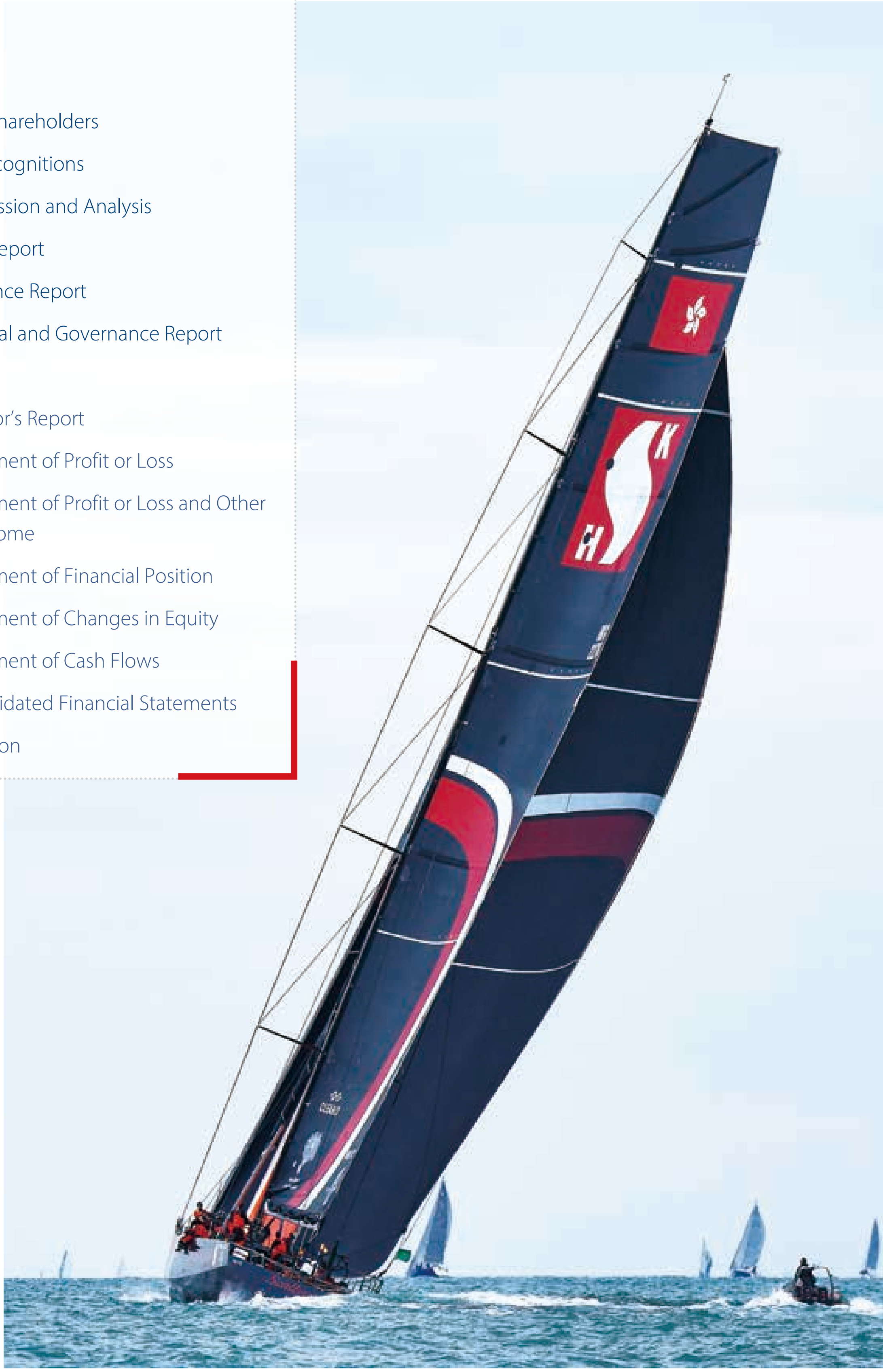
Annual Report 2020

新鴻基有限公司
SUN HUNG KAI & CO. LIMITED
Stock Code: 0086

Contents



About US

Sun Hung Kai & Co. Limited

Sun Hung Kai & Co. Limited (stock code: 86) ("SHK & Co.", together with its subsidiaries, the "Group") is a leader in alternative investing headquartered in Hong Kong. Since its establishment in 1969, the Group has owned and operated market-leading platforms in Financial Services. The Group invests across public markets, alternatives and real assets and has an established track record of generating long-term risk adjusted returns for its shareholders. Most recently, it has extended its strategy to incubate, accelerate and support emerging asset managers in the Asian region. It is also the major shareholder of a leading Consumer Finance firm, United Asia Finance Limited. The Group currently holds about HK$44 billion in total assets as at 31 December 2020.

Our Journey of Transformation

50 Years of Excellence

in Financial Markets

HK$44 bn total assets*

Committed to generating long term capital growth for shareholders

1969-2006

- A Pioneer in the Brokerage and Wealth Management Industry
- Listed in Hong Kong in 1983
- Allied Properties acquired majority stake in 1996

2006-2015

- Consumer Finance market leader
- Entered China in 2007
- Leading independent Broker and Wealth Manager

2015-2020

- Strategic transformation into Investment Management since 2015
- Everbright Securities Company Limited acquired 70% of the Sun Hung Kai Financial business (held the business renamed as Everbright Sun Hung Kai)
- Developed Mortgage Loans business
- Built Investment Management platform that leveraged our strengths

From 2020

- Sold remaining 30% interest in Everbright Sun Hung Kai
- Extended the Investment Management business into Funds Management Platform

*as at 31 December 2020

OUR BUSINESS

Since our foundation 50 years ago, the Group has been a leader in financial services market of Hong Kong. Over the years, the Group has developed into a diversified, yet complementary business model with Financing and Investing businesses. Under this model, our Financing business provides the Group with stable returns and strong cash flow while our investing business brings new income and growth opportunities, and extends our business through a global reach. After successfully investing the Group's own capital, we have built a full fledged investment platform and have set the scene for an expansion to be a fund manager for third-party capital. This business was launched in 1Q2021. It is expected to be a driver of sustainable growth in assets under management and revenue.

FINANCING BUSINESS

This business consists a diversified loan portfolio covering Consumer and Business Finance loans, Mortgage loans and Specialty Finance term loans. Our financing business provides us with steady returns that are largely uncorrelated to markets, which are highly complementary to our investment and funds management businesses. They also give us market leading asset origination and servicing platforms, as we develop alternative investment products in the lending industry.

Consumer Finance

United Asia Finance Limited ("UA Finance" or "UAF")

UAF primarily offers unsecured loans to individuals and small businesses in Hong Kong and Mainland China through a well-established branch network and sophisticated online platforms. It is a market leader in personal loans in Hong Kong and Mainland China and holds several off-line money lending licences in major cities in China, as well as internet money lending licences which allow it to conduct its online loan business across the country.

Specialty Finance

This division provides tailored funding solutions to corporates, investment funds and high net worth individuals. The loan book has primary focus on Greater China markets, with almost all loans either secured by assets or guarantees.

Mortgage Loans

Sun Hung Kai Credit Limited ("Sun Hung Kai Credit" or "SHK Credit")

Building upon the Group's credibility, financial strength and professional experiences, SHK Credit provides first mortgage and second mortgage loans to property owners and potential property owners, as well as customised financing solutions to property investors in Hong Kong. Established in 2015, SHK Credit has a significant market presence in providing mortgage loans in Hong Kong.

3 Pillars of Our Core Business

- **FINANCING BUSINESS**
  - Consumer Finance — 亞洲聯合財務 UA FINANCE
  - Mortgage Loans — 新鴻基信貸 SUN HUNG KAI CREDIT
  - Specialty Finance
- **INVESTMENT MANAGEMENT**
- **FUNDS MANAGEMENT**

INVESTMENT MANAGEMENT

In 2015, the Company established Investment Management division which leverages the Group's expertise, network and strong financial position to seek attractive risk-adjusted investment opportunities in Public Markets, Alternatives and Real Assets. We have built the Investment Management business and it has become a key profit contributor in recent years.

Public Markets Investment

The Company manages a globally diversified portfolio of an internally managed equity strategy, corporate holdings and an internally managed credit strategy. In January 2021, the Company "spun out" our internally managed equity long/short fund.

Alternatives Investment

The Company has sought to invest the Group's capital prudently and build an alternatives portfolio 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 of both hedge funds and private equity funds who are selected on performance, strategic fit, as well as access to markets and sectors.

Real Assets Investment

Real Estate is a core strength of the Group and an area where we expect to grow our portfolio going forward. By leveraging the strength of our business network and group companies, the Company invests in a portfolio of real assets in commercial and hospitality properties in Hong Kong, UK and Europe. Investments are placed through equity ownership of real estate and co-investments.

FUNDS MANAGEMENT

("Sun Hung Kai Capital Partners Limited" or "SHK Capital Partners")

Along with the strong cash flow from our Financing businesses, the expertise and returns generated by Investment Management give the Group a solid growth model and we believe it puts us in a strong position to expand to our next phase, Funds Management. In 1Q2021, the Company has launched a Funds Management platform — SHK Capital Partners. Three funds will be launched at the start, with each fund seeded by the Company and able to take in third-party capital. Going forward, we expect Funds Management to be a new driver for sustainable growth in revenue and assets under management.

CHAIRMAN'S LETTER

> "Despite the challenges posed by COVID-19, the results for the year reflect commendable overall performance and strong earnings in the investment management business. Through this turbulent year, the Company remained highly liquid and profitable, adopting a strategy of cautiously reducing risk in the first half, and was well-positioned for investment opportunities which arose during the second half of the year."

Dear Shareholders,

This has been a watershed year for the Company ("SHK & Co.") where a once-in-a-century pandemic has shaken the world we took for granted. Despite this, and the ensuing market volatility, we managed to record our best financial result since 2015, a year when we sold our 70% share of Sun Hung Kai Financial. This year, we completed the sale of our remaining interest and have now completed a multi-year plan to transition from a leading retail brokerage and wealth management firm to a leader in alternative investment.

From our beginnings as a provider of brokerage and wealth management in Hong Kong, the Group has transformed itself by building a leading Consumer Finance platform, a Mortgage origination and servicing business, and finally expanding into Investment Management: an initiative launched in 2015, which now manages a portfolio of more than HK$14.6 billion, and in the process has built strong networks with industry players, and established SHK & Co.'s track record in the alternative investment arena.

Over the last 18 months, we have built out our ecosystem – a funds management platform catering to institutional investors and family offices that is focused on meeting their stringent requirements, made possible by the curation of a bespoke network of alternative investment managers, both public and private, that we incubate, seed, accelerate, or support. We believe there are high potential fund management professionals globally looking for operational and financial support before establishing independent platforms. As an experienced financial service provider with high-quality networks and a 50-year legacy, we are more convinced than ever that we can provide an unparalleled level of support for their transition.

As we grow our third-party fund management capabilities, we will strive to ensure incentive alignment by incorporating revenue sharing arrangements and committing capital as a significant investor. Our fund partners will be able to leverage our operating platform, corporate services, and marketing capabilities while investors placing their capital within our ecosystem of funds will obtain a level of alignment not often seen in the fund and wealth management industry.

Concurrently, while we have been busy building our investment management platform, our market leading consumer finance and mortgage financing engines, continued to generate stable returns which are largely uncorrelated to capital market volatility. We have conservatively managed through the pandemic affected economic landscape, by tightening approval criteria as well as making sure we have adequate provisions across our loan books.

Financial Highlights, Capital Management and Dividend

In 2020, our combined business portfolio produced 22% growth on profit attributable to owners of the Company, totaling HK$2,547.7 million (2019: HK$2,085.2 million). Earnings per share increased to HK128.3 cents, an increase of 23% (2019: HK104.4 cents). The book value per share gained 12% to HK$11.4 (2019: HK$10.2). Return on equity and return on assets were 11.8% and 6.8%, respectively (2019: 10.6% and 6.0%, respectively).

Delivering on our strategies and achieving our goals requires maintaining a strong balance sheet. We have consistently carried out prudent risk management informed by our experience of having navigated several economic cycles in the Group's long history.

Also, we have maintained continuous dividends and distributions, returning HK$12.2 billion (including dividends and share buybacks) to our shareholders over the past 15 years. We declared a second interim dividend of HK14 cents, together with the interim dividend of HK12 cents, with the total dividend per share amounting to HK26 cents for 2020, representing a pay-out ratio of 20.3% (excluding share buybacks).

In 2020, the Company continued to repurchase stock, buying back 16.5 million shares (HK$53 million). As in prior years, we plan to continue to repurchasing our shares in the ordinary course of business.

Business Update

During the year, both Financing and Investing activities delivered strong performance, led by the Investing business, which contributed HK$2,126.4 million in pre-tax profit, a 65% increase in the year-on-year figure. Sun Hung Kai Capital Partners, our recently established Funds Management platform, will continue to launch a series of funds that will accept third-party capital. We have appointed Ms. Lindsay Wright, a seasoned fund management professional, as Chief Executive Officer of our Funds Management business and we have invested in the institutional grade infrastructure necessary for this new endeavour. The new division will provide an additional revenue stream and our diversified products will offer unparalleled alignment to our clients. Going forward, we believe the Investment Management and Funds Management businesses will be major drivers for future growth.

Our Funds Management platform includes East Point Asset Management, an alternative asset management firm incubated within SHK & Co.; E15VC, a global technology venture capital firm; ActusRayPartners, an investment management firm employing discretionary yet probabilistic investing strategies, and Multiple Capital Investment Partners, a real estate debt fund managed by SHK & Co. investment professionals.

Meanwhile, UAF contributed HK$1,238.5 million to the Group's pre-tax profit and its gross loan balance increased by 2% to HK$11,318.0 million at the end of 2020. SHK Credit contributed a meaningful pre-tax profit of HK$112.7 million in its fifth full year of operations, with gross loan balance of HK$3,061.1 million at the end of 2020. Both businesses have focused on organically building the loan books, and managing risks in an economy struggling with rising unemployment.

People and Community

We value our people and are committed to build and promote a flexible, diverse, inclusive, and open culture to attract and retain talent. Over the course of the year, our employees have been able to work in the office and we have provided flexibility to work from home.

Outside the office, SHK & Co. has long sought to promote sailing, a sport with a rich legacy in Hong Kong, as we believe it espouses important values such as resilience, communication and teamwork that has the potential to unify individuals from all walks of life. In recent years, we have ensured the sport is accessible to underprivileged youth in Hong Kong through the Sun Hung Kai Scallywag Foundation. Elsewhere, we have also engaged with the community through the Sun Hung Kai & Co. Foundation, having supported eye health through Orbis, awarded scholarships to enterprising students to courses at Harvard University, provided funding to Crossroads Foundation to support their projects targeting the underprivileged and communities affected by COVID-19, and contributed to the arts in Hong Kong. Much community engagement this year has been curtailed due to social distancing restrictions but we continue to adapt our plans and are prepared to re-double efforts.

