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 2019

The Board of Directors (the "Board" or the "Directors") of Sun Hung Kai & Co. Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30/6/2019	30/6/2018
		Unaudited	Unaudited
	Notes	***HK$ Million***	*HK$ Million*
Interest income		**2,020.8**	2,022.2
Other revenue	*4*	**50.8**	36.5
Other gains	*5*	**21.2**	207.2
Total income		**2,092.8**	2,265.9
Brokerage and commission expenses		**(22.5)**	(25.3)
Advertising and promotion expenses		**(70.5)**	(67.9)
Direct cost and operating expenses		**(40.0)**	(41.5)
Administrative expenses		**(596.0)**	(651.5)
Net gain on financial assets and liabilities at fair value through profit or loss		**790.1**	635.4
Net exchange gain (loss)		**32.2**	(26.7)
Net impairment losses on financial instruments	*6*	**(459.9)**	(442.4)
Finance costs		**(374.9)**	(294.5)
Other losses		**(0.6)**	(0.8)
		1,350.7	1,350.7
Share of results of associates		**50.3**	31.4
Share of results of joint ventures		**–**	3.1

	Notes	Six months ended **30/6/2019** **Unaudited** ***HK$ Million***	30/6/2018 Unaudited *HK$ Million*
Profit before taxation	*7*	**1,401.0**	1,385.2
Taxation	*8*	**(140.6)**	(112.6)
Profit for the period		**1,260.4**	1,272.6
Profit attributable to:			
– Owners of the Company		**1,028.9**	1,058.0
– Non-controlling interests		**231.5**	214.6
		1,260.4	1,272.6
Earnings per share	*10*		
– Basic (HK cents)		**51.5**	49.2
– Diluted (HK cents)		**51.3**	49.2

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended	
	30/6/2019	30/6/2018
	Unaudited	Unaudited
	HK$ Million	*HK$ Million*
Profit for the period	**1,260.4**	1,272.6
Other comprehensive income (expenses):		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translating foreign operations	**4.6**	(113.9)
Share of other comprehensive expenses of associates	**(0.1)**	(0.8)
Share of other comprehensive expenses of joint ventures	**–**	(3.2)
	4.5	(117.9)
Items that will not be reclassified to profit or loss		
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the period	**11.9**	–
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income	**25.4**	(37.7)
Other comprehensive income (expenses) for the period	**41.8**	(155.6)
Total comprehensive income for the period	**1,302.2**	1,117.0
Total comprehensive income attributable to:		
– Owners of the Company	**1,066.9**	956.9
– Non-controlling interests	**235.3**	160.1
	1,302.2	1,117.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30/6/2019 Unaudited *HK$ Million***	31/12/2018 Audited *HK$ Million*
Non-current Assets			
Investment properties		**1,361.4**	1,360.9
Leasehold interests in land		**–**	4.0
Property and equipment		**397.9**	412.1
Right-of-use assets		**149.3**	–
Intangible assets		**889.3**	890.2
Goodwill		**2,384.0**	2,384.0
Interest in associates		**1,332.4**	1,380.4
Interest in joint ventures		**240.3**	240.2
Financial assets at fair value through other comprehensive income		**185.2**	174.4
Financial assets at fair value through profit or loss		**6,810.8**	6,360.9
Deferred tax assets		**767.5**	729.9
Amounts due from associates		**265.1**	266.7
Loans and advances to consumer finance customers	*11*	**2,750.7**	2,618.9
Mortgage loans	*12*	**1,745.1**	1,956.8
Term loans	*13*	**166.2**	33.1
Trade receivables, prepayments and other receivables	*14*	**26.4**	22.9
		19,471.6	18,835.4
Current Assets			
Financial assets at fair value through profit or loss		**3,600.6**	4,378.6
Taxation recoverable		**3.7**	5.0
Amounts due from associates		**131.6**	97.1
Loans and advances to consumer finance customers	*11*	**7,317.4**	7,150.8
Mortgage loans	*12*	**1,848.4**	1,897.4
Term loans	*13*	**2,232.7**	2,452.1
Trade receivables, prepayments and other receivables	*14*	**307.0**	364.8
Amounts due from brokers		**664.1**	507.0
Short-term pledged bank deposits and bank balances		**33.1**	20.0
Bank deposits		**271.3**	353.5
Cash and cash equivalents		**4,685.0**	4,622.4
		21,094.9	21,848.7

	Note	**30/6/2019 Unaudited** *HK$ Million*	31/12/2018 Audited *HK$ Million*
Current Liabilities			
Financial liabilities at fair value through profit or loss		**384.9**	425.3
Bank and other borrowings		**5,236.6**	5,221.3
Trade payables, other payables and accruals	*15*	**245.1**	236.9
Financial assets sold under repurchase agreements		**426.3**	1,216.5
Amounts due to fellow subsidiaries and holding company		**517.0**	519.0
Amounts due to associates		**1.9**	1.9
Provisions		**124.2**	103.5
Taxation payable		**220.0**	175.7
Lease liabilities		**81.4**	–
Notes/paper payable		**834.8**	752.7
		8,072.2	8,652.8
Net Current Assets		**13,022.7**	13,195.9
Total Assets less Current Liabilities		**32,494.3**	32,031.3
Capital and Reserves			
Share capital		**8,752.3**	8,752.3
Reserves		**10,947.4**	10,286.9
Equity attributable to owners of the Company		**19,699.7**	19,039.2
Non-controlling interests		**3,039.8**	3,805.9
Total Equity		**22,739.5**	22,845.1
Non-current Liabilities			
Deferred tax liabilities		**175.5**	176.9
Bank and other borrowings		**2,490.0**	1,961.8
Provisions		**0.3**	0.2
Lease liabilities		**57.1**	–
Notes/paper payable		**7,031.9**	7,047.3
		9,754.8	9,186.2
		32,494.3	32,031.3

Notes:

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

The financial information relating to the financial year ended 31 December 2018 included in this announcement of interim results does not constitute the Company's statutory annual financial statements for this 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 2018 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 for 2018. 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.

Other than changes in 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 unaudited condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of its office properties, outlets and signboards that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use) and are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate;

- amounts expected to be paid under residual value guarantees;

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected to apply a practical expedient as set out in HKFRS 16 to contracts that were previously identified as leases according to HKAS 17 or HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease. As a result, the Group will not apply these standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. The Group has measured (i) the lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and; (ii) the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Asset*s as an alternative of impairment review;

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.6%.

	At 1 January 2019
	HK$ Million
Operating lease commitments disclosed as at 31 December 2018	182.8
Less:	
Recognition exemption – short-term leases	(42.2)
Discounting effects using relevant incremental borrowing rates	(5.5)
Lease liabilities as at 1 January 2019	135.1
Analysed as	
– current	72.1
– non-current	63.0
	135.1

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

		Right-of-use assets
	Notes	*HK$ Million*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		135.1
Reclassified from leasehold interests in land	*(a)*	4.1
Reclassified from rental prepayments	*(b)*	7.7
Amounts included in property, plant and equipment under HKAS 17		
– Restoration and reinstatement costs	*(c)*	1.4
		148.3
By class:		
– leasehold lands		4.1
– land and buildings		144.2
		148.3

Notes:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$0.1 million and HK$4.0 million respectively were reclassified to right-of-use assets.

