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新鴻基有限公司

SUN HUNG KAI & CO. LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board of Directors (the “Board” or the “Directors”) of Sun Hung Kai & Co. Limited (the “Company” or “SHK & Co.”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30/6/2021	30/6/2020
		Unaudited	Unaudited
	<i>Notes</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Interest income		2,031.8	1,988.0
Other revenue	4	64.2	54.9
Other gains	5	74.2	6.7
Total income		2,170.2	2,049.6
Brokerage and commission expenses		(42.7)	(19.9)
Advertising and promotion expenses		(47.9)	(58.5)
Direct cost and operating expenses		(49.3)	(45.4)
Administrative expenses		(756.6)	(501.8)
Net gain on financial assets and liabilities at fair value through profit or loss		2,726.1	470.9
Net exchange (loss) gain		(33.7)	36.3
Net impairment losses on financial assets	6	(337.9)	(484.8)
Finance costs		(357.7)	(438.3)
Other losses		(19.2)	(96.1)
		3,251.3	912.0
Share of results of associates		0.9	43.2
Share of results of joint ventures		(36.5)	(4.7)

		Six months ended	
		30/6/2021	30/6/2020
		Unaudited	Unaudited
<i>Notes</i>		<i>HK\$ Million</i>	<i>HK\$ Million</i>
Profit before taxation	7	3,215.7	950.5
Taxation	8	(263.8)	(87.8)
Profit for the period		<u>2,951.9</u>	<u>862.7</u>
Profit attributable to:			
– Owners of the Company		2,693.0	695.2
– Non-controlling interests		258.9	167.5
		<u>2,951.9</u>	<u>862.7</u>
Earnings per share	10		
– Basic (HK cents)		<u>136.2</u>	<u>34.9</u>
– Diluted (HK cents)		<u>136.1</u>	<u>34.9</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30/6/2021	31/12/2020
		Unaudited	Audited
	<i>Notes</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Non-current Assets			
Investment properties		1,258.2	1,276.5
Property and equipment		452.0	436.5
Right-of-use assets		310.7	323.2
Intangible assets		905.4	904.4
Goodwill		2,384.0	2,384.0
Interest in associates		210.1	212.2
Interest in joint ventures		436.9	466.4
Financial assets at fair value through other comprehensive income		327.6	120.9
Financial assets at fair value through profit or loss		11,418.6	9,124.6
Deferred tax assets		648.4	780.7
Amounts due from associates		272.6	279.0
Loans and advances to consumer finance customers	<i>11</i>	3,410.4	3,088.9
Mortgage loans	<i>12</i>	1,729.8	1,192.9
Term loans	<i>13</i>	547.0	554.5
Trade receivables, prepayments and other receivables	<i>14</i>	21.1	17.3
		24,332.8	21,162.0
Current Assets			
Financial assets at fair value through profit or loss		6,657.9	4,461.5
Taxation recoverable		13.6	3.3
Amounts due from associates		2.2	12.1
Loans and advances to consumer finance customers	<i>11</i>	7,672.4	7,474.8
Mortgage loans	<i>12</i>	1,611.4	1,820.8
Term loans	<i>13</i>	721.9	1,158.2
Trade receivables, prepayments and other receivables	<i>14</i>	211.5	378.3
Amounts due from brokers		643.4	354.3
Bank deposits		–	12.3
Cash and cash equivalents		5,786.9	7,245.6
		23,321.2	22,921.2

		30/6/2021	31/12/2020
		Unaudited	Audited
	<i>Note</i>	HK\$ Million	HK\$ Million
Current Liabilities			
Financial liabilities at fair value through profit or loss		1,120.3	172.8
Bank and other borrowings		6,092.6	6,083.2
Trade payables, other payables and accruals	15	595.2	705.4
Financial assets sold under repurchase agreements		974.8	–
Amounts due to fellow subsidiaries and a holding company		2.2	4.7
Provisions		39.2	46.2
Taxation payable		189.3	137.6
Other liabilities		53.6	–
Lease liabilities		87.5	84.2
Notes/paper payable		962.6	2,013.4
		10,117.3	9,247.5
Net Current Assets		13,203.9	13,673.7
Total Assets less Current Liabilities		37,536.7	34,835.7
Capital and Reserves			
Share capital		8,752.3	8,752.3
Reserves		16,535.2	13,872.9
Equity attributable to owners of the Company		25,287.5	22,625.2
Non-controlling interests		3,187.2	3,327.1
Total Equity		28,474.7	25,952.3
Non-current Liabilities			
Deferred tax liabilities		137.2	137.1
Bank and other borrowings		2,510.0	2,384.1
Provisions		0.4	0.3
Other liabilities		53.0	–
Lease liabilities		216.9	228.5
Notes/paper payable		6,144.5	6,133.4
		9,062.0	8,883.4
		37,536.7	34,835.7

