1

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(HK\$ Million)	Six months ended	
	30/6/2022 Unaudited	30/6/2021 Unaudited
(Loss) profit for the period	(200.7)	2,951.9
Other comprehensive (expenses) income:		
Items that will not be reclassified to profit or loss		
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income	(229.1)	207.3
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translating foreign operations	(226.9)	90.0
Reclassification adjustment to profit or loss on liquidation of subsidiaries	8.1	—
Share of other comprehensive expenses of associates	(15.9)	(2.9)
Share of other comprehensive (expenses) income of joint ventures	(29.8)	6.9
	(264.5)	94.0
Other comprehensive (expenses) income for the period	(493.6)	301.3
Total comprehensive (expenses) income for the period	(694.3)	3,253.2
Total comprehensive (expenses) income attributable to:		
– Owners of the Company	(785.7)	2,959.7
– Non-controlling interests	91.4	293.5
	(694.3)	3,253.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(HK\$ Million)	Notes	30/6/2022 Unaudited	31/12/2021 Audited	(HK\$ Million)	Notes	30/6/2022 Unaudited	31/12/2021 Audited
Non-current Assets				Current Liabilities			
Investment properties		1,239.3	1,255.5	Financial liabilities at fair value			
Property and equipment		467.7	492.8	through profit or loss	14	497.6	433.9
Right-of-use assets	13	369.0	364.2	Bank and other borrowings	20	7,349.1	6,334.3
Intangible assets		910.9	912.8	Trade payables, other payables and			
Goodwill		2,384.0	2,384.0	accruals	21	590.4	811.1
Interest in associates		164.3	202.1	Amount due to a holding company		1.5	–
Interest in joint ventures		427.6	411.8	Provisions		42.8	37.8
Financial assets at fair value				Taxation payable		207.6	136.3
through other comprehensive				Other liabilities	26	40.2	32.2
income	14	271.7	186.6	Lease liabilities	23	117.4	100.3
Financial assets at fair value				Notes/paper payable	25	3,536.7	4,313.9
through profit or loss	14	11,639.6	11,843.7			12,383.3	12,199.8
Deferred tax assets		521.8	567.1			11,804.3	11,646.9
Amounts due from associates		248.7	263.5	Net Current Assets			
Loans and advances to consumer				Total Assets less Current Liabilities			
finance customers	15	3,899.1	3,805.9			36,575.5	36,590.3
Mortgage loans	16	2,133.8	2,163.7				
Term loans	17	41.2	40.6	Capital and Reserves			
Trade receivables, prepayments				Share capital	24	8,752.3	8,752.3
and other receivables	18	52.5	49.1	Reserves		15,177.3	16,322.9
		24,771.2	24,943.4	Equity attributable to owners of the			
				Company		23,929.6	25,075.2
				Non-controlling interests		3,133.8	3,464.0
				Total Equity		27,063.4	28,539.2
				Non-current Liabilities			
Current Assets				Financial liabilities at fair value			
Financial assets at fair value				through profit or loss	14	119.2	–
through profit or loss	14	5,499.8	6,676.4	Deferred tax liabilities		136.3	138.5
Receivable from reverse repurchase				Bank and other borrowings	20	1,845.4	2,004.3
agreements	22	–	169.3	Provisions		0.5	0.5
Taxation recoverable		1.2	3.3	Other liabilities	26	11.0	19.2
Amounts due from associates		6.5	1.9	Lease liabilities	23	248.6	258.1
Loans and advances to consumer				Notes/paper payable	25	7,151.1	5,630.5
finance customers	15	7,839.2	8,243.8			9,512.1	8,051.1
Mortgage loans	16	1,268.9	1,297.6			36,575.5	36,590.3
Term loans	17	444.6	737.6				
Trade receivables, prepayments							
and other receivables	18	495.3	373.2				
Amounts due from brokers		391.1	342.8				
Amount due from a holding							
company		–	0.1				
Short-term pledged bank deposits							
and bank balances		–	50.0				
Bank deposits	19	81.9	86.0				
Cash and cash equivalents	19	8,159.1	5,864.7				
		24,187.6	23,846.7				

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 2022	8,752.3	(46.7)	16.5	22.2	248.9	100.7	15,981.3	25,075.2	3,464.0	28,539.2
(Loss) profit for the period	-	-	-	-	-	-	(401.2)	(401.2)	200.5	(200.7)
Other comprehensive expenses for the period	-	-	-	(156.3)	(228.2)	-	-	(384.5)	(109.1)	(493.6)
Total comprehensive (expenses) income for the period	-	-	-	(156.3)	(228.2)	-	(401.2)	(785.7)	91.4	(694.3)
Purchase of shares held for SHK Employee Ownership Scheme	-	(1.3)	-	-	-	-	-	(1.3)	-	(1.3)
Recognition of equity-settled share-based payments	-	-	5.3	-	-	-	-	5.3	-	5.3
Vesting of shares of the SHK Employee Ownership Scheme	-	11.8	(11.8)	-	-	-	-	-	-	-
Shares repurchased and cancelled	-	-	-	-	-	-	(3.1)	(3.1)	-	(3.1)
Interim dividend paid	-	-	-	-	-	-	(276.3)	(276.3)	-	(276.3)
Special dividend paid	-	-	-	-	-	-	(78.9)	(78.9)	-	(78.9)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(421.6)	(421.6)
Transfer capital reserves to retained earnings	-	-	-	-	-	(0.1)	0.1	-	-	-
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(5.6)	(5.6)	-	(5.6)
At 30 June 2022	8,752.3	(36.2)	10.0	(134.1)	20.7	100.6	15,216.3	23,929.6	3,133.8	27,063.4

