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新鴻基有限公司
**SUN HUNG KAI & CO. LIMITED**
*(Incorporated in Hong Kong with limited liability)*
**(Stock Code: 86)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board of Directors (the "Board" or the "Directors") of Sun Hung Kai & Co. Limited (the "Company" or "SHK & Co.") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2022 as set out below:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | Six months ended | |
|---|---|---|---|
| | | **30/6/2022** | 30/6/2021 |
| | | **Unaudited** | Unaudited |
| | *Notes* | ***HK$ Million*** | *HK$ Million* |
| Interest income | | **1,991.0** | 2,031.8 |
| Other revenue | *4* | **65.1** | 64.2 |
| Other gains | *5* | **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 | *6* | **(312.5)** | (337.9) |
| Finance costs | | **(426.7)** | (357.7) |
| Other losses | | **(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) |

| | Notes | Six months ended **30/6/2022** **Unaudited** ***HK$ Million*** | 30/6/2021 Unaudited *HK$ Million* |
|---|---|---|---|
| (Loss) profit before taxation | *7* | **(55.1)** | 3,215.7 |
| Taxation | *8* | **(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 |
| (Losses) earnings per share | *10* | | |
| — 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

| | Six months ended | |
|---|---|---|
| | **30/6/2022** | 30/6/2021 |
| | **Unaudited** | Unaudited |
| | ***HK$ Million*** | *HK$ Million* |
| **(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

| | *Notes* | **30/6/2022 Unaudited *HK$ Million*** | 31/12/2021 Audited *HK$ Million* |
|---|---|---|---|
| **Non-current Assets** | | | |
| Investment properties | | **1,239.3** | 1,255.5 |
| Property and equipment | | **467.7** | 492.8 |
| Right-of-use assets | | **369.0** | 364.2 |
| Intangible assets | | **910.9** | 912.8 |
| Goodwill | | **2,384.0** | 2,384.0 |
| Interest in associates | | **164.3** | 202.1 |
| Interest in joint ventures | | **427.6** | 411.8 |
| Financial assets at fair value through other comprehensive income | | **271.7** | 186.6 |
| Financial assets at fair value through profit or loss | | **11,639.6** | 11,843.7 |
| Deferred tax assets | | **521.8** | 567.1 |
| Amounts due from associates | | **248.7** | 263.5 |
| Loans and advances to consumer finance customers | *11* | **3,899.1** | 3,805.9 |
| Mortgage loans | *12* | **2,133.8** | 2,163.7 |
| Term loans | *13* | **41.2** | 40.6 |
| Trade receivables, prepayments and other receivables | *14* | **52.5** | 49.1 |
| | | **24,771.2** | 24,943.4 |
| **Current Assets** | | | |
| Financial assets at fair value through profit or loss | | **5,499.8** | 6,676.4 |
| Receivable from reverse repurchase agreements | | **—** | 169.3 |
| Taxation recoverable | | **1.2** | 3.3 |
| Amounts due from associates | | **6.5** | 1.9 |
| Loans and advances to consumer finance customers | *11* | **7,839.2** | 8,243.8 |
| Mortgage loans | *12* | **1,268.9** | 1,297.6 |
| Term loans | *13* | **444.6** | 737.6 |
| Trade receivables, prepayments and other receivables | *14* | **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 | | **81.9** | 86.0 |
| Cash and cash equivalents | | **8,159.1** | 5,864.7 |
| | | **24,187.6** | 23,846.7 |