(b) Rental prepayments previously included in prepayment, deposits and other receivables amounting to HK$7.7 million was reclassified to right-of-use assets as at 1 January 2019.

(c) In relation to the leases of office properties that the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in property, plant and equipment amounting to HK$1.4 million as at 1 January 2019 were included as right-of-use assets.

3. SEGMENT INFORMATION

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

	Six months ended 30 June 2019					
	Financial Services	Consumer Finance	Mortgage Loans	Principal Investments	Group Management and Support	Total
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
Segment revenue	2.1	1,694.8	150.1	199.1	148.4	2,194.5
Less: inter-segment revenue	–	–	–	–	(122.9)	(122.9)
Segment revenue from external customers	2.1	1,694.8	150.1	199.1	25.5	2,071.6
Segment profit or loss	52.1	652.2	68.5	580.4	(2.5)	1,350.7
Share of results of associates	50.3	–	–	–	–	50.3
Profit (loss) before taxation	102.4	652.2	68.5	580.4	(2.5)	1,401.0
Included in segment profit or loss:						
Interest income	–	1,681.6	150.0	163.3	25.9	2,020.8
Other gains (losses)	0.1	15.4	0.2	9.0	(3.5)	21.2
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	52.0	(0.1)	–	738.2	–	790.1
Net exchange gain	–	–	–	19.4	12.8	32.2
Net impairment losses on financial instruments	–	(373.1)	(0.1)	(86.7)	–	(459.9)
Finance costs	–	(146.2)	(61.5)	(58.4)	(228.7)	(494.8)
Less: inter-segment finance costs	–	–	61.5	58.4	–	119.9
Finance costs to external suppliers	–	(146.2)	–	–	(228.7)	(374.9)
Cost of capital allocation *(note)*	–	–	–	(166.2)	166.2	–

	Six months ended 30 June 2018					
	Financial Services *HK$ Million*	Consumer Finance *HK$ Million*	Mortgage Loans *HK$ Million*	Principal Investments *HK$ Million*	Group Management and Support *HK$ Million*	Total *HK$ Million*
Segment revenue	2.3	1,737.7	107.7	207.3	112.5	2,167.5
Less: inter-segment revenue	–	–	–	–	(108.8)	(108.8)
Segment revenue from external customers	2.3	1,737.7	107.7	207.3	3.7	2,058.7
Segment profit or loss	67.3	609.2	48.8	680.4	(55.0)	1,350.7
Share of results of associates	31.4	–	–	–	–	31.4
Share of results of joint ventures	3.1	–	–	–	–	3.1
Profit (loss) before taxation	101.8	609.2	48.8	680.4	(55.0)	1,385.2
Included in segment profit or loss:						
Interest income	–	1,720.8	107.6	189.1	4.7	2,022.2
Other gains	82.4	12.6	0.2	112.0	–	207.2
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	(17.1)	–	–	652.5	–	635.4
Net exchange (loss) gain	–	(21.6)	–	16.5	(21.6)	(26.7)
Net impairment (losses) gains on financial instruments	–	(452.4)	2.1	7.9	–	(442.4)
Finance costs	–	(96.8)	(37.7)	(67.8)	(197.7)	(400.0)
Less: inter-segment finance costs	–	–	37.7	67.8	–	105.5
Finance costs to external suppliers	–	(96.8)	–	–	(197.7)	(294.5)
Cost of capital allocation *(note)*	–	–	–	(161.6)	161.6	–

Note: Cost of capital is allocated from Group Management and Support to Principal Investments.

The geographical information of revenue is disclosed as follows:

	Six months ended	
	30/6/2019 **_HK$ Million_**	30/6/2018 *HK$ Million*
Revenue from external customers by location of operations		
– Hong Kong	**1,638.8**	1,421.1
– Mainland China	**432.8**	637.6
	2,071.6	2,058.7

4. OTHER REVENUE

	Six months ended 30/6/2019 HK$ Million	30/6/2018 HK$ Million
Service and commission income	**27.5**	20.9
Dividends from listed investments	**8.7**	2.4
Dividends from unlisted investments	**2.2**	2.3
Gross rental income from investment properties	**12.4**	10.9
	50.8	36.5

5. OTHER GAINS

	Six months ended 30/6/2019 HK$ Million	30/6/2018 HK$ Million
Increase in fair value of investment properties	**5.8**	112.0
Miscellaneous income	**15.1**	12.8
Reversal of impairment in an associate*	**0.3**	82.4
	21.2	207.2

* 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. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. The fair value was measured by discounted cash flow approach at the reporting date using a discount rate of 16.4%. As part of the disposal, the Group was awarded a put right on the 30% equity interest of SHKFGL. This put right recorded a valuation gain during the period of HK$51.0 million (six months ended 30 June 2018: loss HK$15.0 million) classified under net gain on financial assets and liabilities at fair value through profit or loss.

6. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	Six months ended 30/6/2019 HK$ Million	30/6/2018 HK$ Million
Loans and advances to consumer finance customers		
– Net impairment losses	**(470.6)**	(545.3)
– Recoveries of amounts previously written off	**97.3**	96.7
	(373.3)	(448.6)
Mortgage loans		
– Net impairment (losses) gains	**(0.1)**	1.4
– Recoveries of amounts previously written off	**–**	0.7
	(0.1)	2.1
Term loans		
– Net impairment (losses) gains	**(44.7)**	7.9
Trade receivables, prepayments and other receivables		
– Net impairment losses	**(42.0)**	(4.6)
– Recoveries of amounts previously written off	**0.2**	0.8
	(41.8)	(3.8)
	(459.9)	(442.4)

7. PROFIT BEFORE TAXATION

	Six months ended	
	30/6/2019	30/6/2018
	HK$ Million	*HK$ Million*
Profit before taxation has been arrived at after charging:		
Amortisation of leasehold interests in land	**–**	(0.1)
Depreciation of property and equipment	**(24.7)**	(27.1)
Depreciation of right-of-use assets	**(38.1)**	–
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	**(1.0)**	(1.0)
Interest expenses	**(368.0)**	(291.9)
Interest expenses of lease liabilities	**(2.7)**	–
Loss on disposal of a joint venture	**–**	(0.4)
Share of taxation of associates and joint ventures (included in share of results of associates and joint ventures)	**(5.4)**	(4.7)

8. TAXATION

	Six months ended	
	30/6/2019	30/6/2018
	HK$ Million	*HK$ Million*
Current tax		
– Hong Kong	**125.8**	91.8
– PRC	**53.4**	73.6
	179.2	165.4
Deferred tax	**(38.6)**	(52.8)
	140.6	112.6

Hong Kong profits tax is calculated at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the period. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2018: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in the relevant jurisdictions.