(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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(HK\$ Million)	Six months ended		(HK\$ Million)	Six months ended	
	30/6/2022 Unaudited	30/6/2021 Unaudited		30/6/2022 Unaudited	30/6/2021 Unaudited
Operating activities			Financing activities		
Cash from (used in) operations			Bank and other borrowings repaid	(6,292.6)	(13,548.1)
– Change in financial assets sold under repurchase agreements	–	974.8	Bank and other borrowings raised	7,139.4	13,661.2
– Change in loans and advances to consumer finance customers	(307.0)	(814.5)	Proceeds from issue of notes/paper	797.2	1,000.4
– Change in mortgage loans	74.3	(339.6)	Repayment of notes/paper	(111.5)	(2,104.8)
– Change in term loans	271.2	446.7	Purchase of shares for the SHK Employee Ownership Scheme	(1.3)	(29.6)
– Change in financial assets at fair value through profit or loss	1,008.3	(1,485.2)	Lease payments	(56.5)	(48.3)
– Other operating cash flows	(515.9)	84.4	Shares repurchased and cancelled	(3.1)	(2.3)
	530.9	(1,133.4)	Dividends paid	(355.2)	(277.5)
Dividends received from financial assets at fair value through profit or loss	27.2	15.4	Dividends to non-controlling interests	(421.6)	(354.6)
Interest received	2,008.8	2,030.2	Distribution to third-party interests in consolidated structured entities	(8.6)	–
Interest paid	(376.3)	(287.9)	Contribution from third-party interests in consolidated structured entities	10.5	–
Taxation paid	(47.5)	(81.3)	Acquisition of additional interests in a subsidiary	(5.6)	–
Net cash from operating activities	2,143.1	543.0	Payment for shares buyback of non-controlling interests	–	(39.8)
Investing activities			Net cash from (used in) financing activities	691.1	(1,743.4)
Purchase of property and equipment	(5.4)	(34.3)	Net increase (decrease) in cash and cash equivalents	2,408.8	(1,495.0)
Purchase of intangible assets	(5.7)	(2.3)	Cash and cash equivalents at 1 January	5,864.7	7,245.6
(Payment) refund of deposits of right-of-use assets	(5.2)	0.7	Effect of foreign exchange rate changes	(114.4)	36.3
Proceeds on disposal of property and equipment	0.2	–	Cash and cash equivalents at 30 June	8,159.1	5,786.9
Proceeds on disposal of intangible assets	5.4	–			
Proceeds on disposal of subsidiaries	–	37.0			
Dividends received from associates	0.2	0.1			
Proceeds from disposal of financial assets at fair value through other comprehensive income	–	0.7			
Purchase of long-term financial assets at fair value through profit or loss	(1,835.2)	(2,466.1)			
Proceeds from disposal of long-term financial assets as at fair value through profit or loss	1,370.3	2,157.1			
Withdrawal of fixed deposits with banks	50.0	12.5			
Net cash used in investing activities	(425.4)	(294.6)			

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 2021 included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 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 condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The ultimate impact of the COVID-19 pandemic on the Group is uncertain at the date on which the 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.

Significant events and transactions in the current interim period

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

(i) Consumer Finance

The Consumer Finance business segment encountered decreased profitability in the first half of 2022 as the net impairment losses increased by 51.0% compared with the first half of 2021. The outbreak of the fifth wave of COVID-19 led to adverse impact on delinquency and charge-off ratio in Hong Kong and Mainland China. Consumer Finance will continue to operate in an unpredictable environment given the persistent impact of the pandemic. In determining the expected credit losses ("ECL") allowance at 30 June 2022, 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 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

There is a decrease in loss in the first half of 2022 as a result of a decrease in finance cost by 63.6% and net impairment losses by 80.6% compared with the first half of 2021, as a result of decrease in net exposure. 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 2022.

(iii) Investment Management

For investment management, there is a net loss on financial assets and liabilities in the first half of 2022. Net loss on financial assets and liabilities at fair value through profit or loss was HK\$635.1m, interest income was HK\$37.6m. The volatility in global financial markets in the first half of 2022 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\$9,374.1 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 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.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of 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 Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendment to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 these condensed consolidated financial statements.

