

 新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

Stock Code: 0086

Interim Report
2024



Photo: Kevin Lewis

About Us

Sun Hung Kai & Co. Limited (SEHK: 86) (“SHK & Co.” or the “Company”, together with its subsidiaries, the “Group”) is a leading Hong Kong-based financial institution recognised for its expertise in alternative investments and wealth management. Since 1969, the Company has built a diversified investment portfolio across public markets, credit and alternatives strategies including real estate and private equity, delivering long-term risk-adjusted returns. Leveraging its deep-rooted Asian heritage, SHK & Co. supports and nurtures specialist emerging asset managers in the region, empowering them to excel. SHK & Co. also utilises its long-standing investment expertise and resources in providing tailored investment solutions to like-minded partners and ultra-high-net-worth investors through its Family Office Solutions. As of 30 June 2024, the Group held about HK\$39.5 billion in total assets.

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

(HK\$ Million)	Six months ended		Change	Year ended
	Jun 2024	Jun 2023		Dec 2023
Revenue	1,915.8	1,968.3	-2.7%	3,916.6
Pre-tax profit	307.4	36.5	742.2%	76.6
Profit/(loss) attributable to owners of the Company	75.4	(287.5)	N/A	(471.4)
Basic earnings/(losses) per share (HK cents)	3.9	(14.7)	N/A	(24.1)
Interim dividend (HK cents)	12.0	12.0	—	14.0 [^]
Book value per share (HK\$)	10.7	11.0	-2.7%	10.8

[^] Second interim dividend

In the first half of 2024, persistent inflation in major developed economies, particularly the US continued to drive market volatility. The prolonged restrictive monetary policy as a result continued to constrain global economic growth and create financial dislocations. Regionally, the weaker-than-expected economic recovery post COVID in Greater China created headwinds for our Credit business. Amidst the volatile and uncertain business environment, we have maintained a conservative position throughout the period, and focused on managing our investment portfolio proactively. We continued to maintain a strong balance sheet with ample liquidity, which allowed us to capitalise on opportunities arising from market dislocations. The buildout of our Funds Management platform continued to progress well, assisting the Group's transformation into a leading alternative investment platform.

Profit attributable to the owners of the Company was HK\$75.4 million, a turnaround from a loss of HK\$287.5 million for the same period last year. Basic earnings per share was HK3.9 cents (first half of 2023: loss of HK14.7 cents), mainly attributed to the stabilisation of our investment asset values as we have been actively reweighting our portfolio and managing market exposure since 2022.

The Board has declared an interim dividend of HK12 cents per share for the six months ended 30 June 2024, which remains unchanged from the first half of 2023. During the period, the Company repurchased 10,000 shares (first half of 2023: 770,000 shares) for a total net consideration of HK\$23,550 (first half of 2023: HK\$2.3 million). In addition, the Company repurchased medium-term notes ("MTN") totalling US\$27.8 million during the period (first half of 2023: US\$28.1 million), making the total MTN repurchase since 2022 amount to US\$147.1 million, reflecting our focus on capital efficiency.

As of 30 June 2024, the Group's book value per share was HK\$10.7, a decrease of 0.9% from the end of 2023 (HK\$10.8) and 2.7% from 30 June 2023 (HK\$11.0).

RESULTS ANALYSIS

The Group's revenue in the first half of 2024 was HK\$1,915.8 million (first half of 2023: HK\$1,968.3 million), which mainly consisted of interest income of HK\$1,650.2 million from the Credit business.

The Credit business contributed a pre-tax profit of HK\$425.3 million for the period (first half of 2023: HK\$615.2 million, re-presented as residual term loans from Private Credit were regrouped to Special Situations under Investment Management). The decrease mainly reflected the deterioration of the local economy which dampened loan demand and undermined customers' credit profiles. The year-on-year increase in the Hong Kong Interbank Offered Rate ("HIBOR") also eroded profitability due to higher funding costs.

Investment Management significantly narrowed its pre-tax loss to HK\$358.4 million (first half of 2023: HK\$861.4 million, re-presented as residual term loans from Private Credit were regrouped to Special Situations under Investment Management) after allocating an internal cost of capital charge of HK\$348.7 million. The improvement was predominantly driven by the performance across Private Equity, Hedge Funds and Corporate Holdings. Special Situations and Real Estate continued to record solid gains during the period.

Funds Management maintained its trend of profitability and delivered a pre-tax profit of HK\$1.3 million (first half of 2023: HK\$16.3 million). Excluding the one-off impact from the sale of revenue share rights in East Point in the first half of 2023, pre-tax contribution from Funds Management grew 116.7% year-on-year. Notably, the initiative recorded robust growth in the collective



MANAGEMENT DISCUSSION AND ANALYSIS

Asset Under Management (“AUM”) of its funds and that of its fund partners, to US\$1.2 billion, a new record since the launch of this platform in 2021. The growth in AUM was driven by a net cash inflow of over US\$130 million and market gains of about US\$100 million during the period, with good contributions from almost all strategies.

Pre-tax profit from Group Management Support (“GMS”) was HK\$239.2 million (first half of 2023: HK\$266.4 million). The year-on-year decrease was primarily attributed to the increased performance-related expenses in conjunction with the improved performance of the Group.

Operating costs decreased by 1.1% to HK\$679.0 million (first half of 2023: HK\$686.5 million), mainly reflecting our efforts in improving operational efficiency in Mainland China of the Consumer Finance segment associated with its strategic shift to secured loans.

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 2024	Jun 2023 [^]	Change	Jun 2024	Dec 2023
CREDIT BUSINESS					
Consumer Finance	400.3	553.8	-27.7%	17,598.0	18,062.9
Mortgage Loans	25.0	71.6	-65.1%	2,311.3	2,674.6
Private Credit	—	(10.2)	N/A	—	—
Sub-total	425.3	615.2	-30.9%	19,909.3	20,737.5
INVESTMENT MANAGEMENT	(358.4)	(861.4)	-58.4%	15,528.3	16,257.4
FUNDS MANAGEMENT	1.3	16.3	-92.0%	21.6	24.9
GMS	239.2	266.4	-10.2%	4,046.5	3,849.7
Total	307.4	36.5	742.2%	39,505.7	40,869.5

[^] Re-presented as term loans of Private Credit were regrouped to Special Situations under Investment Management

CREDIT BUSINESS

The Group’s Credit business principally operates in the Greater China region, where it is subject to the impacts of local economic conditions, financing costs, and regulations.

Consumer Finance

The Group’s Consumer Finance business is conducted via its majority-owned subsidiary, United Asia Finance Limited (“UAF”), which operates under money lender licences in Hong Kong and holds an internet loan licence and offline money lending licences in major cities across Mainland China. 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. Since 2017, UAF has consistently maintained its place as the top-ranking unsecured loan provider among non-bank lenders and a top-five ranking among all lenders, in terms of outstanding balance of unsecured lending in Hong Kong.

Segment Half Year Results

(HK\$ Million)	For the period				
	1H 2024	1H 2023	2H 2023	YoY Change	HoH Change
Revenue	1,567.7	1,628.6	1,603.2	-3.7%	-2.2%
<i>Return on loan (% average gross loan balance)¹</i>	28.3%	28.5%	28.6%		
Operating costs	(500.2)	(532.9)	(543.1)	-6.1%	-7.9%
<i>Cost to income (% revenue)</i>	31.9%	32.7%	33.9%		
Finance costs	(262.2)	(238.2)	(266.5)	10.1%	-1.6%
Net impairment losses	(386.3)	(293.6)	(382.1)	31.6%	1.1%
Other gains	5.3	6.0	12.2	-11.7%	-56.6%
Other losses	(21.9)	(3.8)	(1.8)	476.3%	1,116.7%
Exchange loss	(2.1)	(12.3)	3.8	-82.9%	N/A
Pre-tax contribution	400.3	553.8	425.7	-27.7%	-6.0%
Loan Book:					
Net loan balance	10,346.4	10,635.0	10,627.2	-2.7%	-2.6%
Gross loan balance ²	10,920.4	11,176.4	11,197.0	-2.3%	-2.5%

¹ Interest and fee income/average gross loan balances

² Before impairment allowance



MANAGEMENT DISCUSSION AND ANALYSIS

Against the challenging economic backdrop in Hong Kong and Mainland China particularly since the second half of 2023, we have adopted a cautious stance tightening our loan origination criteria and focusing on improving operational efficiency. Total loan balance at the end of the period, on a net (after impairment allowance) and gross basis, stood at HK\$10,346.4 million and HK\$10,920.4 million, a decrease of 2.7% and 2.3% year-on-year, respectively. As a result, UAF recorded a revenue of HK\$1,567.7 million, decreasing 3.7% year-on-year. Operating costs decreased 6.1% year-on-year to HK\$500.2 million, due to the continued cost rationalisation measures in conjunction with our strategic shift from unsecured to secured lending in Mainland China.

Our finance costs, predominantly benchmarking against HIBOR, were HK\$262.2 million for the period, increasing 10.1% year-on-year but decreasing 1.6% compared to the second half of 2023 with HIBOR receding marginally. To mitigate liquidity risk, UAF has secured sufficient banking facilities in advance to finance future loan growth and refinance outstanding facilities. Net impairment losses were HK\$386.3 million, increasing 31.6% year-over-year and 1.1% sequentially, primarily due to the ongoing deterioration of economic conditions which eroded our customers' credit profiles and the prudent provisions we made in light of such business environment. Also included in other losses of HK\$21.9 million were predominantly losses from revaluation of office rental premises held in Mainland China.

Despite the challenges, UAF's pre-tax profit was HK\$400.3 million for the period.

Net Impairment Losses on Financial Instruments

<i>(HK\$ Million)</i>	1H 2024	1H 2023	2H 2023
Amounts written off ¹	(484.8)	(478.1)	(466.5)
Recoveries ²	103.9	123.3	111.9
Charge off	(380.9)	(354.8)	(354.6)
<i>as an annualised % of average gross loan balance</i>	6.9%	6.2%	6.3%
(Charge)/written back of impairment allowance ³	(5.4)	61.2	(27.5)
Net impairment losses	(386.3)	(293.6)	(382.1)
<i>as an annualised % of average gross loan balance</i>	7.0%	5.1%	6.8%
Impairment allowance at period/year end	574.0	541.4	569.8
<i>as a % of gross loan balance at period/year end</i>	5.3%	4.8%	5.1%

¹ The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty is in bankruptcy 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	
	2024	Note	2023	Note
Less than 31	590.1	5.7%	707.9	6.7%
31-60	214.1	2.1%	159.1	1.5%
61-90	50.4	0.5%	22.2	0.2%
91-180	14.7	0.1%	58.6	0.5%
Over 180	70.5	0.7%	61.6	0.6%
Total	939.8	9.1%	1,009.4	9.5%

Note: amount as a percentage of net loan balance.

Hong Kong Business

Key Operating Data	1H2024	1H2023	Full Year 2023
Number of branches (end of period/year)	47	48	48
Loan data:			
Gross loan balance (HK\$ Million) (end of period/year)	8,991.9	9,079.8	9,123.7
Loan originated for the period/year (HK\$ Million)	6,673.8	5,981.5 ¹	12,345.3
Number of loans originated	132,407	113,326 ¹	202,244
Average gross balance per loan (HK\$)	43,322	51,463	48,196
Annualised Ratios:			
Total return on loans ²	30.4%	30.1%	30.4%
Charge-off ratio ³	8.0%	5.2%	6.0%
Net impairment losses ratio ⁴	8.6%	5.3%	6.5%
Impairment allowance ratio ⁵	5.7%	4.9%	5.3%

¹ Credit card information is included for comparison purpose

² Interest and fee income/average gross loan balance

³ Charge-off/average gross loan balance

⁴ Net impairment losses/average gross loan balance

⁵ Impairment allowance/gross loan balance at period/year end

During the period, demand for consumer finance and customers' affordability to meet repayment obligations were adversely affected by the weakened economy in Hong Kong, where changing consumption patterns posed challenges and bankruptcy applications hit a 2-year monthly high in May 2024. To mitigate credit risks, we have tightened our loan underwriting criteria and lowered loan approval rates. Our credit scoring system is continuously upgraded with the latest information technology tools and utilises the most recent databases to ensure efficiency and effectiveness.

Despite the challenges, the unemployment rate in Hong Kong has remained low, hovering steadily at 3.0% throughout the first half of 2024. Consequently, loan defaults due to unemployment remain under control. We have been managing loan charge-offs and associated impairment losses in light of the prevailing market conditions, aiming to strike a balance between business growth and risk.

Our new product, SIM credit card, which was commercially launched in November 2023, recorded an accumulative transaction volume of HK\$1.0 billion by the end of June 2024, with the outstanding loan balance increasing month by month. The product operates around the clock and generates business volume uninterruptedly, and has been well received by the market, particularly the younger cohorts. The SIM credit card plays a key role in rejuvenating our customer demographics and enhancing cross-selling potential for other personal loan products. New features are continuously added to the product, with several slated to roll out across the second half of 2024.

In addition to profit-driven innovations, UAF is also committed to ESG efforts. One of our key initiatives is the launch of an ESG Carbon Calculator on the SIM credit card app. This tool aims to promote customer awareness of environmental protection and encourage sustainable practices.