Notes:

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

The financial information relating to the financial year ended 31 December 2020 included in this announcement of interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the period, the Group adopted certain Amendments to Standards that are mandatorily effective for the Group's financial year beginning on 1 January 2021. The adoption of these Amendments has had no material effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods. Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements for the six months ended 30 June 2021 as were applied in the preparation of the Group's financial statements for the year ended 31 December 2020.

Application of new and amendments to HKFRSs

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

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

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

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

3. SEGMENT INFORMATION

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

Six months ended 30 June 2021						
	Financing Business				Group	Total
	Consumer Finance HK\$ Million	Specialty Finance HK\$ Million	Mortgage Loans HK\$ Million	Investment Management HK\$ Million	Management and Support HK\$ Million	
Segment revenue	1,741.1	108.2	149.4	69.4	129.2	2,197.3
Less: inter-segment revenue	-	-	-	-	(101.3)	(101.3)
Segment revenue from external customers	<u>1,741.1</u>	<u>108.2</u>	<u>149.4</u>	<u>69.4</u>	<u>27.9</u>	<u>2,096.0</u>
Segment profit or loss	871.9	12.3	58.9	2,324.1	(15.9)	3,251.3
Share of results of associates	-	-	-	0.9	-	0.9
Share of results of joint ventures	-	(23.7)	-	(12.8)	-	(36.5)
Profit (loss) before taxation	<u>871.9</u>	<u>(11.4)</u>	<u>58.9</u>	<u>2,312.2</u>	<u>(15.9)</u>	<u>3,215.7</u>
Included in segment profit or loss:						
Interest income	1,732.1	85.1	149.4	34.2	31.0	2,031.8
Other gains	3.5	1.8	0.5	61.4	7.0	74.2
Net gain on financial assets and liabilities	-	62.7	-	2,661.8	1.6	2,726.1
Net exchange gain (loss)	1.5	-	-	(7.8)	(27.4)	(33.7)
Net impairment losses on financial assets	(206.8)	(109.5)	(12.5)	(9.1)	-	(337.9)
Other losses	(0.2)	-	-	(19.0)	-	(19.2)
Amortisation and depreciation	<u>(58.0)</u>	<u>-</u>	<u>(2.6)</u>	<u>-</u>	<u>(23.7)</u>	<u>(84.3)</u>
Finance costs	(115.2)	(49.7)	(51.5)	-	(234.7)	(451.1)
Less: inter-segment finance costs	-	49.7	43.7	-	-	93.4
Finance costs to external suppliers	<u>(115.2)</u>	<u>-</u>	<u>(7.8)</u>	<u>-</u>	<u>(234.7)</u>	<u>(357.7)</u>
Cost of capital (charges) income *	<u>-</u>	<u>-</u>	<u>-</u>	<u>(273.3)</u>	<u>273.3</u>	<u>-</u>