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 2022					
	Financing Business				Group Management and Support	Total
	Consumer Finance	Private Credit**	Mortgage Loans	Investment Management		
Segment revenue	1,759.1	52.0	144.7	93.8	65.4	2,115.0
Less: inter-segment revenue	–	–	–	(4.2)	(54.7)	(58.9)
Segment revenue from external customers	1,759.1	52.0	144.7	89.6	10.7	2,056.1
Segment profit or loss	645.4	3.7	78.0	(990.1)	184.1	(78.9)
Share of results of associates	–	–	–	(21.7)	–	(21.7)
Share of results of joint ventures	–	(8.7)	–	54.2	–	45.5
Profit (loss) before taxation	645.4	(5.0)	78.0	(957.6)	184.1	(55.1)
Included in segment profit or loss:						
Interest income	1,746.8	51.7	144.6	37.6	10.3	1,991.0
Other gains	11.4	–	1.3	2.9	2.9	18.5
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	–	7.0	–	(635.1)	108.6	(519.5)
Net exchange loss	(25.2)	–	–	(9.8)	(98.1)	(133.1)
Net (charge) reversal of impairment loss on financial assets	(312.3)	(21.2)	15.7	5.2	0.1	(312.5)
Other losses	(1.5)	–	–	(14.3)	–	(15.8)
Amortisation and depreciation	(57.6)	–	(2.7)	(0.2)	(24.9)	(85.4)
Finance costs	(131.9)	(18.1)	(48.1)	(0.3)	(274.3)	(472.7)
Less: inter-segment finance costs	–	18.1	27.7	0.2	–	46.0
Finance costs to external suppliers	(131.9)	–	(20.4)	(0.1)	(274.3)	(426.7)
Cost of capital (charges) income *	–	–	–	(375.9)	375.9	–

(HK\$ Million)	Six months ended 30 June 2021					
	Financing Business				Group Management and Support	Total
	Consumer Finance	Private Credit**	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 at fair value through profit or loss	–	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	–

* 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.

** "Specialty Finance" segment is renamed as "Private Credit" segment. The directors of the Company consider that this change to segment reporting is in line with the changes of internal reporting reviewed by the chief operating decision maker.

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	
	30/6/2022	30/6/2021
Revenue from external customers by location of operations		
– Hong Kong	1,614.7	1,638.9
– PRC	441.4	457.1
	2,056.1	2,096.0

5. OTHER REVENUE

(HK\$ Million)	Six months ended	
	30/6/2022	30/6/2021
Service and commission income	10.3	31.9
Dividends from listed investments	22.9	9.3
Dividends from unlisted investments	6.6	6.1
Gross rental income from investment properties	14.3	15.9
Management fee income	9.1	1.0
Others	1.9	–
	65.1	64.2

6. OTHER GAINS

(HK\$ Million)	Six months ended	
	30/6/2022	30/6/2021
Gain on disposal of investments	1.0	61.4
Change in net assets attributable to other holders of consolidated structured entities	2.9	3.2
Government grants on Employment Support Scheme	5.7	–
Miscellaneous income	8.9	9.6
	18.5	74.2

7. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

(HK\$ Million)	Six months ended	
	30/6/2022	30/6/2021
Loans and advances to consumer finance customers		
– Net impairment losses	(425.1)	(326.5)
– Recoveries of amounts previously written off	112.5	119.7
	(312.6)	(206.8)
Mortgage loans		
– Net reversal (charge) of impairment losses	15.7	(12.5)
	15.7	(12.5)
Term loans		
– Net impairment losses	(21.2)	(109.9)
	(21.2)	(109.9)
Amounts due from associates		
– Net reversal (charge) of impairment losses	5.2	(10.8)
	5.2	(10.8)
Trade and other receivables		
– Net reversal of impairment losses	0.4	2.1
	0.4	2.1
	(312.5)	(337.9)

8. OTHER LOSSES

(HK\$ Million)	Six months ended	
	30/6/2022	30/6/2021
Decrease in fair value of investment properties	14.0	19.0
Net loss on disposal/write-off of equipment	0.4	0.2
Net loss on disposal of intangible assets	1.4	–
	15.8	19.2

9. (LOSS) PROFIT BEFORE TAXATION

(HK\$ Million)	Six months ended	
	30/6/2022	30/6/2021
(Loss) profit before taxation has been arrived at after charging:		
Depreciation of property and equipment	(20.4)	(28.7)
Depreciation of right-of-use assets	(63.4)	(54.0)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	(1.6)	(1.6)
Payments for short-term leases and leases of low-value assets	(3.3)	(2.3)
Interest on bank borrowings, notes/paper payable and financial assets sold under repurchase agreements	(419.6)	(351.4)
Interest on lease liabilities	(7.1)	(6.3)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TAXATION

(HK\$ Million)	Six months ended	
	30/6/2022	30/6/2021
Current tax		
– Hong Kong	123.5	147.1
– PRC	0.9	0.5
– Other jurisdictions	0.1	–
	124.5	147.6
Deferred tax	21.1	116.2
	145.6	263.8

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% (2021: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in the relevant jurisdictions.

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

11. DIVIDENDS

(HK\$ Million)	Six months ended	
	30/6/2022	30/6/2021
Dividends recognised as distribution during the period		
– 2021 second interim dividend of HK14 cents per share (2021: 2020 second interim dividend of HK14 cents per share)	276.3	277.5
– 2021 special dividend of HK4 cents per share (2021: nil)	78.9	–
	355.2	277.5

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\$236.7 million (2021: interim dividend of HK12 cents per share amounting to HK\$237.5 million).