MANAGEMENT DISCUSSION AND ANALYSIS

Mainland China Business

Key Operating Data	Full Year		
	1H2024	1H2023	2023
Number of branches (<i>end of period/year</i>)	16	16	16
Loan data:			
Gross loan balance (<i>HK\$ Million</i>) (<i>end of period/year</i>)	1,928.5	2,096.6	2,073.3
Loan originated for the period/year (<i>HK\$ Million</i>)	1,660.7	1,136.5	2,702.2
Number of loans originated	3,181	10,182	15,365
Average gross balance per loan (<i>RMB</i>)	185,247	68,343	107,045
Annualised Ratios:			
Total return on loans ¹	18.8%	22.9%	20.7%
Charge-off ratio ²	1.8%	9.9%	7.1%
Net impairment losses ratio ³	-0.4%	4.5%	3.7%
Impairment allowance ratio ⁴	3.1%	4.6%	4.0%

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

UAF continues to adopt a conservative approach in Mainland China, reducing our exposure to the market until there are clearer signs of improvement in the economic and business conditions. Currently, our primary focus is on secured loans with strong credit profiles, which well justify the lower returns and are crucial during uncertain times. Additionally, we continued to streamline costs to enhance operational efficiency and position UAF to generate positive contributions in the years to come. By maintaining a cautious stance and focusing on low-risk loan business, UAF aims to navigate the challenging economic landscape while ensuring financial stability and sustained growth.

Mortgage Loans

The Group's Mortgage Loans business is operated by its majority-owned subsidiary, Sun Hung Kai Credit Limited ("SHK Credit").

Segment Half Year Results

<i>(HK\$ Million)</i>	Six months ended		
	2024	2023	Change
Revenue	124.2	146.2	-15.0%
Return on loans ¹	10.2%	10.1%	
Operating costs	(25.3)	(30.5)	-17.0%
Cost to income (% Revenue)	20.4%	20.9%	
Finance costs	(40.1)	(51.8)	-22.6%
Net (charge)/reversal on impairment losses	(33.8)	7.7	N/A
Pre-tax contribution	25.0	71.6	-65.1%
Loan Book:			
Net loan balance	2,164.9	2,669.9	-18.9%
Gross loan balance ²	2,299.3	2,705.7	-15.0%

¹ Annualised interest and fee income/average gross loan balance

² Before impairment allowance

As of 30 June 2024, gross loan balance was HK\$2,299.3 million (31 December 2023: HK\$2,569.1 million; 30 June 2023: HK\$2,705.7 million). First mortgage loans accounted for over 90% of the portfolio. The loan-to-value ratio was 74.4% despite the downward pressure on Hong Kong property prices. Revenue for the period was HK\$124.2 million, a decrease of 15.0% year-over-year as a result of the smaller loan balance. Return on loans continued to increase in the past two years to 10.2%, reflecting elevated interest rates. Operating costs decreased 17.0% year-over-year to HK\$25.3 million, mainly driven by the decrease in marketing expenses as we continued to optimise marketing dollar efficiency. Cost-to-income ratio improved by 50 basis points to 20.4% from the same period of last year.

Finance costs decreased 22.6% to HK\$40.1 million, as we utilised less bank facilities during the period. Net charge on impairment losses was HK\$33.8 million, primarily due to the larger provisions we took as we have been actively managing through a small number of loan defaults. As a result, pre-tax contribution for the period was HK\$25.0 million (first half of 2023: HK\$71.6 million).



MANAGEMENT DISCUSSION AND ANALYSIS

As we remain cautious and focus on operating efficiency in this challenging phase of the cyclical market, we are also exploring innovative products and opportunities arising from market dislocations to ensure sustainable growth.

Private Credit

As we strategically reallocated capital to MCIP, the residual term loans of Private Credit were regrouped to the Special Situations under Investment Management business at the end of 2023, for which more information can be found on page 17 of our 2023 Annual Report.

We no longer have exposure to LSS Leasing (“LSS”). For a comparison purpose, the Group shared a loss of HK\$10.2 million from LSS for the first half of 2023.

INVESTMENT MANAGEMENT

The Investment Management division leverages the Group’s expertise and global networks to seek attractive risk-adjusted returns.

Including the internal cost of capital charges of HK\$348.7 million, the division’s pre-tax loss for the period was HK\$358.4 million, narrowing 58.4% year-on-year. Alternatives and Real Estate recorded an unrealised gain of HK\$172.2 million (first half of 2023: loss of HK\$99.5 million), as our Hedge Funds portfolio generated robust returns after being actively adjusted towards a more conservative exposure. The valuation of our Private Equity portfolio also stabilised compared to the same period of last year.

Analysis of Pre-tax Profit by Nature

(HK\$ Million)	For the six months ended		
	Jun 2024	Jun 2023 ¹	Change
Realised loss on Alternatives and Real Estate	(149.8)	(135.2)	10.8%
Unrealised gain/(loss) on Alternatives and Real Estate	172.2	(99.5)	N/A
Net loss on Public Markets	(55.0)	(196.8)	-72.1%
Interest income	67.5	45.6	48.0%
Dividends received	38.4	37.4	2.7%
Rental income	9.6	11.3	-15.0%
Fee received/receivable	0.3	—	N/A
Net impairment allowance losses on financial assets	(8.1)	(24.8)	-67.3%
Net exchange (loss)/gain	(6.9)	3.0	N/A
Share of results of associates & JV	24.3	(8.0)	N/A
Loss from revaluation on investment properties	(35.3)	(22.0)	60.5%
Others	0.2	2.8	-92.9%
Total gains/(losses)	57.4	(386.2)	N/A
Operating costs	(56.6)	(92.7)	-38.9%
Finance costs	(10.5)	(14.9)	-29.5%
Cost of capital	(348.7)	(367.6)	-5.1%
Total costs²	(415.8)	(475.2)	-12.5%
Pre-tax contribution	(358.4)	(861.4)	-58.4%

¹ Re-presented

² The costs are presented in a more detailed manner to facilitate better understanding of our business and operation

The overall return of Investment Management continued to improve over the past two years and recorded a positive gain of 0.4% for the period. Real Estate and Alternatives gained 2.6% and 0.1% respectively, while Public Markets lost 1.0%.

Operationally, we continued to invest in upgrading our technological infrastructure, streamlining business processes, augmenting our team and strengthening our risk management framework. The synergies among our Investment Management, Funds Management and Credit businesses have become increasingly evident, collectively driving the Group’s transformation into a leading alternative investment platform.



MANAGEMENT DISCUSSION AND ANALYSIS

Segment Assets Breakdown and Return

(HK\$ Million)	First Half 2024				Return track record ¹	
	Period End Value	Average Value for the Period	Gain/ (Loss)	Six-month Return ¹	2023 ²	2022 ²
Public Markets	2,184.1	2,284.9	(22.2)	-1.0%	-4.6%	-6.1%
Alternatives	10,841.8	11,052.1	16.3	0.1%	-2.5%	-9.3%
Real Estate	2,502.4	2,452.2	63.3	2.6%	3.3%	-1.5%
Total	15,528.3	15,789.2	57.4	0.4%	-2.0%	-7.9%

¹ Gain (Loss) including interest/dividends/rental/fee income before cost of capital/average value for the period/year

² Annual return

Public Markets

The Public Markets portfolio consists of Corporate Holdings, an internally managed equity strategy, and Strategic Holdings at fair value through other comprehensive income ("FVTOCI").

Breakdown of Public Markets Portfolio as at 30 June 2024

(HK\$ Million)	Period End Value	Loss	Six-month Return ¹
	Corporate Holdings	2,017.7	(22.2)
Strategic Holdings ²	166.4	—	N/A
Total	2,184.1	(22.2)	-1.0%

¹ Gain (Loss) including interest/dividends income before cost of capital/average fair market value for the period

² At FVTOCI

Corporate Holdings

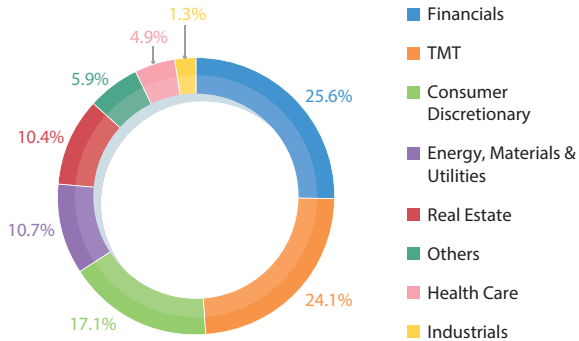
The Corporate Holdings segment mainly manages a mix of long-term and shorter-term equity positions. Derivatives and hedging are used both to manage risks and enhance returns. During the first half of 2024, we further strengthened our investment and portfolio management capabilities, striving to achieve sustainable risk-adjusted returns over the mid to long term.

Corporate Holdings recorded a loss of 1.0% for the reporting period. Gains were driven primarily by holdings in AI data-center beneficiaries in the US and Taiwan. Some of our holdings in Chinese equities showed gains in the first half after reaching extremely low valuations in the first quarter of this year. Additionally, hedge positions in gold equities made gains on the back of a strong gold price, as real rates in the US showed signs of peaking. Losses were driven primarily by our strategic healthcare holdings that the Group has held since their IPO, which overall have recorded gains over the long term considering the total positions held by the Group.

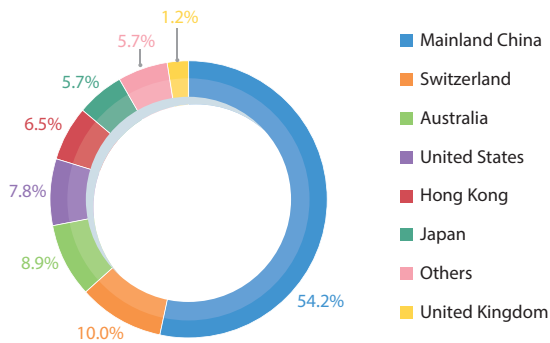


MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Holdings by Sector



Corporate Holdings by Geography



Strategic Holdings

The Strategic Holdings portfolio at FVTOCI consists of the Group's strategic positions, which we believe will create synergies with other business units and deliver shareholder value over the long run.

Alternatives

Over the past several years, we have leveraged the Group's expertise and capital strength to construct a diversified portfolio encompassing Private Equity, Hedge Funds and the recent addition of Special Situations in 2023 as a strategic move to seize opportunities arising from financial dislocations. The portfolio is constructed by investing in companies and fund managers carefully selected based on parameters including performance, strategic fit, as well as access to markets and sectors.

Breakdown of Alternatives Portfolio as at 30 June 2024

	Period End	Gain/ (loss)	Six-month Return ¹
<i>(HK\$ Million)</i>			
Private Equity:			
– External Funds	4,299.6	17.6	0.4%
– Direct/Co- investments	3,797.3	(116.9)	-3.0%
Sub-total	8,096.9	(99.3)	-1.2%
Hedge Funds ²			
– Ongoing funds	2,000.3	112.1	5.8%
– Terminated funds ³	—	(13.1)	-5.6%
Sub-total	2,000.3	99.0	4.6%
Special Situations	744.6	16.6	2.3%
Total	10,841.8	16.3	0.1%

¹ Gain (loss) including interest/dividends/rental/fee income before cost of capital/average value for the period

² Including Hedge Funds portfolio and other funds managed by Funds Management division

³ Including the fund managed by East Point. The rights for receiving seeded capital fee of the fund managed by East Point were acquired by Regal Partners in February 2023, following which the capital was redeemed in February 2024



Private Equity

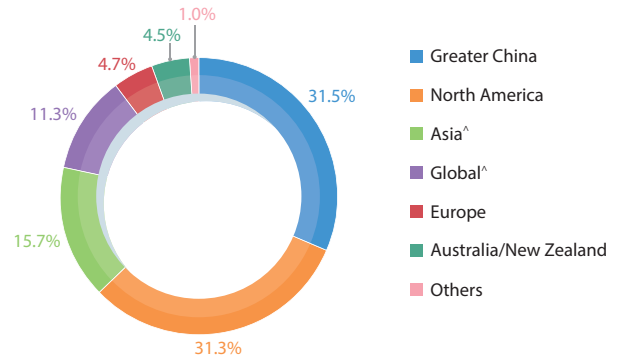
The Private Equity segment consists of our investments in external funds, co-investments alongside such funds, as well as direct investments. This portfolio provides the Company with attractive returns over the mid to long term by taking advantage of our proprietary deal sourcing, domain expertise and global mandate.

In the first half of 2024, we have actively managed our portfolio amid a challenging fundraising environment and we have seen encouraging progress in the improvement of operating metrics at our portfolio companies.

The diversification of our portfolio has been a strength for us. In the US, our portfolio's valuation generally stabilised and we started to see an uptick in liquidity events and distributions, particularly in the healthcare, technology, and fintech sectors with the Fed's rate-hiking cycle coming to its end. This allowed us to realise returns and record net capital inflow during the period. As our portfolio with exposure to Mainland China mainly consists of buyout and late-stage investments generating stable cashflow, solid fundamentals provide the foundation for future realisations despite the impact on their valuations by continued geopolitical tensions and weak market sentiment.

While assessing new investments, we mainly focus on arbitrage and secondaries on a global scale, capitalising on opportunities arising from market dislocations. We will continue to collaborate with the Group's Funds Management arm and offer selected investment opportunities to like-minded third-party investors, which will enable us to forge mutually beneficial partnerships.

Private Equity Exposure by Geography



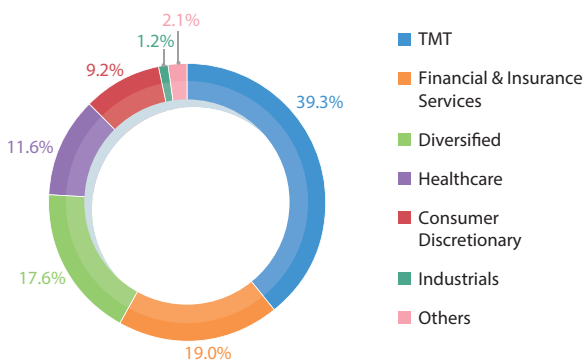
[^] Based on general partners' geographic mandate

Hedge Funds

The Group's multi-manager hedge fund portfolio consists of a selected group of external hedge funds that are global in scope and diversified in terms of strategy.