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

9. DIVIDENDS

	Six months ended	
	30/6/2019	30/6/2018
	HK$ Million	*HK$ Million*
Dividends recognised as distribution during the period		
– 2018 second interim dividend of HK14 cents per share (2018: 2017 second interim dividend of HK14 cents per share)	**280.7**	301.4

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$240.3 million (2018: interim dividend of HK12 cents per share amounting to HK$258.4 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	
	30/6/2019	30/6/2018
	HK$ Million	*HK$ Million*
Earnings for the purposes of basic and diluted earnings per share	**1,028.9**	1,058.0
Number of shares (in million)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,999.5**	2,150.9
Effect of dilutive potential ordinary shares:		
– Impact of contingently issuable shares under SHK Employee Ownership Scheme	**4.2**	1.2
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,003.7**	2,152.1

11. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	30/6/2019	31/12/2018
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Hong Kong	**8,328.8**	7,803.4
– Mainland China	**2,376.5**	2,611.9
Less: impairment allowance	**(637.2)**	(645.6)
	10,068.1	9,769.7
Analysed for reporting purposes as:		
– Non-current assets	**2,750.7**	2,618.9
– Current assets	**7,317.4**	7,150.8
	10,068.1	9,769.7

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

	30/6/2019	31/12/2018
	HK$ Million	*HK$ Million*
Less than 31 days past due	**426.0**	528.6
31–60 days	**56.3**	50.4
61–90 days	**335.1**	11.9
91–180 days	**93.3**	48.2
Over 180 days	**65.5**	109.2
	976.2	748.3

12. MORTGAGE LOANS

	30/6/2019	31/12/2018
	HK$ Million	*HK$ Million*
Mortgage loans		
– Hong Kong	**3,603.3**	3,863.9
Less: impairment allowance	**(9.8)**	(9.7)
	3,593.5	3,854.2
Analysed for reporting purposes as:		
– Non-current assets	**1,745.1**	1,956.8
– Current assets	**1,848.4**	1,897.4
	3,593.5	3,854.2

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

	30/6/2019	31/12/2018
	HK$ Million	*HK$ Million*
Less than 31 days past due	**159.2**	306.0
31–60 days	**222.2**	285.5
61–90 days	**165.4**	61.4
91–180 days	**8.7**	22.5
Over 180 days	**159.6**	7.5
	715.1	682.9

13. TERM LOANS

	30/6/2019	31/12/2018
	HK$ Million	*HK$ Million*
Secured term loans	**2,122.4**	1,945.4
Unsecured term loans	**472.0**	690.6
	2,594.4	2,636.0
Less: impairment allowance	**(195.5)**	(150.8)
	2,398.9	2,485.2
Analysed for reporting purposes as:		
– Non-current assets	**166.2**	33.1
– Current assets	**2,232.7**	2,452.1
	2,398.9	2,485.2

* Term loans based on the date of contract at the reporting date are without ageing.

14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	30/6/2019 *HK$ Million*	31/12/2018 *HK$ Million*
Other receivables		
– Deposits	**41.7**	38.7
– Others	**322.4**	329.9
Less: impairment allowance	**(42.0)**	–
	322.1	368.6
Prepayments	**11.3**	19.1
	333.4	387.7
Analysed for reporting purposes as:		
– Non-current assets	**26.4**	22.9
– Current assets	**307.0**	364.8
	333.4	387.7

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

	30/6/2019 *HK$ Million*	31/12/2018 *HK$ Million*
Less than 31 days	**54.6**	277.8
31-60 days	**–**	2.5
	54.6	280.3
Trade and other receivables without ageing	**267.5**	88.3
Trade and other receivables at amortised cost	**322.1**	368.6

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	30/6/2019 *HK$ Million*	31/12/2018 *HK$ Million*
Less than 31 days	**34.9**	43.3
31–60 days	**6.1**	10.2
61–90 days	**6.3**	12.8
91–180 days	**0.6**	1.3
Over 180 days	**0.5**	–
	48.4	67.6
Accrued staff costs, other accrued expenses and other payables without ageing	**196.7**	169.3
	245.1	236.9

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	Six months ended			Year ended
(HK$ Million)	**Jun 2019**	Jun 2018	**Change**	Dec 2018
Revenue	**2,071.6**	2,058.7	1%	4,175.7
Pre-tax profit	**1,401.0**	1,385.2	1%	1,831.3
Profit attributable to owners of the Company	**1,028.9**	1,058.0	–3%	1,183.8
Basic earnings per share *(HK cents)*	**51.5**	49.2	5%	56.2
Interim dividend *(HK cents)*	**12.0**	12.0	–	14.0^
Book value per share *(HK$)*	**9.84**	9.31	6%	9.48

^ *Second interim dividend*

The profit attributable to owners of the Company for the first half of 2019 was HK$1,028.9 million (first half of 2018: HK$1,058.0 million). Basic earnings per share for the period were HK51.5 cents (first half 2018: HK49.2 cents).

The results for the period reflect a solid performance which has improved significantly over the second half of 2018 when the Principal Investments business was affected by mark-to-market valuations. The Consumer Finance business also delivered improved profitability. Further, the results are broadly in line with the robust performance achieved in the first half of 2018, which was a record half for the Group. EPS has increased as a result of share buybacks.

The Board has declared an interim dividend of HK12 cents per share for the six months ended 30 June 2019, which is the same as the previous period. During the period, the Company repurchased and cancelled 5.4 million shares for a total consideration of HK$20.1 million.

As at 30 June 2019, the Group's book value per share was HK$9.84, which increased by 4% from HK$9.48 at the end of 2018 and by 6% from $9.31 at 30 June 2018.

RESULTS ANALYSIS

The Group's first half 2019 revenue was HK$2,071.6 million (first half 2018: HK$2,058.7 million), of which interest income is the biggest component. As at 30 June 2019, total loans and advances to customers was HK$16,060.5 million (31 December 2018: HK$16,109.1 million; 30 June 2018: HK$15,580.4 million). During the period, we have strategically reduced risk in our Mainland China lending business.

Operating costs declined 7% to HK$729.0 million, mainly driven by further cost consolidation in Mainland China.

Impairment and bad debts ("net impairment losses on financial instruments") increased from HK$442.4 million to HK$459.9 million with additional provision in Principal Investments portfolio partly offset by reduced provisions in Consumer Finance.

The Principal Investments business delivered strong returns during the period, producing a substantial profit from gains in the value of financial assets and liabilities.

Pre-tax profit (before non-controlling interests) for the period increased 1% to HK$1,401.0 million (first half 2018: HK$1,385.2 million).

BUSINESS REVIEW

The profit before tax by segment, before non-controlling interests, is analysed as follows:

	Pre-tax Contribution for the six-months ended			**Segment Assets as at**	
(HK$ Million)	**Jun 2019**	Jun 2018	**Change**	**Jun 2019**	Dec 2018
Consumer Finance	**652.2**	609.2	7%	**17,795.9**	17,226.8
Principal Investments	**580.4**	680.4	–15%	**14,354.9**	15,216.0
Financial Services	**102.4**	101.8	1%	**2,544.9**	2,568.2
Mortgage Loans	**68.5**	48.8	40%	**3,698.1**	3,950.6
GMS	**(2.5)**	(55.0)	–95%	**2,172.7**	1,722.5
Total	**1,401.0**	1,385.2	1%	**40,566.5**	40,684.1

Consumer Finance was the biggest contributor to pre-tax profit for the period, and its contribution increased by 7% over the previous period.