Outlook

This year, we hope that there is a genuine light at the end of tunnel as an anticipated economic recovery takes hold, with the roll out of mass vaccination campaigns, regional and global cooperation and evidenced by declining caseloads across countries. Nevertheless, the situation remains fluid and will require vigilance and discipline. Governments, companies, and citizens remain determined to get back to a 'new normal', however, the investment landscape is increasingly uncertain with the potential onset of inflation, rising interest rates and taxes. We continue to maintain a strong liquidity position and prudently develop our businesses with a longer-term investment perspective.

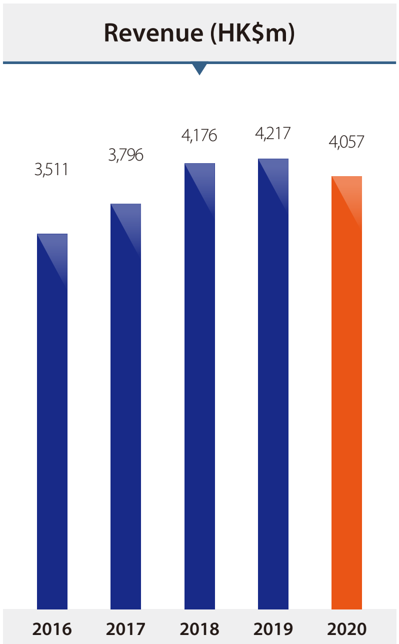
I would like to express my gratitude to our shareholders and business partners for their steadfast support, and to all my fellow Board members and colleagues, for their commitment and professionalism over the years, particularly during this most difficult year.

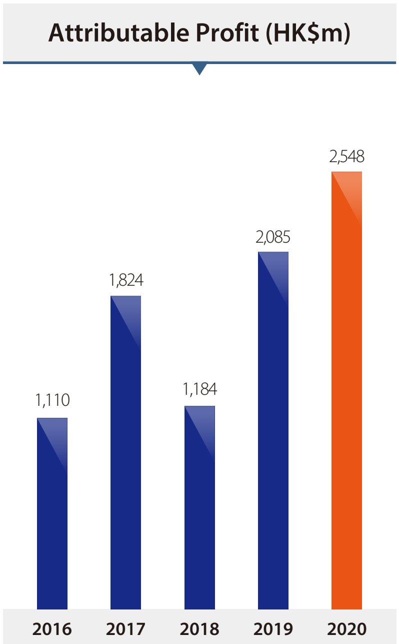
Lee Seng Huang
Group Executive Chairman

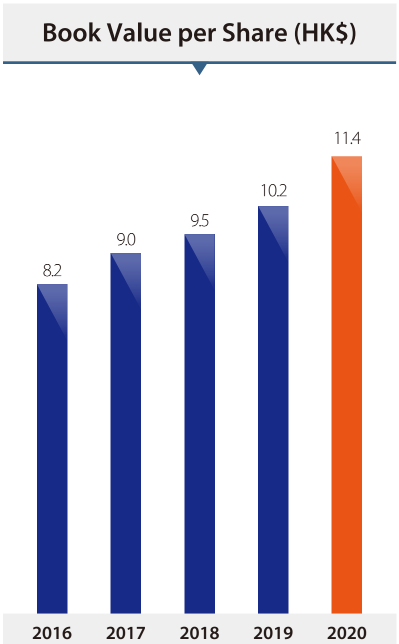
Hong Kong, 18 March 2021

FINANCIAL HIGHLIGHTS

Attributable Profit +22%	Total Assets +3.6%
HK$2,547.7m	HK$44,083.2m
Basic EPS +23%	**Total Liabilities -4.5%**
HK128.3c	HK$18,130.9m
DPS no change	**Net Gearing Ratio from 54.1% to**
HK26.0c	41.4%
BVPS +12%	**Interest Cover +10%**
HK$11.4	5.0x







FINANCIAL HIGHLIGHTS

Funding Structure

Total Borrowings

HK$16,614m
-1%

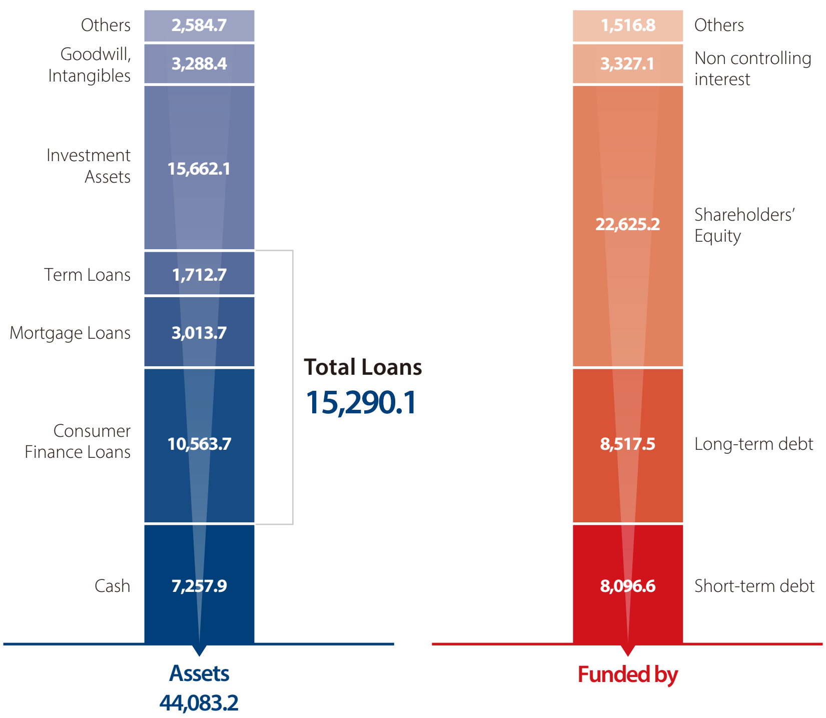
Bank and Other Borrowings

HK$8,467m
+4%

Notes and Paper

HK$8,147m
-5%

Balance Sheet (HK$ million)

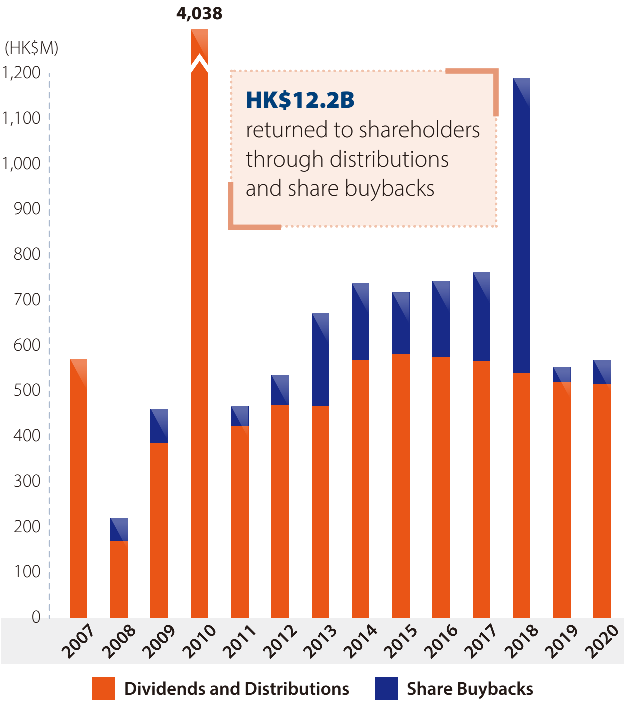


The Group's balance sheet remained strong, with a healthy cash position and low gearing. Long-term loans and investment assets are funded by long-term debt and equity, while short-term assets are well-matched with short-term debt.

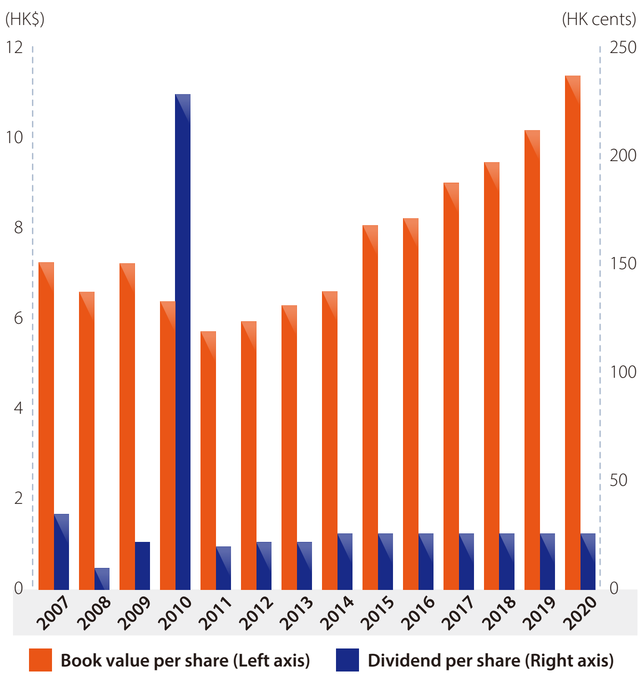
CREATING VALUE FOR SHAREHOLDERS

SHK & Co. has a solid track record of delivering returns to shareholders through dividends and distributions, share repurchases and long-term capital growth. Over the past 15 years, the Group has returned over HK$12.2 billion to shareholders in the form of dividends and share buybacks.

Track Record of Capital Return



Value Growth



Five-Year Financial Summary

Results for the year ended 31 Dec (HK$ Million)	2016	2017	2018	2019	2020	20/19 % change
Revenue	3,511.3	3,795.6	4,175.7	4,216.8	**4,056.6**	-3.8%
Profit attributable to owners of the Company	1,109.6	1,824.3	1,183.8	2,085.2	**2,547.7**	22.2%
Balance Sheet data as at 31 Dec (HK$ Million)						
Total assets	32,560.9	37,422.2	40,684.1	42,561.6	**44,083.2**	3.6%
Total liabilities	10,905.1	14,023.7	17,839.0	18,985.0	**18,130.9**	-4.5%
Shareholders' equity	18,077.0	19,426.7	19,039.2	20,381.7	**22,625.2**	11.0%
Share Data						
Basic EPS (HK cents)	50.3	84.0	56.2	104.4	**128.3**	22.9%
Diluted EPS (HK cents)	50.2	83.9	56.1	104.2	**128.0**	22.8%
DPS (HK cents)	26.0	26.0	26.0	26.0	**26.0**	—
BVPS (HK$)	8.2	9.0	9.5	10.2	**11.4**	11.8%
Total number of shares at year end (Million)	2,193.0	2,153.0	2,008.0	1,998.8	**1,982.3**	-0.8%

OUR AWARDS AND RECOGNITIONS

2018-2020	**Listed Enterprises of the Year** by Bloomberg Businessweek/Chinese Edition
2018-2020	**Listed Company Awards of Excellence** by Hong Kong Economic Journal
2013-2018, 2020	**Gold Award Winner of ESG Corporate Awards** by The Asset
2018-2019	**The Listed Enterprise Excellence Awards – Financial Performance** by Capital Weekly
2016-2019	**Best Investor Relations Company (Hong Kong)**
2018	**Asia's Best CEO for Investor Relations (Hong Kong)**
2017-2018	**Asia's Best CFO for Investor Relations (Hong Kong)** by Corporate Governance Asia
2018-2020	**Manpower Developer Award** by The Employees Retraining Board
2016-2021	**Caring Company 5 Years+** by The Hong Kong Council of Social Service

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	Year Ended		
(HK$ Million)	**2020**	2019	Change
Revenue	**4,056.6**	4,216.8	-4%
Pre-tax profit	**3,200.6**	2,743.4	17%
Profit attributable to owners of the Company	**2,547.7**	2,085.2	22%
Basic earnings per share *(HK cents)*	**128.3**	104.4	23%
Second interim dividend *(HK cents)*	**14.0**	14.0	–
Book value per share *(HK$)*	**11.4**	10.2	12%

The results for the Year 2020 reflect a commendable overall performance despite challenges posed by the COVID-19 pandemic as a result of strong earnings in the Investment Management business. The Consumer Finance and Mortgage Loans businesses also delivered stable profitability. Through this turbulent year, the Company remained highly liquid and profitable, adopting a strategy of cautiously reducing risk in the first half, and was well-positioned for investment opportunities which arose during the second half of the year.

The profit attributable to owners of the Company in 2020 was HK$2,547.7 million (2019: HK$2,085.2 million). Basic earnings per share ("EPS") for the year was HK128.3 cents (2019: HK104.4 cents), up 23% year on year.

The Board has declared a second interim dividend of HK14 cents per share for the year ended 31 December 2020, the same as the previous year.

During the year, the Company repurchased 16.5 million shares for a total consideration of HK$53.0 million. As at 31 December 2020, the Group's book value per share was HK$11.4, an increase of 12% from HK$10.2 at the end of 2019.

RESULTS ANALYSIS

The Group's revenue in 2020 was HK$4,056.6 million (2019: HK$4,216.8 million), of which interest income was the biggest component.

Pre-tax profit for the year increased by 17% to HK$3,200.6 million (2019: HK$2,743.4 million), mainly driven by the significant increase in the returns from our Investment portfolio. Pre-tax profit of Investment Management for the year increased significantly by 65% to HK$2,126.4 million (2019: HK$1,290.8 million). This performance was a result of substantial improvement in Public Markets and Alternatives though slightly offset by Real Assets.

Consumer Finance continues to be a consistent contributor to pre-tax profit for the year, and generated HK$1,238.5 million in 2020 (2019: HK$1,276.0 million).

The Mortgage Loans business contributed a meaningful pre-tax profit of HK$112.7 million in its fifth full year of operations.

As some of our borrowers were adversely impacted by the consequences of COVID-19, for prudence, impairment provisions were increased. As a result, Specialty Finance recorded a segmental loss. These provisions may be reversed should there be a strong recovery post COVID-19.

Pre-tax loss of Group Management and Support was HK$144.7 million which relates to higher liquidity and a decline in the fair value of financial assets held for liquidity purposes.