12. (LOSS) EARNINGS PER SHARE

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

(HK\$ Million)	Six months ended	
	30/6/2022	30/6/2021
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	(401.2)	2,693.0
Number of shares (in million)		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	1,961.8	1,977.2
Effect of dilutive potential ordinary shares:		
– Adjustments on SHK Employee Ownership Scheme	1.7	1.7
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	1,963.5	1,978.9

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:

	30/6/2022	31/12/2021
Leasehold land	44.5 years	44.5 years
Office and retail shops	5.8 years	6.0 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)	30/6/2022	31/12/2021
Net carrying amount		
– Leasehold land	3.8	4.1
– Office and retail shops	363.9	358.5
– Equipment	1.3	1.6
	369.0	364.2

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

(HK\$ Million)	Six months ended	
	30/6/2022	30/6/2021
Amount recognised in profit or loss		
– Depreciation of right-of-use assets	63.4	54.0
– Interest expenses of lease liabilities	7.1	6.3
– Expenses relating to short-term leases and leases of low-value assets	3.3	2.3

Additions to right-of-use assets amount to HK\$69.2 million in the interim reporting period (six months ended 30 June 2021: HK\$41.2 million).

The total cash outflow for leases amount to HK\$66.9 million in the interim reporting period (six months ended 30 June 2021: HK\$56.9 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 2022			
	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income				
– Listed equity securities in Hong Kong	27.8	–	–	27.8
– Listed equity securities outside Hong Kong	235.4	–	–	235.4
– Unlisted overseas equity securities	–	–	8.5	8.5
	<u>263.2</u>	<u>–</u>	<u>8.5</u>	<u>271.7</u>
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	780.1	–	–	780.1
– Unlisted equity securities in Hong Kong	–	0.4	–	0.4
– Unlisted equity securities outside Hong Kong	–	487.2	–	487.2
– Listed equity securities outside Hong Kong	906.9	–	–	906.9
– Over the counter derivatives	–	226.9	–	226.9
– Quoted options and futures	8.6	–	–	8.6
– Listed warrants	2.9	–	–	2.9
– Unlisted call option for club memberships	–	–	3.8	3.8
– Bonds and notes	–	52.1	204.8	256.9
– Loan receivables	–	198.0	–	198.0
– Unlisted preferred and ordinary shares issued by unlisted companies	–	351.1	144.0	495.1
– Unlisted shares issued by an unlisted company	–	–	53.3	53.3
– Unlisted convertible bonds issued by an unlisted company	–	–	19.2	19.2
– Unlisted overseas equity securities with a put right	–	400.1	–	400.1
– Unlisted overseas investment funds	–	4,359.5	8,882.0	13,241.5
– Unlisted trust fund	–	–	58.5	58.5
	<u>1,698.5</u>	<u>6,075.3</u>	<u>9,365.6</u>	<u>17,139.4</u>
Analysed for reporting purposes as:				
– Non-current assets				11,639.6
– Current assets				5,499.8
				<u>17,139.4</u>
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	47.3	–	–	47.3
– Over the counter derivatives	–	267.8	–	267.8
– Short position in listed equity securities	103.8	–	–	103.8
– Listed equity securities in Hong Kong	2.2	–	–	2.2
– Listed equity securities outside Hong Kong under total return swap	7.8	–	–	7.8
– Unlisted equity securities outside Hong Kong under total return swap	–	45.3	–	45.3
Designated at fair value through profit or loss				
– Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	–	98.0	23.4	121.4
– Unlisted overseas investment funds under total return swap	–	–	21.2	21.2
	<u>161.1</u>	<u>411.1</u>	<u>44.6</u>	<u>616.8</u>
Analysed for reporting purposes as:				
– Non-current liabilities				119.2
– Current liabilities				497.6
				<u>616.8</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. FINANCIAL ASSETS AND LIABILITIES (Continued)

(HK\$ Million)	At 31 December 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	30.2	–	–	30.2
– Listed equity securities outside Hong Kong	147.9	–	–	147.9
– Unlisted overseas equity securities	–	–	8.5	8.5
	<u>178.1</u>	<u>–</u>	<u>8.5</u>	<u>186.6</u>
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	664.9	–	–	664.9
– Unlisted equity securities in Hong Kong	–	0.4	–	0.4
– Unlisted equity securities outside Hong Kong	–	279.4	–	279.4
– Listed equity and debt securities outside Hong Kong	1,004.9	–	–	1,004.9
– Over the counter derivatives	–	76.9	–	76.9
– Quoted options and futures	35.8	–	–	35.8
– Listed warrants	9.6	–	–	9.6
– Equity linked notes	–	23.3	–	23.3
– Unlisted call option for club memberships	–	–	3.5	3.5
– Bonds and notes	–	869.0	–	869.0
– Loan receivables	–	418.8	–	418.8
– Unlisted preferred and ordinary shares issued by unlisted companies	–	352.4	131.4	483.8
– Unlisted shares issued by an unlisted company	–	–	40.7	40.7
– Unlisted convertible bonds issued by an unlisted company	–	–	26.3	26.3
– Unlisted overseas equity securities with a put right	–	397.6	–	397.6
– Unlisted overseas investment funds	–	4,649.2	9,474.6	14,123.8
– Unlisted trust fund	–	–	61.4	61.4
	<u>1,715.2</u>	<u>7,067.0</u>	<u>9,737.9</u>	<u>18,520.1</u>
Analysed for reporting purposes as:				
– Non-current assets				11,843.7
– Current assets				<u>6,676.4</u>
				<u>18,520.1</u>
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	55.6	–	–	55.6
– Over the counter derivatives	–	11.1	192.2	203.3
– Short position in bonds	–	160.1	–	160.1
– Short position in listed equity securities	14.9	–	–	14.9
	<u>70.5</u>	<u>171.2</u>	<u>192.2</u>	<u>433.9</u>
Analysed for reporting purposes as current liabilities				