The gain in the first half of 2024 was attributed to a broad-based gain across numerous strategies. All underlying strategies contributed positively including equity long/short, arbitrage, macro, and equity market neutral. The portfolio of holdings entered the year with a conservative risk profile, aimed at generating returns with minimal market risk exposure. As a result, performance in 2024 has been positive so far in each month, both in rising and falling equity markets. The portfolio has benefited from solid contributions from top performing managers that have been held for numerous years, as well as from several managers which have been added in the past 12 months.

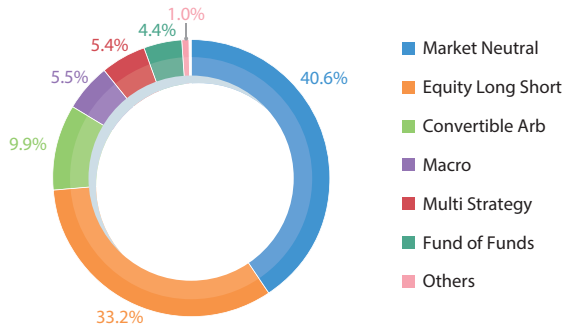
Private Equity Exposure by Sector





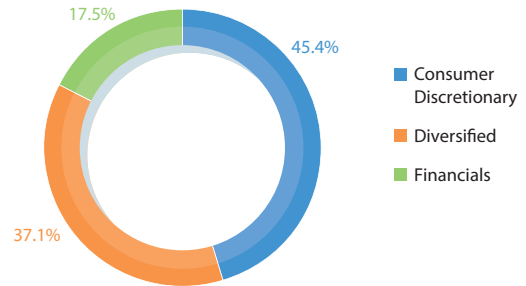
MANAGEMENT DISCUSSION AND ANALYSIS

External Hedge Funds Exposure by Strategy

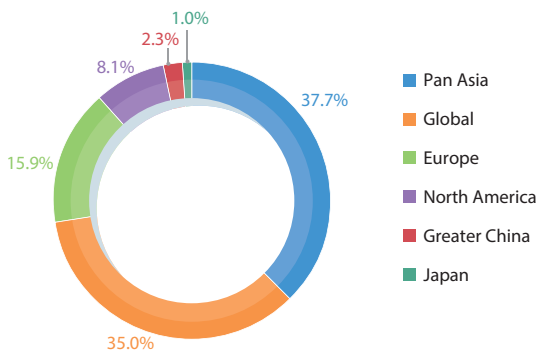


This segment reported a gain of 2.3% for the period, mainly attributed to an Asia-focused fund invested in diverse sectors recording both realisations and fair value gains.

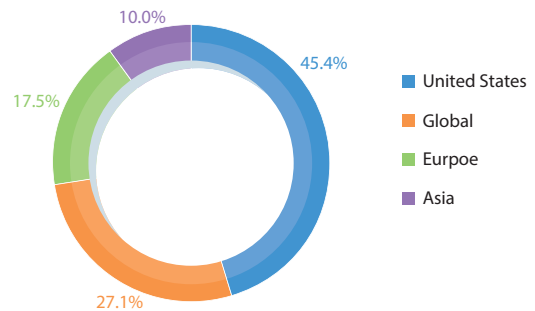
Special Situations Exposure by Sector[^]



External Hedge Funds Exposure by Geography



Special Situations Exposure by Geography[^]



Special Situations

The Special Situations strategy focuses on leveraging unique opportunities emerging from market dislocations or specific events. Our portfolio predominantly includes investments in distressed assets and has further expanded our footprints in Western Europe, North America and Asia, adding geographical diversification to the Group. Additionally, the residual term loan portfolio from Private Credit has been integrated into this segment. Our approach to targeting distressed or complex opportunities is designed to yield favourable returns with robust defensive characteristics.

[^] Term loans regrouped from Private Credit are not included



MANAGEMENT DISCUSSION AND ANALYSIS

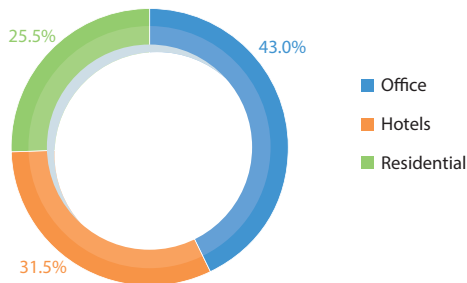
Real Estate

The Real Estate portfolio, which consists of the Group's interests in Hong Kong commercial real estate as well as hospitality and commercial investments abroad, was valued at HK\$2,502.4 million as of 30 June 2024 (31 December 2023: HK\$2,413.5 million; 30 June 2023: HK\$2,313.3 million).

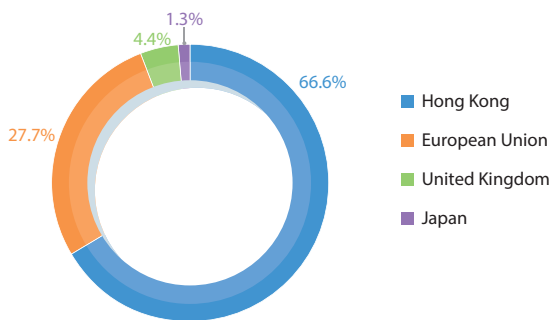
The segment recorded a 2.6% gain for the period, primarily driven by the sustained robust recovery of our hospitality investments in the EU and the strong performance of an APAC real estate loan strategy, which offset weakness in Hong Kong.

In the high interest rate environment, we remain cautious with new investments but focus on those where we see opportunities to generate equity-like returns with credit-like downside protection. As announced on 15 July 2024, the Group recently invested in the preferred equity shares of a large European hotel platform. This investment reflects the Group's ongoing pursuit of superior risk-adjusted returns, while recalibrating our real estate exposure to emphasise more downside-protected, credit and credit-like opportunities.

Real Estate Exposure by Asset Class



Real Estate Exposure by Geography



FUNDS MANAGEMENT

Sun Hung Kai Capital Partners Limited ("SHKCP") holds Securities and Futures Commission ("SFC") licences to conduct Types 1, 4 and 9 regulated activities, and serves as the Group's regulated entity by the SFC to conduct our Funds Management business.

The buildout of the alternative funds management platform, SHKCP, commenced in 2021, a strong startup year. As of 30 June 2024, we continued to build out the platform with seven Partnerships/SHKCP Funds.





In the first half of 2024, challenging market conditions, shifting investment styles and changing client risk appetites continued to weigh on fundraising. Despite the challenges, we are pleased to report robust growth in the collective AUM of our funds and that of our fund partners, reaching US\$1.2 billion as we recorded net inflows of capital and solid market performance across nearly all strategies. This was particularly evident in the market neutral strategy of ActusRayPartners, which continued to deliver strong performance in the first half of the year, and in Kernel, whose market neutral and quantitative/directional crypto strategies effectively captured the recovery of the crypto market. Our diversified global Fund of Hedge Funds ("FoHF") strategy generated solid return outperforming benchmarks and demonstrated strong downside protection during periods of market drawdowns.

We remained cautious with capital deployment in light of the prevailing market uncertainties. No new funds were seeded or launched in the first half of 2024.



MANAGEMENT DISCUSSION AND ANALYSIS

Fund Partnerships

 <p>ACTUSRAY PARTNERS DISCRETIONARY PROBABILISTIC INVESTING</p> <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established March 2021: European Discretionary Probabilistic Investing Equity Market Neutral Strategy Established September 2023: Asian Discretionary Probabilistic Investing Equity Market Neutral Strategy 	 <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established July 2019 Market Neutral Crypto Strategy Quantitative/ Directional Crypto Strategy 	 <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established January 2021 Deep Technology Venture Strategy 	 <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established September 2018[^] Consumer Early Stage/Growth Strategy
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[^] SHK & Co. owns a minority equity stake in Point King GP

SHKCP Funds

 <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established July 2021 Global FoHF 	 <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established March 2021 APAC Real Estate Loan Strategy 	 <p>DESCRIPTION</p> <ul style="list-style-type: none"> Established March 2022 Specific alternative investment opportunities
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MANAGEMENT DISCUSSION AND ANALYSIS

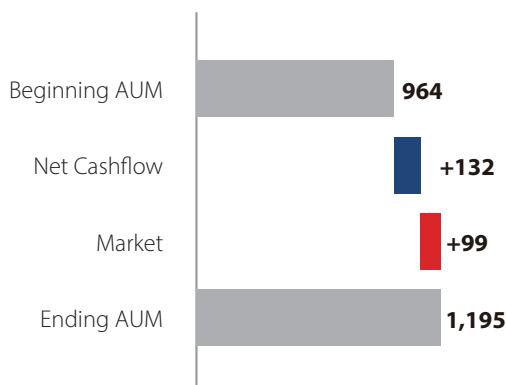
We continued to expand our partner network and develop our distribution footprint. We established a strategic alliance with GAM Investments (“GAM”) for the distribution and servicing of GAM’s funds across Greater China (Hong Kong, Mainland China, Taiwan and Macau), aiming to drive growth and enhance client coverage and capabilities across the region. Combining the two companies’ complementary strengths and resources, the alliance will also enable GAM and the wider SHK & Co. group to co-develop innovative, alternative, and portfolio-diversifying product solutions for clients both locally and internationally. Alongside the distribution arrangements we entered into with other high-quality external funds, the strategic alliance with GAM will drive revenue growth and enhance our product diversification.

The build-out of our multi-family office platform, Family Office Solutions (“FOS”), following its launch in Q4 2022, continued to make strides, expanding our client base by leveraging our access to global private investment opportunities. This unit provides customised alternative investment solutions for family offices and high-net-worth individuals with similar investment approaches and horizons, generating returns based on the alignment of interests. In particular, it offers bespoke and discretionary portfolios of alternative investments by leveraging the Group’s broader relationship networks and capabilities.

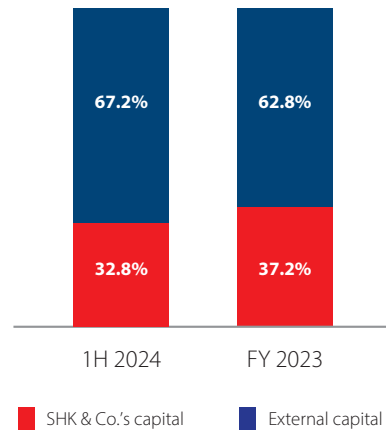
AUM[^] and Segment Half Year Results

AUM as of 30 June 2024 was US\$1,195 million (31 Dec 2023: US\$964 million), a new record since we launched the Funds Management platform in 2021. The growth in AUM was driven by a net cash inflow of US\$132 million and market gains of US\$99 million with contributions from almost all our strategies. Of the total AUM, external capital accounted for 67.2%, increasing by 4.4 percentage points from the end of 2023.

AUM Movement in 1H 2024 (US\$ million)



AUM Breakdown



[^] “AUM” refers to assets under management by SHKCP and SHKCP’s seeding partners

Segment Half Year Results

The business produced solid results for the first half of the year, benefiting from the notable growth in fee income. Excluding the one-off impact from the sale of revenue share rights of East Point to Regal Partners in the same period last year, total income increased 26.4% year-on-year. Operating expenses were HK\$15.7 million, increasing 25.6% year-on-year, mainly due to the expansion of our team as we continued to build out the platform.

(HK\$ Million)	Six months ended		
	2024	2023	Change
Fee income	17.1	13.8	23.9%
Interest income	0.6	0.2	200.0%
Other income	—	15.7	N/A
Total income	17.7	29.7	-40.4%
Operating expenses	(15.7)	(12.5)	25.6%
Net loss on financial assets ¹	(0.7)	(0.8)	-12.5%
Net exchange loss	—	(0.1)	N/A
Pre-tax contribution	1.3	16.3	-92.0%

¹ Mainly mark-to-market of carried interest distribution in kind received



MANAGEMENT DISCUSSION AND ANALYSIS

We will continue to source partnership opportunities to create a broader and more diversified platform, providing clients with differentiated investment solutions. In the meantime, we remain cautious with significant capital deployment in this challenging investment cycle.

OUTLOOK

As we enter the second half of 2024, interest rates are expected to remain at elevated levels for an extended period, despite recent policy pivots by some central banks. The high cost of capital will continue to weigh on business activities, borrowers' repayment abilities, and investment assets' valuation across the board. Regionally, economic recovery in Mainland China remains under pressure due to the structural reforms it is undergoing. In addition, heightened geopolitical tensions will be further complicated by the upcoming US election.

In the face of these headwinds, we remain cautiously optimistic but will continue to reduce overall market exposures. Our Credit segment will continue to develop innovative products to navigate the challenging local economic landscape and elevated HIBOR environment. Our new investments in the Investment Management segment will remain opportunistic, balancing downside protection to achieve attractive risk-adjusted returns. We will continue to build out the Funds Management platform, diversify our investment solutions, and execute on the buildup of our investment and distribution capabilities.