Operating costs slightly increased by 7.0% to HK$1,549.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

	Pre-tax Contribution for the Year ended			Segment Assets as at	
(HK$ Million)	**2020**	2019	Change	**Dec 2020**	Dec 2019
FINANCING BUSINESS					
Consumer Finance	**1,238.5**	1,276.0	-3%	**17,937.0**	17,917.7
Specialty Finance*	**(132.3)**	66.7	N/A	**3,153.0**	2,103.6
Mortgage Loans	**112.7**	121.4	-7%	**3,117.4**	3,694.4
INVESTING BUSINESS					
Investment Management*	**2,126.4**	1,290.8	65%	**14,603.4**	15,541.2
GMS	**(144.7)**	(11.5)	1,158%	**5,272.4**	3,304.7
Total	**3,200.6**	2,743.4	17%	**44,083.2**	42,561.6

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

FINANCING BUSINESS

Despite a challenging economic environment dominated by COVID-19 restrictions, the Group's Financing businesses proved themselves to be resilient.

Consumer Finance

The Group's Consumer Finance business is conducted via its majority-owned subsidiary United Asia Finance Limited ("UAF"). Through a well-established branch network and sophisticated online and mobile platforms, UAF primarily offers unsecured loans to individuals and businesses in Hong Kong and Mainland China. UAF is a leader in the unsecured lending market. Over the past three years, UAF ranked first amongst all money lenders in Hong Kong and in the top five amongst all players in terms of market share of outstanding balance of unsecured lending. In Mainland China, UAF holds several off-line money lending licences in major cities and internet money lending licences to conduct its online loan business.

Segment Full Year Results

	Year ended 31 December		
(HK$ Million)	**2020**	2019	Change
Revenue	**3,331.0**	3,504.7	-5%
Return on loans (% average gross loan balance)[1]	**29.7%**	32.5%	
Operating costs	**(1,114.0)**	(1,123.6)	-1%
Cost to income (% revenue)	**33.4%**	32.1%	
Finance costs	**(292.8)**	(321.1)	-9%
Net impairment losses	**(769.2)**	(803.9)	-4%
Other gains	**72.4**	20.1	260%
Other losses	**(1.8)**	(1.1)	64%
Exchange gain	**12.9**	0.9	1,333%
Pre-tax contribution	**1,238.5**	1,276.0	-3%
Loan Book:			
Net loan balance	**10,563.7**	10,413.5	1%
Gross loan balance[2]	**11,318.0**	11,121.3	2%

1 Interest and fee income/average gross loan balance
2 Before impairment allowance

The pre-tax contribution to the Group amounted to HK$1,238.5 million, a decrease of 3% against 2019.

Business volume improved in the second half of the year, though the average loan balance during the full year was lower, resulting in a drop in full year revenue of 5%. Hence the pre-tax contribution decreased too, particularly in the Mainland China business segment for 2020. Benefiting from interest rate reductions, finance costs were 9% lower during the year. Net impairment losses were lower by 4% as benefited from a more stable economy in the second half of the year compared to the first half.

Net Impairment Losses on Financial Instruments

(HK$ Million)	**2020**	2019
Amounts written off[1]	**(957.1)**	(933.2)
Recoveries[2]	**221.9**	195.4
Charge off	**(735.2)**	(737.8)
As % of average gross loan balance	**6.6%**	6.9%
Charges of impairment allowance[3]	**(34.0)**	(66.1)
Net impairment losses	**(769.2)**	(803.9)
As % of average gross loan balance	**6.9%**	7.5%
Impairment allowance at year end	**754.3**	707.8
As % of gross loan balance at year end	**6.7%**	6.4%

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

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

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

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

No. of days past due as at:	**31 Dec 2020**	**Note**	31 Dec 2019	Note
Less than 31	**491.4**	**4.7%**	582.9	5.6%
31–60	**36.0**	**0.3%**	55.6	0.5%
61–90	**23.6**	**0.2%**	20.9	0.2%
91–180	**10.2**	**0.1%**	148.4	1.4%
Over 180	**293.9**	**2.8%**	61.4	0.6%
Total	**855.1**	**8.1%**	869.2	8.3%

Note: amount as a percentage of net loan balance

Hong Kong Business

Key Operating Data	**2020**	2019	Change
Number of branches	**48**	48	
Loan data:			
Gross loan balance *(HK$ Million)*	**8,318.0**	8,576.2	-3%
Loan originated for the year *(HK$ Million)*	**10,373.6**	12,499.1	-17%
Number of loans originated	**159,969**	183,354	-13%
Average gross balance per loan *(HK$)*	**60,736**	60,174	1%
Ratios for the year:			
Total return on loans[1]	**30.5%**	32.1%	
Charge-off ratio[2]	**4.8%**	4.9%	
Net impairment losses ratio[3]	**5.3%**	6.0%	
Impairment allowance ratio[4]	**6.4%**	5.7%	

1 Interest income and fee/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 year end

Since the pandemic's onset, UAF Hong Kong ("UAF HK") was adversely impacted by higher bad debts charges and lower business volume in the first half year. Thanks to prompt government actions to provide assorted packages of relief measures including the Employment Support Scheme which reduced the impact of the pandemic on the job market and the wider economy, UAF HK has navigated through this turbulent year. The results in the second half recorded a satisfactory improvement and we are paying extra attention to those balances which are overdue by more than 180 days.

FinTech development continues to be a focal point for UAF HK to compete in the market and equips UAF HK to gain market share in a highly competitive environment. In July 2020, UAF HK launched a revamped mobile app, "Yes UA" adopting advanced technology in facial recognition which can authenticate customer identity on-line. UAF HK is the first and only money lender in Hong Kong adopting the latest technology to enable customers to complete Know-Your-Customer checks, loan applications and approval processes anytime, anywhere. UAF HK joined the "Faster Payment System", the interbank clearing system, which enables customers to access drawdown proceeds out of business hours. UAF HK will continue to invest in building up our FinTech infrastructure and further strengthen our on-line capabilities.

COVID-19 has had a grave impact on the job market causing a spike in the unemployment rate over the past year. All categories of economic activity have suffered as a result of city restrictions. UAF HK with its experienced credit approval team adopts cautious credit underwriting measures to safeguard against credit risk. Leveraging our strong customer base, UAF HK will launch more promotional campaigns to target customers with a good credit profile. We are confident we will achieve growth while managing credit risk and deliver a satisfactory return on our Hong Kong business.

Mainland China Business

Key Operating Data	2020	2019	Change
Number of branches	**26**	30	
Loan data:			
Gross loan balance			
(HK$ Million)	**3,000.0**	2,545.1	18%
Loan originated for the year			
(HK$ Million)	**4,223.7**	4,522.2	-7%
Number of loans originated	**87,347**	104,716	-17%
Average gross balance per			
loan *(RMB)*	**39,293**	31,937	23%
Ratios for the year:			
Total return on loans[1]	**27.0%**	33.9%	
Charge-off ratio[2]	**12.0%**	13.2%	
Net impairment losses ratio[3]	**11.7%**	12.0%	
Impairment allowance ratio[4]	**7.4%**	8.6%	

1 Interest income and fee/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 year end

The business in Mainland China was extremely difficult in the first half of the year amid tough domestic lockdowns to control the spread of the COVID-19 pandemic. With near full re-opening of the economy in the second half, business activities for UAF have almost fully rebounded from its depressed first half year to pre-pandemic levels and bad debt delinquency has improved significantly in the second half of 2020.

We have strengthened our cooperation with various third-party online platforms including China UnionPay and All In Pay to expand our customer base and to ensure steady flow of business referrals. We will keep exploring cooperation with existing partners and sourcing new business partners to grow our customer base.

Our credit scoring model has been enhanced to include sophisticated anti-fraud loan application functions. Our loan approval system consisting of risk-based pricing, anti-fraud measures, data warehousing and decision engine was completed in 2020. This together with our new version of mobile app 3.0 which was launched in January 2021, enables our customers to complete loan applications and approvals at full automation using the mobile app. With our internet licence, the business can be rolled out all over Mainland China without boundaries and customer usage of this new mobile app is encouraging.

Prospects

The economic outlook in 2021 is uncertain and the operating and competitive environment for consumer finance businesses remains challenging. UAF continues to manage the uncertainties embedded with the prolonged impact from COVID-19, progress in rolling out of mass vaccinations, continued rebound in the China economy, and the course of Sino-US trade tension following the new US administration. We have met and overcome challenges before, and with the dedicated commitment of our experienced management team, UAF will strive to deliver a set of satisfactory result to all stakeholders.

Specialty Finance

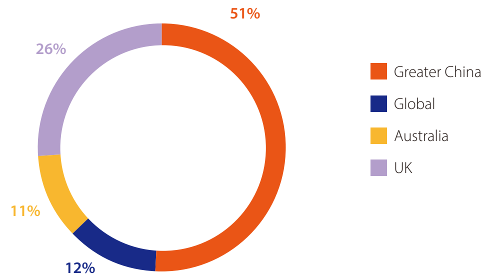
The Group's Specialty Finance business provides tailored funding solutions to corporates, investment funds and high net worth individuals. Almost all loans are either secured by assets or have other guarantees by corporates or high net worth individuals. The net loan balance was HK$1,637.9 million as at 31 December 2020, representing a year-on-year decline of 8.4% (31 December 2019: HK$1,788.0 million). After taking into account net impairment losses of HK$300.7 million (2019: HK$159.9 million), the segment incurred a pre-tax loss for HK$132.3 million in 2020 (2019: HK$66.7 million profit).

The segment's loss in 2020 was mainly due to the significant increase of impairment provisions caused mainly by the impact from the coronavirus in the hospitality sector. Though we remain open to new lending opportunities, we will continue our cautious approach to new lending and focus on managing existing loans. We are confident that the performance of the segment will rebound and market demand for business financing will increase.

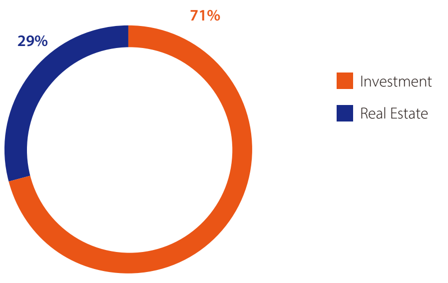
In November 2020, the Group exercised its put option to dispose of its interest in Sun Hung Kai Financial Group Limited ("SHKFGL"). As part of this the Group received preference shares of HK$1,156 million. Following the removal of the "Strategic Investments" segment, these preference shares are now recorded within the Speciality Finance portfolio. As at 31 December 2020, the fair value was HK$1,176 million. Also recorded in Specialty Finance (also previously in "Strategic Investments") is the Group's interest in LSS leasing, a B2B and B2C auto leasing business in Mainland China. Speciality Finance also holds certain shares and warrants valued at HK$38.4 million which relate to financing transactions.

Specialty Finance Portfolio

Term Loan Breakdown by Geography



Term Loan Breakdown by Sector



Segment Annual Results

	Period ended 31 Dec		
(HK$ Million)	**2020**	2019	Change
Revenue	**249.4**	340.6	-27%
Return on loans (annualised interest and fee income/average gross loan balance)	**11.5%**	14.4%	
Operating costs	**(3.2)**	(3.7)	-14%
Cost to income (% Revenue)	**1.3%**	1.1%	
Finance costs	**(91.1)**	(111.5)	-18%
Net impairment losses	**(300.7)**	(159.9)	88%
Net gain (loss) on financial assets and liabilities	**19.9**	(0.7)	N/A
Net exchange gain	**0.7**	–	N/A
Others	**(7.3)**	1.9	N/A
Pre-tax contribution	**(132.3)**	66.7	N/A
Loan Book:			
Net loan balance	**1,637.9**	1,788.0	-8%
Gross loan balance^	**2,249.4**	2,098.8	7%
Other investments:			
Preference shares	**1,176.0**	–	N/A
Listed shares and warrants	**38.4**	2.9	N/A
Interest in joint venture	**243.8**	238.6	2%
	1,458.2	241.5	

^ Before impairment allowance

MANAGEMENT DISCUSSION AND ANALYSIS

Mortgage Loans

The Group's Mortgage Loans business is operated by Sun Hung Kai Credit Limited ("SHK Credit"). Less profitable than 2019, the business still contributed a pre-tax profit of HK$112.7 million in this challenging year.

Segment Annual Results

	Year ended 31 December		
(HK$ Million)	**2020**	2019	Change
Revenue	**303.5**	295.6	3%
Return on loans (% average gross loan balance)	**9.1%**	7.9%	
Operating costs	**(54.9)**	(43.1)	27%
Cost to income (% revenue)	**18.1%**	14.6%	
Finance costs	**(110.2)**	(119.1)	-7%
Net impairment losses	**(25.7)**	(12.0)	114%
Pre-tax contribution	**112.7**	121.4	-7%
Loan Book:			
Net loan balance	**3,013.7**	3,626.9	-17%
Gross loan balance^	**3,061.1**	3,648.6	-16%

^ Before impairment allowance

Revenue increased by 3%, primarily driven by the higher yields. The gross loan balance was HK$3,061.1 million as at 31 December 2020 (31 December 2019: HK$3,648.6 million), of which 94% was for first mortgage loans. On operation costs, as the business has reached an effective scale with a solid market position, management has focused on investing in infrastructure and people development during the year. Further, emphasis was placed on capital efficiency and the margins of the business. In implementing this strategy, SHK Credit underwrote fewer lower margin loans through the second half of the year due to the opportunity cost of capital and credit risks in this segment.

During the year, finance costs decreased due to a lower average funding rate.

The credit quality of the loan book remained satisfactory at the end of 2020 and we continue to monitor it closely.

Management is cognisant of the potential volatility in property prices in Hong Kong due to the prolonged pandemic and eventual economic impact, and hence continues to adopt a prudent underwriting approach. The overall loan-to-valuation ratio of the portfolio was below 65% at the end of the year.

Looking ahead, SHK Credit is entering the next phase of growth by developing more fee income through its origination and asset servicing platform. Management will continue to build the business for further profit and portfolio growth, including diversification to higher margin mortgage loan products. We will continue to invest in infrastructure, financing strategies and people development.

INVESTING BUSINESS

Investment Management

The Investment Management division leverages the Group's expertise, network and strong financial position to seek attractive risk-adjusted investment returns. In 2020, the annual return on the average assets for the segment was 16.9%, compared to 11.9% in 2019. Taking into account operating expenses and funding cost allocations, the segment contributed HK$2,126.4 million to pre-tax profit, an increase of 65% from HK$1,290.8 million achieved in the previous year.