The Mortgage Loans business contributed a meaningful profit, which has increased by 40% compared to the first half of 2018 as it enjoyed operating leverage from an expanded scale.

The net expense of Group Management and Support ("GMS") was HK$2.5 million, compared to HK$55.0 million in the first half of 2018. To better reflect the nature of the Principal Investments business and its returns, assets and income related to some treasury products were redirected from Principal Investments to GMS.

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 platforms, UAF offers unsecured loans to individual consumers and business loans to business owners in Hong Kong and Mainland China. UAF is the market leader in the Hong Kong personal loan market. UAF holds extensive off-line money lending licences in major cities in the PRC and online internet money lending licences to conduct its internet loan business without geographical boundaries all over the PRC.

On 27 June 2019, UAF completed the repurchase of ordinary shares from ORIX Asia Capital Limited, a minority shareholder which held 7.27% of the then entire issued ordinary shares of UAF at a cash consideration of JPY10 billion. As a result, the Group's beneficial equity interest in UAF increased from 58% to 63%. UAF management believes that the share repurchase will improve the management and operational efficiency of UAF in implementing business decisions, developing strategies and enhancing the competitiveness of UAF. The repurchase is expected to be earnings accretive for the Group.

Segment Half Year Results

	Six months ended 30 June		
(HK$ Million)	**2019**	2018	**Change**
Revenue	**1,694.8**	1,737.7	–2%
Return on loans[1] (% average gross loans)	***32.1%***	*35.6%*	
Operating costs	**(538.7)**	(570.3)	–6%
Cost to income (% revenue)	***31.8%***	*32.8%*	
Finance costs	**(146.2)**	(96.8)	51%
Impairment and bad debts	**(373.1)**	(452.4)	–18%
Other income (expenses) – net	**15.4**	12.6	22%
Exchange gain (loss)	**0.0**	(21.6)	
Pre-tax contribution	**652.2**	609.2	7%
Loan Book:			
Net loan balance	**10,068.0**	9,046.3	11%
Gross loan balance[2]	**10,705.2**	9,704.6	10%

1 *Annualised*
2 *Before impairment allowance*

The pre-tax contribution to the Group amounted to HK$652.2 million, an increase of 7% against the first half of 2018.

For the first half of 2019, revenue reduced by 2% as a result of the Hong Kong loan book, which has a lower average loan yield, accounting for an increased share of the total loan book. At the end of June 2019, Hong Kong accounted for approximately 78% of the total gross loan balance (30 June 2018: 70%). The increased proportion of loans from Hong Kong also lead to an improvement in the overall charge off ratio from 8.3% to 7.2% and a reduction of impairment and bad debts expenses.

Operating costs reduced as a result of a reduction in the PRC branch network. Finance costs increased as a result of higher borrowing rates and an increase in borrowings to support loan growth in Hong Kong.

Analysis of Impairment and Bad Debts

(HK$ Million)	**Jan – Jun 2019**	Jan – Jun 2018	Jul – Dec 2018
Amounts written off	**(479.8)**	(502.8)	(486.6)
Recoveries	**97.5**	97.5	99.1
Charge off	**(382.3)**	(405.3)	(387.5)
As annualised % of average gross loans	***7.2%***	*8.3%*	*7.7%*
Written back (charges) of impairment allowance	**9.1**	(47.1)	6.3
Total impairment and bad debts	**(373.2)**	(452.4)	(381.2)
Impairment allowance at period end	**637.2**	658.3	645.6
As % of period end gross loans	***6.0%***	*6.8%*	*6.2%*

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

Number of days past due as at:	**Jun 2019**	**Note**	Dec 2018	Note
Less than 31	**426.0**	**4.2%**	528.6	5.4%
31–60	**56.3**	**0.6%**	50.4	0.5%
61–90	**335.1**	**3.3%**	11.9	0.2%
91–180	**93.3**	**0.9%**	48.2	0.5%
Over 180	**65.5**	**0.7%**	109.2	1.1%
Total	**976.2**	**9.7%**	748.3	7.7%

Note: Amount as a % of net loan balance

Hong Kong Business

Key Operating Data	**1H2019**	1H2018	Full Year 2018
Number of branches	**49**	49	49
Loan data:			
Gross loan balance *(HK$ Million)*	**8,328.8**	6,746.2	7,803.4
Loan originated for the period/year amount *(HK$ Million)*	**5,664.1**	4,618.7	10,136.3
Number of loans originated	**100,434**	92,483	165,459
Average gross balance per loan *(HK$)*	**60,247**	53,565	59,132
Ratios for the six-month period/year:			
Total return on loans[1]	**31.3%**	33.1%	31.5%
Charge-off ratio[2]	**4.4%**	4.4%	4.4%
Impairment allowance ratio[3]	**4.9%**	5.5%	5.0%

1 Annualised revenue/average gross loan balance
2 Annualised charge-off amount/average gross loan balance
3 Impairment allowance/period end gross loan balance

The Hong Kong business continued to demonstrate its strength, leveraging its leading market position and the healthy job market during the period. UAF achieved satisfactory growth and profitability. Its gross loan book increased 7% during the period to a new record high of HK$8.3 billion. The advertising campaign launched in the second half of 2018 in celebration of UAF's 25th anniversary, coupled with a variety of branding campaigns and promotional offers both offline and online, yielded satisfactory results and business growth.

FinTech continues to be an area of focus for UAF. A dedicated FinTech team was set up in January 2019 with a view to embracing the challenges and opportunities in the market. UAF is a pioneer in launching Faster Payment System services around the clock for loan disbursements, demonstrating our commitment to deliver enhanced customer experience through innovation. In February 2019, UAF was granted ISO/IEC 27001 certificate in recognition of its information security standard required for the provision of design, development, operations and maintenance of web application, mobile application and related IT infrastructure to support the consumer loan services of UAF.

Mainland China Business

Key Operating Data	**1H2019**	1H2018	Full Year 2018
Number of branches	**31**	73	46
Loan data:			
Gross loan balance *(HK$ Million)*	**2,376.4**	2,958.4	2,611.9
Loan originated for the period/year amount *(HK$ Million)*	**1,948.9**	2,748.3	5,160.9
Number of loans originated	**29,124**	55,548	95,635
Average gross balance per loan *(RMB)*	**40,076**	29,421	34,147
Ratios for the six-month period/year:			
Total return on loans[1]	**34.7%**	40.9%	39.5%
Charge-off ratio[2]	**16.3%**	16.6%	16.2%
Impairment allowance ratio[3]	**9.7%**	9.8%	9.7%

1 Annualised revenue/average gross loan balance
2 Annualised charge-off amount/average gross loan balance
3 Impairment allowance/period end gross loan balance

The operating and economic environment in the first half of 2019 remained challenging with uncertainties all around. Protracted Sino-US trade tension and the threat of retaliatory trade tariffs continued to be an overhang to the market sentiment. As such, UAF adopted a conservative lending approach and the gross loan balance declined as a result. Putting profitability as a priority, UAF continued to reduce costs by closing 15 branches during the period. A total of 31 branches were in operation at the end of June 2019.