FINANCIAL REVIEW

Financial Resources, Liquidity, Capital Structure and Key Performance Indicators

<i>(HK\$ Million)</i>	30 Jun 2024	31 Dec 2023	Change
Capital Structure			
Equity attributable to owners of the Company	21,041.7	21,268.0	-1.1%
Total cash	6,681.9	6,692.7	-0.2%
Total borrowings ¹	13,687.3	14,905.1	-8.2%
Net debt ²	7,005.4	8,212.4	-14.7%
Net debt to equity ratio	33.3%	38.6%	
Liquidity			
Interest cover ³	1.62	1.08	50.0%
Return Ratios			
Return on assets ⁴	0.9%	-0.5%	
Return on equity ⁵	0.7%	-2.2%	
Key Performance Indicator			
Book value per share <i>(HK\$)</i>	10.7	10.8	-0.9%
Dividend per share <i>(HK cents)</i>	12	26	N/A

¹ Bank and other borrowings and notes payable

² Total borrowing minus total cash

³ Earnings before interest and tax/interest expense

⁴ Annualised profit including non-controlling interests/average assets

⁵ Annualised profit attributable to owners of the Company/average equity attributable to owners of the Company

The Group's net gearing ratio continued to decrease to 33.3% at the end of the period while interest cover for the period improved to 1.62, compared with 1.08 for the year ended 2023, mainly due to the improved profitability and active liability reductions.

As at 30 June 2024, total borrowings of the Group amounted to HK\$13,687.3 million (31 December 2023: HK\$14,905.1 million). Of this amount, 64.2% was repayable within one year (31 December 2023: 56.1%). The Group maintained a balanced mix of funding sources. Bank and other borrowings accounted for 59.1% of total debt (31 December 2023: 60.7%) and were mainly 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 improved to 0.9% as at 30 June 2024 (31 December 2023: -0.5%). Return on equity improved to 0.7% as at 30 June 2024 (31 December 2023: -2.2%), mainly due to the turnaround from a loss position. The Group's total cash as at 30 June 2024 remained largely unchanged to HK\$6,681.9 million compared to HK\$6,692.7 million as at 31 December 2023. The strong cash position has provided us with comfortable liquidity amid the volatile market conditions. The Company is well equipped to take advantage of available opportunities to optimise our capital efficiency in the longer term.

Note	Maturity Date	HK\$ Equivalent (In Million)	% Total
5.75% US\$ notes [^]	11/2024	2,209.5	39.5%
5.00% US\$ notes [^]	9/2026	3,034.0	54.2%
Asset backed notes	6/2025	350.8	6.3%
Total		5,594.3	100.0%

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

During the first half of 2024, the Group has repurchased an aggregate principal amount of US\$24.4 million of 5.75% Notes matured in November 2024 and US\$3.4 million of 5.00% Notes matured in September 2026 respectively. The repurchased Notes were cancelled respectively.

The Group continues to maintain a stable capital structure and actively utilises foreign currency positions to manage its present and potential operating and investment activities. Part of the 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 2024.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

In February 2024, Colony SHK Gen Par S.à r.l. (the "General Partner") was established in Luxembourg as a joint venture between a subsidiary of the Group and Colony Investment Management SAS and was owned as to 50% and 50% by each of them respectively. Furthermore, a partnership (the "Partnership") was also established as a joint venture between the subsidiary of the Group, Colony Invest Platform I SCSP and the General Partner, of which 99% was owned by the subsidiary of the Group. The Partnership is managed by the General Partner to carry on the business of holding, monitoring and realising qualifying investments. As at 30 June 2024, the Group committed and injected approximately EUR21.5 million into the Partnership. Subsequent to the end of the financial period, the Group further committed EUR54.2 million into the Partnership, of which EUR28.1 million of this amount was injected into it up to the date of this report. The Partnership has executed a commitment to subscribe for preferred equity shares in a vehicle which in turn invests in preferred equity shares in one of Europe's largest hotel owners.

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 2024 and up to the date of this report.

Charges on Group Assets

Properties of the Group with a total book value of HK\$814.0 million were pledged by subsidiaries to banks for facilities granted to them as at 30 June 2024. HK\$100 million of secured loans was drawn down as at 30 June 2024.

As at 30 June 2024, HK\$482.5 million (2023: HK\$732.0 million) of mortgage loans receivable were pledged for a securitization financing transaction.



MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

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

PEOPLE & CULTURE

As of 30 June 2024, the Group's total staff numbered 1,009 (31 December 2023: 1,087). Out of this, 75 staff (31 December 2023: 77) 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 mainly a result of the scaling down of UAF's unsecured loan business in Mainland China while focusing on secured lending in the market. Total staff costs amounted to HK\$277.2 million (first half of 2023: HK\$284.7 million), reflecting a decrease in salary expenses as a result of the reduced number of staff.

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 base pay and commission, bonus or performance-based incentives, as appropriate. In addition to monetary reward, the Group also provides 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 1,077,000 shares were granted to the Selected Grantees during the period subject to various terms. A total of 1,242,000 shares were vested in the first half of 2024. As of 30 June 2024, the outstanding shares awarded under the EOS amounted to 2,365,000 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 has implemented several key initiatives to strengthen our employee value proposition:

Employee Wellbeing and Work-Life Balance:

- Comprehensive health, wellness, and insurance benefits to support the physical and mental wellbeing of our employees
- Flexible work arrangements, including remote and hybrid work options, to promote work-life harmony

Competitive Compensation and Career Growth:

- Offering market-competitive salaries, bonuses, and equity opportunities to attract and retain top talent
- Providing career development paths and training programs to empower employees to grow within the organisation

Inclusive and Engaging Work Culture:

- Fostering a collaborative, diverse, and inclusive work environment that celebrates employee differences and promotes a strong sense of belonging
- Regularly seeking employee feedback through engagement surveys and acting on insights to continuously improve the work experience

Learning and Development:

- Investing in in-person training and online learning platforms to upskill employees and support their professional development
- Identifying key talent and sponsoring them for specialised development courses (expected to launch in the second half of 2024).

Through these comprehensive initiatives, the Group aims to position ourselves as an employer of choice, where talented individuals can thrive, grow, and contribute to the sustainable success of our business.



DIRECTORS' INTERESTS

As at 30 June 2024, 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>)	1,444,479,575 (<i>Note 2</i>)	73.50%
Brendan James McGraw ("Mr. McGraw")	Beneficial owner Beneficiary of trust	388,000 1,076,000 (<i>Note 3</i>)	0.07%
Simon Chow Wing Charn	Beneficial owner	1,681,000	0.08%
Peter Anthony Curry	Beneficial owner	1,241,141	0.06%

Notes:

- Mr. Lee Seng Huang, a Director, together with Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.99% 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.
- This referred to the deemed interests in 1,444,479,575 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.
- These included the deemed interests in:
 - 109,000 unvested Shares out of the total of 327,000 Shares granted to Mr. McGraw on 20 April 2022 under the SHK Employee Ownership Scheme ("EOS") of the Company and were subsequently accepted by Mr. McGraw. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 109,000 Shares) vested and became unrestricted from 20 April 2023; another one-third thereof vested and became unrestricted from 20 April 2024; and the remaining one-third thereof will vest and become unrestricted from 20 April 2025;
 - 340,000 unvested Shares out of the total of 510,000 Shares granted to Mr. McGraw on 20 April 2023 under the EOS and were subsequently accepted by Mr. McGraw. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 170,000 Shares) vested and became unrestricted from 20 April 2024, another one-third thereof will vest and become unrestricted from 20 April 2025; and the remaining one-third thereof will vest and become unrestricted from 20 April 2026; and
 - 627,000 unvested Shares granted to Mr. McGraw on 20 April 2024 under the EOS and were subsequently accepted by Mr. McGraw. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 209,000 Shares) will vest and become unrestricted from 20 April 2025, another one-third thereof will vest and become unrestricted from 20 April 2026; and the remaining one-third thereof will vest and become unrestricted from 20 April 2027.



DIRECTORS' INTERESTS

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

Name of Director	Associated corporation	Capacity	Number of shares/amount of debentures	Approximate % of the total number of issued shares in class
Lee Seng Huang ("Mr. Lee") (Note 1)	AGL	Trustee (Note 2)	2,634,646,760	74.98%
	Tian An China Investments Company Limited ("TACI")	Interests of controlled corporation (Note 3)	834,809,096	56.94%
	Tian An Australia Limited ("TIA")	Interests of controlled corporation (Note 4)	67,300,196	77.70%
	Asiasec Properties Limited ("Asiasec")	Interests of controlled corporation (Note 5)	930,376,898	74.98%
	Tian An Medicare Limited ("TAM", formerly known as China Medical & HealthCare Group Limited)	Interests of controlled corporation (Note 6)	556,097,010	51.20%
	MCIP CI I Limited ("MCIP CI") (Note 7)	Beneficial owner	5 (Note 8)	33.33%
	Sun Hung Kai & Co. (BVI) Limited ("SHK BVI") (Note 9)	Beneficial owner	US\$320,000 (Note 10(a)) US\$200,000 (Note 10(b))	N/A N/A
Brendan James McGraw	SHK Latitude Alpha Feeder Fund (Note 11)	Beneficial owner	100 (Note 12)	0.05%
Vivian Alexa Kao	SHK Latitude Alpha Feeder Fund (Note 11)	Interests of controlled corporation (Note 13)	950 (Note 12)	0.27%

Notes:

- Mr. Lee, 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 the waiver was granted by the Stock Exchange on 24 July 2024.
- Mr. Lee 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.
- This referred to the same interest held indirectly by AGL in TAM 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 BVI was a wholly-owned subsidiary of the Company and therefore was an associated corporation of the Company as defined under the SFO.
- (a) These represented the interests held by Mr. Lee in the 5.75% Guaranteed Notes due November 2024 issued by SHK BVI.
(b) These represented the interests held by Mr. Lee in the 5.00% Guaranteed Notes due September 2026 issued by SHK BVI.



DIRECTORS' INTERESTS

11. 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.
12. This referred to redeemable, non-voting participating class A shares in the issued share capital of SHK Latitude Alpha Feeder Fund.
13. 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 interest in the shares held by Tamarind Limited.

All interests stated above represented long positions. As at 30 June 2024, 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 2024, 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 C3 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 2024, 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>)	1,444,479,575	73.50%
Lee and Lee Trust	Interests of controlled corporation (<i>Note 2</i>)	1,444,479,575	73.50%
Lee Su Hwei	Interests of controlled corporation and interests of spouse (<i>Note 3</i>)	1,464,539,575	74.52%

Notes:

1. The interests were held by AP Emerald, a wholly-owned subsidiary of AP Jade which in turn was a wholly-owned subsidiary of APL. AGL directly and indirectly (through Capscore Limited, Citiwealth Investment Limited and Sunhill Investments Limited, all being direct wholly-owned subsidiaries of AGL) owned 100% of the total number of issued shares of APL. AGL was therefore deemed to have interests in the Shares in which AP Emerald was interested.
2. 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.
3. This represented interests in (i) same parcel of Shares in which Lee and Lee Trust was deemed to have an interest; and (ii) 20,060,000 Shares held by Mr. Chen Yue Jia James, the spouse of Ms. Lee Su Hwei.

All interests stated above represented long positions. As at 30 June 2024, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 30 June 2024, the Directors were not aware of any other persons who had 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 2024, 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 C1 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 Deputy Chief Executive Officer, Mr. Antony James Edwards ("Mr. Antony Edwards"), and the Group Chief Financial Officer, Mr. Brendan James McGraw ("Mr. Brendan McGraw"). 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 Chief Executive Officer. Mr. Antony Edwards assists the Group Executive Chairman on the strategic development of the Group and providing management oversight support to Funds Management business, whilst Mr. Brendan McGraw assists the Group Executive Chairman to oversee the Group's financial, treasury and risk management functions.

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 2023. 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 28 May 2024 (the "AGM") due to other important business engagement. However, Mr. Alan Stephen Jones, an Independent Non-Executive Director, 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 2024 (2023: HK12 cents per Share) payable to the shareholders whose names appear on the register of members of the Company on 11 September 2024. Dividend warrants for the interim dividend are expected to be dispatched on 20 September 2024.

Closure of Register of Members

The register of members of the Company will be closed from 9 September 2024 to 11 September 2024 (both days inclusive), during which period no transfer of shares will be registered. The ex-dividend date will be 5 September 2024. 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 6 September 2024.

Changes in Directors' Information

The changes in Directors' information since the publication of the 2023 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below :

- The amount of monthly rental-related expenses, which forms part of the emolument of Mr. Lee Seng Huang, the Group Executive Chairman, has changed with the renewal of the lease effective from 24 July 2024. For details, please refer to the Company's announcement dated 23 July 2024.
- Ms. Jacqueline Alee Leung was appointed as co-opted member of the Advisory Committee on Donation and Development Matters (ACDDM) of the Hospital Authority for a term from 25 April 2024 to 24 April 2026.

Purchase, Sale or Redemption of Securities

(1) Repurchase of Shares

During the six months ended 30 June 2024, the Company repurchased a total of 10,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$23,550. 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	-	-	-	-
February	-	-	-	-
March	10,000	2.36	2.35	23,550
April	-	-	-	-
May	-	-	-	-
June	-	-	-	-
Total	10,000			23,550

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

During the six months ended 30 June 2024, the Group has repurchased (i) an aggregate principal amount of US\$24,434,000 of the US\$350,000,000 5.75% guaranteed notes due November 2024 (the "2024 Notes") issued by SHK BVI under the US\$3,000,000,000 Guaranteed Medium Term Note Programme (the "MTN Programme") and listed on the Stock Exchange (stock code: 40065); and (ii) an aggregate principal amount of US\$3,386,000 of the US\$450,000,000 5.00% guaranteed notes due September 2026 (the "2026 Notes") issued by SHK BVI under the MTN Programme and listed on the Stock Exchange (stock code: 40831). The repurchased 2024 Notes and 2026 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 2024.

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 2024. 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.