Analysis of Pre-tax Profit by Nature

(HK$ Million)	**2020**	2019 re-presented	Change
Realised gain on financial assets and interest income	**1,754.8**	270.8	548%
Dividends received	**21.5**	8.7	147%
Rental income	**27.9**	24.1	16%
Mark-to-market valuation	**936.2**	1,529.0	-39%
Net impairment allowance reversal/(losses) on financial instruments	**43.0**	(48.6)	N/A
Loss from revaluation on investment properties	**(161.7)**	(42.0)	285%
Others	**32.8**	(39.9)	N/A
Total gains	**2,654.5**	1,702.1	56%
Operating costs[1]	**(528.1)**	(411.3)	28%
Pre-tax contribution	**2,126.4**	1,290.8	65%

1 Net of cost of capital

2020 was one of the most volatile years for financial markets since the Global Financial Crisis. The first half of the year was dominated by concerns of global recession due to trade tensions and slower growth in the world's economies. Central banks cut interest rates even further in order to reinvigorate economic activity and growth.

Leveraging on our strong financial position, the Company was able to ride out the volatility and remain well-positioned through this year. We focused on the fundamentals of our underlying investments and carefully monitored the pandemic's impact on our public and private portfolios.

Overall, the equity and credit portfolios were impacted in the first half of the year but saw a considerable improvement in the second half. Part of our real estate portfolio was negatively affected particularly in hospitality assets. However, diversification and high underlying asset quality meant overall valuations remained robust.

From here we remain cautious and, while markets are stronger, we expect further volatility as the after effects of the government and central bank interventions take hold. We are in unprecedented times and are committed to extra diligence and focus across all our investments to manage risks carefully.

On the operational side, we continued to strengthen our investment and operating teams while upgrading systems and infrastructure for the launch of our Funds Management platform. During 2020, we added new team members and further built out our analytical and investment framework across businesses with a focus on risk management and control. In preparation for the launch of East Point Asset Management, we wound down a significant portion of public market positions in the fourth quarter.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Assets Breakdown and Annual Return

	2020				Return track record	
(HK$ Million)	Year End Value	Average Value	Gain	Annual Return	2019*	2018*
Alternatives	**10,479.2**	**10,347.6**	**2,553.7**	**24.7%**	15.0%	9.0%
Public Markets	**1,522.7**	**2,777.9**	**242.8**	**8.7%**	15.0%	-8.6%
Real Assets	**2,601.5**	**2,552.7**	**(142.0)**	**-5.6%**	-3.9%	9.8%
Total	**14,603.4**	**15,678.2**	**2,654.5**	**16.9%**	11.9%	4.9%

* Re-presented

Public Markets

The Public Markets portfolio consists of an internally managed equity strategy, an internally managed credit strategy and corporate holdings.

Breakdown of Public Markets Portfolio as at 31 December 2020

	2020			
(HK$ Million)	Year End Value	Average Value	Gain	Annual Return
Equity	**–**	**727.4**	**205.7**	**28.3%**
Credit	**141.9**	**673.9**	**55.9**	**8.3%**
Corporate Holdings	**1,380.8**	**1,376.6**	**(18.8)**	**-1.4%**
Total	**1,522.7**	**2,777.9**	**242.8**	**8.7%**

Public Equity

The second half of 2020 was stronger than the first. The markets took comfort with central banks and governments globally backstopping the economy and flooding it with liquidity. This stimulus, coupled with early vaccine data showing promising signs proved to be a healthier environment for equities. Having managed relatively well through the early volatility, we were well placed to act early in the second half of 2020. A large portion of the equity portfolio was then gradually wound down from October in preparation for the new fund launch.

Public Credit

Credit markets started on a strong note in year 2020 as investors were searching for yields in a low interest rate environment. However, as the COVID-19 pandemic started to spread, global markets were sent into a tailspin as investors were grappling with the uncertainties and challenges presented by this global health crisis. The credit markets experienced similar difficult situations as market liquidity dried up quickly. This adverse condition was exacerbated by margin calls facing the hedge fund industry given its leveraged positions.

To combat this unprecedented crisis, global central banks, led by the Federal Reserve and European Central Bank, were quick to react with rapid reduction in interest rates and injection of substantial amount of liquidity into the financial systems. Governments also introduced expansive fiscal policies in an effort to stimulate demand and create jobs. Global markets started to rebound driven by ample market liquidity and improving investor confidence. Following the US election and positive news flow on vaccine developments, the global markets continued to grind higher toward year end.

In line with global credit markets, our credit portfolio was impacted negatively from a marked-to-market perspective in first half of 2020, notwithstanding that our portfolio companies remained financially solid and performing with no default. As oil prices plummeted in second quarter of 2020, we saw attractive values in high quality oil names in the Middle East. As a result, we rotated some of our holdings in bank financials into high grade oil sovereign names. This strategy proved to be appropriate as such high-quality oil names were among the first sectors to recover after the market sell-off. Our bond portfolio ended year 2020 with profits.

Corporate Holdings

The Company has other equity holdings within Investment Management. The holdings represent a mix of long term strategic positions and other shorter term positions.

Alternatives

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

Breakdown of Alternatives Portfolio as at 31 December 2020

	2020			
(HK$ Million)	Year End Value	Average Value	Gain	Annual Return
Hedge funds	**2,149.7**	**1,595.4**	**647.3**	**40.6%**
Private Equity:				
– External funds	**3,410.2**	**2,686.8**	**468.0**	**17.4%**
– Direct/Co-Investments	**4,919.3**	**6,065.4**	**1,438.4**	**23.7%**
Total	**10,479.2**	**10,347.6**	**2,553.7**	**24.7%**

In 2020, distributions increased to HK$2.5 billion, well above the full-year 2019 total of HK$745.8 million, which was itself an all-time high. During this year, the Company made new investments and met capital calls for existing fund investments for a total of HK$2.9 billion.

During the year, the team allocated capital to new and existing fund managers, as well as direct and co-investment opportunities sourced through the Group's network.

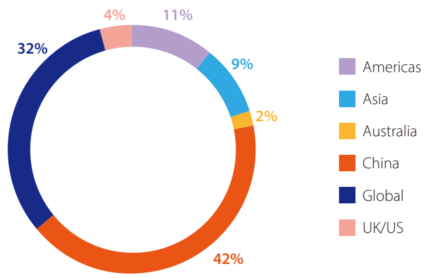
Private Equity

The Private Equity segment demonstrated a respectable return last year mainly due to exits from investments in prior years. We made a number of new investments in 2020 as we took advantage of market volatility and dislocated markets. Our new investments revolve around the themes of consumer and enterprise technology, new energy, smart transportation, biotech and medical technology globally. This has resulted in an uplift in the Private Equity portfolio being managed. We believe the benefits from such investments will become increasingly apparent from 2021 onwards.

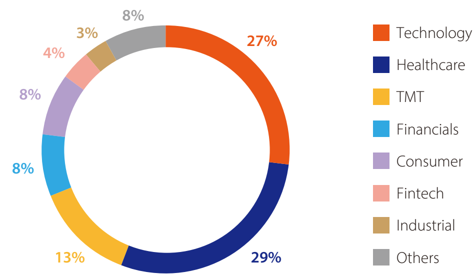
In January 2021, we announced the sale of our interest in Fairstone Holdings Inc. SHK & Co had participated in an investor group led by J.C. Flowers to acquire Fairstone from Citigroup in 2017. During the period of our co-ownership, Fairstone more than doubled its operating net income.

Looking forward, we continue to seek new opportunities with a focus on cutting edge technology and green finance whilst supporting existing investments to the extent required to maximise returns.

Private Equity Exposure by Geography



Private Equity Exposure by Sector



MANAGEMENT DISCUSSION AND ANALYSIS

Hedge Funds

The hedge fund multi-manager portfolio generated 40.6% return in 2020, materially outperforming benchmark returns. In comparison, the Eurekahedge Asian hedge fund index generated +17.5%. The portfolio outperformed as a result of superior manager selection and asset allocation. In terms of asset allocation, investments in certain sub-sectors such as technology, healthcare and therapeutics generated additional alpha. Overweight allocations to certain regions such as Greater China also added to outperformance. All invested managers bar one finished positively for the year.

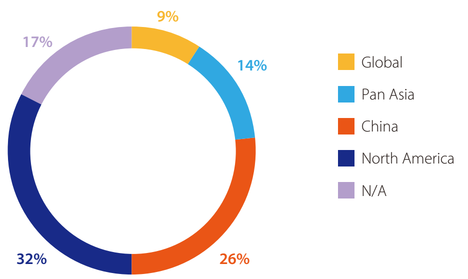
In January 2021, additional team members were hired to build on the success of the hedge fund investment program. The team will further develop areas such as risk management, manager research and portfolio construction. Their goal overall is to further optimize the portfolio, to reduce volatility, mitigate unwanted embedded risks and to increase the consistency of alpha generation over market cycles.

Real Assets

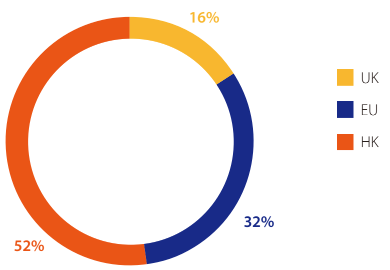
The Real Assets portfolio was valued at HK$2,601.5 million as at 31 December 2020 (31 December 2019: HK$2,542.5 million). The portfolio includes the Group's interests in Hong Kong commercial real estate as well as hotels and commercial investments abroad. During the year, there was a small loss on the portfolio arising primarily from a prudent increase in provisions on the office portfolio in Hong Kong. We continue to look for opportunities in real estate.

In February 2021, the Group entered into a binding agreement to realise its interest in Parmaco, a Finnish company which specialises in building and renting buildings for schools, day care providers and nursing homes. The Group invested alongside Terra Firma and Metric Capital, two leading London-based investors.

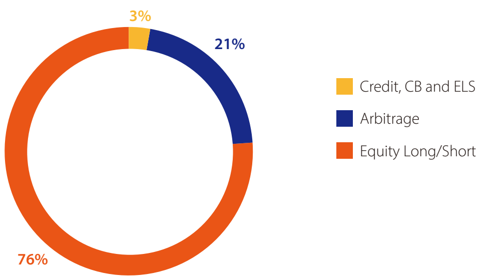
External Hedge Funds Exposure by Geography



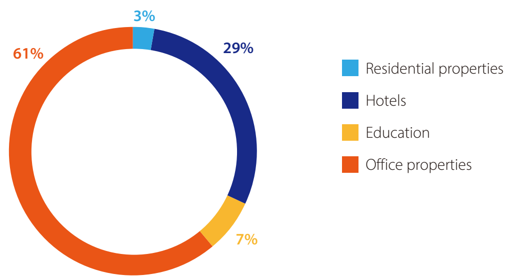
Real Assets Exposure by Geography



External Hedge Funds by Type



Real Assets Exposure by Asset Class



Funds Management

The development of our investment management business commenced approximately five years ago after the sale of the brokerage business to Everbright Securities Financial Holdings Limited.

This alternative investment focused initiative has grown to over HK$14.6 billion in assets and has built out a well-diversified portfolio consisting of investments in Private Equity, Hedge Funds, Credit and direct market securities. This investment initiative has culminated in building a strong network with the investment community and established SHK & Co. as a proactive, reliable and reputable partner. In addition, this portfolio has generated consistent risk adjusted returns over the 5-year period.

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

The Funds Management platform now established has committed and launched three partnerships to date. The first with East Point Asset Management and the launch of their first fund, an APAC Equity Long/Short Fund. This involved a transition of an internally managed strategy and team. The second was a partnership with E15VC to launch a global venture capital technology fund and third is a partnership with ActusRayPartners to launch a discretionary probabilistic investing fund focused on Europe.

We have a strong pipeline of partnerships and fund launches planned for 2021 covering various strategies including Real Estate Lending, Fund of Hedge Funds, Crypto, Equity Long/Short and Index Arbitrage.

OUTLOOK

At the time we present this report, the world is still adapting to the new normal caused by the COVID-19 pandemic yet not truly recovering from it. We are proud to have had a solid 2020 against a challenging and uncertain economic backdrop. However, we remain cautious of COVID-19 and China-US relations and we remain alert to the potential downside risks of asset prices.

In the past year, UAF continued its Fintech development and its pioneering move of using advanced technology in mobile apps enables UAF to gain market share. UAF Hong Kong remained resilient in profitability and credit quality during the pandemic. We are confident in management's capability to weather these challenges and adapt to the changing market conditions.

The SHK Credit business has maintained its scale and profitability. The cautious underwriting of mortgage loans through conservative loan to value ratios and careful credit standards position the business to manage the potential volatility in residential property prices in Hong Kong due to the pandemic and eventual economic impact.

In November 2020, we completed the disposal of our stake in SHKFGL; a milestone of our five-year transformation from a securities house to an alternative investment platform. During these five years, our financing business delivered strong performance and provided us with stable cash inflow, our investment business achieved remarkable returns, which allowed new business incubation and extension into our new Funds Management platform.

Looking ahead, we are optimistic about the prospects for our core lending businesses, confident about our investment businesses and excited about the development of our Funds Management platform. Besides, we are actively exploring collaboration and synergies between these businesses.

The Group is committed to delivering strong risk adjusted returns over the long term with sound governance and risk controls through all market conditions. We will also maintain diversified funding sources and liquidity to provide staying power and enable our business expansion. As an investment firm, we treasure our people as valuable assets of the Group. Over the course of the year, we built and adapted existing business continuity systems to allow our employees to work remotely, which helped us remain productive during the coronavirus outbreak and will continue to add value in future. Against a backdrop of a disrupted work environment, we continue to develop our culture and systems to attract and retain top talent with a commitment to integrity, creativity and teamwork.

LONG TERM CORPORATE STRATEGIES

The Group is focused on building sustainable growth to deliver further value to shareholders. To achieve our goals, the Company has set the following long-term strategies:

SHK & Co. Business Objectives

- Produce strong risk-adjusted returns through our Financing and Investing businesses
- Leverage networks to seek new business opportunities
- Build trusted relationships with all stakeholders
- Produce strong financial results through mid-to-long term focus and consistent leadership

Corporate Values

- Reliable, consistent and transparent communication with investors and stakeholders
- Robust risk management culture with regular evaluation of risk factors
- Flexible, diverse, inclusive and open culture to attract and retain talent
- Investing in our communities and protecting the environment

FINANCIAL REVIEW

Financial Resources, Liquidity, Capital Structure and Key Performance Indicators

(HK$ Million)	**31 Dec 2020**	31 Dec 2019	Change
Capital Structure			
Equity attributable to owners of the Company	**22,625.2**	20,381.7	11%
Total cash	**7,257.9**	5,726.2	27%
Total borrowings[1]	**16,614.1**	16,755.8	-1%
Net debt[2]	**9,356.2**	11,029.6	-15%
Net debt to equity ratio	**41.4%**	54.1%	
Liquidity			
Interest cover[3]	**5.0**	4.5	10%
Return Ratios			
Return on assets[4]	**6.8%**	6.0%	
Return on equity	**11.8%**	10.6%	
Key Performance Indicator			
Book value per share *(HK$)*	**11.4**	10.2	12%
Dividend per share *(HK cents)*	**26**	26	–

1 Bank and other borrowings and notes/papers payable
2 Total borrowing minus total cash
3 Earnings before interest and tax/interest expense
4 Annualised profit including non-controlling interests/average assets

The Group's gearing ratio reduced to 41.4% at the end of 2020 and has remained healthy. Interest cover for the year improved to 5.0x, an increase from 4.5x for 2019.