In the second half of 2018, we launched an automated credit scoring system which combines UAF's internal loan data with available big data and external credit information, enabling real-time, and better-informed credit decisions. UAF will continue to enhance the credit scoring system using more inclusive external credit information provided by other reputable credit service providers.

Developing our online business remains our key focus in Mainland China. In May 2019, the Finance Supervisory Office of Shenzhen (深圳市地方金融監督管理局) officially granted an online licence to our subsidiary in Shenzhen, which enabled us to extend our online loan business to all cities without geographical limitation through a third-party internet platform. New lending opportunities are also being developed through cooperation with other online service providers.

Although a market recovery remains uncertain, UAF's Mainland China business is now operating at a much more efficient cost structure and is well-positioned for growth to resume given our online capabilities and enhanced credit management.

Prospects

The Consumer Finance business is sensitive to local economic conditions such as consumption and unemployment. UAF will remain alert to factors which may affect these conditions and make corresponding adjustments to our strategy whilst looking out for any opportunities. With dedicated teams of experts in the consumer finance market, we will strive to deliver satisfactory returns to all stakeholders.

PRINCIPAL INVESTMENTS

The Principal Investments ("PI") division leverages the Group's operating expertise, network and balance sheet to seek attractive risk-adjusted investment opportunities. For the first half of 2019, the six-month gross return on the average assets for the segment was 6%, compared to 6.1% for the first half of 2018. Taking into account operating expenses and funding cost allocation, the segment contributed HK$580.4 million to pre-tax profit, a decrease of 15% from HK$680.4 million achieved in the first half of 2018.

Analysis of Pre-tax Profit by Nature

(HK$ Million)	**1H2019**	**1H2018**	**Change**
Realised gain on financial assets^	**111.5**	121.5	–8%
Interest income	**163.3**	189.1	–14%
Dividends received	**8.7**	2.4	263%
Rental income	**11.6**	9.9	17%
Fees received	**17.5**	5.1	243%
Mark-to-market valuation^	**626.7**	531.0	18%
Impairment and bad debts	**(86.7)**	7.9	
Others	**24.3**	123.7	–80%
Total gains	**876.9**	990.6	–11%
Operating costs	**(71.9)**	(80.8)	–11%
Cost of capital and finance costs	**(224.6)**	(229.4)	–2%
Pre-tax contribution	**580.4**	680.4	–15%

^ Breakdown of net gain on financial assets and liabilities at fair value through profit or loss

Strong credit and equity markets in the first quarter allowed us to generate solid returns in our public businesses while increased IPO activity in the technology space lead to increased valuations and monetisations in private equity.

The return of trade tensions in the second quarter and subsequent reaction from the European Central Bank and the US Federal Reserve ("the Fed") resulted in more difficult conditions, however we booked gains and reduced risk in Public Credit at the end of the first quarter and reduced net exposures in Public Equities allowing us to produce above market returns in the first half. With our continued focus on risk management across both businesses and relatively light net exposures, we are well placed to take advantage of the lower rate and more volatile environment which we expect going forward.

On the private side, our focus remained on portfolio management and monetisation as the portfolio matures. A total distribution of HK$145.3 million was received and a further HK$342.2 million is anticipated in the near term. The strong double-digit growth in equity markets in recent years has allowed sponsors to monetise growing valuations and shorten investment cycles. We are well placed to benefit from these trends, while actively looking at new opportunities. In terms of industry trends, we are seeing increased appetite for add-ons, growth equity and "buy and build" combined with record numbers of funds seeking capital, even with dry powder at record highs. On the primary side, we are spending more time on healthcare, financials and fintech as we see good opportunities to add with direct investments alongside our current partners.

On the operational side, we maintained our focus on human capital, upgrading systems and infrastructure and improving our efficiency and workflow in line with the strategy we outlined in our 2018 results. Over the period, we made progress in executing those goals as we strengthened the sector-focussed analyst team and made significant progress in our operating infrastructure upgrade on the public side.

The second half will see us continue to build out our analytical and investment framework across both public and private businesses with a focus on risk management and control in what we expect to be a volatile environment. Our ultimate aim is to deliver consistent returns to our shareholders through actively managing our exposures in an optimal way as we aim to get the business ready for the possibility of launching funds for external money in the future.

Segment Assets Breakdown and Six-month Return

	1H2019				Return track record[1]	
(HK$ Million)	Period end value	Average value	Gain	Six-month return	2018	2017
Public Equity	3,380.8	3,457.1	227.8	6.6%	–5.7%	7.8%
Private Equity	5,681.6	5,428.6	424.0	7.8%	10.1%	19.8%
Public Credit[2]	605.3	830.3	104.3	12.6%	–0.8%	3.8%
Private Credit	2,402.6	2,483.7	138.1	5.6%	13.5%	13.4%
Real Estate	2,284.6	2,319.1	(17.3)	–0.7%	9.8%	7.5%
Total	**14,354.9**	**14,518.8**	**876.9**	**6.0%**	**5.7%**	**11.6%**

1 Annual return

2 Certain treasury products were reclassified to GMS in 2018 thus the nature of returns are not directly comparable

Public Equity (24% of PI)

The public equity portfolio achieved a 6.6% six-month return during the period.

The portfolio consists of internally managed funds as well as a select group of high-quality external managers that complements our capabilities and partners with our team for ideas exchange.

Breakdown of Public Equity Portfolio as at 30 June 2019

(HK$ Million)	**Value**	**Gain**	**Six-month Return^**
Funds under external managers	1,096.6	144.9	6.6%
Internally managed equity funds	1,486.3	70.3	10.0%
Other corporate positions	131.6	–	–
Cash and others	666.2	12.6	1.5%
Total	**3,380.8**	**227.8**	**6.6%**

^ Return on average values

Markets rebounded in the first half of 2019 on the back of positive signs on US-China trade talks and the accommodative monetary policy stance in major economies. The Fed's pivot to pause its cycle of interest rate hikes in early 2019 coupled with signs of stimulus measures and some stabilisation in economic data in China and other developed markets supported global equities. However, the broader optimism on the trade issue reversed in May, when the re-escalation of trade tensions between the US and China, a slowdown in global growth and a deceleration in earnings expectations for 2019 dampened investor confidence. This caused a volatile May especially for Hong Kong and Japanese markets, giving back the majority first quarter gains in a matter of weeks.

The equity market seems to be having an internal battle between weak earnings growth and higher valuations, with higher valuations, at least for now, winning out. Higher valuations are being achieved due to a broad-based cost of capital readjustment from the reversal of the interest rate cycle. Because of this and our cautiously optimistic view of markets, we have focussed on three types of companies for the construction of the portfolio.

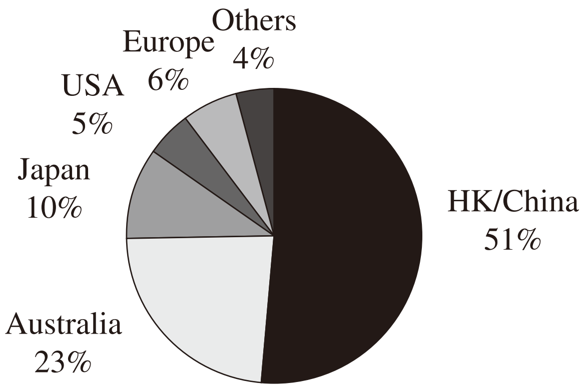
Firstly, companies with good management teams, defensive business models, attractive industry structures and excellent dividend yields. These cash-flow type businesses are the foundation of the portfolio and represent the largest part of the portfolio.

