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 2023

The Board of Directors (the "Board" or the "Directors") of Sun Hung Kai & Co. Limited (the "Company" or "SHK & Co.") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2023 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30/6/2023	30/6/2022
		Unaudited	Unaudited
	Notes	***HK$ Million***	*HK$ Million*
Interest income		**1,890.0**	1,991.0
Other revenue	*4*	**78.3**	65.1
Other gains	*5*	**46.5**	18.5
Total income		**2,014.8**	2,074.6
Brokerage and commission expenses		**(75.0)**	(83.5)
Advertising and promotion expenses		**(70.3)**	(57.4)
Direct costs and operating expenses		**(37.5)**	(56.3)
Administrative expenses		**(503.7)**	(548.7)
Net loss on financial assets and liabilities at fair value through profit or loss		**(416.5)**	(519.5)
Net exchange loss		**(36.0)**	(133.1)
Net impairment losses on financial assets	*6*	**(310.8)**	(312.5)
Finance costs		**(486.3)**	(426.7)
Other losses		**(24.0)**	(15.8)
		54.7	(78.9)
Share of results of associates		**(8.0)**	(21.7)
Share of results of joint ventures		**(10.2)**	45.5

		Six months ended	
		30/6/2023	30/6/2022
		Unaudited	Unaudited
	Notes	***HK$ Million***	*HK$ Million*
Profit (loss) before taxation	*7*	**36.5**	(55.1)
Taxation	*8*	**(167.3)**	(145.6)
Loss for the period		**(130.8)**	(200.7)
(Loss) profit attributable to:			
— Owners of the Company		**(287.5)**	(401.2)
— Non-controlling interests		**156.7**	200.5
		(130.8)	(200.7)
Loss per share	*10*		
— Basic (HK cents)		**(14.7)**	(20.5)
— Diluted (HK cents)		**(14.7)**	(20.4)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended	
	30/6/2023	30/6/2022
	Unaudited	Unaudited
	HK$ Million	*HK$ Million*
Loss for the period	**(130.8)**	(200.7)
Other comprehensive (expenses) income:		
Items that will not be reclassified to profit or loss		
Fair value loss on investments in equity instruments at fair value through other comprehensive income, net of tax	**(17.5)**	(229.1)
Revaluation gain on properties	**19.1**	—
	1.6	(229.1)
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translating foreign operations	**(177.9)**	(226.9)
Reclassification adjustment to profit or loss on liquidation of subsidiaries	**—**	8.1
Share of other comprehensive income (expenses) of associates	**4.9**	(15.9)
Share of other comprehensive expenses of joint ventures	**(5.5)**	(29.8)
	(178.5)	(264.5)
Other comprehensive expenses for the period	**(176.9)**	(493.6)
Total comprehensive expenses for the period	**(307.7)**	(694.3)
Total comprehensive (expenses) income attributable to:		
— Owners of the Company	**(411.0)**	(785.7)
— Non-controlling interests	**103.3**	91.4
	(307.7)	(694.3)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30/6/2023 Unaudited** *HK$ Million*	31/12/2022 Audited *HK$ Million*
Non-current Assets			
Investment properties		**1,240.2**	1,217.1
Property and equipment		**412.0**	471.2
Right-of-use assets		**218.6**	323.1
Intangible assets		**914.9**	911.6
Goodwill		**2,384.0**	2,384.0
Interest in associates		**173.6**	176.6
Interest in joint ventures		**156.9**	355.4
Financial assets at fair value through other comprehensive income		**228.6**	246.1
Financial assets at fair value through profit or loss		**9,676.3**	10,323.2
Deferred tax assets		**375.5**	453.4
Amounts due from associates		**241.6**	239.1
Loans and advances to consumer finance customers	*11*	**3,724.0**	3,797.3
Mortgage loans	*12*	**808.6**	1,273.0
Term loans	*13*	**27.0**	42.7
Prepayments, deposits and other receivables	*14*	**30.2**	45.0
		20,612.0	22,258.8
Current Assets			
Financial assets at fair value through profit or loss		**4,081.5**	4,115.1
Taxation recoverable		**15.1**	16.8
Amounts due from associates		**6.1**	2.6
Loans and advances to consumer finance customers	*11*	**6,911.0**	7,228.6
Mortgage loans	*12*	**1,861.3**	1,790.9
Term loans	*13*	**241.3**	294.8
Prepayments, deposits and other receivables	*14*	**180.7**	197.5
Amounts due from brokers		**781.0**	1,125.7
Bank deposits		**43.4**	156.5
Cash and cash equivalents		**6,633.2**	5,727.4
		20,754.6	20,655.9

	Notes	**30/6/2023** **Unaudited** ***HK$ Million***	31/12/2022 Audited *HK$ Million*
Current Liabilities			
Financial liabilities at fair value through profit or loss		**313.4**	407.4
Bank and other borrowings		**6,211.6**	5,510.0
Creditors and accruals	*15*	**423.7**	464.7
Amounts due to brokers		**213.6**	79.6
Amount due to a holding company		**1.5**	1.8
Provisions		**51.5**	48.8
Taxation payable		**128.0**	93.5
Other liabilities		**14.8**	38.7
Lease liabilities		**97.3**	118.6
Notes payable		**635.8**	86.8
		8,091.2	6,849.9
Net Current Assets		**12,663.4**	13,806.0
Total Assets less Current Liabilities		**33,275.4**	36,064.8
Capital and Reserves			
Share capital		**8,752.3**	8,752.3
Reserves		**12,921.9**	13,605.8
Equity attributable to owners of the Company		**21,674.2**	22,358.1
Non-controlling interests		**3,297.5**	3,198.0
Total Equity		**24,971.7**	25,556.1
Non-current Liabilities			
Financial liabilities at fair value through profit or loss		**101.5**	99.6
Deferred tax liabilities		**139.6**	134.6
Bank and other borrowings		**2,263.5**	3,475.2
Provisions		**0.6**	0.5
Other liabilities		**32.8**	13.2
Lease liabilities		**127.3**	207.6
Notes payable		**5,638.4**	6,578.0
		8,303.7	10,508.7
		33,275.4	36,064.8

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 2022 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 2022 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.

Other than additional accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual periods beginning or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimate
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

Except as described below, the application of the new and 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.

Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Transition and summary of effects

The Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. The retrospective application of the new accounting policy to leasing transactions that occurred on or after 1 January 2022 in accordance with the transition provision has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts on application of Amendments to HKAS 12 International Tax Reform-Pillar Two model Rules

In July 2023, the HKICPA issued the amendments to HKAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

3. SEGMENT INFORMATION

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

	Six months ended 30 June 2023						
	Financing Business						
(HK$ Million)	Consumer Finance	Private Credit	Mortgage Loans	Investment Management	Funds Management**	Group Management and Support	Total
Segment revenue	1,628.6	16.2	146.2	78.1	14.0	131.0	2,014.1
Less: inter-segment revenue	–	–	–	–	–	(45.8)	(45.8)
Segment revenue from external customers	1,628.6	16.2	146.2	78.1	14.0	85.2	1,968.3
Segment profit or loss	553.8	(28.5)	71.6	(824.9)	16.3	266.4	54.7
Share of results of associates	–	–	–	(8.0)	–	–	(8.0)
Share of results of joint ventures	–	(10.2)	–	–	–	–	(10.2)
Profit (loss) before taxation	553.8	(38.7)	71.6	(832.9)	16.3	266.4	36.5
Included in segment profit or loss:							
Interest income	1,605.6	16.2	146.2	29.4	0.2	92.4	1,890.0
Other gains	5.3	–	–	2.8	15.7	22.7	46.5
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	–	–	–	(420.7)	(0.8)	5.0	(416.5)
Net exchange (loss) gain	(12.3)	–	–	3.0	(0.1)	(26.6)	(36.0)
Net (impairment losses) reversal of impairment losses on financial assets	(293.6)	(25.6)	7.7	0.8	–	(0.1)	(310.8)
Other losses	(1.5)	–	–	(22.5)	–	–	(24.0)
Amortisation and depreciation	(69.9)	–	(2.9)	(0.1)	(0.2)	(26.5)	(99.6)
Finance costs	(238.2)	(12.5)	(51.8)	(2.4)	–	(212.3)	(517.2)
Less: inter-segment finance costs	–	12.5	18.4	–	–	–	30.9
Finance costs to external suppliers	(238.2)	–	(33.4)	(2.4)	–	(212.3)	(486.3)
Cost of capital (charges) income *	–	–	–	(367.5)	–	367.5	–