| | Note | 30/6/2022 Unaudited *HK$ Million* | 31/12/2021 Audited *HK$ Million* |
|---|---|---|---|
| **Current Liabilities** | | | |
| Financial liabilities at fair value through profit or loss | | **497.6** | 433.9 |
| Bank and other borrowings | | **7,349.1** | 6,334.3 |
| Trade payables, other payables and accruals | *15* | **590.4** | 811.1 |
| Amount due to a holding company | | **1.5** | — |
| Provisions | | **42.8** | 37.8 |
| Taxation payable | | **207.6** | 136.3 |
| Other liabilities | | **40.2** | 32.2 |
| Lease liabilities | | **117.4** | 100.3 |
| Notes/paper payable | | **3,536.7** | 4,313.9 |
| | | **12,383.3** | 12,199.8 |
| **Net Current Assets** | | **11,804.3** | 11,646.9 |
| **Total Assets less Current Liabilities** | | **36,575.5** | 36,590.3 |
| **Capital and Reserves** | | | |
| Share capital | | **8,752.3** | 8,752.3 |
| Reserves | | **15,177.3** | 16,322.9 |
| 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** | | | |
| Financial liabilities at fair value through profit or loss | | **119.2** | — |
| Deferred tax liabilities | | **136.3** | 138.5 |
| Bank and other borrowings | | **1,845.4** | 2,004.3 |
| Provisions | | **0.5** | 0.5 |
| Other liabilities | | **11.0** | 19.2 |
| Lease liabilities | | **248.6** | 258.1 |
| Notes/paper payable | | **7,151.1** | 5,630.5 |
| | | **9,512.1** | 8,051.1 |
| | | **36,575.5** | 36,590.3 |

*Notes:*

## 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 this announcement of interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair value.

During the period, the Group adopted certain Amendments to Standards that are mandatorily effective for the Group's financial year beginning on 1 January 2022. The adoption of these Amendments has had no material effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods. Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the 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 new and amendments to HKFRSs**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual periods beginning or after 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.

## 3. SEGMENT INFORMATION

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

| | Six months ended 30 June 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Financing Business | | | | | |
| *(HK$ Million)* | Consumer Finance | Private Credit** | Mortgage Loans | Investment Management | Group Management and Support | Total |
| 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 | — |

| | Six months ended 30 June 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Financing Business | | | | | |
| *(HK$ Million)* | Consumer Finance | Private Credit** | Mortgage Loans | Investment Management | Group Management and Support | Total |
| 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 inter-segment 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.

The geographical information of revenue is disclosed as follows:

| | Six months ended 30/6/2022 HK$ Million | Six months ended 30/6/2021 HK$ Million |
|---|---|---|
| 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 |

## 4. OTHER REVENUE

| | Six months ended 30/6/2022 HK$ Million | Six months ended 30/6/2021 HK$ Million |
|---|---|---|
| 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 |

## 5. OTHER GAINS

| | Six months ended 30/6/2022 HK$ Million | Six months ended 30/6/2021 HK$ Million |
|---|---|---|
| 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 |

## 6. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

| | Six months ended | |
|---|---|---|
| | **30/6/2022** | 30/6/2021 |
| | ***HK$ Million*** | *HK$ Million* |
| 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) |

## 7. (LOSS) PROFIT BEFORE TAXATION

| | Six months ended | |
|---|---|---|
| | **30/6/2022** | 30/6/2021 |
| | ***HK$ Million*** | *HK$ Million* |
| (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) |
| Decrease in fair value of investment properties | **(14.0)** | (19.0) |
| Interest on lease liabilities | **(7.1)** | (6.3) |

## 8. TAXATION

| | Six months ended | |
|---|---|---|
| | **30/6/2022** | 30/6/2021 |
| | ***HK$ Million*** | *HK$ Million* |
| 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 |

Hong Kong profits tax is calculated at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the period. PRC subsidiaries are subject to PRC Enterprise Income Tax at 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.

## 9. DIVIDENDS

| | Six months ended | |
|---|---|---|
| | **30/6/2022** | 30/6/2021 |
| | ***HK$ Million*** | *HK$ Million* |
| 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).

## 10. (LOSSES) EARNINGS PER SHARE

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

| | Six months ended | |
|---|---|---|
| | **30/6/2022** | 30/6/2021 |
| | ***HK$ Million*** | *HK$ Million* |
| (Losses) earnings for the purposes of basic and diluted (losses) earnings per share | **(401.2)** | 2,693.0 |
| **Number of shares (in million)** | | |
| Weighted average number of ordinary shares for the purposes of basic (losses) 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 (losses) earnings per share | **1,963.5** | 1,978.9 |

## 11. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

| | **30/6/2022** | 31/12/2021 |
|---|---|---|
| | ***HK$ Million*** | *HK$ Million* |
| 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 following is an ageing analysis for the loans and advances to consumer finance customers that are past due at the reporting date:

| | **30/6/2022** | 31/12/2021 |
|---|---|---|
| | ***HK$ Million*** | *HK$ Million* |
| 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 |

## 12. MORTGAGE LOANS

| | **30/6/2022** | 31/12/2021 |
|---|---|---|
| | ***HK$ Million*** | *HK$ Million* |
| 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 following is an ageing analysis for the mortgage loans that are past due at the reporting date:

| | **30/6/2022** | 31/12/2021 |
|---|---|---|
| | ***HK$ Million*** | *HK$ Million* |
| 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 securitisation financing transaction.