Secondly, we are looking for companies where there is some form of activism occurring. We are looking for situations in companies with strong fundamentals, and asymmetric outcomes with very limited downside if the key agitator is unable to make the change they seek. We prefer activism where the activity is aligned with creating long-term value for the company and looks to positively impact growth, margins, and return on capital and thus, the company's valuation.

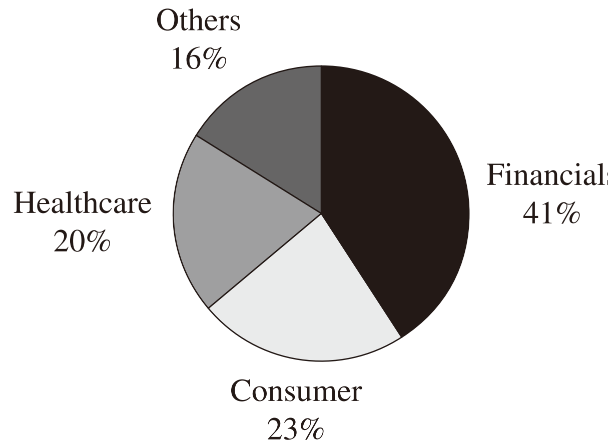
Finally, we look for quality growth companies which will likely see their premium bid up by the market in a low-growth environment. This strategy also complements the stable cash flow portion of the portfolio, with the intention of delivering strong returns in a risk-controlled manner. We have achieved this through dominant technology players in China.

Global Fund (Internally managed)

Holdings by geography:

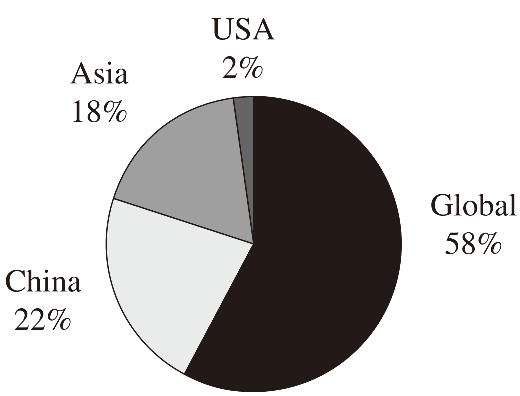


Holdings by sector:



External Funds

Breakdown by market:



Public Credit (4% of PI)

The Public Credit portfolio is all internally managed and has achieved a 12.6% return for the period.

Markets rallied significantly in Q1 and we took profits on these positions generating a significant return on capital for the business. The major market sell-off in late 2018 provided an attractive opportunity for global investors and the Fed's reversed stance has also prompted investors to deploy capital into fixed income assets. The prospects of further rate cuts could continue to support investor's interest in fixed income markets. Sentiment was also supported by the earnings releases of major corporates that have allayed concerns about rising default rates in a late cycle environment.

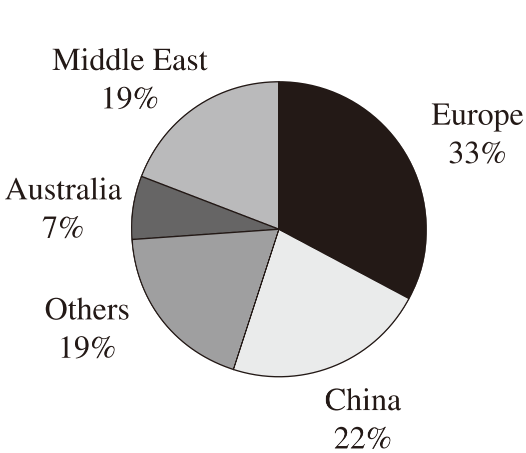
In Asia, the China high yield market was relatively stable in the first half given decent carry yields and supportive technical conditions. In Indonesia, sovereign and quasi-sovereign bonds were well sought after due to lower interest rates and improving fiscal conditions of the country.

In the Middle East, high quality sovereign debt like Qatar and Saudi Arabia were tighter during the period given attractive spread levels and calmer environment. Saudi's Aramco (world's largest oil producer) completed its debut USD bond offering which was priced inside Saudi sovereign; the benign sentiment has helped weaker names such as Oman and Bahrain.

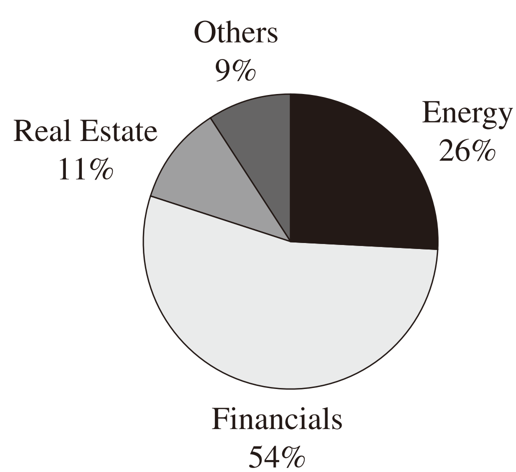
In Europe, the portfolio's performance benefited from our constructive view on European banks' AT1 issues due to attractive valuations and banks' improving capital structure. After its strong year-to-date performance, we have become neutral on this space.

We entered 2019 long emerging market quasi sovereign debt and European bank capital as we viewed the dislocation in late 2018 as a buying opportunity. Markets rallied significantly in Q1 and we took profits on these positions generating a significant return on capital for the business. We have turned more selective in our portfolio structure given valuation and macro headlines.

Portfolio holdings by geography



Portfolio holdings by sector



Private Equity (40% of PI)

Through the Private Equity portfolio, we seek to invest the Group's capital prudently, to maximize risk-adjusted returns and diversify our exposure by industry and geography. The portfolio is invested through a combination of direct or co-investments, and external managers who are selected based on performance, strategic fit, as well as access to markets and sectors. The portfolio benefited from early positioning in growth sectors and companies. Our key direct/co-investments include the Wuxi Pharmaceutical Group of companies, and a number of financial and FinTech names such as Fairstone Inc (consumer finance, Canada), Jefferson Capital Systems, LLC (debt collection, USA) and SoFi (online personal finance, USA). With the Group's expertise and network in the financial services segment, this will continue to be a core theme of the portfolio.