As at 31 December 2020, total borrowings of the Group amounted to HK$16,614.1 million (31 December 2019: HK$16,755.8 million). Of this amount, 48.7% is repayable within one year (31 December 2019: 37.2%). The Group maintained a balanced mix of funding from various sources. Bank borrowings accounted for 51.0% of total debt (31 December 2019: 48.7%) and were at floating interest rates, primarily denominated in Hong Kong dollars and US dollars. There were no known seasonal factors in the Group's borrowing profile.

Return on assets increased from 6.0% of 2019 to 6.8%, mainly due to higher returns on investment assets. Return on equity also increased from 10.6% of 2019 to 11.8% for similar reasons. 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 optimize our capital efficiency in the long term.

As at 31 December 2020, the following notes were outstanding:

Note	Maturity Date	HK$ Equivalent *(In Million)*	% Total
4.75% USD notes^	5/2021	1,936.5	23.8%
4.65% USD notes^	9/2022	3,486.0	42.8%
5.75% USD notes^	11/2024	2,724.3	33.4%
Total		8,146.8	100.0%

^ Listed on The Stock Exchange of Hong Kong Limited

After the partial repurchase of 4.75% USD notes and 4.65% USD notes, and the issuance of new 5.75% USD notes completed in late 2019, the Group has successfully maintained a stable capital structure, which positioned us well to avoid a liquidity crunch.

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

Significant Investments

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 31 December 2020.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

On 17 November 2020, the Group exercised its put right to require Everbright Securities Financial Holdings Limited to buy the remaining 30% shareholding in SHKFGL held by the Group for the consideration of (i) HK$1,257.1 million in cash; and (ii) HK$1,156 million in SHKFGL preference shares.

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 year ended 31 December 2020 and up to the date of this report.

Charges on Group Assets

Properties of the Group with a total book value of HK$946.0 million were pledged by subsidiaries to banks for facilities granted to them. HK$281.0 million was drawn down as at 31 December 2020.

Other Financial Liabilities

Details regarding other financial liabilities are set out in Note 45 of the consolidated financial statements.

HUMAN RESOURCES AND TRAINING

As at 31 December 2020, the Group's total staff numbered 2,219 (31 December 2019: 2,318). Out of this, 64 staff (31 December 2019: 55) are corporate and investment staff and the remainder are within the main subsidiaries UAF and SHK Credit. The net decrease in staff numbers is a result of the ongoing branch consolidation in the Consumer Finance business in Mainland China, as the business migrated further online and its continuous effort in driving cost efficiency. Total staff costs amounted to HK$852.8 million (2019: HK$775.6 million) in large part a reflection of the Group's success with higher performance-related compensation.

The Group adopts various compensation structures as relevant to different job roles and functions within the organization. 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.

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 5,316,000 shares were granted to the Selected Grantees during the year subject to various terms. 157,000 shares were vested for key management personnel in 2020. As at 31 December 2020, the outstanding award shares under the EOS (excluding shares awarded but subsequently forfeited) amounted to 4,522,000 shares.

The Group values its people as our greatest asset. We believe that a flexible, competent and motivated workforce is integral to the sustainable growth of our business. In line with our business strategies and ongoing development, the Group supports flexible working, employees' professional development and life-long learning in cooperation with their managers by providing sponsorship for their training and development programs in areas such as compliance, regulatory matters, management skills, practical job skills and personal development.

COVID-19 PANDEMIC RESPONSE

From early 2020 the Group took steps to protect the health and safety of our workforce, their families, local suppliers and neighbouring communities while ensuring a safe environment for operations to continue as usual. For example:

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

RELEVANT LAWS AND REGULATIONS

The Group is committed to complying with laws and regulations that govern our businesses. As the Group's holding company is incorporated in Hong Kong, we are under the jurisdiction of Hong Kong. As a listed company, we abide by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Securities and Futures Ordinance of Hong Kong Law.

The Group has built strong compliance culture over the years since our establishment as a brokerage firm five decades ago. The Board and its committees may make recommendations to the Group in relation to relevant codes and practice guides in pursuing business integrity and the results are reviewed regularly. A variety of trainings on regulations and compliance matters are also provided internally or through professional institutions.

With establishing the Funds Management business, the Group strengthened our compliance framework to protect the interests of investors. In the first quarter of 2021, approval-in-principle for the licensed Funds Management platform was received from regulators. Additional third-party compliance consultants and fund administrators were contracted to conduct extensive compliance work for the funds.

Our loan businesses in Hong Kong are governed by the Money Lenders Ordinance, Cap. 163 of the Law of Hong Kong. The lending businesses in the PRC are operated in accordance with the regional guidelines announced by the provincial governments under the Guiding Opinions of the China Banking Regulatory Commission and the People's Bank of China on the Pilot Operation of Small Loan Companies as well as the Special Rectification Documents of their special working group on cash loans, online small loans and P2P loans including "Notice on Regulating and Rectifying the Cash Loan Business", "Notice on the Implementation Plan for the Special Rectification of the Risks of the Online Small Loan Business for Companies that Print and Distribute Small Loan (Online Loan Rectification Letter [2017] No. 56)" and "Notice on the Special Rectification Work for the P2P Network Lending Risks (Online Loan Rectification Letter [2017] No. 57)".

RISK MANAGEMENT REPORT

The Risk Management Framework and Process

The Group adopts a comprehensive risk management framework. Risk management policies and procedures are regularly reviewed and updated by the Board to react to changes in market and the Group's business strategy. Risk Management Committee of the Board ("Risk Committee"), a standing committee reporting to the Board, acts to oversee the Group's risk management and monitors internal control systems. The Risk Committee considers the principal risks by identifying the nature and extent of significant risks and ensures critical judgments and decisions on risk control are taken. The internal control framework and strategy are reviewed by the Risk Committee and initiatives are actioned through each tier of the Group to examine the effectiveness of our risk identification and risk control methods. Internal audit is carried out continuously to examine risk management and internal control.

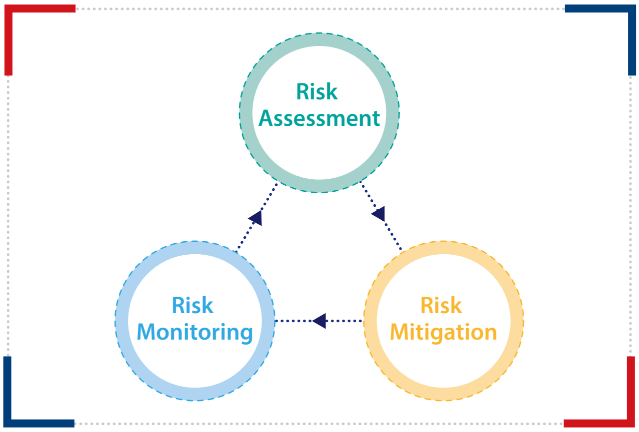
Lines of defense

The Company operates a "three lines of defense" framework for managing and identifying risks.

- The first line of defense is the business functions and their respective line managers, who own and manage risk and controls across the processes they operate.
- Line management is supplemented by overseeing functions, such as Risk Management, Operations, Finance and Accounting, Legal, Compliance and Company Secretarial, which constitute the second line of defense.
- Internal Audit is the third line of defense and provides independent assurance over the design and operation of controls established by the first and second lines to manage risk.

Risk Management Process

The risk management process is made of three stages: risk assessment, risk mitigation and risk monitoring. Where required, the risk management process and the development of counter measures will involve consultation with the Board, the Risk Committee and other relevant stakeholders.



Identifying Principal and Emerging Risks

The Risk Committee identifies the principal risks by considering an array of aspects such as business strategy, financial position, the operating environment of the Group and external risk factors including economic conditions and major regulations and government policies. Relevant risks identified by our peers, individual research reports and market standards are considered to determine our principal risks. The principal risks of the Group are reviewed and updated by the Risk Committee annually, with a focus on identifying those risks that could threaten the business development, operational and financial performance, the Group's treasury management and the liquidity and credit management.

Emerging risks affiliated to principal risks are also monitored regularly to assess any potential impact on the Group and to determine whether any actions are required. Emerging risks include those related to regulatory and legislative changes, macroeconomic and political changes and other factors.

Principal Risks of the Group

In 2020, the Group identified the following principal risks and major risk control initiatives were carried out as set out below:

Strategic and Business Risks

The risk of failing to deliver on our strategic objectives resulting in a negative impact on financial performance and profitability

External Environment

Impact	Key Controls	Emerging Risks/ Risks Movements in the Current Year
Since early 2020, the outbreak of COVID-19 has impacted the business environment, particularly in certain sectors, e.g. retail and hospitality.	Deep management expertise. In first half of 2020, we strategically reduced our risk exposure across our businesses and were well-positioned as the environment improved during the second half.	The risk exposure fluctuated during the year and continues in 2021.
Lowering economic growth of China and Hong Kong could have an adverse impact on the profitability of businesses.	Continuous monitoring of the economic situation and credit risk. Conservative lending policy.	The ongoing Sino-US trade war had some impact on the business environment in Hong Kong and mainland China, however the credit quality of our loans was largely unaffected.
Tightened regulations by authorities on consumer finance may impact the Group's consumer finance business.	Ongoing monitoring of the regulatory environment.	The risk exposure was unchanged during the year.

Failure to deliver the Group's business strategy

Impact	Key Controls	Emerging Risks/Risks Movements in the Current Year
The Group has been transforming its business since 2015. The failure to execute strategy may result in the Group underperforming targets.	The Group maintains a disciplined approach to strategy rollout.	This risk level was stable in 2020 though some business and approval processes were delayed or prolonged due to COVID-19. We made significant progress with launching our Funds Management business and since the end of the year have made further progress.
Limited growth opportunities and competition in lending impacts the Company's performance.	Deep management expertise and understanding of markets.	The risk had no material movement in the year. Management continues to observe market developments such as virtual banks in Hong Kong.

RISK MANAGEMENT REPORT

Financial Risks (Market, Credit and Liquidity risk)

The risk of an adverse impact on the Group due to market fluctuations, counterparty failure or having insufficient resources to meet financial obligations

Adverse market fluctuations

Impact	Key Controls	Emerging Risks/Risks Movements in the Current Year
Volatility in macroeconomic and microeconomic factors leads to changes in the mark-to-market value of investment assets.	Disciplined investment process and risk management monitoring controls	Financial markets were volatile, particularly in the first half of 2020. Our strategy of maintaining liquidity reserves positioned us well during times of volatility and allowed us to capitalize on opportunities in the second half of the year.
Volatility in interest rates potentially narrows the interest spreads of the Group's financing business and reduces its profitability.	Manage diversified funding sources and ability to reprice assets.	Market rates fluctuated during the year. We maintained diverse funding sources and were able to reprice assets to preserve interest spreads.

Exchange rate risk

Impact	Key Controls	Emerging Risks/Risks Movements in the Current Year
Volatility in currencies leads to changes in value of the Group's assets and liabilities and, to the extent that these are unhedged, may impact on the financial performance of the Group.	Robust hedging thresholds and monitoring.	The risk had no movements in the year. Except for UAF China, as the majority of the Group's assets and investments were dominated in HK dollars and US dollars, the risk exposure was relatively low. Exposure to other currencies, except RMB, are largely hedged.

Failed counterparty

Impact	Key Controls	Emerging Risks/Risks Movements in the Current Year
The Group's financing businesses relies on the credit quality of borrowers. Credit deterioration jeopardises the Group's profitability.	Conduct careful credit management and approval policies. Where appropriate, use credit data bases and technology.	Since 2020, the coronavirus outbreak has disrupted markets and certain borrowers. Consumer Finance and Mortgage Loans were resilient and credit deterioration was manageable. In Specialty Finance, additional provisions were recorded as a result of the impact of a deterioration in credit quality, particularly of borrowers in the hospitality sector.
The Group uses derivatives to hedge risks. By entering into these derivatives, the Group is exposed to counterparty credit risk.	The Group deals with high credit quality counterparties and manages exposures within limits.	The risk exposure was unchanged during the year.

Failure to meet the Group's financial obligations		
Impact	Key Controls	Emerging Risks/Risks Movements in the Current Year
A failure to manage assets and liabilities could result in the Group failing to meet its payment obligations as they fall due.	Treasury manages a variety of funding sources and maintains appropriate levels of liquid assets as a liquidity buffer.	The Group refinanced and extended maturity of credit facilities.
Potential lack of liquidity in the Group's investments portfolio.	The liquidity and expected realization of investments is continuously monitored. Prior to making new investments, the Group carefully considers the monetization plans for existing investments.	During the year, the Group received significant distributions from investments and this trend is expected to continue in 2021. The Group maintains a substantial portfolio of cash and liquid assets.

Operational Risks

The risk of loss or missed opportunity, resulting from a regulatory or legislative failure or inadequate or failed internal processes, people or systems

Unplanned departure of key persons		
Impact	Key Controls	Emerging Risks/Risks Movements in the Current Year
Loss of a key employee to the Group could impair the Group's ability to deliver its strategic objectives as planned if that role is not filled in a timely manner.	Key roles are identified, and backup plans are in place. The Group is focused on improving human resources management to offer an attractive working environment and benefits to key staff.	The risk exposure was unchanged during the year.

Regulatory or legislative failing		
Impact	Key Controls	Emerging Risks/Risks Movements in the Current Year
Adverse regulatory change could impact the ability of the Group to deliver its strategy such as deploying capital, raising new funds.	Closely monitor the changes on regulatory and governmental policies.	The risk exposure was unchanged during the year.

RISK MANAGEMENT REPORT

Failure of internal control process

Impact	Key Controls	Emerging Risks/Risks Movements in the Current Year
Failure of internal control procedures.	Clear segregation of duties and responsibilities; conduct reviews and internal audit regularly.	The risk exposure was unchanged during the year.

Technology resilience and innovation

Impact	Key Controls	Emerging Risks/Risks Movements in the Current Year
Failure to manage technology or data resulting in system outage or confidential information leak.	Regularly monitor systems and data. Test system security and continually upgrade system.	The Group upgraded infrastructure and cyber security during the year.