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 based on 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 2022				
	Valuation technique	Significant unobservable inputs	Input values	Fair value HK\$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss					
Bonds and notes	Net asset value	Note 1	Note 1	204.8	Note 1
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	49.18%	30.8	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	58.5	Note 1
Unlisted preferred shares issued by an unlisted company	Net asset value	Note 1	Note 1	52.4	Note 1
Unlisted convertible bonds issued by an unlisted company	Binomial Model	Expected volatility Discount rate	40.84% 33.5%	19.2	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	8,387.7	Note 1
Unlisted overseas investment funds	Net asset value	Discount for lack of marketability	32.72%	494.3	An increase in discount for lack of marketability would result in a decrease in the fair value.
Unlisted shares issued by an unlisted company	Dividend discount model	Discount rate	6.08%	53.3	An increase in discount rate 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 2021				Sensitivity analysis
	Valuation technique	Significant unobservable inputs	Input values	Fair value HK\$ Million	
Financial assets at fair value through profit or loss					
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	47.8%	30.7	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	46.3	Note 1
Unlisted preferred shares issued by an unlisted company	Net asset value	Note 1	Note 1	52.1	Note 1
Unlisted convertible bonds issued by an unlisted company	Binomial Model	Expected volatility Discount rate	36.6% 25.9%	26.3	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	8,835.2	Note 1
Unlisted overseas investment funds	Net asset value	Discount for lack of marketability	30.83%	639.4	An increase in discount for lack of marketability would result in a decrease in the fair value.
Unlisted shares issued by an unlisted company	Dividend discount model	Discount rate	5.97%	40.7	An increase in discount rate 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 provided by the external counterparties represent the fair values of the investments.

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.

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

(HK\$ Million)	2022							Unrealised gain or loss for six months ended 30/6/2022
	Balance at 1/1/2022	Transfer ^a	Profit or loss	Other comprehensive income	Purchase	Disposal	Balance at 30/6/2022	
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								
Bonds and notes	-	204.8	-	-	-	-	204.8	-
Unlisted call option for club memberships	3.5	-	0.3	-	-	-	3.8	0.3
Unlisted preferred and ordinary shares issued by unlisted companies	131.4	-	(8.8)	-	23.4	(2.0)	144.0	(9.6)
Unlisted shares issued by an unlisted company	40.7	-	12.6	-	-	-	53.3	12.6
Unlisted convertible bonds issued by an unlisted company	26.3	-	(7.1)	-	-	-	19.2	(7.1)
Unlisted overseas investment funds	9,474.6	-	(553.0)	-	720.4	(760.0)	8,882.0	(797.4)
Unlisted trust fund	61.4	-	(2.9)	-	-	-	58.5	(2.9)
Financial liabilities at fair value through profit or loss								
Over the counter derivatives	(192.2)	158.5	33.7	-	-	-	-	33.7
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	-	-	-	-	(23.4)	-	(23.4)	-
Unlisted overseas investment funds under total return swap	-	-	-	-	(21.2)	-	(21.2)	-

^a The investments were transferred between Level 2 and Level 3 categories 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)	2021							
	Balance at 1/1/2021	Transfer ^{*^}	Recognised gains or losses		Purchase	Disposal	Balance at 31/12/2021	Unrealised gain or loss for the year
			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	-	(10.6)	-	-	-	3.5	-
Unlisted convertible preferred and ordinary shares issued by an unlisted company	134.5	-	80.0	-	-	(214.5)	-	-
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	-	(17.0)	-	83.8	(9.3)	131.4	(19.0)
Unlisted shares issued by an unlisted company	117.1	(75.5)	12.3	-	0.5	(13.7)	40.7	4.1
Unlisted convertible bonds issued by an unlisted company	24.4	-	1.9	-	-	-	26.3	1.9
Unlisted overseas equity securities with a put right	635.7	(397.6)	(238.1)	-	-	-	-	(238.1)
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	(2,178.9)	2,167.4	-	5,709.2	(5,859.5)	9,474.6	(399.5)
Unlisted trust fund	-	29.6	1.7	-	60.1	(30.0)	61.4	1.7
Financial liabilities at fair value through profit or loss								
Over the counter derivatives	(62.4)	-	(129.8)	-	-	-	(192.2)	(129.8)

* The investments were transferred from Level 2 to 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.

The investments were transferred between Level 3 and Level 2 categories and the transfers are primarily attributable to changes in observability of valuation inputs (e.g. availability of underlying lists of investments in the audited financial statements of the funds) in valuing these investments. Transfers between levels of the fair value hierarchy are deemed to occur at the end of each reporting period.