## 13. TERM LOANS

| | **30/6/2022** | 31/12/2021 |
|---|---|---|
| | ***HK$ Million*** | *HK$ Million* |
| 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 |

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

## 14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

| | **30/6/2022** | 31/12/2021 |
|---|---|---|
| | ***HK$ Million*** | *HK$ Million* |
| 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 the date of invoice/contract note at the reporting date:

| | **30/6/2022** | 31/12/2021 |
|---|---|---|
| | ***HK$ Million*** | *HK$ Million* |
| 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 |

## 15. 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:

| | **30/6/2022** | 31/12/2021 |
|---|---|---|
| | ***HK$ Million*** | *HK$ Million* |
| 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 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS

| *(HK$ Million)* | **Six months ended Jun 2022** | Six months ended Jun 2021 | **Change** | Year ended 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 (losses)/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 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 Jun 2022** | Jun 2021 | **Change** | **Segment Assets as at 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 |

## 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 30 June 2022** | 2021 | **Change** |
|---|---|---|---|
| **Revenue** | **1,759.3** | 1,741.4 | 1.0% |
| *Return on loan (% average gross loan balance)*[1] | **28.1%** | 30.2% | |
| Operating costs | **(652.7)** | (557.4) | 17.1% |
| *Cost to income (% revenue)* | **37.1%** | 32.0% | |
| 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 | **(351.2)** | (281.5) | (356.7) |
| *as an annualised % of average gross loan balance* | **5.6%** | 4.9% | 5.8% |
| Written back of impairment allowance[3] | **38.9** | 74.7 | 54.1 |
| Net impairment losses | **(312.3)** | (206.8) | (302.6) |
| *as an annualised % of average gross loan balance* | **5.0%** | 3.6% | 5.0% |
| Impairment allowance at period/year end | **582.6** | 682.8 | 630.8 |
| *as a % of gross loan balance at period/year end* | **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

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

| **No. of days past due as at:** | **30 Jun 2022** | ***Note*** | 31 Dec 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

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 30 June** **2022** | 2021 | **Change** |
|---|---|---|---|
| **Revenue** | **144.7** | 149.4 | -3.1% |
| *Return on loans*[1] | **8.3%** | 9.3% | |
| Operating costs | **(35.6)** | (27.0) | 31.9% |
| *Cost to income (% Revenue)* | **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.

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** **2022** | 2021 | **Change** |
|---|---|---|---|
| **Revenue** | **52.0** | 108.2 | -51.9% |
| *Return on loans[1]* | **7.9%** | 10.4% | |
| Operating costs | **(16.0)** | (1.3) | 1,130.8% |
| *Cost to income (% Revenue)* | **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% |

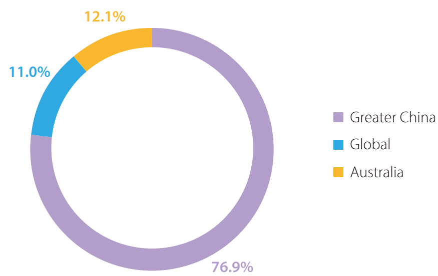
1 Annualised interest and fee income/average gross loan balance

2 Before impairment allowance

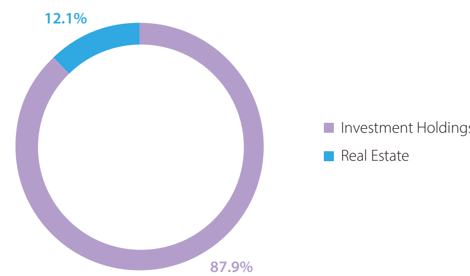
Also included in Private Credit was the Group's interest in LSS leasing (previously in the "Strategic Investments"), a Business-to-Business (B2B) and Business-to-Customer (B2C) auto leasing business in Mainland China.