Breakdown of Private Equity Portfolio

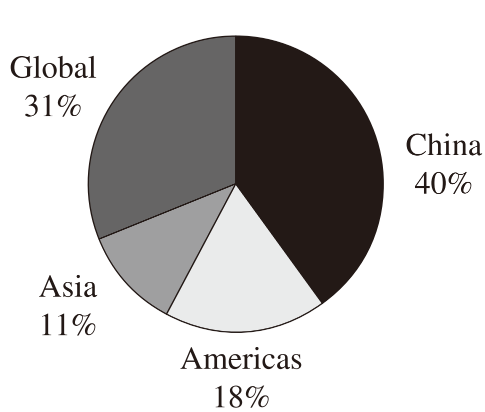
(HK$ Million)

First Half 2019	**Value**	**Gain**	**Six-month Return^**
External private equity funds	2,232.9	127.9	5.9%
Direct and co-investments	3,448.8	296.1	9.0%
Total	**5,681.6**	**424.0**	**7.8%**

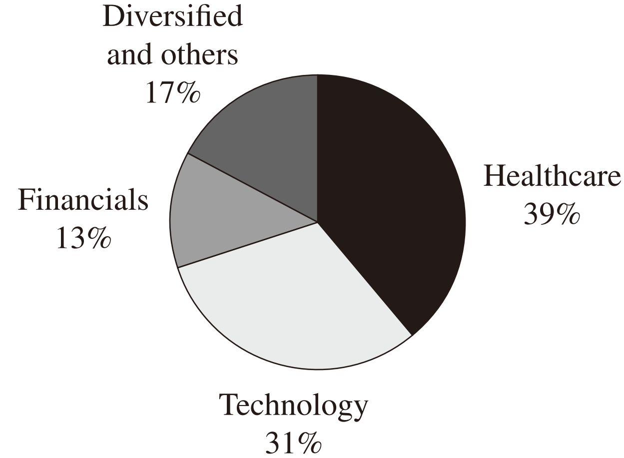
^ Return on average value

Distributions already received during the period, together with anticipated amounts from realised positions within co-investment this year and fund entities are expected to generate total liquidity of HK$487.5 million, or 9% of the portfolio. In terms of new opportunities, we see much synergy in increasing our investments with managers with whom we have built relationships over time, which led to a small number of commitments across growth focused private equity funds. We continue to review and analyse several situations across our core areas of healthcare, TMT and financials/fintech, with a geographical focus on Greater China, Australasia, UK and the US. However, with valuations at elevated levels, global politics an agenda item for markets and concerns around a crowded capital environment we expect to remain prudent on allocating capital.

Private Equity overall exposure – by geographical focus



Private Equity overall exposure – by sector

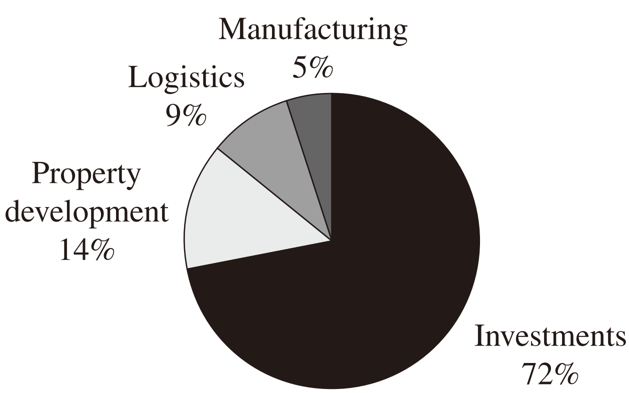


Private Credit (17% of PI)

The Private Credit strategy represents the Group's structured and specialty finance business, providing tailored funding solutions to corporates, investment funds and high net worth individuals. The balance of term loans was HK$2,398.9 million as at 30 June 2019 (31 December 2018: HK$2,485.2 million and 30 June 2018: $3,508.3 million). After taking into account impairment and bad debts expense of HK$44.7 million (first half 2018: income of HK$7.9 million), the portfolio achieved a 5.6% six-month return. Almost all the loans were either secured by assets or had other guarantees by corporates or high net worth individuals.

Although the loan portfolio was slightly lower in the first half of 2019 due to repayments, we remain positive about the outlook for private debt and forecast an increase in opportunities as slowing global growth causes banks to scale back lending, leading to more opportunities for non-bank companies such as ours. We remain focused on our core markets of Greater China and Australasia where the Group has extensive local networks.

Term loans – by sector



Real Estate (16% of PI)

The portfolio amounted to HK$2,284.6 million. The portfolio includes interests in Hong Kong commercial real estate as well as hotel and commercial investments in Europe. For the period, there was a small loss on the portfolio of HK$17.3 million, mainly from an accounting adjustment in relation to a co-investment vehicle for a London hotel investment. We continue to look for opportunities in the real estate space in Greater China and Europe.

Real Estate is a core strength of the Group and an area where we see significant opportunity to develop third party platforms going forward. For the remainder of the year, we shall focus on developing and launching our first third party real estate platform with a focus on real estate debt in markets core to the group companies. We see the private debt space in real estate as being attractive as lower valuations and better risk/return structures offer good long-term opportunities.

MORTGAGE LOANS

The Group's Mortgage Loans business is operated under Sun Hung Kai Credit Limited ("Sun Hung Kai Credit"). It contributed a pre-tax profit of HK$68.5 million during the period, a 40% year on year increase from HK$48.8 million in the last corresponding period.

Segment Half Year Results

(HK$ Million)	Six months ended 30 June **2019**	2018	**Change**
Revenue	**150.1**	107.7	*39%*
Operating costs	**(20.2)**	(23.5)	*–14%*
Cost to income (% Revenue)	***13.5%***	*21.8%*	
Finance costs	**(61.5)**	(37.7)	*63%*
Impairment and bad debts	**(0.1)**	2.1	*–105%*
Other gains	**0.2**	0.2	–
Pre-tax contribution	**68.5**	48.8	*40%*

Revenue increased by 39%, driven by the year-on-year increase in the average loan balance. The loan balance was HK$3,593.5 million as at 30 June 2019 (31 December 2018: HK$3,854.2 million; 30 June 2018: HK$3,025.8 million). As the business has now reached a satisfactory scale with a solid market position, more emphasis is placed on driving profitability, capital efficiency and margin of the business. During the period, Sun Hung Kai Credit has slowed down the writing of lower margin loans considering the increased opportunity cost of capital for the Group from higher local interest rates.

During the period, finance costs increased from the year-on-year growth in loans and a higher funding rate. This was offset by better operating leverage with lower cost to income ratio.

The credit quality of the loan book remained satisfactory, with no bad debts during the period. Management is cognizant of the potential volatility in residential property prices in Hong Kong and continues to adopt a prudent underwriting approach. The overall loan-to-valuation ratio of the portfolio was below 65% at the end of the period.

Looking ahead, management will continue to build up the business for further profit growth, including diversification to higher margin loan products as well as investment in infrastructure.

FINANCIAL SERVICES

The segment consists of the Group's strategic interests in financial services companies through joint ventures and associated companies. These interests are complementary to our loan and investment strategies. Pre-tax contribution from this during the period was HK$102.4 million (first half 2018: HK$101.8 million).

The Group maintains a 30% shareholding in Everbright Sun Hung Kai Company Limited ("EBSHK"), a 70%-owned subsidiary of Everbright Securities Company Limited ("Everbright Securities"). EBSHK delivered a solid performance in the first half with a solid increase in turnover and profit despite the Hong Kong market's lower average trading volume. During the period, the business has won a number of prestigious industry awards in Hong Kong and Mainland China. Client assets under management, custody, and/or advice was over HK$130 billion.