Six months ended 30 June 2020

	Financing Business					Total HK\$ Million
	Consumer Finance HK\$ Million	Specialty Finance** HK\$ Million	Mortgage Loans HK\$ Million	Investment Management** HK\$ Million	Group Management and Support HK\$ Million	
Segment revenue	1,623.7	146.2	169.3	75.7	137.7	2,152.6
Less: inter-segment revenue	—	—	—	—	(109.7)	(109.7)
Segment revenue from external customers	<u>1,623.7</u>	<u>146.2</u>	<u>169.3</u>	<u>75.7</u>	<u>28.0</u>	<u>2,042.9</u>
Segment profit or loss	520.0	28.8	65.5	391.3	(93.6)	912.0
Share of results of associates	—	—	—	43.2	—	43.2
Share of results of joint ventures	—	(6.5)	—	1.8	—	(4.7)
Profit (loss) before taxation	<u>520.0</u>	<u>22.3</u>	<u>65.5</u>	<u>436.3</u>	<u>(93.6)</u>	<u>950.5</u>
Included in segment profit or loss:						
Interest income	1,611.3	132.4	169.3	46.7	28.3	1,988.0
Other gains (losses)	6.8	—	—	1.5	(1.6)	6.7
Net (loss) gain on financial assets and liabilities	(0.1)	(0.4)	—	592.4	(121.0)	470.9
Net exchange (loss) gain	(2.3)	—	—	(0.2)	38.8	36.3
Net impairment (losses) reversal on financial assets	(439.2)	(63.9)	(24.1)	42.4	—	(484.8)
Other losses	(0.9)	—	—	(95.2)	—	(96.1)
Amortisation and depreciation	<u>(60.5)</u>	<u>—</u>	<u>(3.4)</u>	<u>—</u>	<u>(7.3)</u>	<u>(71.2)</u>
Finance costs	(171.1)	(51.3)	(58.8)	—	(259.1)	(540.3)
Less: inter-segment finance costs	—	51.3	50.7	—	—	102.0
Finance costs to external suppliers	<u>(171.1)</u>	<u>—</u>	<u>(8.1)</u>	<u>—</u>	<u>(259.1)</u>	<u>(438.3)</u>
Cost of capital (charges) income *	<u>—</u>	<u>—</u>	<u>—</u>	<u>(200.7)</u>	<u>200.7</u>	<u>—</u>

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

** The comparative figures for Specialty Finance and Investment Management segments were re-presented to align with the changes to segment reporting adopted in the 2020 annual report.

The geographical information of revenue is disclosed as follows:

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

4. OTHER REVENUE

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

5. OTHER GAINS

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

6. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

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

7. PROFIT BEFORE TAXATION

	Six months ended	
	30/6/2021	30/6/2020
	HK\$ Million	HK\$ Million
Profit before taxation has been arrived at after charging:		
Depreciation of property and equipment	(28.7)	(21.2)
Depreciation of right-of-use assets	(54.0)	(49.1)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	(1.6)	(0.9)
Payments for short-term leases and leases of low-value assets	(2.3)	(4.7)
Interest on bank borrowings, notes/paper payable and financial assets sold under repurchase agreements	(351.4)	(427.1)
Interest on lease liabilities	(6.3)	(2.3)
Decrease in fair value of investment properties	(19.0)	(92.9)
Share of taxation of associates and joint ventures (included in share of results of associates and joint ventures)		
	<u>–</u>	<u>(5.8)</u>

The Group disposed of 70% interest in a wholly-owned subsidiary Sun Hung Kai Financial Group Limited (“SHKFGL”) in June 2015 and classified the remaining 30% equity interest as an associate up to 16 November 2020. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. As part of the disposal, the Group was awarded a put right on the 30% equity interest of SHKFGL. In the first half of 2020, this put right recorded a valuation gain of HK\$35.0 million classified under net gain on financial assets and liabilities at fair value through profit or loss and an impairment loss in the investment in SHKFGL of HK\$3.2 million was recognised.

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

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

8. TAXATION

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

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

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

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

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

9. DIVIDENDS

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

Subsequent to the end of the interim reporting period, the Board of Directors has declared an interim dividend of HK12 cents per share amounting to HK\$237.6 million (2020: interim dividend of HK12 cents per share amounting to HK\$238.7 million).

10. EARNINGS PER SHARE

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

	Six months ended	
	30/6/2021	30/6/2020
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Earnings for the purposes of basic and diluted earnings per share	<u>2,693.0</u>	<u>695.2</u>
Number of shares (in million)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,977.2	1,989.6
Effect of dilutive potential ordinary shares:		
– Adjustments on SHK Employee Ownership Scheme	<u>1.7</u>	<u>3.0</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,978.9</u>	<u>1,992.6</u>

11. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

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

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

	30/6/2021 <i>HK\$ Million</i>	31/12/2020 <i>HK\$ Million</i>
Less than 31 days past due	582.7	491.4
31 – 60 days	49.8	36.0
61 – 90 days	13.8	23.6
91 – 180 days	1.2	10.2
Over 180 days	186.1	293.9
	<u>833.6</u>	<u>855.1</u>

12. MORTGAGE LOANS

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

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

	30/6/2021 <i>HK\$ Million</i>	31/12/2020 <i>HK\$ Million</i>
Less than 31 days past due	97.6	66.7
31 – 60 days	149.5	26.6
61 – 90 days	–	11.5
91 – 180 days	76.8	160.4
Over 180 days	426.9	459.0
	<u>750.8</u>	<u>724.2</u>

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

13. TERM LOANS

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

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.