*Private Credit Loan Portfolio*

**Term Loan Breakdown by Geography**




**Term Loan Breakdown by Borrower's Sector**




## 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** **Jun 2022** | Jun 2021 | **Change** |
|---|---|---|---|
| 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.

### 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.

**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.

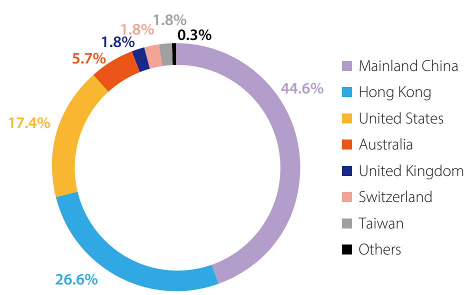
In the first half of 2022, global inflationary pressure continued to be the main topic of concern, with Core CPI of US for June surging to 9.1% year-on-year from 6.6% at the start of the year. These extreme inflation levels have forced the market to take into account an increasingly aggressive Fed rate 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.

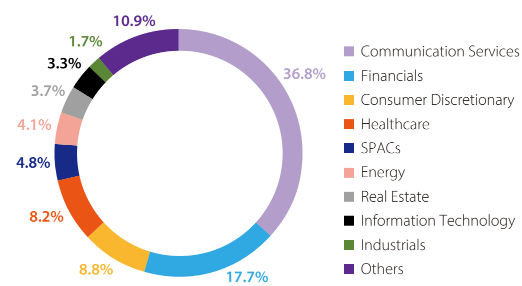
Notwithstanding this, the performance for the Corporate Holdings segment in the first half was +4.6%. In late 2021, the rising rate environment in the US pressured some of the strategic holdings that had gone public in the past year. We were wary of this dynamic, and early in the year we started to diversify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

**Corporate Holdings by Geography**




**Corporate Holdings by Sector**




## 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**

| *(HK$ Million)* | **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% |

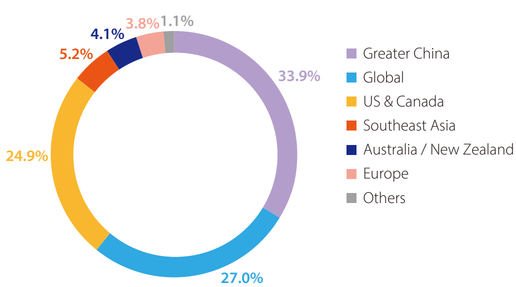
^ Gain (loss) before cost of capital/average value for the period

## Private Equity

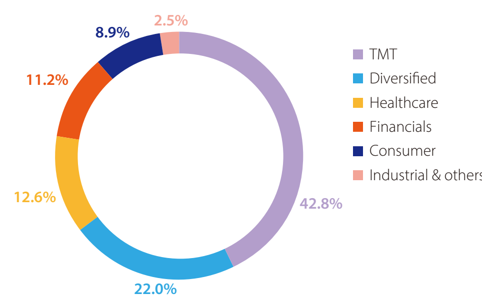
The Private Equity segment consists of our investments into external funds, co-investments alongside such funds, as well as direct investments. Amidst an increasingly challenging macro environment in the first half of 2022, this segment recorded a loss of HK$372.9 million, or -3.7%, mainly arising from 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.

**Private Equity Exposure by Geography**




**Private Equity Exposure by Sector**

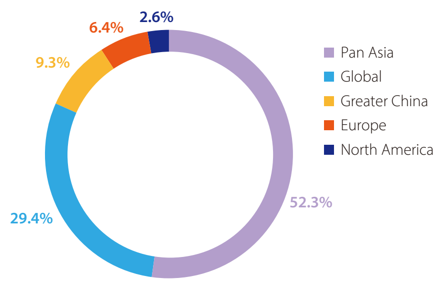



## Hedge Funds

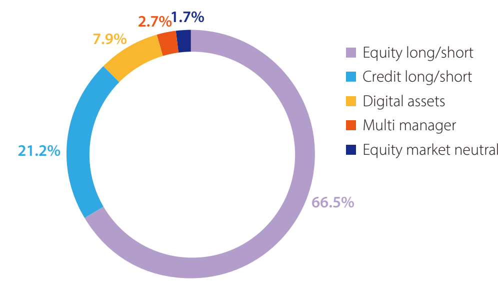
Incepted in January 2017, the Group's multi-manager hedge fund portfolio consists of a group of selected external hedge funds that complemented our capabilities and extended our investment networks. Building on success of this investment program, in 2021, a large portion of the portfolio was transferred 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