	Six months ended 30 June 2022						
	Financing Business						
(HK$ Million)	Consumer Finance	Private Credit	Mortgage Loans	Investment Management**	Funds Management**	Group Management and Support	Total
Segment revenue	1,759.1	52.0	144.7	80.6	13.2	65.4	2,115.0
Less: inter-segment revenue	—	—	—	—	—	(58.9)	(58.9)
Segment revenue from external customers	1,759.1	52.0	144.7	80.6	13.2	6.5	2,056.1
Segment profit or loss	645.4	3.7	78.0	(968.3)	(21.8)	184.1	(78.9)
Share of results of associates	—	—	—	(21.7)	—	—	(21.7)
Share of results of joint ventures	—	(8.7)	—	54.2	—	—	45.5
Profit (loss) before taxation	645.4	(5.0)	78.0	(935.8)	(21.8)	184.1	(55.1)
Included in segment profit or loss:							
Interest income	1,746.8	51.7	144.6	37.6	—	10.3	1,991.0
Other gains	11.4	—	1.3	2.2	—	3.6	18.5
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	—	7.0	—	(620.1)	(15.0)	108.6	(519.5)
Net exchange (loss) gain	(25.2)	—	—	(10.4)	0.6	(98.1)	(133.1)
Net (impairment losses) reversal of impairment losses on financial assets	(312.3)	(21.2)	15.7	5.2	—	0.1	(312.5)
Other losses	(1.5)	—	—	(14.3)	—	—	(15.8)
Amortisation and depreciation	(57.6)	—	(2.7)	(0.1)	(0.1)	(24.9)	(85.4)
Finance costs	(131.9)	(18.1)	(48.1)	(0.3)	—	(274.3)	(472.7)
Less: inter-segment finance costs	—	18.1	27.7	0.2	—	—	46.0
Finance costs to external suppliers	(131.9)	—	(20.4)	(0.1)	—	(274.3)	(426.7)
Cost of capital (charges) income *	—	—	—	(375.9)	—	375.9	—

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

** Funds Management segment is separately presented from Investment Management segment. The directors of the Company consider that this change to segment reporting is in line with the changes of internal reporting reviewed by the chief operating decision maker in 2023. The comparative figures for Investment Management and Funds Management segments were re-presented to align with the changes to segment reporting adopted in the 2023 interim report.

The geographical information of revenue is disclosed as follows:

	Six months ended	
	30/6/2023	30/6/2022
	HK$ Million	*HK$ Million*
Revenue from external customers by location of operations		
— Hong Kong	**1,682.4**	1,614.7
— People's Republic of China ("PRC")	**285.9**	441.4
	1,968.3	2,056.1

4. OTHER REVENUE

	Six months ended	
	30/6/2023	30/6/2022
	HK$ Million	*HK$ Million*
Service and commission income	**20.1**	10.3
Dividends from listed investments	**30.8**	22.9
Dividends from unlisted investments	**8.7**	6.6
Gross rental income from investment properties	**12.1**	14.3
Management fee income	**3.1**	3.1
Revenue sharing from funds	**3.5**	6.0
Others	**—**	1.9
	78.3	65.1

5. OTHER GAINS

	Six months ended	
	30/6/2023	30/6/2022
	HK$ Million	*HK$ Million*
Gain on repurchase of notes	**21.2**	—
Income from assignment of revenue sharing rights	**15.7**	—
Gain on disposal of property and equipment	**2.0**	—
Gain on disposal of investments	**—**	1.0
Change in net assets attributable to other holders of consolidated structured entities	**—**	2.9
Government grants on Employment Support Scheme	**—**	5.7
Miscellaneous income	**7.6**	8.9
	46.5	18.5

6. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Six months ended	
	30/6/2023	30/6/2022
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
— Net impairment losses	**(417.5)**	(425.1)
— Recoveries of amounts previously written off	**123.3**	112.5
	(294.2)	(312.6)
Mortgage loans		
— Net reversal of impairment losses	**7.7**	15.7
	7.7	15.7
Term loans		
— Net impairment losses	**(24.4)**	(21.2)
	(24.4)	(21.2)
Amounts due from associates		
— Net (recognition) reversal of impairment losses	**(0.5)**	5.2
	(0.5)	5.2
Deposits and other receivables		
— Net reversal of impairment losses	**0.6**	0.4
	0.6	0.4
	(310.8)	(312.5)

7. PROFIT (LOSS) BEFORE TAXATION

	Six months ended **30/6/2023** *HK$ Million*	30/6/2022 *HK$ Million*
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property and equipment	**(29.1)**	(20.4)
Depreciation of right-of-use assets	**(68.0)**	(63.4)
Amortisation of intangible assets		
— Computer software (included in administrative expenses)	**(2.5)**	(1.6)
Payments for short-term leases and leases of low-value assets	**(0.7)**	(3.3)
Interest on bank borrowings, notes payable and financial assets sold under repurchase agreements	**(479.6)**	(419.6)
Decrease in fair value of investment properties	**(23.4)**	(14.0)
Interest on lease liabilities	**(6.7)**	(7.1)

8. TAXATION

	Six months ended **30/6/2023** *HK$ Million*	30/6/2022 *HK$ Million*
Current tax		
— Hong Kong	**97.2**	123.5
— PRC	**1.8**	0.9
— Other jurisdictions	**—**	0.1
	99.0	124.5
Deferred tax	**68.3**	21.1
	167.3	145.6

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the current and prior periods. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2022: 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 was immaterial in both periods presented.

9. DIVIDENDS

	Six months ended	
	30/6/2023	30/6/2022
	HK$ Million	*HK$ Million*
Dividends recognised as distribution during the period		
— 2022 second interim dividend of HK14 cents per share (2022: 2021 second interim dividend of HK14 cents per share)	**275.4**	276.3
— 2021 special dividend of HK4 cents per share	**—**	78.9
	275.4	355.2

Subsequent to the end of the interim reporting period, the Board has declared an interim dividend of HK12 cents per share amounting to HK$236.0 million (2022: interim dividend of HK12 cents per share amounting to HK$236.7 million).

10. LOSS PER SHARE

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

	Six months ended	
	30/6/2023	30/6/2022
	HK$ Million	*HK$ Million*
Loss for the purposes of basic and diluted loss per share	**(287.5)**	(401.2)
Number of shares (in million)		
Weighted average number of ordinary shares for the purposes of basic loss per share	**1,958.3**	1,961.8
Effect of dilutive potential ordinary shares:		
— Adjustments on SHK Employee Ownership Scheme	**1.5**	1.7
Weighted average number of ordinary shares for the purposes of diluted loss per share	**1,959.8**	1,963.5

11. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	30/6/2023	31/12/2022
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
— Hong Kong	**9,079.8**	8,743.1
— PRC	**2,096.6**	2,887.2
	11,176.4	11,630.3
Less: impairment allowance	**(541.4)**	(604.4)
	10,635.0	11,025.9
Analysed for reporting purposes as:		
— Non-current assets	**3,724.0**	3,797.3
— Current assets	**6,911.0**	7,228.6
	10,635.0	11,025.9

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

	30/6/2023	31/12/2022
	HK$ Million	*HK$ Million*
Less than 31 days past due	**626.4**	705.0
31–60 days	**93.9**	127.5
61–90 days	**25.4**	66.0
91–180 days	**58.8**	2.7
Over 180 days	**63.3**	67.6
	867.8	968.8

12. MORTGAGE LOANS

	30/6/2023	31/12/2022
	HK$ Million	*HK$ Million*
Mortgage loans		
— Hong Kong	**2,705.7**	3,107.5
Less: impairment allowance	**(35.8)**	(43.6)
	2,669.9	3,063.9
Analysed for reporting purposes as:		
— Non-current assets	**808.6**	1,273.0
— Current assets	**1,861.3**	1,790.9
	2,669.9	3,063.9

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

	30/6/2023	31/12/2022
	HK$ Million	*HK$ Million*
Less than 31 days past due	**100.2**	207.8
31–60 days	**239.3**	22.6
61–90 days	**—**	—
91–180 days	**5.9**	0.1
Over 180 days	**140.9**	313.4
	486.3	543.9

As of 30 June 2023, HK$867.8 million (2022: HK$1,025.0 million) of mortgage loan receivables were pledged for a securitization financing transaction.