On behalf of the Board
Lee Seng Huang
 Group Executive Chairman
 Hong Kong, 21 August 2024



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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

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INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sun Hung Kai & Co. Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 25 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. 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, 21 August 2024



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(HK\$ Million)	Notes	Six months ended	
		30/6/2024 Unaudited	30/6/2023 Unaudited
Interest income		1,817.7	1,890.0
Other revenue	5	98.1	78.3
Other gains	6	23.4	46.5
Total income		1,939.2	2,014.8
Brokerage and commission expenses		(52.0)	(75.0)
Advertising and promotion expenses		(75.4)	(70.3)
Direct costs and operating expenses		(40.0)	(37.5)
Administrative expenses		(511.6)	(503.7)
Net profit (loss) on financial assets and liabilities at fair value through profit or loss		12.3	(416.5)
Net exchange loss		(13.7)	(36.0)
Net impairment losses on financial assets	7	(427.8)	(310.8)
Finance costs		(492.8)	(486.3)
Other losses	8	(55.1)	(24.0)
		283.1	54.7
Share of results of associates		(1.5)	(8.0)
Share of results of joint ventures		25.8	(10.2)
Profit before taxation	9	307.4	36.5
Taxation	10	(122.9)	(167.3)
Profit (loss) for the period		184.5	(130.8)
Profit (loss) attributable to:			
– Owners of the Company		75.4	(287.5)
– Non-controlling interests		109.1	156.7
		184.5	(130.8)
Earnings (loss) per share	12		
– Basic (HK cents)		3.9	(14.7)
– Diluted (HK cents)		3.9	(14.7)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(HK\$ Million)	Six months ended	
	30/6/2024 Unaudited	30/6/2023 Unaudited
Profit (loss) for the period	184.5	(130.8)
Other comprehensive (expenses) income:		
Items that will not be reclassified to profit or loss		
Fair value loss on investments in equity instruments at fair value through other comprehensive income, net of tax	(7.0)	(17.5)
Revaluation gain on properties	2.8	19.1
	(4.2)	1.6
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translating foreign operations	(30.2)	(177.9)
Share of other comprehensive (expenses) income of associates	(3.9)	4.9
Share of other comprehensive expenses of joint ventures	–	(5.5)
	(34.1)	(178.5)
Other comprehensive expenses for the period	(38.3)	(176.9)
Total comprehensive income (expenses) for the period	146.2	(307.7)
Total comprehensive income (expenses) attributable to:		
– Owners of the Company	49.5	(411.0)
– Non-controlling interests	96.7	103.3
	146.2	(307.7)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(HK\$ Million)	Notes	30/6/2024 Unaudited	31/12/2023 Audited	(HK\$ Million)	Notes	30/6/2024 Unaudited	31/12/2023 Audited
Non-current Assets				Current Liabilities			
Investment properties		1,233.4	1,197.7	Financial liabilities at fair value			
Property and equipment		342.5	402.1	through profit or loss	14	293.4	256.0
Right-of-use assets	13	296.4	272.8	Bank and other borrowings	20	6,171.0	5,495.4
Intangible assets		911.1	910.8	Creditors and accruals	21	351.9	467.4
Goodwill		2,384.0	2,384.0	Amounts due to brokers		83.5	77.4
Interest in associates		211.0	216.4	Amount due to a holding company		1.6	1.8
Interest in joint ventures		211.4	4.7	Provisions		59.7	52.0
Financial assets at fair value through				Taxation payable		142.7	125.4
other comprehensive income	14	201.5	192.3	Other liabilities	22	33.6	27.0
Financial assets at fair value through				Lease liabilities	23	111.3	84.2
profit or loss	14	8,765.3	9,470.9	Notes payable	25	2,617.2	2,859.8
Deferred tax assets		293.4	337.6			9,865.9	9,446.4
Amounts due from associates		203.4	64.9			10,270.3	11,431.9
Loans and advances to consumer				Net Current Assets			
finance customers	15	3,647.5	3,709.0	Total Assets less Current Liabilities		29,639.8	31,423.1
Mortgage loans	16	591.2	758.1	Capital and Reserves			
Term loans	17	40.7	40.0	Share capital	24	8,752.3	8,752.3
Prepayments, deposits and other				Reserves		12,289.4	12,515.7
receivables	18	36.7	29.9	Equity attributable to owners of the			
		19,369.5	19,991.2	Company		21,041.7	21,268.0
				Non-controlling interests		3,223.0	3,127.6
Current Assets				Total Equity		24,264.7	24,395.6
Financial assets at fair value through				Non-current Liabilities			
profit or loss	14	3,993.6	4,363.8	Financial liabilities at fair value			
Taxation recoverable		15.7	17.2	through profit or loss	14	109.4	111.6
Amounts due from associates		17.5	153.2	Deferred tax liabilities		137.9	138.1
Loans and advances to consumer				Bank and other borrowings	20	1,922.0	3,546.5
finance customers	15	6,698.9	6,918.2	Provisions		1.4	1.4
Mortgage loans	16	1,573.7	1,710.6	Other liabilities	22	40.5	36.9
Term loans	17	160.9	167.9	Lease liabilities	23	186.8	189.6
Prepayments, deposits and other				Notes payable	25	2,977.1	3,003.4
receivables	18	149.2	280.7			5,375.1	7,027.5
Amounts due from brokers		844.8	574.0			29,639.8	31,423.1
Bank deposits	19	1,253.9	230.6				
Cash and cash equivalents	19	5,428.0	6,462.1				
		20,136.2	20,878.3				



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 2024	8,752.3	(30.2)	9.3	(383.6)	(20.3)	109.4	12,831.1	21,268.0	3,127.6	24,395.6
Profit for the period	-	-	-	-	-	-	75.4	75.4	109.1	184.5
Other comprehensive expenses for the period	-	-	-	(20.2)	(5.7)	-	-	(25.9)	(12.4)	(38.3)
Total comprehensive (expenses) income for the period	-	-	-	(20.2)	(5.7)	-	75.4	49.5	96.7	146.2
Recognition of equity-settled share-based payments	-	-	(0.7)	-	-	-	-	(0.7)	-	(0.7)
Vesting of shares of the SHK Employee Ownership Scheme	-	4.6	(4.6)	-	-	-	-	-	-	-
Interim dividend paid (Note 11)	-	-	-	-	-	-	(275.1)	(275.1)	-	(275.1)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1.3)	(1.3)
Transfer from capital reserve to retained earnings	-	-	-	-	-	(1.9)	1.9	-	-	-
At 30 June 2024	8,752.3	(25.6)	4.0	(403.8)	(26.0)	107.5	12,633.3	21,041.7	3,223.0	24,264.7

(HK\$ Million)	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Shares held for Employee Ownership Scheme	Employee share-based compensation reserve	Exchange reserve	Revaluation reserve	Capital reserves	Retained earnings	Total		
At 1 January 2023	8,752.3	(36.5)	14.1	(327.0)	29.9	104.2	13,821.1	22,358.1	3,198.0	25,556.1
(Loss) profit for the period	-	-	-	-	-	-	(287.5)	(287.5)	156.7	(130.8)
Other comprehensive expenses for the period	-	-	-	(118.5)	(5.0)	-	-	(123.5)	(53.4)	(176.9)
Total comprehensive (expenses) income for the period	-	-	-	(118.5)	(5.0)	-	(287.5)	(411.0)	103.3	(307.7)
Recognition of equity-settled share-based payments	-	-	4.9	-	-	-	-	4.9	-	4.9
Vesting of shares of the SHK Employee Ownership Scheme	-	10.3	(10.3)	-	-	-	-	-	-	-
Shares repurchased and cancelled	-	-	-	-	-	-	(2.4)	(2.4)	-	(2.4)
Disposal of investment properties	-	-	-	-	(11.4)	-	11.4	-	-	-
Interim dividend paid (Note 11)	-	-	-	-	-	-	(275.4)	(275.4)	-	(275.4)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(3.8)	(3.8)
At 30 June 2023	8,752.3	(26.2)	8.7	(445.5)	13.5	104.2	13,267.2	21,674.2	3,297.5	24,971.7



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(HK\$ Million)	Six months ended		(HK\$ Million)	Six months ended	
	30/6/2024 Unaudited	30/6/2023 Unaudited		30/6/2024 Unaudited	30/6/2023 Unaudited
Operating activities			Financing activities		
Cash from (used in) operations			Bank and other borrowings repaid	(4,106.1)	(1,289.2)
– Change in loans and advances to consumer finance customers	(219.9)	(94.8)	Bank and other borrowings raised	3,151.0	750.5
– Change in mortgage loans	303.4	408.5	Payment of loan arrangement fees	–	(48.7)
– Change in term loans	1.0	44.3	Redemption of notes	(213.4)	(184.5)
– Change in financial assets at fair value through profit or loss	803.0	(368.6)	Repayment of notes	(50.0)	(190.0)
– Change in amounts due from brokers	(270.8)	344.8	Lease payments	(58.8)	(63.5)
– Change in creditors and accruals	(115.3)	(54.6)	Shares repurchased and cancelled	–	(2.4)
– Other operating cash flows	(316.5)	(335.8)	Dividends paid	(275.1)	(275.4)
	184.9	(56.2)	Dividends to non-controlling interests	(1.3)	(3.8)
Dividends received from financial assets at fair value through profit or loss	38.3	37.4	Distribution to third-party interests in consolidated structured entities	(2.9)	(21.4)
Interest received	1,781.4	1,893.6	Contribution from third-party interests in consolidated structured entities	3.3	20.3
Interest paid	(447.7)	(449.0)	Net cash used in financing activities	(1,553.3)	(1,308.1)
Taxation paid	(62.3)	(62.7)	Net (decrease) increase in cash and cash equivalents	(1,017.6)	1,001.1
Net cash from operating activities	1,494.6	1,363.1	Cash and cash equivalents at 1 January	6,462.1	5,727.4
Investing activities			Effect of foreign exchange rate changes	(16.5)	(95.3)
Purchase of an investment property	(31.3)	–	Cash and cash equivalents at 30 June	5,428.0	6,633.2
Purchase of property and equipment	(1.0)	(23.3)			
Purchase of intangible assets	(2.4)	(3.7)			
Refund (payment) of deposits of right-of-use assets	0.2	(0.2)			
Payment of deposits of property and equipment	(3.5)	(1.7)			
Proceeds on disposal of intangible assets	2.1	–			
Proceeds on disposal of property and equipment	–	2.8			
Proceeds on disposal of investment properties	–	44.8			
Capital injection to joint ventures	(180.9)	–			
Dividends received from joint ventures	–	182.9			
Purchase of long-term financial assets at fair value through profit or loss	(191.8)	(236.1)			
Proceeds from disposal of long-term financial assets as at fair value through profit or loss	476.7	868.6			
Placement of fixed deposits with banks	(1,290.3)	–			
Withdrawal of fixed deposits with banks	263.3	112.0			
Net cash (used in) from investing activities	(958.9)	946.1			



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 2023 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 2023 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.

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 values.

Other than additional accounting policies resulting from application of new and 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 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, 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.

Impacts on application of Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

Transition and summary of impact

Borrowings which are subject to meeting certain conditions/covenants within 12 months from reporting date

The Group's right to defer settlement for borrowings of HK\$3,413.1 million, HK\$2,201.4 million, HK\$3,484.4 million and HK\$1,859.9 million as at 1 January 2023, 30 June 2023, 31 December 2023 and 30 June 2024, respectively are subject to compliance with certain financial ratios only after the reporting period. Upon the application of the 2022 Amendments, such borrowings are still classified as non-current as the covenants which the Group is required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting date.

The change in accounting policy does not have impact to the Group's profit or loss or loss/earnings per share for the six months ended 30 June 2023 and 30 June 2024.



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 2024						
	Credit Business					Group Management and Support	Total
	Consumer Finance	Private Credit	Mortgage Loans	Investment Management	Funds Management		
Segment revenue	1,567.7	-	124.2	115.8	17.7	122.3	1,947.7
Less: inter-segment revenue	-	-	-	-	-	(31.9)	(31.9)
Segment revenue from external customers	1,567.7	-	124.2	115.8	17.7	90.4	1,915.8
Segment profit or loss	400.3	-	25.0	(382.7)	1.3	239.2	283.1
Share of results of associates	-	-	-	(1.5)	-	-	(1.5)
Share of results of joint ventures	-	-	-	25.8	-	-	25.8
Profit (loss) before taxation	400.3	-	25.0	(358.4)	1.3	239.2	307.4
Included in segment profit or loss:							
Interest income	1,526.0	-	124.2	67.5	0.6	99.4	1,817.7
Other gains	4.1	-	-	0.3	-	19.0	23.4
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	1.2	-	-	(12.3)	(0.7)	24.1	12.3
Net exchange loss	(2.1)	-	-	(6.9)	-	(4.7)	(13.7)
Net (recognition) reversal of impairment losses on financial assets	(386.3)	-	(33.8)	(8.1)	-	0.4	(427.8)
Other losses	(16.0)	-	-	(38.7)	-	(0.4)	(55.1)
Amortisation and depreciation	(56.9)	-	(2.2)	(0.4)	(0.2)	(26.6)	(86.3)
Finance costs	(262.2)	-	(40.1)	(10.5)	-	(199.2)	(512.0)
Less: inter-segment finance costs	-	-	11.0	8.2	-	-	19.2
Finance costs to external suppliers	(262.2)	-	(29.1)	(2.3)	-	(199.2)	(492.8)
Cost of capital (charges) income *	-	-	-	(348.7)	-	348.7	-

(HK\$ Million)	Six months ended 30 June 2023						
	Credit Business					Group Management and Support	Total
	Consumer Finance	Private Credit**	Mortgage Loans	Investment Management**	Funds Management		
Segment revenue	1,628.6	-	146.2	94.3	14.0	131.0	2,014.1
Less: inter-segment revenue	-	-	-	-	-	(45.8)	(45.8)
Segment revenue from external customers	1,628.6	-	146.2	94.3	14.0	85.2	1,968.3
Segment profit or loss	553.8	-	71.6	(853.4)	16.3	266.4	54.7
Share of results of associates	-	-	-	(8.0)	-	-	(8.0)
Share of results of joint ventures	-	(10.2)	-	-	-	-	(10.2)
Profit (loss) before taxation	553.8	(10.2)	71.6	(861.4)	16.3	266.4	36.5
Included in segment profit or loss:							
Interest income	1,605.6	-	146.2	45.6	0.2	92.4	1,890.0
Other gains	5.3	-	-	2.8	15.7	22.7	46.5
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	-	-	-	(420.7)	(0.8)	5.0	(416.5)
Net exchange (loss) gain	(12.3)	-	-	3.0	(0.1)	(26.6)	(36.0)
Net (recognition) reversal of impairment losses on financial assets	(293.6)	-	7.7	(24.8)	-	(0.1)	(310.8)
Other losses	(1.5)	-	-	(22.5)	-	-	(24.0)
Amortisation and depreciation	(69.9)	-	(2.9)	(0.1)	(0.2)	(26.5)	(99.6)
Finance costs	(238.2)	-	(51.8)	(14.9)	-	(212.3)	(517.2)
Less: inter-segment finance costs	-	-	18.4	12.5	-	-	30.9
Finance costs to external suppliers	(238.2)	-	(33.4)	(2.4)	-	(212.3)	(486.3)
Cost of capital (charges) income *	-	-	-	(367.5)	-	367.5	-

* 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.