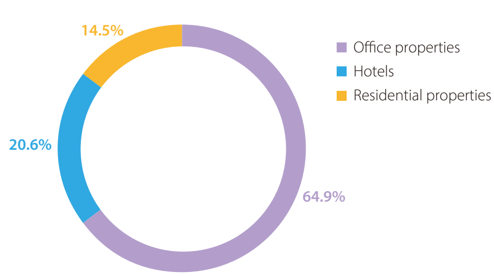



## Real Estate

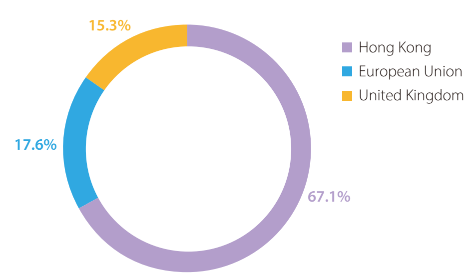
The Real Estate portfolio was valued at HK$2,172.3 million as at 30 June 2022 (31 December 2021: HK$2,364.3 million; 30 June 2021: HK$2,357.6 million). The portfolio includes the Group's interests in Hong Kong commercial real estate as well as hotels and commercial investments abroad.

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



## 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.

| EAST POINT ASSET MANAGEMENT | ACTUSRAY PARTNERS | Kernel. |
|---|---|---|
| DESCRIPTION<br>• Established January 2021<br>• APAC Equity L/S Fund<br>• AuM US$129mn[1] | DESCRIPTION<br>• Established May 2021<br>• European Discretionary Probabilistic Market Neutral Fund<br>• AuM US$240mn[1] | DESCRIPTION<br>• Established July 2019<br>• Market Neutral Crypto Fund<br>• AuM US$42mn[1] |

| E15VC | SHK LATITUDE ALPHA | MCIP MULTIPLE CAPITAL INVESTMENT PARTNERS |
|---|---|---|
| DESCRIPTION<br>• Established January 2021<br>• Deep Technology Venture Fund<br>• AuM US$32mn[1] | DESCRIPTION<br>• Established July 2021<br>• Global FoHF<br>• AuM US$193mn[1] | DESCRIPTION<br>• Established March 2021<br>• APAC Real Estate Loan Fund<br>• AuM US$107mn[1] |

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.

| SHK PRIVATE ACCESS | GCO Asset Management Integrity. Trust. Performance. |
|---|---|
| DESCRIPTION | DESCRIPTION |
| • Established March 2022<br>• Specific alternative investment opportunities<br>• AuM US$3mn[1] | • Established June 2022<br>• Global credit opportunities<br>• AuM US$65mn[1] |

[1] As at 30 June 2022

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 announcement, 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

| *(HK$ Million)* | **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 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.

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 announcement.

### 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

The Group did not have any financial guarantees as at 30 June 2022 (2021: Nil).

## 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.

## 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 on the following time period during which no transfer of shares of the Company will be registered:

| **Event** | **Book close period** |
| --- | --- |
| For entitlement to the interim dividend: | 5 September 2022 to 7 September 2022 (both days inclusive) (Ex-dividend date being 1 September 2022) (Record date being 7 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.

## 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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.

## 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 Highest *(HK$)* | Purchase price per share Lowest *(HK$)* | Aggregate consideration (before expenses) *(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
**Sun Hung Kai & Co. Limited**
**Lee Seng Huang**
*Group Executive Chairman*

Hong Kong, 17 August 2022

*As at the date of this announcement, the Board comprises:*

*Executive Directors:*
Messrs. Lee Seng Huang *(Group Executive Chairman)* and Simon Chow Wing Charn

*Non-Executive Director:*
Mr. Peter Anthony Curry

*Independent Non-Executive Directors:*
Mr. Evan Au Yang Chi Chun, Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Vivian Alexa Kao, Ms. Jacqueline Alee Leung and Mr. Wayne Robert Porritt