13. TERM LOANS

	30/6/2023	31/12/2022
	HK$ Million	*HK$ Million*
Secured term loans	**998.2**	1,022.9
Unsecured term loans	**70.5**	97.3
	1,068.7	1,120.2
Less: impairment allowance	**(800.4)**	(782.7)
	268.3	337.5
Analysed for reporting purposes as:		
— Non-current assets	**27.0**	42.7
— Current assets	**241.3**	294.8
	268.3	337.5

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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30/6/2023	31/12/2022
	HK$ Million	*HK$ Million*
Deposits	**92.8**	91.0
Other receivables	**47.3**	111.4
Less: impairment allowance	**(0.5)**	(1.2)
Deposits and other receivables at amortised cost	**139.6**	201.2
Prepayments	**71.3**	41.3
	210.9	242.5
Analysed for reporting purposes as:		
— Non-current assets	**30.2**	45.0
— Current assets	**180.7**	197.5
	210.9	242.5

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

	30/6/2023	31/12/2022
	HK$ Million	*HK$ Million*
Less than 31 days	**46.8**	110.1
Deposits and other receivables without ageing	**92.8**	91.1
Deposits and other receivables at amortised cost	**139.6**	201.2

15. CREDITORS AND ACCRUALS

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

	30/6/2023	31/12/2022
	HK$ Million	*HK$ Million*
Less than 31 days/repayable on demand	**198.0**	123.1
31–60 days	**5.2**	5.9
61–90 days	**3.8**	—
	207.0	129.0
Accrued staff costs, other accrued expenses and creditors without ageing	**216.7**	335.7
	423.7	464.7

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

(HK$ Million)	**Six months ended** **Jun 2023**	Jun 2022	**Change**	**Year ended** Dec 2022
Revenue	1,968.3	2,056.1	-4.3%	4,054.1
Pre-tax profit/(loss)	36.5	(55.1)	N/A	(892.3)
Loss attributable to owners of the Company	(287.5)	(401.2)	-28.3%	(1,534.8)
Basic loss per share *(HK cents)*	(14.7)	(20.5)	-28.3%	(78.2)
Interim dividend *(HK cents)*	12.0	12.0	—	14.0^
Book value per share *(HK$)*	11.0	12.1	-9.1%	11.4

^ Second interim dividend

In the first half of 2023, the mixed global macro picture continued to present a challenging operating environment for our business. As inflation in the US showed some signs of subsiding and the Federal Reserve (the "Fed") slowed its aggressive interest rate hikes, US equity markets experienced a rally, which was predominantly driven by several of the largest tech companies. However, inflation and interest rates remained at elevated levels. In the Greater China area, while business activities resumed following the COVID-19 reopening, the slower-than-expected economic recovery and heightened geopolitical tensions tempered investor sentiment in the region. Throughout the period, we remained focused on navigating these challenges by carefully managing the impacts on our financial performance. We continued to maintain a strong balance sheet and improve liquidity across all business segments while adopting a prudent approach to capital deployment against the highly uncertain economic backdrop.

Pre-tax profit was HK$36.5 million for the first half of 2023, compared to a loss of HK$55.1 million for the same period last year. The improvement was mainly attributable to the smaller write-downs we took on our investment assets during the period compared to those made in 2022.

After taxation and non-controlling interest, loss attributable to the owners of the Company for the period was HK$287.5 million (first half of 2022: HK$401.2 million). Basic loss per share for the period was HK14.7 cents (first half of 2022: HK20.5 cents).

The Board has declared an interim dividend of HK12 cents per share for the six months ended 30 June 2023, which is unchanged from the first half of 2022. During the period, the Company repurchased 770,000 shares (first half of 2022: 829,000 shares) for a total net consideration of HK$2.3 million (first half of 2022: HK$3.1 million). In addition, the Company repurchased medium-term notes ("MTN") totalling US$28.1 million during the period to continue to improve its capital utilisation efficiency with net gearing ratio decreasing substantially to 37.2% from 43.7% as at 31 December 2022.

As at 30 June 2023, the Group's book value per share was HK$11.0, a decrease of 3.5% from the end of 2022 (HK$11.4) and 9.1% from 30 June 2022 (HK$12.1).

RESULTS ANALYSIS

The Group's revenue in the first half of 2023 was HK$1,968.3 million (first half of 2022: HK$2,056.1 million), which mainly consisted of interest income from the Financing business of HK$1,768.0 million.

The Financing business contributed a pre-tax profit of HK$586.7 million for the period (first half of 2022: HK$718.4 million), mainly reflecting the Group's strategic decision to scale down Consumer Finance's unsecured loan business in Mainland China and the substantial increase in HIBOR which added pressure to our finance costs. The pre-tax profit was also impacted by the Private Credit segment, which had a smaller loan book and lower revenue during the period, partly attributable to our strategic shift to deploy more capital via our APAC real estate loan fund.

Investment Management recorded a pre-tax loss of HK$832.9 million (first half of 2022: HK$935.8 million), as our exposure to Mainland China was impacted by the weak market sentiment and we also recognised some losses when we adjusted our hedging strategies and rebalanced certain portfolios.

Funds Management delivered a pre-tax profit of HK$16.3 million (first half of 2022: loss of HK$21.8 million), mainly driven by the sale of revenue share rights in East Point, one of our fund partnerships, to Regal Partners, as well as the decrease in mark-to-market loss on carried interest distribution in kind we received.

Pre-tax profit from Group Management Support ("GMS") was HK$266.4 million (first half of 2022: HK$184.1 million), primarily attributable to increased interest income generated by assets held for liquidity purposes.

Operating costs decreased by 8.0% to HK$686.5 million (first half of 2022: HK$745.9 million), mainly reflecting reduced loan collection expenses in the Consumer Finance segment as well as the cost rationalisation in the segment's Mainland China market in conjunction with its strategic shift.

BUSINESS REVIEW

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

	Pre-tax Contribution for the six-months ended			Segment Assets as at	
(HK$ Million)	**Jun 2023**	Jun 2022	**Change**	**Jun 2023**	Dec 2022
FINANCING BUSINESS					
Consumer Finance	**553.8**	645.4	-14.2%	**18,097.9**	18,156.9
Private Credit	**(38.7)**	(5.0)	674.0%	**416.8**	486.0
Mortgage Loans	**71.6**	78.0	-8.2%	**2,880.4**	3,283.4
Sub-total	**586.7**	718.4	-18.3%	**21,395.1**	21,926.3
INVESTMENT MANAGEMENT	**(832.9)**	(935.8)	-11.0%	**16,254.2**	17,579.9
FUNDS MANAGEMENT	**16.3**	(21.8)	N/A	**28.6**	14.3
GMS	**266.4**	184.1	44.7%	**3,688.7**	3,394.2
Total	**36.5**	(55.1)	N/A	**41,366.6**	42,914.7

FINANCING BUSINESS

The Group's Financing business principally operates in the Greater China region, where it is subject to the impacts of local economic conditions, regulatory environments and financing costs.

CONSUMER FINANCE

The Group's Consumer Finance business is conducted via its majority-owned subsidiary United Asia Finance Limited ("UAF") which operates under money lenders licences in Hong Kong and holds an internet loan licence as well as offline money lending licences in major cities across Mainland China. Through a well-established branch network and sophisticated online and mobile platforms, UAF primarily engages in offering unsecured loans to individuals and businesses in Hong Kong and Mainland China. During the first half of 2023, UAF remained the top-ranked unsecured loan provider in the Hong Kong market, with the highest outstanding balance among non-bank lenders and a top-five ranking among all lenders.

Segment Half Year Results

(HK$ Million)	Six months ended 30 June **2023**	2022	Change
Revenue	**1,628.6**	1,759.3	-7.4%
Return on loan (% average gross loan balance)[1]	***28.5%***	*28.1%*	
Operating costs	**(532.9)**	(652.7)	-18.4%
Cost to income (% revenue)	***32.7%***	*37.1%*	
Finance costs	**(238.2)**	(131.9)	80.6%
Net impairment losses	**(293.6)**	(312.3)	-6.0%
Other gains	**6.0**	11.1	-45.9%
Other losses	**(3.8)**	(2.9)	31.0%
Exchange loss	**(12.3)**	(25.2)	-51.2%
Pre-tax contribution	**553.8**	645.4	-14.2%
Loan Book:			
Net loan balance	**10,635.0**	11,738.3	-9.4%
Gross loan balance[2]	**11,176.4**	12,320.9	-9.3%

1 Interest and fee income/average gross loan balances

2 Before impairment allowance

In the first half of 2023, in view of the challenging economic and regulatory conditions, UAF took the decision to scale down its unsecured personal loan business in Mainland China and focus instead on secured loan products in that market. Total loan balance at the end of the period, on a net (after impairment allowance) and gross basis, stood at HK$10,635.0 million and HK$11,176.4 million, a decrease of 9.4% and 9.3% year-over-year, respectively. As a result, UAF's revenue contribution decreased 7.4% year-over-year to HK$1,628.6 million for the first half of 2023. Operating costs also decreased over the period due to the reduced loan collection expenses and comprehensive cost rationalisation initiated in conjunction with our strategic shift from unsecured to secured lending in Mainland China.