14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

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

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

	30/6/2021 <i>HK\$ Million</i>	31/12/2020 <i>HK\$ Million</i>
Less than 31 days	88.2	247.2
Trade and other receivables without ageing	74.5	107.3
Trade and other receivables at amortised cost	<u>162.7</u>	<u>354.5</u>

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

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

16. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

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

[^] Second interim dividend

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

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

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

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

RESULTS ANALYSIS

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

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

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

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

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

BUSINESS REVIEW

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

(HK\$ Million)	Pre-tax Contribution for the six-months ended			Segment Assets as at	
	Jun 2021	Jun 2020	Change	Jun 2021	Dec 2020
FINANCING BUSINESS					
Consumer Finance	871.9	520.0	67.7%	18,477.6	17,937.0
Specialty Finance	(11.4)	22.3^	N/A	1,479.4	3,153.0
Mortgage Loans	58.9	65.5	-10.1%	3,490.9	3,117.4
INVESTING BUSINESS					
Investment Management	2,312.2	436.3^	430.0%	20,298.9	14,603.4
GMS	<u>(15.9)</u>	<u>(93.6)</u>	-83.0%	<u>3,907.2</u>	<u>5,272.4</u>
Total	<u>3,215.7</u>	<u>950.5</u>	238.3%	<u>47,654.0</u>	<u>44,083.2</u>

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

FINANCING BUSINESS

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

CONSUMER FINANCE

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

Segment Half Year Results

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

¹ Interest and fee income/average gross loan balance

² Before impairment allowance

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

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

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

Net Impairment Losses on Financial Instruments

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

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

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

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

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

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

Note: Amount as a percentage of net loan balance

Hong Kong Business

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

¹ Interest and fee income/average gross loan balance

² Charge-off/average gross loan balance

³ Net impairment losses/average gross loan balance

⁴ Impairment allowance/gross loan balance at period end

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

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

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

Mainland China Business

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

¹ Interest and fee income/average gross loan balance

² Charge-off/average gross loan balance

³ Net impairment losses/average gross loan balance

⁴ Impairment allowance/gross loan balance at period end

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

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

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

Prospects

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

SPECIALTY FINANCE

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

Segment Half Year Results

(HK\$ Million)	Six months ended 30 June		Change
	2021	2020	
Revenue	108.2	146.2	-26.0%
<i>Return on loans¹</i>	10.4%	15.7% ²	
Operating costs	(1.3)	(1.8)	-27.8%
<i>Cost to income (% Revenue)</i>	1.2%	1.2%	
Finance costs	(49.7)	(51.3)	-3.1%
Net impairment losses	(109.5)	(63.9)	71.4%
Net gain/(loss) on financial assets and liabilities	62.7	(0.4)	N/A
Others	(21.8)	(6.5)	-235.4%
Pre-tax (loss)/contribution	(11.4)	22.3 ³	N/A
Loan Book:			
Net loan balance	1,193.8	1,255.9	-4.9%
Gross loan balance ⁴	1,914.9	1,630.6	17.4%
Other investments			
Listed shares and warrants	2.9	2.5	16.0%
Interest in joint venture	223.8	227.3	-1.5%
	226.7	229.8	-1.3%

¹ Annualised interest and fee income/average gross loan balance

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

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

⁴ Before impairment allowance

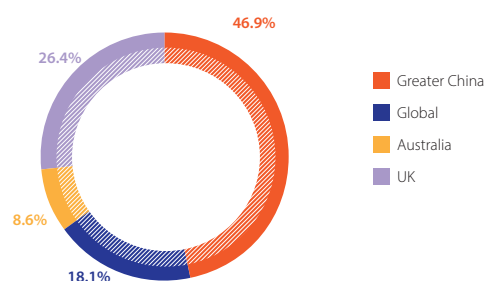
While we remain open to new business opportunities, we will continue to adopt cautious approach in new business generation and focus on managing existing loans.