** The comparative figures for Private Credit and Investment Management segments were re-presented to align with the changes to segment reporting adopted in 2023 annual report.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Segment Information *(Continued)*

The geographical information of revenue is disclosed as follows:

(HK\$ Million)	Six months ended	
	30/6/2024	30/6/2023
Revenue from external customers by location of operations		
– Hong Kong	1,726.2	1,682.4
– People's Republic of China ("PRC")	189.6	285.9
	1,915.8	1,968.3

5. Other Revenue

(HK\$ Million)	Six months ended	
	30/6/2024	30/6/2023
Service and commission income	40.2	20.1
Dividends from listed investments	30.1	30.8
Dividends from unlisted investments	8.2	8.7
Gross rental income from investment properties	11.0	12.1
Management fee income	2.4	3.1
Revenue sharing from funds	6.2	3.5
	98.1	78.3

6. Other Gains

(HK\$ Million)	Six months ended	
	30/6/2024	30/6/2023
Gain on repurchase of notes	3.2	21.2
Income from assignment of revenue sharing rights	–	15.7
Gain on disposal of property and equipment	–	2.0
Miscellaneous income	20.2	7.6
	23.4	46.5

7. Net Impairment Losses on Financial Assets

(HK\$ Million)	Six months ended	
	30/6/2024	30/6/2023
Loans and advances to consumer finance customers		
– Net impairment losses	(489.5)	(417.5)
– Recoveries of amounts previously written off	103.9	123.3
	(385.6)	(294.2)
Mortgage loans		
– Net (recognition) reversal of impairment losses	(33.8)	7.7
	(33.8)	7.7
Term loans		
– Net impairment losses	(5.6)	(24.4)
	(5.6)	(24.4)
Amounts due from associates		
– Net impairment losses	(2.1)	(0.5)
	(2.1)	(0.5)
Deposits and other receivables		
– Net (recognition) reversal of impairment losses	(0.7)	0.6
	(0.7)	0.6
	(427.8)	(310.8)

8. Other Losses

(HK\$ Million)	Six months ended	
	30/6/2024	30/6/2023
Decrease in fair value of investment properties	48.1	23.4
Change in net assets attributable to other holders of consolidated structured entities	3.2	0.4
Loss on disposal of property and equipment	3.2	–
Others	0.6	0.2
	55.1	24.0

9. Profit Before Taxation

(HK\$ Million)	Six months ended	
	30/6/2024	30/6/2023
Profit before taxation has been arrived at after charging:		
Depreciation of property and equipment	(20.8)	(29.1)
Depreciation of right-of-use assets	(62.8)	(68.0)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	(2.7)	(2.5)
Payments for short-term leases and leases of low-value assets	(0.9)	(0.7)
Interest on bank borrowings and notes payable	(484.6)	(479.6)
Interest on lease liabilities	(8.2)	(6.7)

10. Taxation

(HK\$ Million)	Six months ended	
	30/6/2024	30/6/2023
Current tax		
– Hong Kong	78.9	97.2
– PRC	2.2	1.8
	81.1	99.0
Deferred tax	41.8	68.3
	122.9	167.3

Hong Kong Profits Tax is calculated at 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong for the current and prior periods. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2023: 25%).

The Group is subject to the global minimum top-up tax Global Anti-base Erosion Rules ("Pillar Two Rules"). Few entities of the Group are operating in certain jurisdictions where the Pillar Two Rules are enacted but not yet effective. In respect of these entities, the Group has applied the temporary mandatory exception for recognising and disclosing deferred tax assets and liabilities for the impacts of the top-up tax and accounts for it as a current tax when it is incurred. It is estimated that the portion of the Group's profits which arises from these jurisdictions that are currently taxed at an average effective tax rate lower than 15 per cent and might be subject to Pillar Two income taxes will be immaterial to the Group. However, this information is based on the Group's best estimate of the calculation of globe income under the Pillar Two Rules. Because of the other potential specific adjustments envisaged in the Pillar Two Rules which may give rise to different effective tax rates compared to those calculated based on current estimation, the actual impact that the Pillar Two Rules would have had on the Group's results if it had been in effect may have been significantly different. The Group and its ultimate holding company are in the process of assessing the full impact of this in various regions that the Group has operations.

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

11. Dividends

(HK\$ Million)	Six months ended	
	30/6/2024	30/6/2023
Dividends recognised as distribution during the period		
– 2023 second interim dividend of HK14 cents per share (2023: 2022 second interim dividend of HK14 cents per share)	275.1	275.4
	275.1	275.4

Subsequent to the end of the interim reporting period, the Board has declared an interim dividend of HK 12 cents per share amounting to HK\$235.8 million (2023: interim dividend of HK12 cents per share amounting to HK\$236.0 million).

12. Earnings (Loss) Per Share

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

(HK\$ Million)	Six months ended	
	30/6/2024	30/6/2023
Profit (loss) for the purposes of basic and diluted earnings (loss) per share	75.4	(287.5)
Number of shares (in million)		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	1,957.2	1,958.3
Effect of dilutive potential ordinary shares:		
– Adjustments on SHK Employee Ownership Scheme	0.6	1.5
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	1,957.8	1,959.8



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Right-of-Use Assets

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

	30/6/2024	31/12/2023
Leasehold land	44.5 years	44.5 years
Office and retail shops	5.7 years	6.4 years
Equipment	4.8 years	4.4 years

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

(HK\$ Million)	30/6/2024	31/12/2023
Net carrying amount		
– Leasehold land	3.4	3.4
– Office and retail shops	292.6	268.7
– Equipment	0.4	0.7
	296.4	272.8

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

(HK\$ Million)	Six months ended	
	30/6/2024	30/6/2023
Amount recognised in profit or loss		
– Depreciation of right-of-use assets	62.8	68.0
– Interest expenses of lease liabilities	8.2	6.7
– Expenses relating to short-term leases and leases of low-value assets	0.9	0.7

Additions to right-of-use assets amount to HK\$86.5 million in the interim reporting period (six months ended 30 June 2023: HK\$34.5 million).

The total cash outflow for leases amount to HK\$67.9 million in the interim reporting period (six months ended 30 June 2023: HK\$70.9 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 2024			
	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income				
– Listed equity securities in Hong Kong	26.6	–	–	26.6
– Listed equity securities outside Hong Kong	166.4	–	–	166.4
– Unlisted overseas equity securities	–	–	8.5	8.5
	193.0	–	8.5	201.5
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	201.3	–	–	201.3
– Listed equity securities outside Hong Kong	700.9	–	–	700.9
– Unlisted equity securities in Hong Kong	–	1.0	–	1.0
– Unlisted equity securities outside Hong Kong	–	469.9	–	469.9
– Over the counter derivatives	–	44.9	–	44.9
– Quoted options and futures	32.2	44.3	–	76.5
– Listed warrants	0.4	–	–	0.4
– Bonds and notes	–	74.8	204.9	279.7
– Loans receivable	–	–	573.1	573.1
– Unlisted preferred and ordinary shares issued by unlisted companies	–	–	762.9	762.9
– Unlisted convertible bonds issued by unlisted companies	–	–	8.1	8.1
– Unlisted overseas equity securities with a put right	–	–	399.9	399.9
– Unlisted overseas investment funds	–	2,213.8	7,026.5	9,240.3
	934.8	2,848.7	8,975.4	12,758.9
Analysed for reporting purposes as:				
– Non-current assets				8,765.3
– Current assets				3,993.6
				12,758.9
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	50.3	41.8	–	92.1
– Foreign currency contracts	–	3.1	–	3.1
– Over the counter derivatives	–	28.1	–	28.1
– Short position in listed equity securities	105.9	–	–	105.9
– Listed equity securities outside Hong Kong under total return swap	0.1	–	–	0.1
– Unlisted equity securities outside Hong Kong under total return swap	–	43.6	–	43.6
Designated at fair value through profit or loss				
– Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	–	–	108.8	108.8
– Unlisted overseas investment funds under total return swap	–	–	21.1	21.1
	156.3	116.6	129.9	402.8
Analysed for reporting purposes as:				
– Non-current liabilities				109.4
– Current liabilities				293.4
				402.8



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Financial Assets and Liabilities *(Continued)*

(HK\$ Million)	At 31 December 2023			Total
	Fair value			
	Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income				
– Listed equity securities in Hong Kong	25.4	–	–	25.4
– Listed equity securities outside Hong Kong	158.4	–	–	158.4
– Unlisted overseas equity securities	–	–	8.5	8.5
	<u>183.8</u>	<u>–</u>	<u>8.5</u>	<u>192.3</u>
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	444.5	–	–	444.5
– Listed equity securities outside Hong Kong	766.7	–	–	766.7
– Unlisted equity securities in Hong Kong	–	1.0	–	1.0
– Unlisted equity securities outside Hong Kong	–	479.8	–	479.8
– Over the counter derivatives	–	181.2	–	181.2
– Quoted options and futures	51.9	24.9	–	76.8
– Listed warrants	0.9	–	–	0.9
– Bonds and notes	–	34.1	192.5	226.6
– Loans receivable	–	–	723.0	723.0
– Unlisted preferred and ordinary shares issued by unlisted companies	–	22.5	794.0	816.5
– Unlisted convertible bonds issued by unlisted companies	–	–	8.0	8.0
– Unlisted overseas equity securities with a put right	–	–	398.3	398.3
– Unlisted overseas investment funds	–	2,512.8	7,198.6	9,711.4
	<u>1,264.0</u>	<u>3,256.3</u>	<u>9,314.4</u>	<u>13,834.7</u>
Analysed for reporting purposes as:				
– Non-current assets				9,470.9
– Current assets				4,363.8
				<u>13,834.7</u>
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	86.6	13.7	–	100.3
– Foreign currency contracts	–	31.6	–	31.6
– Over the counter derivatives	–	27.8	–	27.8
– Short position in listed equity securities	31.1	–	–	31.1
– Listed equity securities outside Hong Kong under total return swap	0.1	–	–	0.1
– Unlisted equity securities outside Hong Kong under total return swap	–	44.6	–	44.6
Designated at fair value through profit or loss				
– Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	–	–	115.8	115.8
– Unlisted overseas investment funds under total return swap	–	–	16.3	16.3
	<u>117.8</u>	<u>117.7</u>	<u>132.1</u>	<u>367.6</u>
Analysed for reporting purposes as:				
– Non-current liabilities				111.6
– Current liabilities				256.0
				<u>367.6</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Financial Assets and Liabilities *(Continued)*

On the basis of its analysis of the nature, characteristics and risks of the equity securities, the Group has determined that presenting them by nature and type of issuers is appropriate.

Fair values are grouped from Level 1 to 3 based on the degree to which the fair values are observable.

- Level 1 fair value measurements are those 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 in estimating the fair values, the Group engages external valuers or establishes appropriate valuation techniques internally to perform the valuations which are reviewed by management. The fair values of Level 3 financial assets and liabilities are mainly derived from valuation techniques using an unobservable range of data.