Our finance costs, a substantial portion of which were HIBOR-based, increased as the benchmark index rose sharply during the period. To ensure sufficient liquidity, we arrange ample banking facilities to finance loan balance growth and refinance outstanding facilities as needed. Net impairment losses decreased 6.0% year-over-year, as the drop in our Mainland China loan balance allowed us to write back some of the impairment allowance for our loans in the region. As the Hong Kong and Mainland China economies continued to reopen, the delinquency and charge-off ratios in both regions stabilised further, returning to pre-pandemic levels. We recorded an exchange loss on our renminbi ("RMB") deposits for the first half of 2023, as the United States Dollar ("USD") continued to strengthen over the period.

As a result, UAF's pre-tax contribution to the Group was HK$553.8 million, a decrease of 14.2% year-over-year.

Net Impairment Losses on Financial Instruments

(HK$ Million)	**Jan–Jun 2023**	Jan–Jun 2022	Jul–Dec 2022
Amounts written off[1]	**(478.1)**	(463.7)	(474.6)
Recoveries[2]	**123.3**	112.5	112.4
Charge off	**(354.8)**	(351.2)	(362.2)
as an annualised % of average gross loan balance	**6.2%**	5.6%	6.0%
Written back of impairment allowance[3]	**61.2**	38.9	(27.8)
Net impairment losses	**(293.6)**	(312.3)	(390.0)
as an annualised % of average gross loan balance	**5.1%**	5.0%	6.5%
Impairment allowance at period/year end	**541.4**	582.6	604.4
as a % of gross loan balance at period/year end	**4.8%**	4.7%	5.2%

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

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

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

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

No. of days past due as at:	30 Jun 2023	*Note*	31 Dec 2022	*Note*
Less than 31	**626.4**	***5.9%***	705.0	*6.4%*
31–60	**93.9**	***0.9%***	127.5	*1.2%*
61–90	**25.4**	***0.2%***	66.0	*0.6%*
91–180	**58.8**	***0.6%***	2.7	*0.0%*
Over 180	**63.3**	***0.6%***	67.6	*0.6%*
Total	**867.8**	***8.2%***	968.8	*8.8%*

Note: Amount as a percentage of net loan balance.

Hong Kong Business

Key Operating Data	1H2023	1H2022	Full Year 2022
Number of branches *(end of period/year)*	**48**	48	49
Loan data:			
Gross loan balance *(HK$ Million)* *(end of period/year)*	**9,079.8**	8,703.6	8,743.1
Loan originated for the period/year *(HK$ Million)*[1]	**5,726.8**	5,872.0	11,968.2
Number of loans originated[1]	**98,082**	91,657	165,206
Average gross balance per loan *(HK$)*	**51,463**	60,343	60,885
Annualised Ratios:			
Total return on loans[2]	**30.1%**	30.1%	30.4%
Charge-off ratio[3]	**5.2%**	4.8%	5.1%
Net impairment losses ratio[4]	**5.3%**	3.3%	5.0%
Impairment allowance ratio[5]	**4.9%**	4.4%	5.0%

1 Credit card portfolio information is excluded for comparison purpose
2 Interest and fee income/average gross loan balance
3 Charge-off/average gross loan balance
4 Net impairment losses/average gross loan balance
5 Impairment allowance/gross loan balance at period/year end

Hong Kong experienced a strong economic recovery in the first half of this year, with gross domestic product ("GDP") growing 5.3% in the first quarter and unemployment rate decreasing to 2.9% in June 2023. UAF took advantage of the economic rebound to grow its business, attaining the high-ever gross loan balance and better-than-expected profit contribution.

In keeping with its ongoing commitment to product innovation, UAF successfully launched a credit card branded as "SIM" card, known as "Simple Instant Money" in December 2022. The card was developed in cooperation with Mastercard International Incorporated ("Mastercard"). UAF received an award from Mastercard for completing development of the new card product within just one year, a recognition of UAF's "can-do" spirit and strong product development capabilities. The new credit card platform enables UAF to engage with a new and distinct customer segment, meeting cardholders' daily spending and financial needs in a convenient way while creating opportunities for UAF to cross-sell personal loans and other products. Overall, we were satisfied with the results of SIM card's pilot launch in the first half of 2023.

On the regulatory front, the interest rate limits under the Money Lenders Ordinance were lowered with effect from 30 December 2022, with the legitimate interest rate decreasing from 48% to 36% per annum. We have certain loan contracts signed prior to the legislative amendments with interest rates falling between 36% and 48% per annum, but the relevant loan balances will be amortised over time. Meanwhile, all loan contracts signed after 30 December 2022 have interest rates below 36% per annum. This policy change has a limited impact on UAF's interest income. We will strictly comply with the new interest rate limits in accordance with applicable regulatory requirements.

As the economy recovers, market competition has intensified, with money lenders, traditional banks and virtual banks rolling out aggressive promotion and advertising campaigns. UAF has revamped its advertising strategy to boost the effectiveness of its advertising spending and better reach target customers to fuel the growth of the business. We have planned a series of promotional and advertising activities, which we expect to further solidify our leadership position in the competitive market landscape.

Mainland China Business

Key Operating Data	**1H2023**	1H2022	Full Year 2022
Number of branches *(end of period/year)*	**16**	18	17
Loan data:			
Gross loan balance *(HK$ Million)* *(end of period/year)*	**2,096.6**	3,617.3	2,887.2
Loan originated for the period/year *(HK$ Million)*	**1,136.5**	2,280.3	4,168.0
Number of loans originated	**10,182**	20,231	38,515
Average gross balance per loan *(RMB)*	**68,343**	76,122	69,908
Annualised Ratios:			
Total return on loans[1]	**22.9%**	23.4%	24.4%
Charge-off ratio[2]	**9.9%**	7.5%	7.8%
Net impairment losses ratio[3]	**4.5%**	8.9%	7.8%
Impairment allowance ratio[4]	**4.6%**	5.5%	5.8%

1 Interest and fee income/average gross loan balance
2 Charge-off/average gross loan balance
3 Net impairment losses/average gross loan balance
4 Impairment allowance/gross loan balance at period/year end

The economic and business environment in Mainland China remained challenging during the first half of 2023, with economic data indicating the lack of a solid recovery. UAF took the decision to scale down its unsecured personal lending business in the market and reallocate resources to expand its secured lending business, which provides stable returns backed by adequate collateral to cover credit risks. UAF also initiated a comprehensive cost rationalisation activity, which it expects to complete by year-end. We believe that a focus on secured lending with well-managed credit risks in Mainland China will generate meaningful returns with a lower cost base for the remainder of the year.

MORTGAGE LOANS

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

Segment Half Year Results

(HK$ Million)	**Six months ended 30 June** **2023**	2022	Change
Revenue	**146.2**	144.7	1.0%
Return on loans[1]	***10.1%***	*8.3%*	
Operating costs	**(30.5)**	(35.6)	-14.3%
Cost to income (% Revenue)	***20.9%***	24.6%	
Finance costs	**(51.8)**	(48.1)	7.7%
Net impairment reversals	**7.7**	15.7	-51.0%
Other gains	**—**	1.3	N/A
Pre-tax contribution	**71.6**	78.0	-8.2%
Loan Book:			
Net loan balance	**2,669.9**	3,402.7	-21.5%
Gross loan balance[2]	**2,705.7**	3,440.1	-21.3%

1 Annualised interest and fee income/average gross loan balance

2 Before impairment allowance

The Hong Kong property market presented a mixed picture during the first half of 2023. While the market recovered somewhat in Q1, this trend did not continue into Q2, and high interest rates continued to exert pressure on property prices. In light of these challenges, we remained cautious in our lending activities and placed a strong emphasis on mitigating risks while ensuring returns. The gross loan balance as at 30 June 2023 was HK$2,705.7 million (31 December 2022: HK$3,107.5 million; 30 June 2022: HK$3,440.1 million) with first mortgage loans accounting for over 90%. The loan-to-value ratio remained at a healthy level of below 70%.

Revenue for the period was HK$146.2 million, representing an increase of 1.0% year-over-year. Return on loans increased by 1.8 percentage points to 10.1% from the same period of last year. Operating costs for the period were HK$30.5 million, a decrease of 14.3%, and cost to income ratio improved by 3.7 percentage points to 20.9% from the first half of 2022, mainly due to our improved operating efficiency. Finance costs were HK$51.8 million, increasing 7.7% year-on-year as a result of elevated interest rates, partially offset by the smaller amount of bank facility we utilised. Net impairment losses recorded a reversal of HK$7.7 million with certain loan recoveries, compared to HK$15.7 million for the same period of last year. SHK Credit contributed a pre-tax profit of HK$71.6 million for the period, a decrease of 8.2% year-on-year.

PRIVATE CREDIT

The Group's Private Credit business provides tailored funding solutions to corporates, investment funds and high net worth individuals ("HNWIs"). Almost all loans are either secured by assets or guaranteed by corporates or HNWIs.