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

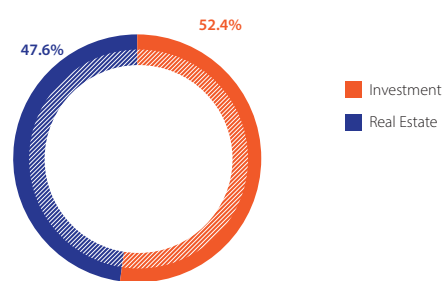
What was also included in Specialty Finance was the Group’s interest in LSS leasing (previously in the “Strategic Investments”), a Business-to-Business (B2B) and Business-to-Customer (B2C) auto leasing business in Mainland China.

Specialty Finance Loan Portfolio

Term Loan Breakdown by Geography



Term Loan Breakdown by Sector



MORTGAGE LOANS

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

Segment Half Year Results

(HK\$ Million)	Six months ended 30 June		Change
	2021	2020	
Revenue	149.4	169.3	-11.8%
<i>Return on loans</i> ¹	9.3%	9.9%	
Operating costs	(27.0)	(20.9)	29.2%
<i>Cost to income (% Revenue)</i>	18.1%	12.3%	
Finance costs	(51.5)	(58.8)	-12.4%
Net impairment losses	(12.5)	(24.1)	-48.1%
Other gains	0.5	–	N/A
Pre-tax contribution	58.9	65.5	-10.1%
Loan Book:			
Net loan balance	3,341.2	3,134.1	6.6%
Gross loan balance ²	3,396.8	3,179.9	6.8%

¹ Annualised interest and fee income/average gross loan balance

² Before impairment allowance

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

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

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

INVESTING BUSINESS

INVESTMENT MANAGEMENT

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

Analysis of Pre-tax Profit by Nature

(HK\$ Million)	For the six months ended		Change
	Jun 2021	Jun 2020	
Realised gain on financial assets and interest income	1,611.5	854.7	88.5%
Dividends received	15.4	16.5	-6.7%
Rental income	15.6	12.5	24.8%
Fee received	4.2	–	N/A
Mark-to-market valuation	1,084.5	(215.6) ¹	N/A
Net impairment allowance (losses)/reversal on financial assets	(9.1)	42.4 ¹	N/A
Net exchange loss	(7.8)	(0.2)	3,800.0%
Share of results of associates & joint venture	(11.9)	45.0 ¹	N/A
Loss from revaluation on investment properties	(19.0)	(92.0)	-79.3%
Other income/(loss)	45.5	(3.2) ¹	N/A
Total gains	2,728.9	660.1¹	313.4%
Operating costs	(416.7)	(223.8)	86.2%
Pre-tax contribution	2,312.2	436.3¹	430.0%

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

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

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

Segment Assets Breakdown and Annual Return

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

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

² Annual return

Public Markets

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

Breakdown of Public Markets Portfolio as at 30 June 2021

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

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

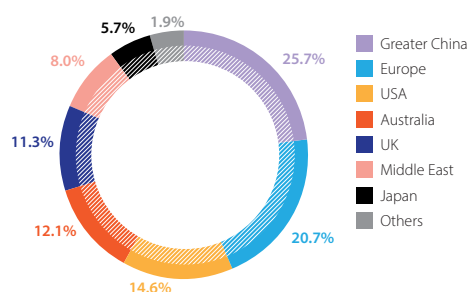
Public Credit

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

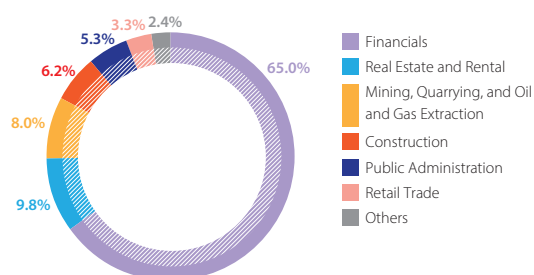
The global fixed income markets started 2021 on a firm note with continued market optimism about on-going vaccinations against COVID-19 globally. However, the increased spread of Delta variants cast doubts on the speed of global economic recovery and with the regulatory changes over certain key sectors,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