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

	At 30 June 2024				
	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	204.9	Note 1
Loans receivable	Discounted cash flow	Discount rate	10.73% – 19.52%	573.1	An increase in discount rate would result in a decrease in the fair value.
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	65.01%	36.2	An increase in expected volatility would result in a decrease in the fair value.
	Market approach	Enterprise value to sales ratio	8.4		An increase in enterprise value to sales ratio would result in an increase in the fair value of ordinary shares.
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	84.22%	170.5	An increase in expected volatility would result in a decrease in the fair value.
	Market approach	Enterprise value to sales ratio	0.7 – 4.6		An increase in enterprise value to sales ratio would result in an increase in the fair value of ordinary shares.
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	66.29%	177.2	An increase in expected volatility would result in a decrease in the fair value.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Financial Assets and Liabilities (Continued)

	At 30 June 2024				Sensitivity analysis
	Valuation technique	Significant unobservable inputs	Input values	Fair value HK\$ Million	
Financial assets at fair value through profit or loss (Continued)					
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	38.46%	78.9	An increase in expected volatility would result in a decrease in the fair value.
	Market approach	Price to book ratio	1.6		An increase in price to book ratio would result in an increase in the fair value.
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	48.48%	8.0	An increase in expected volatility would result in a decrease in the fair value.
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	98.10%	2.0	An increase in expected volatility would result in a decrease in the fair value.
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	78.71%	65.9	An increase in expected volatility would result in a decrease in the fair value.
	Market approach	Price to sales ratio	5.2		An increase in price to sales ratio would result in an increase in the fair value.
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	36.27%	1.1	An increase in expected volatility would result in a decrease in the fair value.
	Market approach	Enterprise value to sales ratio	3.4		An increase in enterprise value to sales ratio would result in increase in the fair value of ordinary shares.
Unlisted ordinary shares issued by unlisted companies	Equity allocation method	Expected volatility	69.95%	1.0	An increase in expected volatility would result in a decrease in the fair value.
Unlisted ordinary shares issued by unlisted companies	Equity allocation method	Expected volatility	48.79%	82.5	An increase in expected volatility would result in a decrease in the fair value.
	Market approach	Enterprise value to sales ratio	1.8 – 3.1		An increase in enterprise value to sales ratio would result in increase in the fair value of ordinary shares.
Unlisted preferred and ordinary shares issued by unlisted companies	Net asset value	Note 1	Note 1	66.4	Note 1
Unlisted ordinary shares issued by unlisted companies	Equity allocation method	Expected volatility	66.29%	18.6	An increase in expected volatility would result in a decrease in the fair value.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Financial Assets and Liabilities *(Continued)*

	At 30 June 2024				
	Valuation technique	Significant unobservable inputs	Input values	Fair value HK\$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss (Continued)					
Unlisted convertible bonds issued by an unlisted company	Discounted cash flows	Discount rate	4.6%	8.1	An increase in discount rate would result in decrease in the fair value.
Unlisted overseas equity securities with a put right (Note 3)	Market approach	Price to book ratio	1.5	399.9	An increase in price to book ratio would result in an increase in the fair value.
		Price to tangible book ratio	2.1		An increase in price to tangible book ratio would result in an increase in the fair value.
		Price to sales ratio	0.8		An increase in price to sales ratio would result in an increase in the fair value.
Unlisted overseas investment funds	Net asset value	Note 1	Note 1	6,966.6	Note 1
Unlisted overseas investment funds	Market approach	Enterprise value to sales ratio	11.7	22.8	An increase in enterprise value to sales ratio would result in increase in the fair value of ordinary shares.
Unlisted overseas investment funds	Market approach	Price to sales ratio	4.8	33.5	An increase in price to sales ratio would result in an increase in the fair value.
Unlisted overseas investment funds	Market approach	Price to sales ratio	4.8	3.6	An increase in price to sales ratio would result in an increase in the fair value.
Financial liabilities at fair value through profit or loss					
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	Net asset value	Note 1	Note 1	19.6	Note 1
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	Equity allocation method	Expected volatility	66.29%	89.2	An increase in expected volatility would result in a decrease in the fair value.
Unlisted overseas investment funds under total return swap	Net asset value	Note 1	Note 1	21.1	Note 1



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Financial Assets and Liabilities *(Continued)*

	At 31 December 2023				
	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	192.5	Note 1
Loans receivable	Discounted cash flow	Discount rate	10.73% – 19.52%	723.0	An increase in discount rate would result in a decrease in the fair value.
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	67.96%	29.1	An increase in expected volatility would result in a decrease in the fair value. An increase in enterprise value to sales ratio would result in an increase in the fair value of ordinary shares.
	Market approach	Enterprise value to sales ratio	7.0		
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	80.67%	171.8	An increase in expected volatility would result in a decrease in the fair value.
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	99.87%	191.1	An increase in expected volatility would result in a decrease in the fair value.
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	45.25%	81.2	An increase in expected volatility would result in a decrease in the fair value. An increase in price to book ratio would result in an increase in the fair value.
	Market approach	Price to book ratio	1.7		
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	98.10%	2.0	An increase in expected volatility would result in a decrease in the fair value.
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	78.71%	67.9	An increase in expected volatility would result in a decrease in the fair value. An increase in price to sales ratio would result in an increase in the fair value.
	Market approach	Price to sales ratio	5.2		



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Financial Assets and Liabilities *(Continued)*

At 31 December 2023					
	Valuation technique	Significant unobservable inputs	Input values	Fair value HK\$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss (Continued)					
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	38.12%	1.3	An increase in expected volatility would result in a decrease in the fair value. An increase in enterprise value to sales ratio would result in increase in the fair value of ordinary shares.
	Market approach	Enterprise value to sales ratio	3.7		
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	45.13%	8.0	An increase in expected volatility would result in a decrease in the fair value.
Unlisted ordinary shares issued by unlisted companies	Equity allocation method	Expected volatility	72.14%	15.0	An increase in expected volatility would result in a decrease in the fair value.
Unlisted ordinary shares issued by unlisted companies	Equity allocation method	Expected volatility	67.25%	27.4	An increase in expected volatility would result in a decrease in the fair value. An increase in enterprise value to sales ratio would result in increase in the fair value of ordinary shares.
	Market approach	Enterprise value to sales ratio	2.0		
Unlisted ordinary shares issued by unlisted companies	Net asset value	Note 1	Note 1	66.7	Note 1
Unlisted ordinary shares issued by unlisted companies	Equity allocation method	Expected volatility	42.57%	79.7	An increase in expected volatility would result in a decrease in the fair value.
Unlisted convertible bonds issued by an unlisted company	Binomial Model	Expected volatility	38.31%	8.0	An increase in expected volatility would result in a decrease in the fair value. An increase in discount rate would result in decrease in the fair value.
		Discount rate	3.94%		



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Financial Assets and Liabilities *(Continued)*

At 31 December 2023					
	Valuation technique	Significant unobservable inputs	Input values	Fair value HK\$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss (Continued)					
Unlisted overseas equity securities with a put right (Note 3)	Market approach	Price to book ratio	1.4	398.3	An increase in price to book ratio would result in an increase in the fair value.
		Price to tangible book ratio	2.0		An increase in price to tangible book ratio would result in an increase in the fair value.
		Price to sales ratio	1.0		An increase in price to sales ratio would result in an increase in the fair value.
Unlisted overseas investment funds	Net asset value	Note 1	Note 1	7,129.0	Note 1
Unlisted overseas investment funds	Market approach	Enterprise value to sales ratio	11.6	0.1	An increase in enterprise value to sales ratio would result in increase in the fair value of ordinary shares.
Unlisted overseas investment funds	Market approach	Enterprise value to sales ratio	11.6	22.6	An increase in enterprise value to sales ratio would result in increase in the fair value of ordinary shares.
Unlisted overseas investment funds	Market approach	Price to sales ratio	6.4	42.9	An increase in price to sales ratio would result in an increase in the fair value.
Unlisted overseas investment funds	Market approach	Recent transaction prices	N/A	4.0	N/A
Financial liabilities at fair value through profit or loss					
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	Net asset value	Note 1	Note 1	20.6	Note 1
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	Equity allocation method	Expected volatility	99.87%	95.2	An increase in expected volatility would result in a decrease in the fair value.
Unlisted overseas investment funds under total return swap	Net asset value	Note 1	Note 1	16.3	Note 1

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.

Note 3: An investment held by a wholly owned subsidiary of the Group remains to be in level 3 during the period ended 30 June 2024 due to unobservability of valuation inputs. Significant assumptions involved in this valuation of fair value of the investment (which is an unlisted overseas equity security) include the success probability of legal proceedings in relation to the underlying agreements and share registration, the selection of market multiple and comparable companies, and the estimation of discount for lack of marketability.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Financial Assets and Liabilities (Continued)

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

(HK\$ Million)	2024							Balance at 30/6/2024	Unrealised gain or loss for the period
	Balance at 1/1/2024	Transfer [^]	Recognised gains or losses		Purchase	Disposal			
			Profit or loss	Other comprehensive income					
Financial assets at fair value through other comprehensive income									
Unlisted overseas equity securities	8.5	-	-	-	-	-	8.5	-	
Financial assets at fair value through profit or loss									
Bonds and notes	192.5	-	12.4	-	-	-	204.9	12.4	
Loans receivable	723.0	-	(0.5)	-	41.2	(190.6)	573.1	(0.5)	
Unlisted preferred and ordinary shares issued by unlisted companies	794.0	18.6	(49.5)	-	-	(0.2)	762.9	(49.6)	
Unlisted convertible bonds issued by companies	8.0	-	0.1	-	-	-	8.1	0.1	
Unlisted overseas equity securities with a put right	398.3	-	1.6	-	-	-	399.9	1.6	
Unlisted overseas investment funds	7,198.6	-	(46.8)	-	192.6	(317.9)	7,026.5	(58.1)	
Financial liabilities at fair value through profit or loss									
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	(115.8)	-	(7.0)	-	-	-	(108.8)	(7.0)	
Unlisted overseas investment funds under total return swap	(16.3)	-	4.8	-	-	-	(21.1)	4.8	

[^] 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.

(HK\$ Million)	2023							Balance at 31/12/2023	Unrealised gain or loss for the year
	Balance at 1/1/2023	Transfer [^]	Recognised gains or losses		Purchase	Disposal			
			Profit or loss	Other comprehensive income					
Financial assets at fair value through other comprehensive income									
Unlisted overseas equity securities	8.5	-	-	-	-	-	8.5	-	
Financial assets at fair value through profit or loss									
Bonds and notes	177.8	-	14.7	-	-	-	192.5	14.7	
Loans receivable	434.3	-	57.1	-	326.5	(94.9)	723.0	57.1	
Unlisted call option for club memberships	5.2	-	0.4	-	-	(5.6)	-	-	
Unlisted preferred and ordinary shares issued by unlisted companies	566.3	207.3	23.7	-	-	(3.3)	794.0	23.0	
Unlisted convertible bonds issued by companies	24.0	8.0	4.3	-	-	(28.3)	8.0	-	
Unlisted overseas equity securities with a put right	398.3	-	-	-	-	-	398.3	-	
Unlisted overseas investment funds	7,666.4	(175.9)	54.2	-	376.6	(722.7)	7,198.6	(222.7)	
Financial liabilities at fair value through profit or loss									
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	(106.4)	-	(9.4)	-	-	-	(115.8)	(9.4)	
Unlisted overseas investment funds under total return swap	(15.5)	-	(0.8)	-	-	-	(16.3)	(0.8)	

[^] 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.

The net gain (loss) recognised in profit or loss for the period included an unrealised loss of HK\$94.1 million relating to level 3 financial assets at FVTPL as at 30 June 2024 (six months ended 30 June 2023: HK\$42.9 million) and unrealised loss of HK\$2.2 million relating to level 3 financial liabilities at FVTPL as at 30 June 2024 (six months ended 30 June 2023: HK\$2.3 million). Fair value gains or losses on financial assets and liabilities measured at FVTPL are included in "net profit/loss on financial assets and liabilities at fair value through profit or loss".

Save as disclosed elsewhere, the directors of the Company consider that the carrying amounts of financial assets and liabilities measured at amortised cost recognised in the condensed consolidated financial statements approximate their fair values.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. Loans and Advances to Consumer Finance Customers

(HK\$ Million)	30/6/2024	31/12/2023
Loans and advances to consumer finance customers		
– Hong Kong	8,991.9	9,123.7
– PRC	1,928.5	2,073.3
	10,920.4	11,197.0
Less: impairment allowance	(574.0)	(569.8)
	10,346.4	10,627.2
Analysed for reporting purposes as:		
– Non-current assets	3,647.5	3,709.0
– Current assets	6,698.9	6,918.2
	10,346.4	10,627.2

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

(Per annum)	30/6/2024	31/12/2023
Fixed rate loans receivable	6.0% to 48.0%	6.0% to 48.0%
Variable rate loans receivable	P+4.0%	P+4.0%

“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 5.875% per annum at 30 June 2024 (2023: 5.75% per annum).

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)	30/6/2024	31/12/2023
Less than 31 days past due	590.1	707.9
31 – 60 days	214.1	159.1
61 – 90 days	50.4	22.2
91 – 180 days	14.7	58.6
Over 180 days	70.5	61.6
	939.8	1,009.4

16. Mortgage Loans

(HK\$ Million)	30/6/2024	31/12/2023
Mortgage loans		
– Hong Kong	2,299.3	2,569.1
Less: impairment allowance	(134.4)	(100.4)
	2,164.9	2,468.7
Analysed for reporting purposes as:		
– Non-current assets	591.2	758.1
– Current assets	1,573.7	1,710.6
	2,164.9	2,468.7

The mortgage loans bear interest rate are as follows:

(Per annum)	30/6/2024	31/12/2023
Fixed rate loans receivable	8.0% to 21.0%	8.0% to 20.5%
Variable rate loans receivable	P+0.5% to P+11.875%	P+0.5% to P+10.125%

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

(HK\$ Million)	30/6/2024	31/12/2023
Less than 31 days past due	102.9	101.1
31 – 60 days	119.5	8.9
61 – 90 days	140.6	7.0
91 – 180 days	146.3	381.4
Over 180 days	370.9	114.6
	880.2	613.0

As of 30 June 2024, HK\$482.5 million (2023: HK\$732.0 million) of mortgage loans receivable were pledged for a securitization financing transaction. Details of the transaction are disclosed in Note 25.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. Term Loans

(HK\$ Million)	30/6/2024	31/12/2023
Secured term loans	609.3	671.4
Unsecured term loans	73.1	60.1
	682.4	731.5
Less: impairment allowance	(480.8)	(523.6)
	201.6	207.9
Analysed for reporting purposes as:		
– Non-current assets	40.7	40.0
– Current assets	160.9	167.9
	201.6	207.9

The term loans bear interest rate are as follows:

(Per annum)	30/6/2024	31/12/2023
Fixed rate loans receivable	8.2% to 19.8%	8.2% to 19.8%
Variable rate loans receivable	P+1.0%	P+1.0%

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.