Net loan balance further decreased in the first half of 2023 to HK$202.0 million (31 December 2022: HK$263.0 million; 30 June 2022: HK$412.0 million) as we continued to focus on managing the existing loan portfolio and strategically reallocated capital to MCIP, an APAC real estate loan fund managed by our Funds Management arm. This shift is in line with our strategy of developing a leading alternative investment platform. As a result, revenue for the period was HK$16.2 million, a decrease of 68.8% year-on-year.

Net impairment losses were HK$25.6 million, increasing 20.8% year-on-year as we made extra provisions considering the change in mark-to-market collateral value to reflect the potential impact on loan repayment. Finance costs declined by 30.9% year-on-year to HK$12.5 million as less capital was deployed during the period. Pre-tax contribution of this segment was a loss of HK$38.7 million, compared to HK$5.0 million for the first half of 2022.

Also included in the Private Credit segment was the Group's interest in LSS Leasing, a business-to-business (B2B) and business-to-consumer (B2C) auto leasing business in Mainland China.

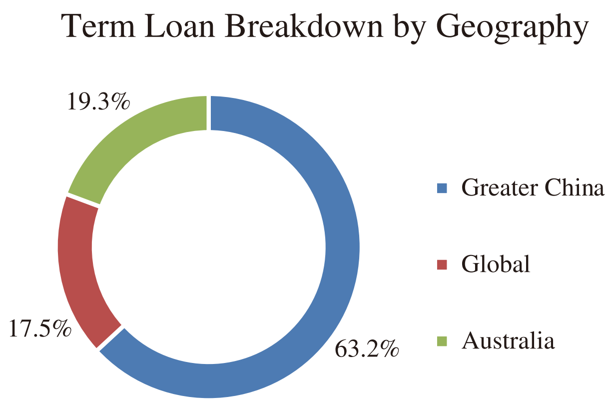
Segment Half Year Results

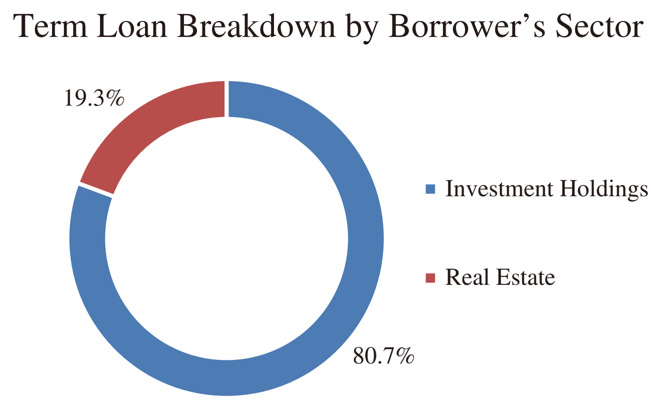
(HK$ Million)	**Six months ended 30 June 2023**	2022	Change
Revenue	**16.2**	52.0	-68.8%
Return on loans[1]	***3.2%***	*7.9%*	
Operating costs	**(6.6)**	(16.0)	-58.8%
Cost to income (% Revenue)	***40.7%***	*30.8%*	
Finance costs	**(12.5)**	(18.1)	-30.9%
Net impairment losses	**(25.6)**	(21.2)	20.8%
Net gain on financial assets and liabilities	**—**	7.0	N/A
Others	**(10.2)**	(8.7)	17.2%
Pre-tax contribution	**(38.7)**	(5.0)	674.0%
Loan Book:			
Net loan balance	**202.0**	412.0	-51.0%
Gross loan balance[2]	**1,002.4**	1,144.5	-12.4%
Other investments:			
Listed shares and others	**1.8**	4.2	-57.1%
Interest in joint venture	**146.2**	183.9	-20.5%
	148.0	188.1	-21.3%

1 Annualised interest and fee income/average gross loan balance

2 Before impairment allowance

__Private Credit Loan Portfolio__





INVESTMENT MANAGEMENT

The Investment Management division leverages the Group's expertise, network and strong financial position to seek attractive risk-adjusted returns.

Against the uncertain global monetary and economic backdrop, the Group remained vigilant as 2023 began, continuing to use hedging instruments to reduce our overall market exposure, a strategy which had helped us outperform the markets in 2022. As US markets started to recover, we adjusted our strategy and reduced hedging positions, causing us to recognise certain losses, which were partly offset by gains on some underlying investments. In addition, market sentiment towards Mainland China investments has remained cool due to the slower-than-expected post-COVID recovery, generating mark-to-market volatility in our portfolio.

The division recorded a pre-tax loss of HK$832.9 million for the period (first half of 2022: HK$935.8 million). The Alternatives and Real Estate segments substantially narrowed their unrealised losses to HK$99.5 million from HK$1,020.8 million for the same period of last year, contributing to the year-on-year improvement in pre-tax results. Realised loss on Alternatives and Real Estate was HK$135.2 million, compared to a gain of HK$585.4 million for the same period of last year, mainly reflecting our strategic decision to de-risk by reducing certain exposures, downsizing of the hedging positions against Private Equity book, and a decline in the number of investment exits. Public Markets recorded a net loss of HK$196.8 million, mainly due to the mark-to-market adjustment in certain Chinese strategic positions and hedging instruments in the US, which we have seen recovery in the first month following the period-end closing as a result of the ongoing volatility in the markets.

Analysis of Pre-tax Profit by Nature

(HK$ Million)	For the six months ended Jun 2023	Jun 2022[1]	Change
Realised (loss)/gain on Alternatives and Real Estate	**(135.2)**	585.4	N/A
Unrealised loss on Alternatives and Real Estate	**(99.5)**	(1,020.8)	-90.3%
Net loss on Public Markets	**(196.8)**	(184.6)	6.6%
Interest income	**29.4**	37.6	-21.8%
Dividends received	**37.4**	27.4	36.5%
Rental income	**11.3**	13.9	-18.7%
Fee received/receivable	**—**	1.7	N/A
Net impairment allowance reversal on financial assets	**0.8**	5.2	-84.6%
Net exchange gain/(loss)	**3.0**	(10.4)	N/A
Share of results of associates & joint venture	**(8.0)**	32.5	N/A
Loss from revaluation on investment properties	**(22.0)**	(12.8)	71.9%
Others	**2.8**	(1.4)	N/A
Total losses	**(376.8)**	(526.3)	-28.4%
Operating costs[2]	**(456.1)**	(409.5)	11.4%
Pre-tax contribution	**(832.9)**	(935.8)	-11.0%

1 Represented
2 Cost of capital included

As Hong Kong and US markets moved in different directions during the first half of 2023, Investment Management's overall return for the period was -2.3%. Public Markets and Alternatives lost 7.4% and 2.5% respectively, whereas Real Estate gained 6.7%, benefiting from the business recovery of our hospitality investment in the European Union ("EU").

On the operational side, we continued to augment our team's capabilities by adding several seasoned industry veterans. We also enhanced our risk management systems and made infrastructure improvements to further institutionalise our Investment Management business and progress towards our vision of building a leading alternative investment platform.

Segment Assets Breakdown and Return

(HK$ Million)	First Half 2023 Period End Value	Average Value for the Period	Gain/ (Loss)	Six-month Return[1]	Return track record[1] 2022[2]	2021[2]
Public Markets	2,351.1	2,272.1	(167.0)	-7.4%	-6.1%	4.4%
Alternatives	11,589.8	12,316.7	(311.0)	-2.5%	-9.8%	18.8%
Real Estate	2,313.3	1,518.2	101.2	6.7%	-1.5%	3.6%
Total	16,254.2	16,107.0	(376.8)	**-2.3%**	**-8.3%**	**14.2%**

1 Gain (loss) before cost of capital/average value for the period/year
2 Annual return

Public Markets

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

Breakdown of Public Markets Portfolio as at 30 June 2023

(HK$ Million)	Period End Value	Gain/(Loss)	Six-month Unlevered Return[1]
Corporate Holdings	2,155.6	(167.0)	-8.1%
Strategic Holdings[2]	195.5	—	N/A
Total	**2,351.1**	**(167.0)**	**-7.4%**

1 Gain (loss) before cost of capital/average fair market value for the period
2 At FVTOCI

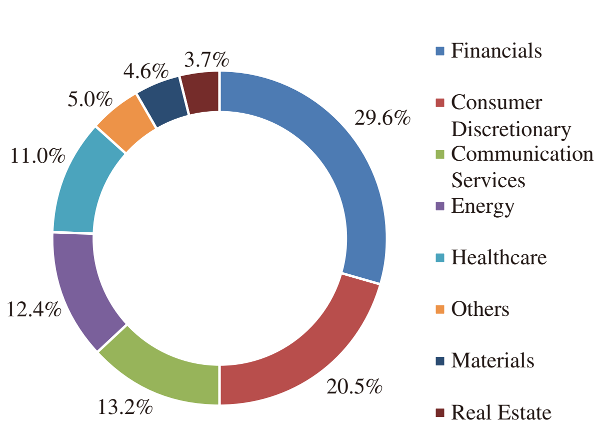
Corporate Holdings

The Corporate Holdings segment mainly manages a mix of long-term and shorter-term equity positions. Derivatives and hedging are used both to manage risks and enhance returns. During the first half of 2023, we further strengthened our investment and portfolio management capabilities, striving to achieve sustainable risk-adjusted returns.