Failure of key business processes

Impact	Key Controls	Emerging Risks/Risks Movements in the Current Year
Failure of business processes resulting in significant business disruption, financial or reputational damage.	Contingency planning and testing.	The Group improved its contingency planning and upgraded infrastructure during the year. The Group continued to operate through the restrictions caused by COVID-19 with no meaningful impact.

Financial misstatement

Impact	Key Controls	Emerging Risks/Risks Movements in the Current Year
Failure to maintain adequate processes and internal controls over financial reporting and related disclosure which could result in losses, regulatory penalties or other claims.	Control processes are in place to ensure that financial reporting processes are identified, documented and monitored. The effectiveness of controls is monitored by management and internal audit with oversight from the Risk Committee and the Audit Committee of the Board.	The risk exposure was unchanged during the year.

The Group acknowledges that no regulatory and governmental policy changes during the year brought to the Group's attention had a high probability of impairing business operations, financial and investment performance as well as business plans.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance within a sensible framework, with an emphasis on the principles of integrity, transparency, accountability and independence. The Board of Directors believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholder's value.

Corporate Governance Code and Corporate Governance Report

In light of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Board has reviewed the corporate governance practices of the Company with the adoption of the various enhanced procedures which are detailed in this report. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2020, except for certain deviations as specified together with considered reasons for such deviations as explained below. The Board has reviewed the practices at least annually and made appropriate changes if considered necessary.

The Board

During the year 2020 and up to the date of this report, the composition of the Board is set out as follows:

Executive Directors:	Lee Seng Huang *(Group Executive Chairman)* Simon Chow Wing Charn
Non-Executive Directors:	Peter Anthony Curry Jonathan Andrew Cimino
Independent Non-Executive Directors:	Evan Au Yang Chi Chun David Craig Bartlett Alan Stephen Jones Jacqueline Alee Leung

The brief biographical details of the Directors are set out in the section "Profiles of the Directors and Senior Management" of the Directors' Report.

Board Process

As at the date of this report, the Non-Executive Directors ("NEDs") (four of whom were independent) provided the Company and its subsidiaries (collectively the "Group") with a wide range of expertise and experience. Their active participation in Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, at the same time taking into account the interests of all shareholders of the Company (the "Shareholders").

Throughout the year and up to the date of this report, at least one of the Independent Non-Executive Directors ("INEDs") has the appropriate professional qualifications or accounting or related financial management expertise specified under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

The Board meets regularly to discuss the overall strategy as well as the operations and financial performance of the Group. The Board also meets to review and approve the Group's annual and interim results and other ad hoc matters which need to be dealt with by the Board. Relevant senior executives are invited to attend Board meetings to make presentations and answer the Board's enquiries.

CORPORATE GOVERNANCE REPORT

During the year, six Board meetings were held. The individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Audit Committee, Risk Management Committee and the general meeting of the Company during the year ended 31 December 2020 are set out as follows:

	Number of meetings attended/held				
Name of Directors	**Board**	**Remuneration Committee**	**Audit Committee**	**Risk Management Committee**	**General Meeting**
Executive Directors:					
Lee Seng Huang	6/6				1/1
Simon Chow Wing Charn	6/6			4/4	1/1
Non-Executive Directors:					
Peter Anthony Curry	6/6		3/3		1/1
Jonathan Andrew Cimino	6/6				0/1
Independent Non-Executive Directors:					
Evan Au Yang Chi Chun	6/6	1/1	3/3		1/1
David Craig Bartlett	6/6	1/1	3/3		0/1
Alan Stephen Jones	6/6	1/1	3/3		1/1
Jacqueline Alee Leung	5/6	1/1	3/3		0/1

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, approval of Directors' appointment or re-appointment (based on the recommendations made by the Nomination Committee), material contracts and transactions, corporate governance as well as other significant policies and financial matters. The Board has delegated the daily operations and administration responsibilities to the executive management under the instruction/supervision of the Executive Committee which has its specific written terms of reference. The respective functions of the Board and management of the Company have been formalised and set out in writing. The Board reviews these procedures from time to time to ensure that they are consistent with the existing rules and regulations.

Regular Board meetings for each year are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussions in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings, and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least three days prior to the proposed date of a Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before being tabled at the following Board meeting for approval. Minutes of meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter cannot be dealt with by a written resolution of the Board but will be dealt with by the Board at a duly convened Board meeting. The articles of association of the Company (the "Articles") also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting on the relevant Board resolution and not be counted in the quorum at meetings of the Board for approving any contract or arrangement in which such Director or any of his/her close associate(s) has a material interest. The Board will also follow relevant rules stipulated in the Listing Rules in this regard.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. Directors will be continuously updated on major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, a written procedure has been established since June 2005 to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

Directors' Continuous Professional Development

For continuous professional development, in addition to Directors' attendance at meetings and review of papers and circulars sent by management, Directors participated in the following activities:

Name of Directors	Reading regulatory updates	Attending seminars^
Executive Directors:		
Lee Seng Huang	✓	✓
Simon Chow Wing Charn	✓	✓
Non-Executive Directors:		
Peter Anthony Curry	✓	✓
Jonathan Andrew Cimino	✓	✓
Independent Non-Executive Directors:		
Evan Au Yang Chi Chun	✓	✓
David Craig Bartlett	✓	✓
Alan Stephen Jones	✓	✓
Jacqueline Alee Leung	✓	✓

^ Including trainings/briefings/online seminars/conferences relevant to Directors' duties

Roles of Chairman and Chief Executive

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

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

The Group Executive Chairman is responsible for the leadership of the Board, ensuring that all key and significant issues are discussed by the Board in a timely and constructive manner, all Directors are properly briefed on issues arising at Board meetings, and the Directors receive in a timely manner, adequate information which is accurate, clear, complete and reliable.

Appointment and Re-Election of Directors

The terms of reference of the Nomination Committee include a nomination procedure specifying the process and criteria for selection and recommendation of candidates for directorships of the Company.

Every newly appointed Director will receive an induction package from the Company Secretary on the responsibilities and ongoing obligations to be observed by a Director pursuant to the Companies Ordinance, Listing Rules and Securities and Futures Ordinance. The package will also include materials briefly describing the operations and business of the Company, the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. Senior management will subsequently conduct such briefings as necessary to provide the new Directors with detailed information on the Group's businesses and activities.

The NEDs (including the INEDs) of the Company are appointed for a specific term of two years, but subject to the relevant provisions of the Articles or any other applicable laws whereby the Directors shall vacate or retire from their offices but are eligible for re-election. The term of appointment of the NEDs (including the INEDs) were renewed for two years commencing from 1 January 2021.

According to Article 94 of the Articles, any Director appointed to fill a casual vacancy shall hold office only until the Company's next following general meeting and shall be eligible for re-election. Any Director appointed as an addition to the Board shall hold office until the next following annual general meeting ("AGM") of the Company and shall be eligible for re-election at that meeting. Furthermore, pursuant to Article 103 of the Articles, at each AGM of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at least once every three years.

Board Diversity

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining an effective Board to enhance the quality of its performance. The Board has adopted the Board Diversity Policy effective on 1 September 2013 with an aim to promote broad experience and diversity on the Board.

The objectives of the Board Diversity Policy include:

(i) the Board should possess a balance of skills and experience appropriate for the requirements of the businesses of the Company. The Directors should have a mix of finance, legal and management qualifications with considerable experience in diversified businesses;
(ii) selection of candidates for directorship will be based on a broad range of perspectives, including but not limited to gender, age, cultural and educational background, knowledge, professional experience or skills; and
(iii) Directors (especially the NEDs) are encouraged to participate in Board meetings to bring an independent judgment, to promote critical review and to bring a wide range of business and financial experience to the Board which contributes to the effective direction of the Company.

Appointments to the Board should be made in the context of complementing and expanding the skills, knowledge and experience of the Board as a whole and candidates will be considered against objectives, taking into account the Company's business and needs.

The Board has reviewed, through the Nomination Committee, the structure, size, composition and diversity of the Board as well as the nomination and appointment procedure of directors during the year.

Corporate Governance Functions

To maintain a high standard of corporate governance within a sensible framework, with an emphasis on the principles of integrity, transparency, accountability and equity, the Company has adopted a Corporate Governance Policy and terms of reference of the Board with effect from 1 April 2012.

The major duties of the Board in respect of performing corporate governance functions include:

(i) to develop and review the Company's policies and practices on corporate governance;
(ii) to review and monitor the training and continuous professional development of Directors and senior management;
(iii) to review and monitor the Company's policies and practices for compliance with legal and regulatory requirements;
(iv) to develop, review and monitor the code of conduct and compliance manuals applicable to employees and Directors; and
(v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

In 2020 and up to the date of this report, the Board has performed its corporate governance duties in accordance with its terms of reference.

Board Committees

The Board has established various committees, including the Nomination Committee, Remuneration Committee, Audit Committee, Executive Committee and Risk Management Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decisions and recommendations where appropriate. The procedures and arrangements for a Board meeting have been adopted for the committee meetings so far as practicable.

Nomination Committee

The Nomination Committee has been established since April 2012 and at the date of this report consists of the Group Executive Chairman and four INEDs, including Messrs. Lee Seng Huang (Chairman), Evan Au Yang Chi Chun, David Craig Bartlett, Alan Stephen Jones and Ms. Jacqueline Alee Leung. The Nomination Committee is provided with sufficient resources to perform its duties, including, where necessary, to seek independent professional advice, at the Company's expense. The duties and authorities of the Nomination Committee are contained in its terms of reference, which fully comply with code provision A.5.2 of the CG Code and are available on the websites of the Stock Exchange and the Company.

The Nomination Committee has formulated and set out its nomination policy ("Nomination Policy") in its terms of reference. The objective of the Nomination Policy is to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's businesses. To ensure changes to the Board composition can be managed without undue disruption, a formal, considered and transparent procedure is in place for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company, contribution to the diversity of the Board and ability to effectively carry out the Board's responsibilities. Further details of the selection criteria and the procedure are set out in the terms of reference of the Nomination Committee.

The Nomination Committee will meet as and when necessary in accordance with its terms of reference and may also deal with matters by way of circulation of written resolutions. In 2020, no Nomination Committee meeting was held. The committee dealt with matters by way of circulation of written resolutions. The work performed by the Nomination Committee in 2020 is summarised as follows:

(i) reviewed the structure, size, composition and diversity of the Board;
(ii) assessed the independence of the INEDs;
(iii) reviewed the proposed re-election of Directors at the 2020 AGM, with a recommendation to the Board for proposal to the Shareholders for approval at the meeting; and
(iv) considered the renewal of the term of appointment of all NEDs (including the INEDs) for two years to 31 December 2022 with a recommendation to the Board for approval.

After the end of the reporting period, a Nomination Committee meeting was held in March 2021 to review the structure, size, composition and diversity of the Board, assess the independence of the INEDs and review the proposal for re-election of Directors at the coming 2021 AGM.

Remuneration Committee

The Remuneration Committee has been established since April 1985 and at the date of this report consists of four INEDs including Messrs. Evan Au Yang Chi Chun (Chairman), David Craig Bartlett, Alan Stephen Jones and Ms. Jacqueline Alee Leung. The Remuneration Committee is provided with sufficient resources to perform its duties, and, where necessary, to seek independent professional advice, at the Company's expense. The duties and authorities of the Remuneration Committee are contained in its terms of reference which are available on the websites of the Stock Exchange and the Company.

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with code provision B.1.2 of the CG Code but with a deviation from the code provision 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 reasons for the above derivations are summarised as below:

(i) the Board believes that the Remuneration Committee is not properly in a position to evaluate the performance of senior management and that this evaluation process is more effectively carried out by the Executive Directors; and
(ii) the Executive Directors must be in a position to supervise and control senior management and thus should be able to control their compensation.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One Remuneration Committee meeting was held in 2020 and the attendance of each member at each meeting is set out in the section headed "Board Process" of this report. The committee also dealt with some matters by way of circulation of written resolutions.

The work performed by the Remuneration Committee during 2020 is summarised as follows:

(i) reviewed the existing policy and structure for the remuneration of Directors;
(ii) considered the compensation review update carried out by an independent professional consultant for the remuneration policy, structure, benchmarking and quantum of remuneration for Executive Directors;
(iii) reviewed the remuneration packages of the Executive Directors;
(iv) reviewed the bonuses for the year ended 31 December 2019 for the two Executive Directors, with a recommendation to the Board for approval;
(v) reviewed the remuneration of all Directors (including the NEDs and INEDs), with a note to the Board that since January 2020, the Director's fee of all Directors remained unchanged, however INEDs and a NED received a 10% increment in the annual consultancy fees;
(vi) considered the extension of the lease term of the residence provided to the Group Executive Chairman under his remuneration package with a recommendation to the Board for approval; and
(vii) considered the provision of a new residence for the Group Executive Chairman under a new lease with a recommendation to the Board for approval.

Each Director will be entitled to a Director's fee. Further remuneration payable to Directors (including any consultancy fees to INEDs or NED) for their responsibilities and services will be determined according to their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in Note 8(a) to the consolidated financial statements. In addition, the annual remuneration payable to members of senior management by band and of the five highest paid individuals in the Group are set out in Note 8(b) to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Human Resources and Training" section in the "Management Discussion and Analysis" of this Annual Report.

After the end of the reporting period, a Remuneration Committee meeting was held in March 2021 to review the summary compensation report which includes the information provided by an independent professional consultant, policy and structure of Directors' remuneration, and remuneration packages of the Directors. The Remuneration Committee recommended the following to the Board and which recommendations were subsequently approved (where appropriate) by the Board:

(i) the payment of discretionary bonuses for the year 2020 to the two Executive Directors:
   – HK$88,000,000 in cash to Mr. Lee Seng Huang ("Mr. Lee"); and
   – HK$6,000,000 in cash to Mr. Simon Chow Wing Charn ("Mr. Chow"), 30% of which is deferred and to be vested by June 2022 in line with the Company's employee retention practices;
(ii) the monthly salary for both Mr. Lee and Mr. Chow from January 2021 remains unchanged;
(iii) a 10% increment to the annual consultancy fee of the four INEDs and Mr. Peter Anthony Curry, a NED of the Company, commenced from the year 2021; and
(iv) the annual directors' fee to all Directors remains unchanged.

For the purpose of Rule 13.51B(1) of the Listing Rules, the amount for the monthly rental-related expenses which form part of the emoluments of Mr. Lee under his service contract has changed during the year with the provision of new residential accommodation to Mr. Lee by the Group, details of which were disclosed in the announcement of the Company dated 24 July 2020.