^ The investments were transferred between the classification of financial assets and the transfers are primarily attributable to the nature of the investment. Transfers between classification of financial assets are deemed to occur at the end of each reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

(HK\$ Million)	30/6/2022	31/12/2021
Loans and advances to consumer finance customers		
– Hong Kong	8,703.6	8,767.3
– PRC	3,617.3	3,913.2
	12,320.9	12,680.5
Less: impairment allowance	(582.6)	(630.8)
	11,738.3	12,049.7
Analysed for reporting purposes as:		
– Non-current assets	3,899.1	3,805.9
– Current assets	7,839.2	8,243.8
	11,738.3	12,049.7

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

(Per annum)	30/6/2022	31/12/2021
Fixed rate loan receivables	6.0% to 48.0%	6.0% to 48.0%
Variable rate loan receivables	P+4.0% to P+15.0%	P-1.0% to P+15.0%

P refers to Hong Kong dollars prime rate offered by The Hongkong and Shanghai Banking Corporation Limited from time to time to its prime customers, which is 5% at 30 June 2022 (2021: 5%).

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)	30/6/2022	31/12/2021
Less than 31 days past due	828.9	828.4
31–60 days	155.7	102.6
61–90 days	27.3	28.5
91–180 days	75.8	1.6
Over 180 days	68.4	70.6
	1,156.1	1,031.7

16. MORTGAGE LOANS

(HK\$ Million)	30/6/2022	31/12/2021
Mortgage loans		
– Hong Kong	3,440.1	3,514.4
Less: impairment allowance	(37.4)	(53.1)
	3,402.7	3,461.3
Analysed for reporting purposes as:		
– Non-current assets	2,133.8	2,163.7
– Current assets	1,268.9	1,297.6
	3,402.7	3,461.3

The mortgage loans bear interest rate are as follows:

(Per annum)	30/6/2022	31/12/2021
Fixed rate loan receivables	7.5% to 20.4%	5.8% to 20.4%
Variable rate loan receivables	P+0.8% 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)	30/6/2022	31/12/2021
Less than 31 days past due	83.0	238.0
31–60 days	139.3	21.3
61–90 days	7.2	4.8
91–180 days	184.8	2.9
Over 180 days	217.4	321.5
	631.7	588.5

As of 30 June 2022, HK\$1,186.2 million (2021: HK\$977.0 million) 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)	30/6/2022	31/12/2021
Secured term loans	1,123.4	1,489.6
Unsecured term loans	96.4	87.6
	1,219.8	1,577.2
Less: impairment allowance	(734.0)	(799.0)
	485.8	778.2
Analysed for reporting purposes as:		
– Non-current assets	41.2	40.6
– Current assets	444.6	737.6
	485.8	778.2

The term loans bear interest rate are as follows:

(Per annum)	30/6/2022	31/12/2021
Fixed rate loan receivables	8.0% to 24.0%	8.0% to 24.0%
Variable rate loan receivables	P to 6-month HIBOR +8.0%	P + 1.0% to 6-month HIBOR +8.0%

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)	30/6/2022	31/12/2021
Deposits	136.3	89.5
Others	371.4	277.1
Less: impairment allowance	(1.5)	(1.9)
Trade and other receivables at amortised cost	506.2	364.7
Prepayments	41.6	57.6
	547.8	422.3
Analysed for reporting purposes as:		
– Non-current assets	52.5	49.1
– Current assets	495.3	373.2
	547.8	422.3

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)	30/6/2022	31/12/2021
Less than 31 days	369.9	271.8
Trade and other receivables without ageing	136.3	92.9
Trade and other receivables at amortised cost	506.2	364.7

19. BANK DEPOSITS, CASH AND CASH EQUIVALENTS

(HK\$ Million)	30/6/2022	31/12/2021
Bank balances and cash	3,905.3	3,999.7
Fixed deposits with banks with a term within 3 months	4,253.8	1,865.0
Cash and cash equivalents	8,159.1	5,864.7
Short-term pledged bank deposits and bank balances	–	50.0
Fixed deposits with banks with a term between 4 to 12 months	81.9	86.0
	8,241.0	6,000.7

20. BANK AND OTHER BORROWINGS

(HK\$ Million)	30/6/2022	31/12/2021
Bank loans		
– Unsecured term loans	9,132.0	7,815.5
– Secured loans	0.4	461.0
Total bank borrowings	9,132.4	8,276.5
Other borrowings	62.1	62.1
	9,194.5	8,338.6
Analysed for reporting purposes as:		
– Current liabilities	7,349.1	6,334.3
– Non-current liabilities	1,845.4	2,004.3
	9,194.5	8,338.6

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

(HK\$ Million)	30/6/2022	31/12/2021
Bank borrowings		
– Within one year	6,299.1	5,634.3
– In the second year	1,198.3	1,105.8
– Over two years and within five years	585.0	836.4
Bank borrowings with a repayment on demand clause		
– Within one year	1,050.0	700.0
	9,132.4	8,276.5
Other borrowings		
– Over five years	62.1	62.1
	9,194.5	8,338.6