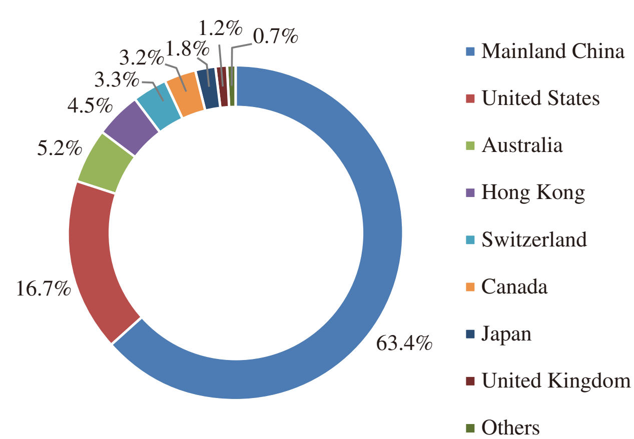
Corporate Holdings recorded a loss of 8.1% in the first half of 2023. The segment utilises listed instruments to provide hedging against its strategic positions, as well as assets across the Group more broadly. The segment recognised gains in these hedging instruments in the second half of 2022 on the back of weak US equity markets. A portion of the losses experienced in the first half of 2023 were a result of a reversal in US markets. We have reduced our hedging exposure overall as the economic situation has improved. Despite this, we remain aware of risks to the US economic outlook and will continue to maintain some hedging exposure against our US positions in this environment.

The remaining losses in this segment were related to strategic positions in listed companies that have Chinese exposure. Whilst the first half has remained volatile in Mainland China, we believe fundamentals are gradually improving at the margin, and alongside some targeted policy actions from the government, we hope to see a better macro-economic picture in the second half.

Corporate Holdings by Sector



Corporate Holdings by Geography



Strategic Holdings

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

Alternatives

Over the past several years, we have leveraged the Group's expertise and capital strength to build a portfolio consisting of Private Equity and Hedge Funds. The portfolio is invested with companies or fund managers selected based on parameters including performance, strategic fit, as well as access to markets and sectors.

Breakdown of Alternatives Portfolio as at 30 June 2023

(HK$ Million)	Period End Value	Gain/(loss)	Six-month Return[1]
Private Equity:			
– External Funds	4,672.2	(150.3)	-3.2%
– Direct/Co-investments	4,370.7	6.7	0.1%
Sub-total	**9,042.9**	**(143.6)**	**-1.5%**
Hedge Funds	2,546.9	(167.4)	-5.7%
Total	**11,589.8**	**(311.0)**	**-2.5%**

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

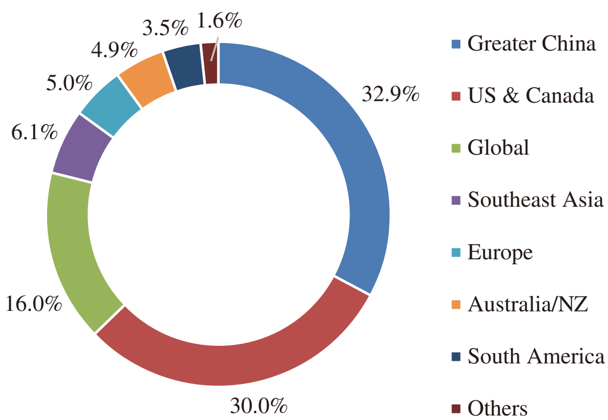
Private Equity

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

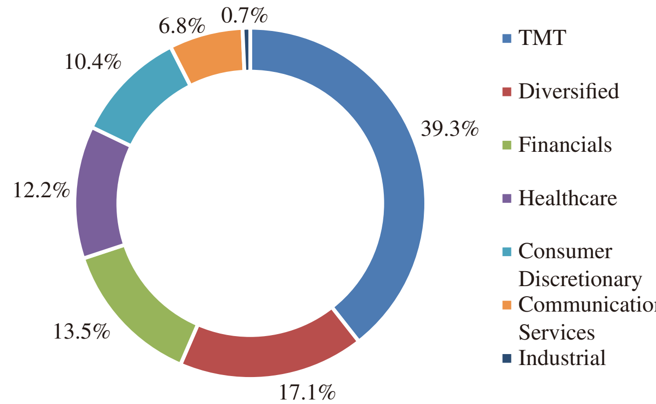
In the first half of 2023, our portfolio companies continued to see secular business growth and improvement in fundamentals. Their valuations, however, were impacted by the challenging fundraising environment, continued US-China tensions and weak market sentiment towards Mainland China. Earlier this year, we realised some losses on the hedging instruments, which were implemented to mitigate the private book's exposure to market volatility and protected our portfolio to some extent in 2022. On a positive note, the recovery of the US markets, where some of our portfolio companies were listed and we have yet to fully exit, helped offset the losses. In addition, we continued to receive programmatic distributions from fund managers during the period, contributing to a sustained generation of net cash inflow within the segment.

We continue to assess opportunities in various fast-growing sectors with tightened investment criteria, as we maintain our cautious approach to capital deployment amidst challenging market conditions. Going forward, we will explore further synergies with the Group's Funds Management arm as we work to build a leading alternative investment platform.

Private Equity Exposure by Geography



Private Equity Exposure by Sector

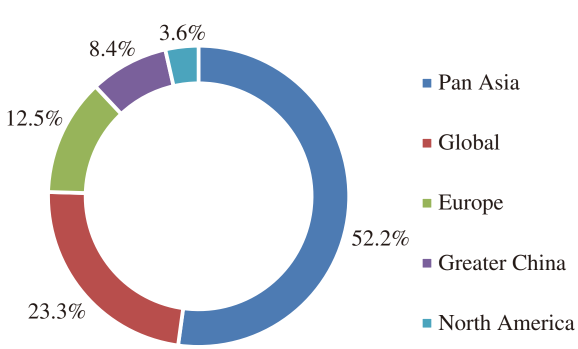


Hedge Funds

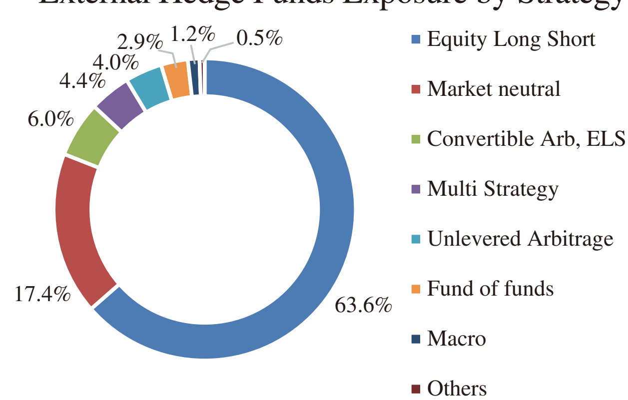
The Group's multi-manager hedge fund portfolio consists of a select group of external hedge funds that are global in scope with a bias towards the Asian region.

The loss incurred in this first half of 2023 period was mainly due to mixed results from underlying investments. Allocations in equity long biased and global credit encountered losses during this period, a portion of which were realised as the exposure was de-risked. The allocation to the rest of the hedge fund space composed of diversified holdings gained during the period, partially offsetting losses. Overall, the portfolio has a greater allocation to stable managers with relatively low correlations to the broader markets. We expect the portfolio to be positioned more conservatively going forward, given the expectations for ongoing market volatility. The pipeline is exceptionally robust, with a number of high-quality managers being evaluated for potential investment.