18. Prepayments, Deposits and Other Receivables

(HK\$ Million)	30/6/2024	31/12/2023
Deposits	58.9	62.7
Other receivables	79.6	118.7
Less: impairment allowance	(1.0)	(0.3)
Deposits and other receivables at amortised cost	137.5	181.1
Prepayments	48.4	129.5
	185.9	310.6
Analysed for reporting purposes as:		
– Non-current assets	36.7	29.9
– Current assets	149.2	280.7
	185.9	310.6

The following is an ageing analysis of the deposits and other receivables based on date of invoice/contract note at the reporting date, net of allowance for credit losses:

(HK\$ Million)	30/6/2024	31/12/2023
Less than 31 days	78.6	40.2
Deposits and other receivables without ageing	58.9	140.9
Deposits and other receivables at amortised cost	137.5	181.1

19. Bank Deposits, Cash and Cash Equivalents

(HK\$ Million)	30/6/2024	31/12/2023
Bank balances and cash	1,995.6	3,172.1
Fixed deposits with banks with an original maturity within 3 months	3,432.4	3,290.0
Cash and cash equivalents	5,428.0	6,462.1
Fixed deposits with banks with an original maturity between 4 to 12 months	1,253.9	230.6
	6,681.9	6,692.7



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. Bank and Other Borrowings

(HK\$ Million)	30/6/2024	31/12/2023
Bank loans		
– Unsecured term loans	7,930.9	8,628.7
– Secured loans	100.0	351.1
Total bank borrowings	8,030.9	8,979.8
Other borrowings	62.1	62.1
	8,093.0	9,041.9
Analysed for reporting purposes as:		
– Current liabilities	6,171.0	5,495.4
– Non-current liabilities	1,922.0	3,546.5
	8,093.0	9,041.9

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

(HK\$ Million)	30/6/2024	31/12/2023
Bank borrowings		
– Within one year	6,171.0	5,295.4
– In the second year	1,378.5	1,779.9
– Over two years and within five years	481.4	1,704.5
Bank borrowings with a repayment on demand clause		
– Within one year	–	200.0
	8,030.9	8,979.8
Other borrowings		
– Over five years	62.1	62.1
	8,093.0	9,041.9

21. Creditors and Accruals

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

(HK\$ Million)	30/6/2024	31/12/2023
Less than 31 days/repayable on demand	164.8	145.5
31 – 60 days	4.4	5.1
61 – 90 days	6.2	4.9
181 – 365 days	–	0.4
	175.4	155.9
Accrued staff costs, other accrued expenses and creditors without ageing	176.5	311.5
	351.9	467.4

22. Other Liabilities

(HK\$ Million)	30/6/2024	31/12/2023
Non-current		
– Third-party interests in consolidated structured entities	40.5	36.9
Current		
– Third-party interests in consolidated structured entities	33.6	27.0
	74.1	63.9

Third-party interests in consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities which are reflected as liabilities since there is a contractual obligation for the Group to repurchase or redeem the unit for cash. The third-party interests in consolidated structured entities are categorised at level 2 under fair value hierarchy.

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.

23. Lease Liabilities

(HK\$ Million)	30/6/2024	31/12/2023
Current liabilities	111.3	84.2
Non-current liabilities	186.8	189.6
	298.1	273.8

(HK\$ Million)	30/6/2024	31/12/2023
Maturity analysis:		
Not later than 1 year	111.3	84.2
Later than 1 year and not later than 5 years	136.0	130.0
Later than 5 years	50.8	59.6
	298.1	273.8



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. Share Capital

	Number of shares		Share capital	
	Six months ended 30/6/2024 Million Shares	Year ended 31/12/2023 Million Shares	Six months ended 30/6/2024 HK\$ Million	Year ended 31/12/2023 HK\$ Million
Issued and fully paid				
Balance brought forward	1,965.2	1,967.4	8,752.3	8,752.3
Shares repurchased and cancelled	–	(2.2)	–	–
Balance carried forward	1,965.2	1,965.2	8,752.3	8,752.3

During the period, the trustee of the SHK Employee Ownership Scheme (the “EOS”) did not acquire any shares (six months ended 30 June 2023: nil) 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\$nil (six months ended 30 June 2023: HK\$nil), 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\$0.02 million (six months ended 30 June 2023: HK\$2.4 million).

25. Notes Payable

(HK\$ Million)	30/6/2024	31/12/2023
US dollar denominated notes (the “US\$ Notes”)		
– 5.75% US\$ Notes maturing in November 2024 (the “2024 Notes”)	2,209.5	2,401.3
– 5.00% US\$ Notes maturing in September 2026 (the “2026 Notes”)	3,034.0	3,060.7
HK dollar denominated notes (the “HK\$ Notes”)		
– Asset backed notes maturing in June 2025	350.8	401.2
	5,594.3	5,863.2
Analysed for reporting purposes as:		
– Current liabilities	2,617.2	2,859.8
– Non-current liabilities	2,977.1	3,003.4
	5,594.3	5,863.2

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 2024 Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 2024 Notes after eliminating the intra-group holdings was US\$280.5 million or equivalent to HK\$2,190.3 million (31/12/2023: US\$304.9 million or equivalent to HK\$2,381.1 million) at the reporting date. The fair value of the 2024 Notes based on the price quoted from pricing service at the reporting date was HK\$2,195.0 million (31/12/2023: HK\$2,343.8 million) which was categorised as Level 2.

The 2026 Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 2026 Notes was US\$382.8 million or equivalent to HK\$2,989.1 million (31/12/2023: US\$386.2 million or equivalent to HK\$3,015.6 million) at the reporting date. The fair value of the 2026 Notes based on the price quoted from pricing service at the reporting date was HK\$2,801.5 million (31/12/2023: HK\$2,634.3 million) which was categorised as Level 2.

During the period ended 30 June 2024, the Group has repurchased an aggregate principal amount of US\$24.4 million of the 2024 Notes and an aggregate principal amount of US\$3.4 million of the 2026 Notes. The repurchased 2024 Notes and 2026 Notes were cancelled thereafter respectively.

During the year ended 31 December 2023, the Group had repurchased an aggregate principal amount of US\$24.6 million of the 2024 Notes and an aggregate principal amount of US\$34.9 million of the 2026 Notes. All notes were cancelled during that year.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. Notes Payable (Continued)

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 loans receivable 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 2024, 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 loans receivable 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 loans receivable 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 2024	
Carrying amount of transferred assets	482.5
Carrying amount of associated liabilities	350.8
Net position	131.7
As at 31 December 2023	
Carrying amount of transferred assets	732.0
Carrying amount of associated liabilities	401.2
Net position	330.8

26. Related Party Transactions

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

(HK\$ Million)	Six months ended	
	30/6/2024	30/6/2023
Associates and joint ventures of ultimate holding company		
Executive international business travel charge received/receivable from an associate of ultimate holding company	2.0	–
Building management fees to a joint venture of ultimate holding company	(2.6)	(2.8)
Interest expense to a joint venture of ultimate holding company on lease liabilities *	(1.5)	(0.3)
Holding company and its subsidiaries		
Executive international business travel charge received/receivable from a fellow subsidiary	2.0	–
Finance costs to fellow subsidiaries	(2.9)	(2.6)
Licence fee paid/payable to a fellow subsidiary	(1.3)	(1.0)
Interest expenses to a fellow subsidiary on lease liabilities	(0.2)	(0.4)
Management fees paid/payable to a holding company	(3.1)	(3.1)
Building management fees to a holding company	–	(0.1)
Rental and building management fees to fellow subsidiaries	(0.6)	(0.5)
Interest expense to a holding company on lease liabilities #	(1.3)	(1.5)
Other related parties		
Executive international business travel charge received/receivable from related companies	4.0	–
Management fee received/receivable from a director of the Company under the Discretionary Investment Management Agreement	0.3	0.3
Advisory service fee paid/payable to Vice Chairman and Non-Executive Director of a holding company	(1.5)	(1.5)

* As at 30 June 2024, the Group has lease liabilities of HK\$40.7 million (31/12/2023: HK\$nil) to the joint venture of ultimate holding company. During the six months ended 30 June 2024, the Group recognised additions to right-of-use assets of HK\$54.4 million (six months ended 30 June 2023: HK\$nil) and additions to lease liabilities of HK\$53.4 million (six months ended 30 June 2023: HK\$nil) for properties with joint venture of the ultimate holding company.

As at 30 June 2024, the Group has lease liabilities of HK\$65.8 million (31/12/2023: HK\$75.2 million) to a holding company and its subsidiaries. During the six months ended 30 June 2024, the Group recognised additions to right-of-use assets of HK\$nil (six months ended 30 June 2023: HK\$12.9 million) and additions to lease liabilities of HK\$nil (six months ended 30 June 2023: HK\$12.1 million) for properties with a holding company.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. Related Party Transactions *(Continued)*

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

(HK\$ Million)	Six months ended	
	30/6/2024	30/6/2023
Short-term benefits	13.5	13.4
Post-employment benefits	0.7	0.5
	14.2	13.9

During the period, 627,000 shares (six months ended 30 June 2023: 903,000 shares) were granted under the EOS to Directors and other members of key management. In addition, 279,000 shares (six months ended 30 June 2023: 591,000 shares) with a total amount of HK\$0.6 million (six months ended 30 June 2023: HK\$2.9 million) were vested for Directors and other members of key management during the period. The total dividend payments paid to the Directors and other members of key management during the period is HK\$0.1 million (six months ended 30 June 2023: HK\$0.2 million). Further details of the EOS are disclosed in the Management Discussion and Analysis section of this interim report.

Loans and credit facilities to key management personnel

During the period, the Group provided credit facilities and loans to key management personnel and their close family member of the Group. The credit facilities and loans were provided in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of a similar standing or, where applicable, with other employees.

(HK\$ Million)	30/6/2024	31/12/2023
Aggregate amount of relevant loans made by the Group outstanding at	–	–
Maximum aggregate amount of relevant loans made by the Group outstanding during the period	0.1	–
Credit facilities to key management personnel of the Group and their close family member	1.3	1.0

27. Commitments

(a) Other commitments

(HK\$ Million)	30/6/2024	31/12/2023
Capital commitments for funds	1,617.1	1,438.4
Other capital commitments	5.7	8.9
	1,622.8	1,447.3

(b) Lease commitments

The Group as lessee:

At 30 June 2024, the Group is committed to HK\$0.3 million (31/12/2023: HK\$0.8 million) for short-term leases.

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

The Group as lessor:

At 30 June 2024, all of the properties held for rental purpose have committed operating leases for the next 3 years (31/12/2023: 3 years) respectively. Undiscounted lease payments receivables on leases are as follows:

(HK\$ Million)	30/6/2024	31/12/2023
Within one year	16.1	16.1
In the second year	10.1	3.9
In the third year	8.5	0.4
	34.7	20.4

(c) Loan commitments

(HK\$ Million)	30/6/2024	31/12/2023
Within one year	2,415.6	2,126.6
	2,415.6	2,126.6

28. Contingent Liabilities

One subsidiary of the Group is the named defendant in legal action filed in the United States. The legal action relates to a disagreement regarding an incorrect transfer of a number of shares to the said subsidiary by a third party in 2017. The plaintiffs are claiming unspecified damages of US\$10 million and management considers that it is less than probable that a material outflow of resources embodying economic benefits will be required to settle the obligation. Therefore no provision for the contingent liabilities in respect of this legal action is necessary.



29. Financial Risk Management

Risk is inherent in the financial service business and sound risk management is a cornerstone of prudent and successful financial practice. That said, the Group acknowledges that a balance must be achieved between risk control and business growth. The principal financial risks inherent in the Group's business are market risk (includes price 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, real estate 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.

(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 (including the Group CFO).



30. Critical Accounting Judgments And Key Sources Of Estimation Uncertainty

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

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

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

In preparing the 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 2023.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lee Seng Huang (*Group Executive Chairman*)
Brendan James McGraw

Non-Executive Directors

Simon Chow Wing Charn
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*)
Brendan James McGraw

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*)
Evan Au Yang Chi Chun
Vivian Alexa Kao
Brendan James McGraw
Antony James Edwards (*appointed on 19 January 2024*)
Wong Kin Wing
Phoebe Yuen Oi Ying

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Vivian Alexa Kao (*Chairman*)
David Craig Bartlett
Brendan James McGraw
Wayne Robert Porritt
Gary Chan Ming Tak
Samantha Che Chi Wing
Antony James Edwards (*appointed on 21 March 2024*)
Yeung Mei
Phoebe Yuen Oi Ying

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
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CORPORATE INFORMATION

BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Mizuho Bank, Ltd., Hong Kong Branch
Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
China CITIC Bank International Limited
OCBC Bank (Hong Kong) 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
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
UBS AG, London Branch
Ping An Bank Co., Ltd., Hong Kong Branch
Bank SinoPac
China Everbright Bank Co., Ltd., Hong Kong Branch
Sumitomo Mitsui Trust Bank, Limited, Hong Kong Branch
East West Bank Hong Kong Branch
EnTie Commercial Bank
KGI Bank Co., Limited
Nanyang Commercial Bank Limited

REGISTERED OFFICE

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WEBSITES

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