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)	30/6/2022	31/12/2021
Less than 31 days/repayable on demand	250.1	290.7
31–60 days	5.4	5.5
61–90 days	1.9	1.5
	257.4	297.7
Accrued staff costs, other accrued expenses and other payables without ageing	333.0	513.4
	590.4	811.1

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. RECEIVABLE FROM REVERSE REPURCHASE AGREEMENTS

(HK\$ Million)	30/6/2022	31/12/2021
Analysed by collateral type:		
Debt instruments	–	160.1

As at 30 June 2022, the outstanding amount paid for the reverse repurchase agreements which was recognised as receivable from reverse repurchase agreements has been settled in full (2021: HK\$169.3 million). The above table specifies the fair value of financial assets received as collateral for the outstanding receivable at period end.

23. LEASE LIABILITIES

(HK\$ Million)	30/6/2022	31/12/2021
Current liabilities	117.4	100.3
Non-current liabilities	248.6	258.1
	366.0	358.4

(HK\$ Million)	30/6/2022	31/12/2021
Maturity analysis:		
Not later than 1 year	117.4	100.3
Later than 1 year and not later than 2 years	81.1	79.9
Later than 2 years and not later than 5 years	109.7	122.3
Later than 5 years	57.8	55.9
	366.0	358.4

24. SHARE CAPITAL

	Number of shares		Share capital	
	Six months ended 30/6/2022 Million Shares	Year ended 31/12/2021 Million Shares	Six months ended 30/6/2022 HK\$ Million	Year ended 31/12/2021 HK\$ Million
Issued and fully paid				
Balance brought forward	1,973.3	1,982.3	8,752.3	8,752.3
Shares repurchased and cancelled	(0.8)	(9.0)	–	–
Balance carried forward	1,972.5	1,973.3	8,752.3	8,752.3

During the period, the trustee of the SHK Employee Ownership Scheme (the “EOS”) acquired 0.3 million shares (six months ended 30 June 2021: 7.3 million) of the Company through purchases on the Stock Exchange for the awarded shares of the EOS. The total amount paid to acquire the shares during the period was HK\$1.3 million (six months ended 30 June 2021: HK\$29.6 million), which has been deducted from the owners’ equity.

During the period, the Company repurchased its own shares through purchases on the Stock Exchange for HK\$3.1 million (six months ended 30 June 2021: HK\$2.3 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. NOTES/PAPER PAYABLE

(HK\$ Million)	30/6/2022	31/12/2021
US dollar denominated notes (the "US\$ Notes")		
– 4.65% US\$ Notes maturing in September 2022 (the "4.65% Notes")	3,451.9	3,510.6
– 5.75% US\$ Notes maturing in November 2024 (the "5.75% Notes")	2,760.3	2,742.3
– 5.00% US\$ Notes maturing in September 2026 (the "5.00% Notes")	3,574.4	2,960.6
HK dollar denominated notes/paper (the "HK\$ Notes/Paper")		
– Asset backed notes maturing in April 2024	901.2	–
– Asset backed notes maturing in April 2022	–	730.9
	10,687.8	9,944.4
Analysed for reporting purposes as:		
– Current liabilities	3,536.7	4,313.9
– Non-current liabilities	7,151.1	5,630.5
	10,687.8	9,944.4

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 4.65% Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 4.65% Notes after eliminating the intra-group holdings was US\$433.8 million or equivalent to HK\$3,403.4 million (31/12/2021: US\$444.1 million or equivalent to HK\$3,462.6 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\$3,412.6 million (31/12/2021: HK\$3,547.7 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\$2,746.1 million (31/12/2021: US\$350.0 million or equivalent to HK\$2,729.0 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\$2,723.7 million (31/12/2021: HK\$2,851.8 million) which was categorised as Level 2.

The 5.00% Notes are listed on The Stock Exchange of Hong Kong Limited. In March 2022, the Group completed issuance of additional US\$75.0 million or equivalent to HK\$584.8 million of 5.00% Notes. The nominal value of the 5.00% Notes was US\$450.0 million or equivalent to HK\$3,530.7 million (31/12/2021: US\$375.0 million or equivalent to HK\$2,923.9 million) at the reporting date. The fair value of the 5.00% Notes based on the price quoted from pricing service at the reporting date was HK\$3,336.1 million (31/12/2021: HK\$3,000.3 million) which was categorised as Level 2.

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. In 2022, the Group renewed the Transaction into a HK\$1,611.4 million securitization financing transaction. Class B notes of HK\$411.4 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 "Financial Instruments", assets transferred under the Transaction have not been derecognised and remained in the Group's condensed consolidated financial statements. The debt issued is backed by the mortgage loan receivables transferred and is recognised in the Group's condensed consolidated financial statements with the carrying amount denominated in HKD.