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

Public Credit Holdings by Geography



Public Credit Holdings by Sector



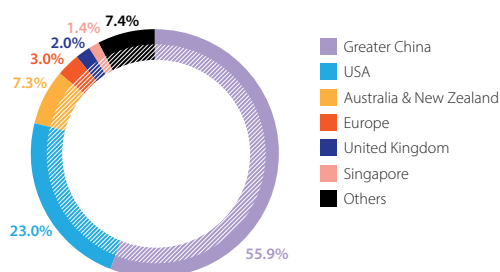
Corporate Holdings

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

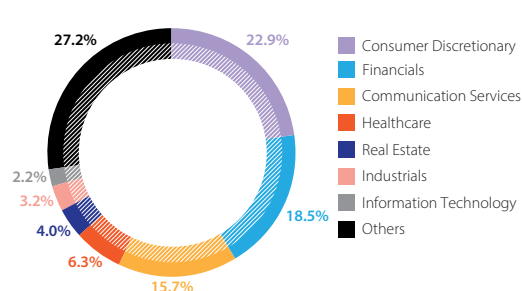
Our portfolio delivered a strong performance with a six-month return of 35.3% for the first half of 2021, significantly outperforming the 14% gain in the S&P 500 Index, 13% gain in the NASDAQ 100 Index and 12% gain in the MSCI World Index over the same period. Our long positions focused on names with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

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

Corporate Holdings by Geography



Corporate Holdings by Sector



Alternatives

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

Breakdown of Alternatives Portfolio as at 30 June 2021

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

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

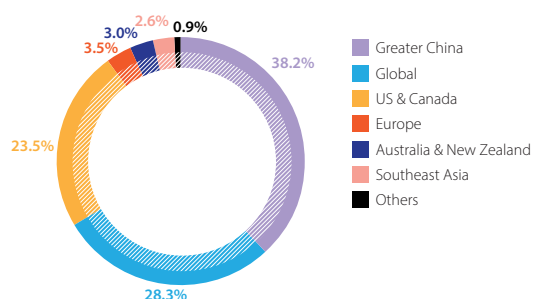
For the first half of 2021, the alternatives portfolio delivered positive half-year returns across all sub-segments, reflecting the Group's unique insight in private investments and proprietary deal sourcing network.

Private Equity

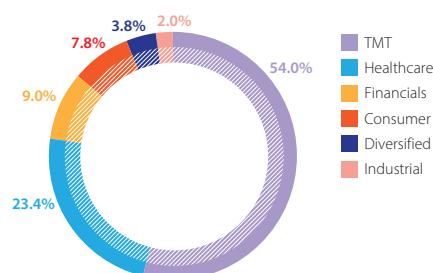
The Private Equity segment recorded strong combined returns of 17.7% in the first half of 2021 mainly contributed by successful exits from several flagship investments such as Fairstone Holdings Inc. and other exits in healthcare and TMT sector. Our investments continued to focus primarily on TMT and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