Audit Committee

The Audit Committee has been established since April 1985 and at the date of this report consists of four INEDs and one NED. To retain independence and objectivity, the Audit Committee is chaired by an INED who possesses appropriate professional qualifications or accounting or related financial management expertise. The current members of the Audit Committee are Messrs. Alan Stephen Jones (Chairman), Evan Au Yang Chi Chun, David Craig Bartlett, Ms. Jacqueline Alee Leung and Mr. Peter Anthony Curry. The Audit Committee is provided with sufficient resources to perform its duties and has access to independent professional advice according to the Company's policy, when necessary. The responsibilities and duties of the Audit Committee are contained in its terms of reference which are available on the websites of the Stock Exchange and the Company.

The terms of reference of the Audit Committee of the Company are revised from time to time to comply with the code provision C.3.3 of the CG Code, but with deviations from the code provision regarding the Audit Committee's responsibilities to:

(i) implement policy on the engagement of the external auditor to supply non-audit services;
(ii) ensure that management has performed its duty to have effective risk management and internal control systems;
(iii) ensure co-ordination between the internal and external auditors; and
(iv) ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

The Board considers that the Audit Committee of the Company shall recommend (as opposed to implement under the code provision) the policy on engaging the external auditor to supply non-audit services for the following reasons:

(i) it is proper and appropriate for the Board and its committees to develop policy and make appropriate recommendations;
(ii) the proper and appropriate mechanism for implementation of such policy and recommendations is through the Executive Directors and management; and
(iii) the INEDs are not in an effective position to implement the policy and follow up implementation of the same on a day-to-day basis.

Furthermore, the Board considers that the Audit Committee only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective risk management and internal control systems. The Audit Committee is not equipped to ensure that the same is in place, as this would involve day-to-day supervision and the employment of permanent experts. The Audit Committee is not in a position to ensure coordination between the internal and external auditors, but it can promote the same. Similarly, the Audit Committee cannot ensure that the internal audit function is adequately resourced and has appropriate standing within the Company but it can check whether it is adequately resourced and has appropriate standing within the Company, and recommend the correction of any identified deficiency.

The Audit Committee shall meet at least three times a year in accordance with its terms of reference. Three Audit Committee meetings were held in 2020 and the attendance of each member at these meetings is set out in the section headed "Board Process" of this report.

Apart from committee meetings, the Audit Committee also deals with matters by way of circulation of written resolutions, when necessary. The work performed by the Audit Committee in 2020 and up to the date of this report is summarised as follows:

(i) considered and approved the terms of engagement and fees proposed by the external auditor regarding the interim results review for the six months ended 30 June 2020 and the final audit of the Group for the year ended 31 December 2020;
(ii) reviewed the reports from the external auditor, management representation letters in relation to the final audit of the financial statements of the Group for the years ended 31 December 2019 and 2020;
(iii) reviewed the report from the external auditor and management representation letter in relation to the interim results review of the financial statements of the Group for the six months ended 30 June 2020;
(iv) reviewed the financial reports of the Company for the years ended 31 December 2019 and 2020, and for the six months ended 30 June 2020, and recommended approval by the Board;
(v) considered the engagement of an external audit firm to conduct an internal control review of mortgage loan business of Sun Hung Kai Credit;
(vi) reviewed the effectiveness of the risk management and internal control system and recommended action to the Board where appropriate;
(vii) reviewed various internal audit review reports prepared by the internal audit function and the 2021 internal audit plans; and
(viii) reviewed the risk management report.

Executive Committee

The Executive Committee (the "Exco") has been established since November 1983 and at the date of this report consists of two Executive Directors, Messrs. Lee Seng Huang (Chairman) and Simon Chow Wing Charn. The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the terms of reference of the Exco.

The Exco is mainly responsible for undertaking and supervising the day-to-day management of the Group, and is empowered, subject to the general policies adopted by the Board:

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and
(ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

Risk Management Committee

The Risk Management Committee (the "RMC") has been established since January 2007. As at the date of this report, it consists of the Group Chief Financial Officer ("Group CFO"), an Executive Director, Chief Executive Officer of Funds Management, Head of Operations and Head of Legal, being Messrs. Robert James Quinlivan (Chairman), Simon Chow Wing Charn, Ms. Lindsay Megan Wright, Messrs. Alfred Leung Sai Kit and Paul Olivera respectively.

The major roles and responsibilities of the RMC are:

(i) to analyse and define risks likely to be encountered by the Group in the various aspects of its operation;
(ii) to ensure through appropriate mechanisms including setting up committee(s) and supervision by division/department heads, adequate review, assessment, and monitoring the risks which may be encountered by the Group and the effectiveness of the Group's systems of risk management and internal controls, including but not limited to, financial, operational and compliance controls and risk management functions; and

CORPORATE GOVERNANCE REPORT

(iii) to act as a provider of assurance (in conjunction with the Group's internal audit function and the Group's external auditor) to the Board in its annual review of:

(a) the changes in the nature and extent of significant risks likely to be encountered by the Group since the last annual review, and the Group's ability to respond to such changes in its business activities and external environment;
(b) the scope and quality of management's ongoing monitoring of risks and system of internal controls;
(c) the adequacy of the extent and frequency of the communication of the results of monitoring to the Board enabling it and the Audit Committee to develop a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed;
(d) any major incident that poses substantial risk and/or loss exposure to the Group, whether actual loss is incurred or not; in the event of likely or actual violations of any applicable laws, regulations, regulatory guidelines/codes; significant internal policies, operational or technological failures; and any other significant events that may expose the Group to substantial reputational risk;
(e) the effectiveness of the Group's processes relating to financial reporting and Listing Rules compliance; and
(f) all other relevant issues appropriate to risk identification and management and internal control issues.

The RMC will normally meet quarterly or as directed by the chairman of the RMC. Four quarterly meetings of the RMC of the Company were held in 2020, and the work performed by the RMC during the year and up to the date of this report is summarised as follows:

(i) review of the legal and compliance issues and requirements arising from business activities and regulatory issues;
(ii) monitoring of the liquidity risk, credit risk, market risk and reporting approaches;
(iii) review of the foreign exchange exposure of the Group's investment portfolio and adoption of an updated foreign exchange risk management policy;
(iv) review of the risk management reports from the Group's IM business, Funds Management business, Specialty Finance, UAF, Sun Hung Kai Credit and Operations;
(v) review and assessment of the completed responsibility statements from the relevant business units and department heads regarding their risk management, compliance and internal control procedures for the financial years ended 31 December 2019 and 2020;
(vi) review of the risk management framework and process of the Group and identification of principal risks by considering an array of aspects such as business strategy, financial position, the operating environment of the Group and external risk factors including economic conditions and major regulations and government policies;
(vii) review of cyber security risk management and its policy and business continuity plan of the Group;
(viii) update of risks/business impact of coronavirus outbreak;
(ix) review and adoption of the updated anti-money laundering policy and guidance manual of the Group;
(x) review of the term loan lending procedure manual;
(xi) review and adoption of the fixed assets acquisition and disposal policy; and
(xii) establishment of a ESG sub-committee and adoption of its terms of reference.

Risk Management and Internal Control

The Board acknowledges its responsibility for the establishment and maintenance of sound and effective risk management and internal control systems to safeguard the Group's corporate interests.

Since its establishment in 2007, the Group's RMC has been delegated with the responsibility to assist the Board to review, assess and monitor the various risks which may be encountered by the Group and the effectiveness of the Group's risk management system. The functions and compositions of the RMC are set out in the "Board Committees" section in the earlier part of this report and the risk management mechanism is set out in the "Risk Management Report" section in this Annual Report.

The Group's risk management culture is critical to the effectiveness of the risk management framework. The principal risks are determined through a consideration of the strategy, external risk factors, the operating environment of the Group including risks identified by our peers, and an analysis of individual processes and procedures.

The review of the Group's principal risks focuses on identifying those risks that could threaten the business model, future performance, capital or liquidity of the business. In identifying these risks, consideration is given to external developments, regulatory expectations and market standards. Our focus also includes strategic and business risk, financial risk and operational risk.

Emerging risks are regularly considered to assess any potential impact on the Group and to determine whether any actions are required. Emerging risks include those related to regulatory/legislative change and macroeconomic and political change, which in the current year have included social unrest in Hong Kong, US-China trade war and coronavirus outbreak.

The Group's risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to manage prudently but not completely eliminate the risk of system failure. Systems and procedures are put in place to identify, manage and control the risks of different businesses and activities. Risk control limits are established according to the appropriate authorisation hierarchy. More detailed discussions of different types of risks are set out in the "Risk Management Report" section in this Annual Report and in Note 47 to the consolidated financial statements — Financial Risk Management.

In addition to safeguarding the Group's corporate interests, the internal control framework is to maintain proper accounting records and to comply with relevant laws and regulations. It provides an independent and objective assurance to safeguard the Group's operations. The Group has its control functions e.g. internal audit. Together with the RMC and the Audit Committee, they play an important role in assuring the Board and management that a sound internal control system is being implemented, maintained, and relevant regulatory requirements are complied with.

Internal audit is an independent control function reporting to the Group CFO. It applies a systematic and disciplined approach to analyse and independently appraise the adequacy and effectiveness of the Group's risk management and internal control systems. The audit plans are risk-based to ensure that a methodical coverage of the Group's operations and resources are focused on high risk areas. Ad hoc reviews are conducted on areas of concern where necessary. Internal audit reports are issued to the Audit Committee, relevant senior management and division/department heads.

Each year, a Group-wide self-assessment is conducted on the effectiveness of the risk management and internal control framework covering all major areas such as front office, compliance, finance and operations with the purposes of assessing and documenting key risks to enable control improvement. The assessment is performed by the divisions and co-ordinated by the Group CFO who reports directly to the Group Executive Chairman. The results and findings are reported to the RMC, Audit Committee and the Board which have been considered effective and adequate. Other monitoring and review on risk exposures to formulate risk management policies is also co-ordinated by the Group CFO.

Management reviews are conducted on new processes and systems to ensure that policies and procedures are updated in accordance with the ever changing risk-related environment. The Group also engages external consultants on an ad-hoc basis to perform independent reviews covering significant parts of the Group's operations, when necessary.

The Board, through the Audit Committee, reviews the adequacy of resources, training programmes, budget, qualifications and experience of the accounting, internal audit and financial reporting staff in accordance with the requirements of the Listing Rules. The RMC, the Audit Committee and the Board review the effectiveness of the risk management and internal control systems of the Group and fulfill the requirements of the CG Code regarding risk management and internal control systems in general.

Accountability and Audit

Financial Reporting

The Directors acknowledge their responsibility, with the support of the Finance Department, for preparing the consolidated financial statements of the Group. In preparing the consolidated financial statements for the year ended 31 December 2020, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance have been complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent and reasonable, and have ensured that the consolidated financial statements are prepared on a going concern basis.

The reporting responsibilities of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), are set out in the Independent Auditor's Report of this Annual Report.

External Auditor's Remuneration

During the year and up to the date of this report, the remuneration paid to Deloitte is set out as follows:

Services rendered for the Group	Fees paid (HK$ Million)
Audit services	5.8
Non-audit services (taxation and other professional services)	1.4
Total	7.2

Disclosure of Inside Information Policy

The Board has adopted the Disclosure of Inside Information Policy (the "Policy") effective on 1 January 2013 with respect to the procedures and internal controls for the handling and dissemination of inside information. The Policy sets out guidelines and procedures to the directors and relevant officers of the Group to ensure inside information of the Group is to be disseminated to the public in an equal and timely manner. Directors and relevant officers in possession of potential inside information and/or inside information are required to take reasonable measures to ensure that proper safeguards are in place to preserve strict confidentiality of inside information and to ensure that its recipients recognise their obligations to maintain the information confidential. The Policy shall be updated and revised as and when necessary in light of changes in circumstances and changes in the Listing Rules, Part XIVA of the Securities and Futures Ordinance and relevant statutory and regulatory requirements from time to time.

Company Secretary

Ms. Hester Wong Lam Chun is an employee and the Company Secretary of the Company. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Group Executive Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with Shareholders and management.

Ms. Wong is a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Institute of Chartered Secretaries. During 2020, Ms. Wong undertook over 15 hours of relevant professional training to update her skills and knowledge.

Codes for Securities Transactions by Directors and Relevant Employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specified enquiries of all the Directors, they have confirmed that they have complied with the required standard as set out in the Model Code.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees, to regulate dealings in the securities of the Company by relevant employees of the Company or any of its subsidiaries who are considered to be likely to possess inside information in relation to the Company or its securities.

Communication with Shareholders

The Board recognises the importance of good communication with Shareholders. Information in relation to the Group is disseminated to Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents, together with the latest corporate information and news, are also made available on the Company's website.

The Company's general meetings are valuable forums for the Board to communicate directly with Shareholders. Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his/her duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of Shareholders. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) should also be available to answer questions at any general meeting of the shareholders to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

The 2020 AGM was held on 2 June 2020 and five out of eight Directors attended the meeting. For details of the Directors' attendance at the general meeting, please refer to the attendance record of the Directors set out in the section headed "Board Process" of this report. Separate resolutions are proposed at the AGM for each substantial issue, including the re-election of retiring Directors.

Notice of meetings to Shareholders is to be sent in the case of the AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to Shareholders at the commencement of the meeting. The chairman of the meeting answers questions from Shareholders regarding voting by way of a poll. The poll results of the resolutions are thereafter published in the manner prescribed under the requirements of the Listing Rules.

Shareholder(s) representing at least 5% of the total voting rights of all Shareholders having the right to vote at general meetings of the Company can request to convene an extraordinary general meeting according to Article 67 of the Articles and Section 566 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong). The business proposed to be transacted at the meeting must be stated in the related requisition which must be signed and deposited at the registered office of the Company. Besides, Shareholders may make a proposal at a Shareholders' meeting by submitting the proposed resolution in written form to the Board at the registered office of the Company, which shall clearly and concisely set out the proposal for discussion and be relevant to the Company's business scope.

The Board has adopted a shareholders' communication policy since March 2012 and subsequently updated in June 2014, November 2016 and November 2019. Shareholders may make reasonable enquiries to the Company for information regarding the Company which has been made publicly available. Such enquiries should be directed to the Company Secretary at the Company's registered office. If a Shareholder wishes to make an enquiry to the Board, it must be served at the registered office for the attention of the Company Secretary. In addition, Shareholders can contact Tricor Secretaries Limited, the share registrar of the Company, for any questions about their shareholdings.

Constitutional Documents

The Company's existing Articles is available on the websites of the Stock Exchange and the Company.