Asset backed notes

HK\$ Million

	As at 30 June 2022	As at 31 December 2021
Carrying amount of transferred assets	1,186.2	977.0
Carrying amount of associated liabilities	901.2	730.9
Net position	285.0	246.1

26. OTHER LIABILITIES

(HK\$ Million)	30/6/2022	31/12/2021
Non-current		
– Third-party interests in consolidated structured entities	11.0	19.2
Current		
– Third-party interests in consolidated structured entities	40.2	32.2
	51.2	51.4

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. OTHER LIABILITIES (Continued)

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	
	30/6/2022	30/6/2021
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)
Building management fees to a joint venture of ultimate holding company	(2.3)	(2.0)
Interest expense to a joint venture of ultimate holding company on lease liabilities *	(0.6)	(0.9)
Interest expense to an associate of ultimate holding company	–	(2.2)
Holding company and its subsidiaries		
Finance costs to fellow subsidiaries	(2.2)	(5.2)
Licence fee paid/payable to a fellow subsidiary	(1.0)	–
Interest expenses to a fellow subsidiary on lease liabilities	(0.1)	–
Management fees paid/payable to a holding company	(3.3)	(2.2)
Building management fees to a holding company	(0.1)	(0.1)
Rental and building management fees to fellow subsidiaries	(1.2)	–
Interest expense to a holding company on lease liabilities [‡]	(1.6)	(1.8)

* As at 30 June 2022, the Group has lease liabilities of HK\$45.4 million (31/12/2021: HK\$44.3 million) to the joint venture of ultimate holding company. During the six months ended 30 June 2022, the Group recognised additions to right-of-use assets of HK\$15.7 million (six months ended 30 June 2021: HK\$7.4 million) and additions to lease liabilities of HK\$12.6 million (six months ended 30 June 2021: HK\$7.0 million) for properties with joint venture of holding company.

‡ As at 30 June 2022, the Group has lease liabilities of HK\$88.1 million (31/12/2021: HK\$73.7 million) to a holding company and its subsidiaries. During the six months ended 30 June 2022, the Group recognised additions to right-of-use assets of HK\$20.3 million (six months ended 30 June 2021: HK\$2.5 million) and additions to lease liabilities of HK\$20.2 million (six months ended 30 June 2021: HK\$2.5 million) for properties with a holding company.

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

(HK\$ Million)	Six months ended	
	30/6/2022	30/6/2021
Short-term benefits	25.0	23.9
Post-employment benefits	1.1	1.0
	26.1	24.9

During the period, 1,353,000 shares (six months ended 30 June 2021: 1,380,000 shares) were granted under the EOS to key management personnel. In addition, 468,000 shares (six months ended 30 June 2021: 273,000 shares) with a total amount of HK\$1.8 million (six months ended 30 June 2021: 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\$0.2 million (six months ended 30 June 2021: HK\$0.1 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)	30/6/2022	31/12/2021
Capital commitments for funds	1,981.8	2,221.5
Other capital commitments	9.8	0.3
	1,991.6	2,221.8

(b) Lease commitments**The Group as lessee:**

At 30 June 2022, the Group is committed to HK\$2.3 million (31/12/2021: HK\$5.0 million) for short-term leases.

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

The Group as lessor:

At 30 June 2022, all of the properties held for rental purpose have committed operating leases for the next 4 years (31/12/2021: 4 years) respectively. Undiscounted lease payments receivables on leases are as follows:

(HK\$ Million)	30/6/2022	31/12/2021
Within one year	18.4	21.4
In the second year	21.6	14.0
In the third year	9.2	6.0
In the fourth year	1.8	0.6
	51.0	42.0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(HK\$ Million)	30/6/2022	31/12/2021
Within one year	1,696.2	1,623.0
In the second year	–	7.7
In the fifth year	12.3	–
After the fifth year	20.9	25.8
	<u>1,729.4</u>	<u>1,656.5</u>

29. FINANCIAL GUARANTEES

During the reporting period, the Group issued financial guarantee to an independent third party of Nil (31/12/2021: Nil) 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)	30/6/2022	31/12/2021
At 1 January	–	387.6
Expired	–	(387.6)
	<u>–</u>	<u>–</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 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) Price 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.

The Group's market-making and proprietary trading positions and their financial performance are reported daily to senior management for review.

(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 private credit, 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, private equity investments, loans and advances and bank and other borrowings 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.

31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company 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. 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 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 2021.

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
Jacqueline Alee Leung
Wayne Robert Porritt

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*)
Simon Chow Wing Charn
Evan Au Yang Chi Chun
Vivian Alexa Kao
Brendan James McGraw
Alfred Leung Sai Kit
Lindsay Megan Wright
Phoebe Yuen Oi Ying (*appointed on 21 March 2022*)
Ko Man Fly (*appointed on 17 August 2022*)

COMPANY SECRETARY

Lee Sze Wai

INVESTOR RELATIONS

investor.relations@shkco.com

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
China CITIC Bank International Limited
OCBC Wing Hang Bank Limited
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
Dah Sing 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
Tai Fung Bank Limited
Mega International Commercial Bank Co., Ltd., Offshore Banking Branch
Credit Suisse AG, Cayman Islands Branch
Citibank N.A.
Ping An Bank Co., Ltd., Hong Kong Branch
Bank of Shanghai (Hong Kong) Limited
Bank Sinopac Hong Kong Branch

REGISTRAR

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

42/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

WEBSITES

www.shkco.com
www.shkcredit.com.hk
www.uaf.com.hk
www.uaf.com.cn