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

Private Equity Exposure by Geography



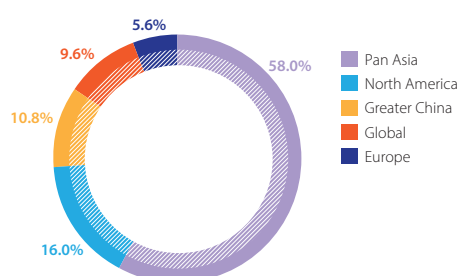
Private Equity Exposure by Sector



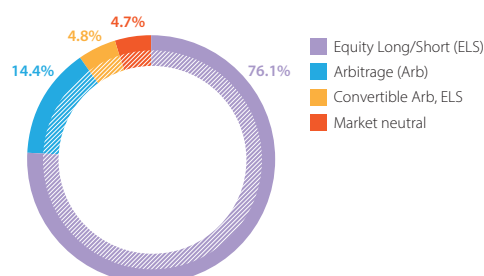
Hedge Funds

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

External Hedge Funds Exposure by Geography



External Hedge Funds by Strategy

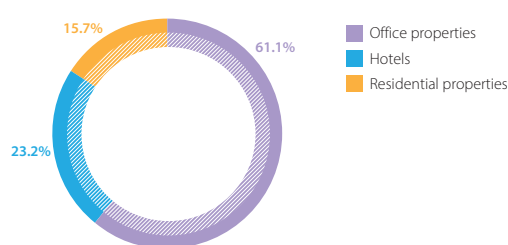


Real Assets

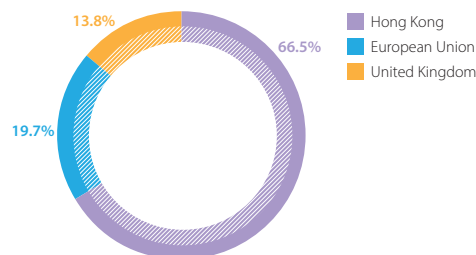
The Real Assets portfolio was valued at HK\$2,357.6 million as at 30 June 2021 (30 June 2020: HK\$2,447.4 million; 31 December 2020: HK\$2,601.5 million). The portfolio includes the Group's interests in Hong Kong commercial real estate as well as hotels and commercial investments abroad.

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

Real Assets Exposure by Asset Class



Real Assets Exposure by Geography



FUNDS MANAGEMENT

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

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

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

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

East Point Asset Management (“EPAM”)

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

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

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

E15VC

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

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

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

ActusRayPartners

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

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

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

Multiple Capital Investment Partners (“MCIP”)

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

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

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

OUTLOOK

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

FINANCIAL REVIEW

Financial Resources, Liquidity, Capital Structure and Key Performance Indicators

<i>(HK\$ Million)</i>	30 Jun 2021	31 Dec 2020	Change
Capital Structure			
Equity attributable to owners of the Company	25,287.5	22,625.2	12%
Total cash	5,786.9	7,257.9	-20%
Total borrowings ¹	15,709.7	16,614.1	-5%
Net debt ²	9,922.8	9,356.2	6%
Net debt to equity ratio	39.2%	41.4%	
Liquidity			
Interest cover ³	10.0	5.0	100%
Return Ratios (Annualised)			
Return on assets ⁴	12.9%	6.8%	
Return on equity	22.5%	11.8%	
Key Performance Indicator			
Book value per share <i>(HK\$)</i>	12.8	11.4	12%
Dividend per share <i>(HK cents)</i>	12	26	N/A

¹ Bank and other borrowings and notes/papers payable

² Total borrowing minus total cash

³ Earnings before interest and tax/interest expense

⁴ Annualised profit including non-controlling interests/average assets

The Group's gearing ratio reduced to 39.2% at the end of the period and has remained healthy. Interest cover for the period improved to 10.0x, compared with 5.0x for the year ended 2020, mainly due to increased earnings.

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

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

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

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

^ Listed on The Stock Exchange of Hong Kong Limited

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

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

Significant Investments

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

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2021, the Group made no material acquisitions nor material disposals of subsidiaries, associates and joint ventures.

Important Events After the End of the Financial Period

There are no important events affecting the Group which have occurred after the end of the financial period ended 30 June 2021 and up to the date of this announcement.

Charges on Group Assets

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

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

Other Financial Liabilities

At the end of the reporting period, the Group issued financial guarantee to an independent third party of HK\$118.2 million (31 December 2020: HK\$387.6 million) which did not recognise any financial liabilities in respect of the financial guarantee contracts in the condensed consolidated statement of financial position.

PEOPLE & CULTURE (PREVIOUSLY HUMAN RESOURCES AND TRAINING)

As at 30 June 2021, the Group's total staff numbered 1,941(31 December 2020: 2,219). Out of this, 65 staff (31 December 2020: 64) were corporate and Investment Management staff and the remainder were from the main subsidiaries UAF and Sun Hung Kai Credit. The net decrease in staff numbers was a result of the branch consolidation and the digitalization of operation at the Consumer Finance business in Mainland China. Total staff costs amounted to HK\$538.9 million (first half of 2020: HK\$325.8 million) due to higher performance-related compensation.