The overall effect of valuation change on the Group's 30% stake in EBSHK was a gain of HK$51.3 million (first half 2018: HK$67.4 million). This valuation change resulted from adding the change in fair value of the associated company and the change in value of the put right of the stake in the EBSHK business to Everbright Securities. An impairment loss of HK$0.3 million on associate was reversed (first half 2018: impairment loss of HK$82.4 million was reversed). A gain of HK$51.0 million on the put right was recognised (first half 2018: loss of HK$15.0 million).

LSS Financial Leasing (Shanghai) Limited ("LSS Leasing") is a B2B and B2C auto leasing business in Mainland China. The industry environment continued to be unfavourable during the period, with an overall decline in auto sales and production and a rising interest rate environment in China as government continue to deleverage which presented challenges to LSS Leasing. Against this backdrop, LSS Leasing has started to tap into the ride-hailing and goods delivery companies as a provider of comprehensive financial and management services. As such, partnerships were formed with leading platforms such as Lalamove(貨拉拉). Its Qiangsheng Smart-e joint venture is a partnership formed with Shanghai Qiangsheng Taxi in October 2018 to provide services to ride-sharing companies. LSS Leasing has started to work with several first-class online-hailing platforms such as Didi (滴滴), Xiangdao (享道) and Caocao (曹操).

OUTLOOK

We are pleased with the positioning with the Group's assets, which has delivered a solid performance year to date. The outlook for the rest of 2019 is partly dependent on external factors.

Although the Hong Kong market has remained solid so far, the impact of the recent political and social unrest is unknown and a deterioration in unemployment would affect credit cost and profitability. For the Mainland China market, although uncertainties remain, we have restructured the Consumer Finance business to reduce risk whilst positioning the business for growth.

The Principal Investments business is on track and the objective is to further develop this business to increase its revenue contribution. However, the outlook for the year ahead is subject to mark-to-market volatility.

The Group will continue to maintain a balanced approach to asset allocation to maintain an appropriate risk reward balance and maintain strict oversight of costs.

FINANCIAL REVIEW

Financial Resources, Liquidity, Capital Structure and Key Performance Indicators

(HK$ Million)	**30 Jun 2019**	31 Dec 2018	**Change**
Capital Structure			
Equity attributable to owners of the Company	**19,699.7**	19,039.2	3%
Total cash	**4,989.4**	4,995.9	0%
Total borrowings[1]	**15,593.3**	14,983.1	4%
Net debt[2]	**10,603.9**	9,987.2	6%
Net debt to equity ratio	**53.8%**	52.4%	
Liquidity			
Interest cover[3]	**4.7**	3.7	
Return Ratios (Annualised)			
Return on assets[4]	**6.2%**	4.1%	
Return on equity[5]	**10.6%**	6.2%	
Key Performance Indicator			
Book value per share (HK$)	**9.84**	9.48	4%

1 Bank and other borrowings and notes/paper payable
2 Total borrowings minus total cash
3 Earnings before interest and tax/interest expense
4 Profit including non-controlling interests/average assets
5 Profit attributable to owners of the Company/average equity attributable to owners of the Company

The Group's gearing ratio was 53.8% at the end of the period and has remained steady. Interest cover for the period improved to 4.7x, compared with 3.7x for 2018.

As at 30 June 2019, total borrowings of the Group amounted to HK$15,593.3 million (31 December 2018: HK$14,983.1 million). Of this amount, 39% is repayable within one year (31 December 2018: 40%). The Group maintains a balanced mix of funding from various sources. Bank borrowings account for 49.6% of total debt (31 December 2018: 47.9%) and are at floating interest rates, denominated in Hong Kong dollars, US dollars and RMB. There are no known seasonal factors in the Group's borrowing profile.

As at 30 June 2019, the following notes are outstanding:

Note	Maturity Date	HK$ Equivalent *(Million)*	% Total
4.75% USD notes^	5/2021	2,803.3	36%
4.65% USD notes^	9/2022	4,352.6	55%
HKD papers/notes	various	710.8	9%
Total		**7,866.7**	**100%**

^ Listed on The Stock Exchange of Hong Kong Limited

The Group maintained foreign currency positions to cater for its present and potential investments and operating activities. The majority of non-US/HK dollar investment assets are hedged against currency fluctuations. Exchange risks are closely monitored by the Group and held within approved limits.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

On 27 June 2019, UAF completed the repurchase of ordinary shares for the consideration of JPY10 billion as mentioned in the segment discussion above and the Company's announcements dated 20 and 27 June 2019.

Charges on Group Assets

Properties of the Group with a total book value of HK$1,131.0 million and cash of HK$33.1 million were pledged by subsidiaries to banks for facilities granted to them. HK$573.2 million was drawn down as at 30 June 2019.

Contingent Liabilities

At the end of the reporting period, the Group had guarantees as follows:

(HK$ Million)	**30/6/2019**	31/12/2018
At 1 January	**107.0**	112.7
Additions	**390.7**	–
Exchange adjustments	**(0.2)**	(5.7)
	497.5	107.0

HUMAN RESOURCES

As at 30 June 2019, the Group's total staff numbered 2,333 (31 December 2018: 2,719). Out of this, 52 staff (31 December 2018: 50) are from the Principal Investments and corporate staff and the remainder within the main subsidiaries UAF and Sun Hung Kai Credit. The net decrease in staff numbers is a result of the branch consolidation in the consumer finance business in Mainland China, as the business migrated further online.

Staff costs (including Directors' emoluments), contributions to retirement benefit schemes and expenses recognized for the SHK Employee Ownership Scheme ("EOS") amounted to approximately HK$415.8 million (first half of 2018: HK$457.4 million).

The Group operates various compensation schemes to reflect job roles within the organization. For majority of the staff, the compensation comprises either a base salary with bonus/performance-based incentives or base salary, as appropriate. Sales staff/consultants' remuneration packages consist of a base pay and commission/bonus/performance-based incentives as appropriate.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK12 cents per share for the six months ended 30 June 2019 (2018: HK12 cents per share) payable to the shareholders whose names appear on the register of members of the Company on 4 September 2019. Dividend warrants for the interim dividend are expected to be dispatched on 12 September 2019.

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	:	2 September 2019 to 4 September 2019 (Ex-dividend date being 29 August 2019) (Record date being 4 September 2019)

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 30 August 2019.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2019, 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, 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 Principal Investments 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 Mortgage Loans and the 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 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 were set out in the Corporate Governance Report contained in the Company's annual report for the financial year ended 31 December 2018. 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

During the six months ended 30 June 2019, the Company repurchased a total of 5,416,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration (before expenses) of HK$20,057,460. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price Highest	Purchase price Lowest	Aggregate consideration (before expenses)
		(HK$)	*(HK$)*	*(HK$)*
March	2,100,000	3.85	3.81	8,045,480
May	1,028,000	3.70	3.67	3,798,760
June	2,288,000	3.65	3.50	8,213,220
Total	**5,416,000**			**20,057,460**

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2019.

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 2019. 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, 14 August 2019

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

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

Non-Executive Directors:
Messrs. Peter Anthony Curry and Jonathan Andrew Cimino

Independent Non-Executive Directors:
Mr. Evan Au Yang Chi Chun, Mr. David Craig Bartlett, Mr. Alan Stephen Jones and Ms. Jacqueline Alee Leung