External Hedge Funds Exposure by Geography



External Hedge Funds Exposure by Strategy

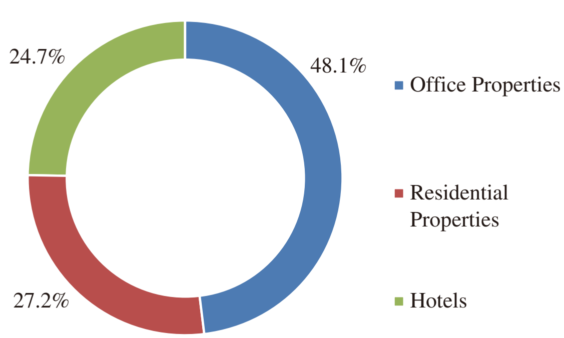


Real Estate

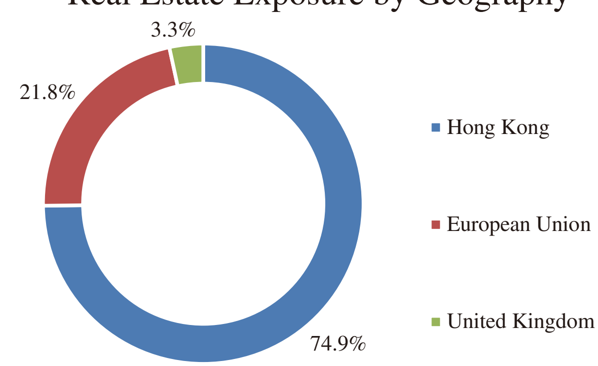
The Real Estate portfolio, which consists of the Group's interests in Hong Kong commercial real estate as well as hotels and commercial investments abroad, was valued at HK$2,313.3 million as at 30 June 2023 (31 December 2022: HK$2,341.3 million; 30 June 2022: HK$2,172.3 million). The segment recorded a 6.7% gain for the period, primarily driven by the robust business recovery of our hospitality investment in the EU, which offset weakness in Asia.

The Group continues to adopt a cautious stance towards new investments in real estate. We believe that borrowers' credit quality will continue to deteriorate as asset values and excess cash flow decline in this rising interest rate environment. We are already seeing increasing pressure on borrowers to deleverage and stabilise their capital base at a time when traditional lending sources are pulling back from the market. As a result, we are focusing on credit investments, where we see opportunities to generate equity-like returns with downside protection. We believe we can take advantage of attractive opportunities while mitigating against elevated levels of risk and uncertainty, making it a prudent approach in the current environment.

Real Estate Exposure by Asset Class



Real Estate Exposure by Geography



FUNDS MANAGEMENT

In the first half of 2023, challenging market conditions, shifting investment styles and changing client risk appetites all impacted the AUM of our Funds Management business. We ended the period with AUM of US$865 million, down 11.3% from end-2022, principally driven by two key events:

1. The full redemption and closure (US$53 million) of the fund launched by GCO Asset Management Limited, a global opportunistic credit strategy. This decision was taken due to difficult credit market conditions coupled with the fund's performance.

2. In conjunction with East Point Asset Management Ltd, we agreed the assignment of rights for receiving seeded capital fee of East Point Long Short Fund to Regal Partners, an Australian ASX-listed alternatives asset manager. This resulted in a US$100 million decrease in AUM. The income from the assignment has been included in the results for the period.

In line with market conditions, we remain cautious on capital deployment. No new funds were seeded or launched in the first half of 2023.

The quality and diversity of our AUM have mitigated the downside impact from volatile markets to some degree. This was particularly evident in the market neutral strategy of ActusRayPartners, which delivered fairly strong performance in the first half, and in our APAC private credit fund, Multiple Capital Real Estate Debt I, L.P., which maintained its disciplined approach to underwriting. Our diversified global Fund of Hedge Funds, SHK Latitude Alpha Fund, has recorded solid performance against benchmarks, with a range of managers within that portfolio performing extremely well in a volatile public market.

ACTUSRAY PARTNERS
DISCRETIONARY PROBABILISTIC INVESTING

DESCRIPTION
- Strategy established March 2021
- European Discretionary Probabilistic Market Neutral Fund
- AUM US$428mn[1]

Kernel.

DESCRIPTION
- Established July 2019
- Market Neutral Crypto Fund
- AUM US$34mn[1]

E15VC

DESCRIPTION
- Established January 2021
- Deep Technology Venture Fund
- AUM US$93mn[1]

SHK LATITUDE ALPHA

DESCRIPTION
- Established July 2021
- Global FoHF
- AUM US$155mn[1]

MCIP MULTIPLE CAPITAL INVESTMENT PARTNERS

DESCRIPTION
- Established March 2021
- APAC Real Estate Loan Fund
- AUM US$107mn[1]

SHK PRIVATE ACCESS

DESCRIPTION
- Established March 2022
- Specific alternative investment opportunities
- AUM US$3mn[1]

[1] As at 30 June 2023

We continue to develop our distribution footprint, working with our partners to raise third party capital and with a select group of hedge funds to distribute their funds. In Q4 2022, we entered into distribution agreements with a number of high-quality hedge funds which are well known to Sun Hung Kai Capital Partners Limited ("SHKCP"), the regulated entity within the Group which is licensed to conduct funds management business. Over time, such arrangements will drive revenue growth and enhance diversification.

As previously announced, SHKCP established the SHK Capital Partners Private Access Fund SPC, which collaborates with the Company's Investment Management division to target specific alternative investment opportunities for our clients. The Company has a strong investment pipeline, and we are actively discussing direct investment opportunities with our clients.

The build out of Family Office Solutions ("FOS") post the launch in Q4 2022 continued to develop, with AUM of US$45 million (including EAM) as at 30 June 2023. This unit provides customised alternative investment solutions that seek to create long-term value for a limited number of private clients, family offices and institutions. It offers bespoke and discretionary portfolios of alternative investments leveraging the experienced in-house teams and the capabilities of the broader Group. In addition, FOS supports clients with comprehensive business operations and reporting services.

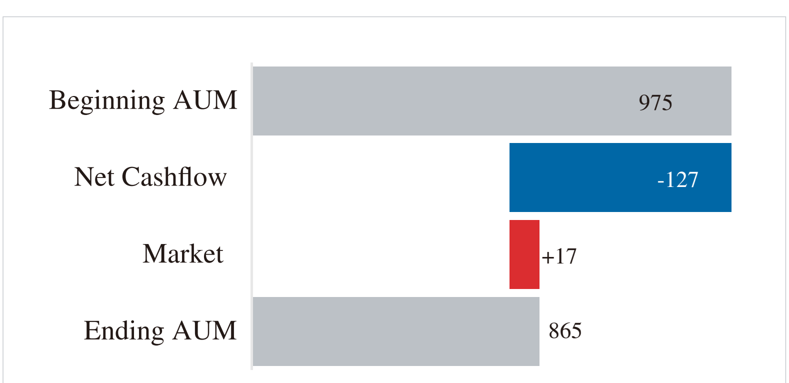
In relation to hedge funds, FOS provides private clients and institutions with bespoke advisory and discretionary portfolios of hedge funds. Mandates include standalone, completion strategy, or region specific and/or highly concentrated. The approach is dedicated to selecting best-in-class hedge fund managers and employing strategies uncorrelated to broader risk assets.

In terms of private investments, FOS provides access to exclusive direct market investments across regions, industries and capital structures (equity, debt, hybrid) either on a deal-by-deal basis, through funds or through co-investment funds. This flexible approach allows for innovative deal structuring that seeks to capitalise on prevailing market and deal dynamics.

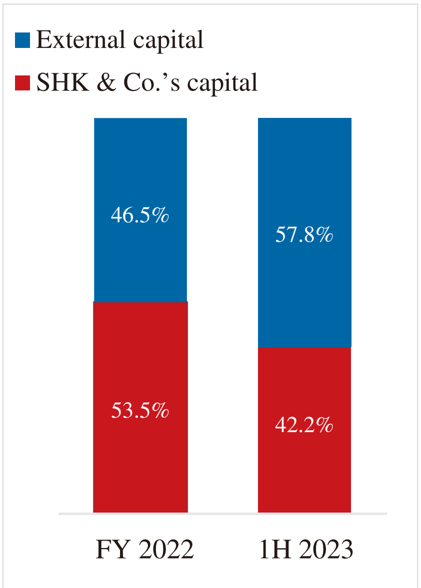
AUM and Segment Half Year Results

The decline in AUM was mainly the result of the full redemption from and closure of the GCO Global Credit Special Situations Feeder Fund I and the assignment of rights for receiving seeded capital fee of East Point Long Short Fund to Regal Partners.

AUM Movement in 1H 2023 (US$'mn)



AUM Breakdown Between SHK & Co. and External Capital (US$'mn)



Segment Half Year Results

The business produced a solid result for the first half, benefiting from the sale of East Point Asset Management revenue share rights to Regal Partners. Cost optimisation remains an ongoing focus, and the division saw a 39.3% reduction in costs versus the same period of 2022.

(HK$ Million)	**Six months ended 30 June 2023**	**Six months ended 30 June** 2022	Change
Fee income	**13.8**	13.2	4.5%
Interest income	**0.2**	—	N/A
Other income/(expenses)	**15.7**	—	N/A
Total income	**29.7**	13.2	125.0%
Operating expenses	**(12.5)**	(20.6)	-39.3%
Net loss on financial assets[1]	**(0.8)**	(15.0)	-94.7%
Net exchange (loss)/gain	**(0.1)**	0.6	N/A
Pre-tax contribution	**16.3**	(21.8)	N/A

1. Mark-to-market of carried interest distribution in kind received

The Funds Management business will continue to focus on growth, with a priority on diversification to deliver resilience, and on ongoing investment, particularly in FOS.