The Group adopts various compensation structures as relevant to different job roles and functions within the organisation. For most staff, compensation comprises base salary with bonus or performance-based incentives, as appropriate. The remuneration packages of employees in a sales function consist of a base pay and commission, bonus or performance-based incentives as appropriate. In addition to monetary reward, the Group also provide competitive fringe benefits to attract and retain the best talent, e.g. Medical and Dental Benefit Enhancement and Unlimited Annual Leave policy.

Under the SHK Employee Ownership Scheme (“EOS”), selected employees or directors of the Group (the “Selected Grantees”) were awarded shares of the Company. Following management’s recommendation, a total of 6,799,000 shares were granted to the Selected Grantees during the period subject to various terms. A total of 2,035,000 shares were vested in the first half of 2021. As at 30 June 2021, the outstanding award shares under the EOS amounted to 9,169,000 shares.

The Group values its people as our greatest asset. We believe that a competent and motivated workforce, able to work in safe conditions, is integral to the sustainable growth of our business. In line with our business strategies and continued development and retention of a high-performance team, the Group supports employee engagement activities and professional development with in-person training and online learning platforms.

COVID-19 PANDEMIC RESPONSE

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

The protocols to protect the health and safety of our workforce, their families, local suppliers and neighbouring communities, while ensuring a safe environment for operations to continue as usual:

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

INTERIM DIVIDEND

The Board has declared an interim dividend of HK12 cents per share for the six months ended 30 June 2021 (2020: HK12 cents per share) payable to the shareholders whose names appear on the register of members of the Company on 8 September 2021. Dividend warrants for the interim dividend are expected to be dispatched on 16 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on the following time period during which no transfer of shares of the Company will be registered:

Event	Book close period
For entitlement to the interim dividend	: 6 September 2021 to 8 September 2021 (Ex-dividend date being 2 September 2021) (Record date being 8 September 2021)

In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 3 September 2021.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2021, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for certain deviations which are summarised below:

(a) Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisational structure of the Company, the functions of a chief executive are performed by the Group Executive Chairman, Mr. Lee Seng Huang, in conjunction with the Group Deputy Chief Executive Officer, Mr. Simon Chow Wing Charn. The Group Executive Chairman oversees the Group's Investment Management business with support from the management team of the division, as well as its interest in UAF whose day-to-day management lies with its designated Managing Director. Mr. Simon Chow assists the Group Executive Chairman in driving the performance of the Mortgage Loans and other operating businesses of the Group as well as exploring new areas of growth.

The Board believes that this structure spreads the workload that would otherwise be borne by an individual chief executive, allowing the growing businesses of the Group to be overseen by appropriately qualified and experienced senior executives in those fields. Furthermore, it enhances communications and speeds up the decision-making process across the Company. The Board also considers that this structure will not impair the balance of power and authority between the Board and management of the Company. An appropriate balance can be maintained by the operation of the Board, which holds at least four regular meetings a year to discuss business and operational issues of the Group.

(b) Code Provisions B.1.2 and C.3.3

Code provisions B.1.2 and C.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the code provision B.1.2 of the CG Code, except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision).

The terms of reference of the Audit Committee adopted by the Company are in compliance with the code provision C.3.3 of the CG Code except that the Audit Committee shall (i) recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditor to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have effective risk management and internal control systems; (iii) can promote (as opposed to ensure

under the code provision) co-ordination between the internal and external auditors; and (iv) can check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced and has appropriate standing within the Company.

The reasons for the above deviations had been set out in the Corporate Governance Report contained in the Company's annual report for the financial year ended 31 December 2020. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to their respective terms of reference as adopted by the Company. The Board will review the terms of reference at least annually and would make appropriate changes if considered necessary.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

(1) Repurchase of Shares

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

Particulars of the repurchases are as follows:

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

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's or its subsidiaries' listed securities during the six months ended 30 June 2021.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited condensed consolidated financial report for the six months ended 30 June 2021. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

On behalf of the Board
Sun Hung Kai & Co. Limited
Lee Seng Huang
Group Executive Chairman

Hong Kong, 18 August 2021

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

Executive Directors:

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

Non-Executive Director:

Mr. Peter Anthony Curry

Independent Non-Executive Directors:

Mr. Evan Au Yang Chi Chun, Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Vivian Alexa Kao, Ms. Jacqueline Alee Leung and Mr. Wayne Robert Porritt