A key objective is to further extend our client reach through both channel partners and FOS. We are focused on expanding our distribution efforts through greater connectivity with our Partners to raise third party capital, promoting our own SHKCP Funds, selectively representing other third-party alternative managers and providing customised and fund access solutions to clients through FOS.

In addition, we will continue to source partnership opportunities to create a broader and more diversified platform. However, we remain cautious on significant capital deployment in this challenging investment cycle.

OUTLOOK

Looking ahead to the second half of 2023, our operating environment is still marked by uncertainties and volatility. We are closely monitoring the pace of Mainland China's economic recovery, the prospects for government stimulus and the implications for our portfolio companies. At the same time, the risk of a global economic recession driven by major developed economies continues to cloud markets. While the Fed's current rate hike cycle appears to be nearing its end, the cost of capital remains elevated, impacting asset valuations across the board and putting pressure on our funding costs. Moreover, heightened geopolitical tensions continue to weigh on investor sentiment.

Against this complex backdrop, we will continue to take a prudent approach to managing risks and a cautious stance towards growing our portfolio. Meanwhile, our focus will remain steadfast in building our infrastructure to support the establishment of a leading alternative investment platform.

FINANCIAL REVIEW

Financial Resources, Liquidity, Capital Structure and Key Performance Indicators

(HK$ Million)	**30 Jun 2023**	31 Dec 2022	Change
Capital Structure			
Equity attributable to owners of the company	**21,674.2**	22,358.1	-3.1%
Total cash	**6,676.6**	5,883.9	13.5%
Total borrowings[1]	**14,749.3**	15,650.0	-5.8%
Net debt[2]	**8,072.7**	9,766.1	-17.3%
Net debt to equity ratio	**37.2%**	43.7%	
Liquidity			
Interest cover[3]	**1.07**	0.02	5,250%
Return Ratios			
Return on assets[4]	**-0.6%**	-2.6%	
Return on equity[5]	**-2.6%**	-6.5%	
Key Performance Indicator			
Book value per share *(HK$)*	**11.0**	11.4	-3.5%
Dividend per share *(HK cents)*	**12**	26	N/A

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

The Group's gearing ratio decreased to 37.2% at the end of the period and has remained healthy. Interest cover for the period increased to 1.07, compared with 0.02 for the year ended 2022, mainly due to the improved profitability for the period.

As at 30 June 2023, total borrowings of the Group amounted to HK$14,749.3 million (31 December 2022: HK$15,650.0 million). Of this amount, 46.4% was repayable within one year (31 December 2022: 35.8%). The Group maintained a balanced mix of funding from various sources. Bank and other borrowings accounted for 57.5% of total debt (31 December 2022: 57.4%) and were mainly at floating interest rates, primarily denominated in Hong Kong dollars and US dollars. There were no known seasonal factors in the Group's borrowing profile.

Return on assets changed to -0.6% as at 30 June 2023 (31 December 2022: -2.6%). Return on equity changed to -2.6% as at 30 June 2023 (31 December 2022: -6.5%), mainly due to the impact of reduced losses. The Group's total cash as at 30 June 2023 increased to HK$6,676.6 million compared to HK$5,883.9 million as at 31 December 2022, mainly due to the net cash inflow from investing activities. The strong cash position has provided us with comfortable liquidity during the volatile market conditions. The Company is well equipped to take advantage of available opportunities to optimise our capital efficiency in the long term.

As at 30 June 2023, the following notes were outstanding:

Note	Maturity Date	HK$ Equivalent *(In Million)*	% Total
5.75% USD notes^	11/2024	2,544.5	40.5%
5.00% USD notes^	9/2026	3,178.3	50.7%
Asset backed notes	4/2024	551.4	8.8%
Total		6,274.2	100.0%

^ Listed on The Stock Exchange of Hong Kong Limited

During the first half of 2023, the Group has repurchased an aggregate principal amount of US$7.1 million of 5.75% Notes matured in November 2024 and US$21.0 million of 5.00% Notes matured in September 2026 respectively. The repurchased Notes were cancelled respectively.

The Group continues to maintain a stable capital structure and 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. Part of the non-US or non-HK dollar investment assets were hedged against currency fluctuations. Exchange risks were closely monitored by the Group and held within monitored ratios.

Significant Investments

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 30 June 2023.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2023, the Group had no material acquisitions and disposal of subsidiaries, associates and joint ventures.

Important Events After the End of the Financial Period

There are no important events affecting the Group which have occurred after the end of the financial period ended 30 June 2023 and up to the date of this announcement.

Charges on Group Assets

Properties of the Group with a total book value of HK$880.0 million were pledged by subsidiaries to banks for facilities granted to them as at 30 June 2023. HK$50.5 million of secured loans was drawn down as at 30 June 2023.

As at 30 June 2023, HK$867.8 million (2022: HK$1,025.0 million) of mortgage loan receivables were pledged for a securitization financing transaction.

Contingent liabilities

(a) The Group did not have any financial guarantees as at 30 June 2023 and 31 December 2022.

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

PEOPLE & CULTURE

As at 30 June 2023, the Group's total staff numbered 1,235 (31 December 2022: 1,608). Of this, 80 staff (31 December 2022: 76) were corporate and Investment Management staff and the remainder were within the main subsidiaries UAF and SHK Credit. The net decrease in staff numbers was mainly a result of the scaling down of UAF's unsecured loan business in Mainland China while focusing on secured lending in the market. Total staff costs amounted to HK$284.7 million (first half of 2022: HK$248.1 million), mainly reflecting changes in performance-related compensation, partly offset by the decrease in salary expenses as a result of the reduced number of staff.

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

Under the Employee Ownership Scheme ("EOS"), selected employees or directors of the Group (the "Selected Grantees") were awarded shares of the Company. Following management's recommendation, a total of 1,647,000 shares were granted to the Selected Grantees during the period subject to various terms. A total of 2,586,000 shares were vested in the first half of 2023. As at 30 June 2023, the outstanding award shares under the EOS amounted to 4,656,000 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.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK12 cents per share for the six months ended 30 June 2023 (2022: HK12 cents per share) payable to the shareholders whose names appear on the register of members of the Company on 6 September 2023. Dividend warrants for the interim dividend are expected to be dispatched on 15 September 2023.

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:	4 September 2023 to 6 September 2023 (both days inclusive) (Ex-dividend date being 31 August 2023) (Record date being 6 September 2023)

In order to qualify for entitlement to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 1 September 2023.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2023, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for certain deviations which are summarised below:

(a) Code Provision C.2.1

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Under the 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 then Group Deputy Chief Executive Officer, Mr. Simon Chow Wing Charn and the Group Chief Financial Officer, Mr. Brendan James McGraw. The Group Executive Chairman oversees the Group's Investment Management business with support from the management team of the division, as well as its interest in UAF whose day-to-day management lies with its designated Chief Executive Officer. Mr. Simon Chow assisted 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, and Mr. McGraw assisted the Group Executive Chairman to oversee the Group's financial, treasury and risk management functions.

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

(b) Code Provisions E.1.2 and D.3.3

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

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

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

The reasons for the above deviations had been set out in the Corporate Governance Report contained in the Company's annual report for the financial year ended 31 December 2022. 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 2023, the Company repurchased a total of 770,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$2,307,290. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price per share Highest *(HK$)*	Purchase price per share Lowest *(HK$)*	Aggregate consideration (before expenses) *(HK$)*
January	240,000	3.29	2.98	760,700
February	—	—	—	—
March	106,000	2.99	2.97	316,670
April	240,000	2.99	2.89	702,140
May	184,000	2.89	2.82	527,780
June	—	—	—	—
Total	**770,000**			**2,307,290**

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

During the six months ended 30 June 2023, the Group has repurchased (i) an aggregate principal amount of US$7,075,000 of the US$350,000,000 5.75% guaranteed notes due November 2024 (the "2024 Notes") issued by SHK BVI under the US$3,000,000,000 Guaranteed Medium Term Note Programme (the "MTN Programme") and listed on the Stock Exchange (stock code: 40065); and (ii) an aggregate principal amount of US$20,997,000 of the US$450,000,000 5.00% guaranteed notes due September 2026 (the "2026 Notes") issued by SHK BVI under the MTN Programme and listed on the Stock Exchange (stock code: 40831). The repurchased 2024 Notes and 2026 Notes were cancelled thereafter respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's or its subsidiaries' listed securities during the six months ended 30 June 2023.

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 2023. 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, 16 August 2023

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

Executive Directors:
Messrs. Lee Seng Huang *(Group Executive Chairman)* and Brendan James McGraw

Non-Executive Directors:
Messrs. Simon Chow Wing Charn and 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