In view of the technological developments and to provide the flexibility for the Company in relation to the conduct of general meetings of the Company, the Board proposed to seek the approval of the Shareholders by way of special resolution at the 2021 AGM to amend the existing Articles and adopt the new articles of association to allow general meetings to be held as hybrid meetings where Shareholders may attend by electronic means in addition to a physical meeting where Shareholders attend in person. The proposed amendments also explicitly set out other related powers of the Board and the chairman of the general meetings, including making arrangements for attendance as well as ensuring the security and orderly conduct of such general meetings. Other minor amendments for house-keeping purposes are also proposed.

Dividend Policy

The Board has adopted the Company's Dividend Policy at its meeting in November 2018. The Company's Dividend Policy aims at providing reasonable and sustainable returns to Shareholders whilst maintaining a position of financial stability which allows the Company to take advantage of any investment and expansion opportunities that may arise from time to time.

The Board may declare or propose dividends on an annual basis and/or may declare interim dividends or special dividends. The proposal or declaration of dividends by the Board is subject to consideration of the Company's and the Group's operating results, accumulated and future earnings, gearing, liquidity position, capital commitment requirement and future expansion plan as well as general economic conditions and external factors that may have impact on the financial performance and position of the Company and the Group. In addition, as the Company is a holding company, the Board will also consider the dividends received from its subsidiaries as the ability to pay dividends by the Company is dependent on the dividends received from those subsidiaries.

The Board will regularly review the dividend policy and will amend and/or modify the dividend policy if necessary.

Corporate Governance Enhancement

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange, but about promoting and developing an ethical and healthy corporate culture. We will continue to review, and where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

On behalf of the Board

Lee Seng Huang
Group Executive Chairman

Hong Kong, 18 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About This Report

Sun Hung Kai & Co. Limited (stock code: 86) (the "Company" or "SHK&Co.", together with its subsidiaries, the "Group") is pleased to present its Environmental, Social and Governance ("ESG") Report (the "Report"). It is prepared in accordance with the "comply or explain" provision of the Environmental, Social and Governance Reporting Guide (the "ESG Guide") set out in Appendix 27 of the Main Board Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and covers the period from 1 January 2020 to 31 December 2020 (the "Reporting Period"), unless otherwise specified.

With more than 50 years of operation, SHK&Co. has established a leading presence in the financing and investment management business in Hong Kong and Mainland China. Same as the last ESG report, this Report covers all business entities, except business divisions without physical operations or associated joint venture companies in which the Company has no control in their operations. Unless otherwise stated, this Report covers the offices and branches from the following units and their subsidiaries in Hong Kong and Mainland China:

Sun Hung Kai & Co. Limited ("SHK&Co.")
United Asia Finance Limited ("UAF")
Sun Hung Kai Credit Limited ("Sun Hung Kai Credit")

This Report sets out the ESG policies, initiatives and performances of the Group. All information has been compiled according to the data and information obtained within the Group. The Group's internal control and formal review process are in place to ensure that all information is presented in an accurate and reliable manner. This Report has been reviewed and approved by the Board of Directors (the "Board"). The preparation of this Report strictly adheres to the reporting principles of "materiality", "quantitative", "balance" and "consistency".

Materiality	This Report is structured based on the materiality of respective issues, resulting from stakeholder engagement. The materiality of issues was reviewed and confirmed by the Board and senior management.
Quantitative	This Report discloses material environmental and social key performance indicators ("KPIs") of the offices and branches of SHK&Co., UAF and Sun Hung Kai Credit.
Balance	This Report presents an unbiased overview of the Group's ESG performance with both achievements and areas of improvements disclosed.
Consistency	This Report is prepared in accordance with the ESG Guide, as well as consistent methodology for the calculation of KPIs. For further details of the quantification methodology, please refer to "Environment" section.

Opinion and Feedback

We welcome feedback on the Report and our approach to sustainability. If you have any comments or suggestions, please share your views with us at:

Sun Hung Kai & Co. Limited
42/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong
Tel: (852) 3748 2888
Email: investor.relations@shkco.com

Awards and Recognitions

Award Name	Awarding Institution
SHK&Co.	
Listed Company Awards of Excellence (2018–2020)	Hong Kong Economic Journal
Listed Enterprises of the Year (2018–2020)	Bloomberg Businessweek/Chinese Edition
Manpower Developer Award (2018–2020)	Employees Retraining Board
Caring Company Award (2016–2021)	The Hong Kong Council of Social Service
Gold Award for Excellence in ESG (2013–2018, 2020)	The Asset
Good MPF Employer (2014–2020)	Manulife
UAF	
Best Performance of School-Company Partnership (2007–2020)	Young Entrepreneurs Development Council
Caring Company Award (2005–2021)	The Hong Kong Council of Social Service
Charter on External Lighting (2016–2021)	Environment Bureau
Drive for Corporate Citizenship & Volunteer Team (2017–2020)	Hong Kong Productivity Council
Family-Friendly Employers Award (2017–2020)	Family Council
Good Employer Charter (2018–2022)	Workplace Consultation Promotion Division of the Labour Department
Happy Company Award (2017–2020)	Happy Index Foundation
Manpower Developer Award (2012–2022)	Employees Retraining Board
Partner Employer Award (2016–2020)	The Hong Kong General Chamber of Small and Medium Business
Racial Diversity & Inclusion Charter for Employers (2020–2021)	Equal Opportunities Commission
Social Capital Builder (2016–2022)	Hong Kong Productivity Council
Volunteer Movement Participating Organisation (since 2016)	Social Welfare Department
Wastewi$e Certificate (2016–2020)	Environmental Campaign Committee

For further information about the Group's awards and recognitions, please refer to our website www.shkco.com and www.uaf.com.hk.

Sustainability at SHK&Co.

As a responsible financial corporation, SHK&Co. is highly committed to addressing global sustainability challenges and using our influence to further advance the agenda of sustainable development. Our Sustainability Policy outlines the overall framework for managing ESG-related activities across the Group, including our vision and commitment, governance and framework, as well as methodology of reviewing ESG topics. In order to reflect the changes of the evolving market and better prepare for future risks, the Sustainability Policy is reviewed annually and enacted upon the approval of the Board.

Sustainability Vision and Commitment

Central to our ESG approach is our commitment to Creating Sustained Value for all our stakeholders, including shareholders and investors, employees and the broader environment and society. This vision reflects our belief that business development is inherently intertwined with delivering ESG value. As such, we strive to carry out business activities while creating a positive impact on the planet, as well as shaping a diverse and fair society for future generations to inhabit.

The Group focuses its efforts on five core areas of value creation: Business, Investors and Customers, Employees, Communities and the Environment. Along with its specific strategy, each core area corresponds to related United Nations Sustainable Development Goal(s) ("SDGs"). The SDGs are 17 overarching goals that provide an action plan for people, planet and prosperity. By embedding the SDGs into the core areas, the Group is committed to promoting universal sustainable development.

In order to drive long term economic development of the Group, we strive to operate under the highest standards of integrity through a robust governance structure, while managing social and environmental risks.

Our investors and customers are our utmost priority. We actively work to safeguard against potential risks, whilst nurturing our relationships and fostering continuous improvement in our services.

As a leader in financial services, our business has an unique position and influence potential to support and protect the environment through its investment decisions and green practices, with the ultimate goals to support the global-transition towards an environmentally friendly economy.

As a financial service company, our employees are at the heart of our operation. Hence, we invest in their professionalism and competency to responsibly deliver world-class expertise, and strive to create an open and inclusive culture that contributes to the wellbeing of all.

We invest in causes and initiatives that foster a strong and sustainable society, while engaging, supporting and nurturing the future leaders of tomorrow.

Sustainability Governance

SHK&Co. attaches great importance to a robust governance structure in managing ESG performance. To pursue our vision, we have established a comprehensive management system across our business to govern sustainability risks and opportunities.

The Board retains the overall responsibility of stewarding the Group's ESG management, through setting up ESG goals and targets and reviewing the ESG performance on an annual basis. To facilitate the decision-making process, the Risk Management Committee is delegated to identify ESG-related risks and determine the appropriate risk profile for the Group.

To provide additional oversight and direction, in this year's review of the Sustainability Policy, the Board has approved the establishment of an ESG Working Committee under the Risk Management Committee. The ESG Working Committee is tasked to advise the Risk Management Committee by setting out the Group's ESG vision, objectives and strategy. In addition to integrating and addressing ESG issues, the ESG Working Committee is responsible for monitoring and reviewing the Group's operations to ensure compliance with relevant laws and regulations and international standards. Monitoring ESG project budgets and performance progress is also a responsibility of the ESG Working Committee and is reported to the Risk Management Committee regularly.

For further information about our corporate governance, please review the Corporate Governance Report and Annual Report.

Stakeholder Engagement

Stakeholder opinions are crucial for the continuous improvement of the Group's ESG performance. We strongly believe that stakeholder engagement is vital to understand the interest and expectations of our stakeholders, as well as to help us prioritise ESG topics that may ultimately serve the Company. To this end, we engaged with our stakeholders through multiple communication channels as summarised below.

Key Stakeholder Groups	Engagement Channels
Shareholders/Investors	• General meetings • Press releases • Annual/interim reports • Circulars and announcements • Meetings and correspondence
Employees	• Business meetings • Conferences • Performance appraisal meetings • Departmental meetings and briefings • Surveys and comment boxes • Trainings and orientation programmes • Newsletters • Informal staff events
Customers	• Personal contact • Social media • Satisfaction survey • Meetings and correspondence
Suppliers	• Site visits • Meetings and correspondence
Community Groups	• Charity activities • Volunteering opportunities • Sponsored events and projects
Media	• Interviews • Press releases • Meetings and correspondence
Government Bodies	• Site visits
Banks	• Annual/interim reports • Meetings and correspondence • Compliance reports

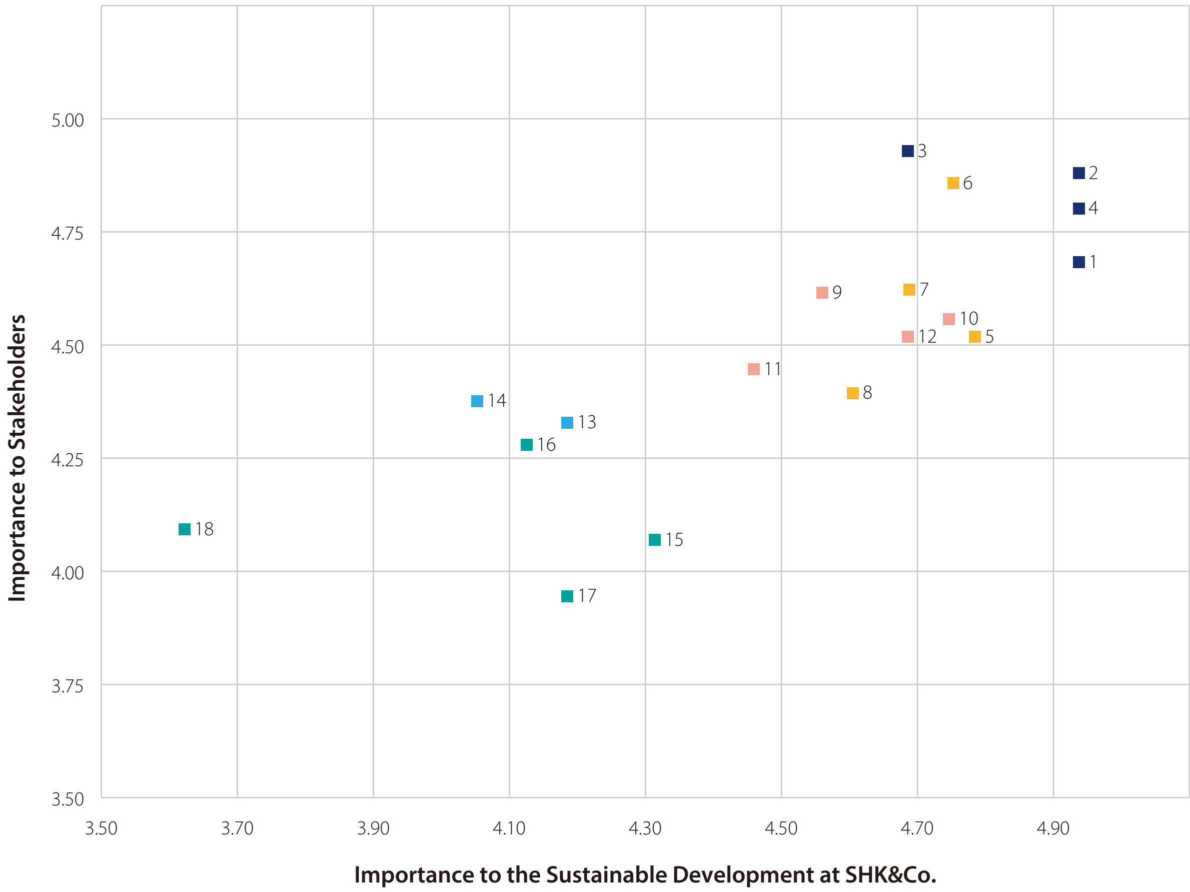
Materiality Assessment

To identify and prioritise material issues for the Group, an independent sustainability consultant was commissioned to conduct a formal stakeholder engagement exercise. We defined material stakeholder groups as those who we have frequent connections, significant financial and operational influence, and form a long-term and strategic relationship with the Group. After conducting a materiality screening, our material stakeholders are identified as: the Board, management, shareholders/investors, employees, customers and community partners.

The materiality assessment was conducted through the following stages:

1. Identification	Through industry peer benchmarking and a discussion held with senior management, a list of 18 material issues were identified. These material issues also took into account corporate values and made reference to the Global Reporting Initiatives Standards.
2. Prioritisation	Key stakeholders groups were invited to complete an online survey ranking material ESG issues by their perceived importance. Whilst 10 members of Board and management were asked to rank the importance of material issues towards the Group, 333 other stakeholders, consisting of shareholders/investors, employees, customers and community partners were surveyed to rank based on their preferences and perceptions. The survey received a total of 343 responses.
3. Validation	Once stakeholder input was analysed, the Group's senior management confirmed the list of material topics. The material aspect list was plotted in a matrix to illustrate the views of stakeholders against the sustainable development of SHK&Co.
4. Review	The Board reviewed the material issues and the materiality matrix to ensure an unbiased and balanced view of our sustainability performance and stakeholder expectations.

The following materiality matrix reflects the relative importance of each issue to the sustainable development of SHK&Co. against stakeholder views.



Value to our Business
1. Corporate Governance
2. Business Integrity and Ethics
3. Compliance with Laws and Regulations
4. Risk Management

Value to our Community
13. Community Investment and Engagement
14. Community Partnership

Value to our Investors and Customers
5. Customer Engagement and Relations
6. Data Privacy and Security
7. Product and Service Quality
8. Responsible Marketing

Value to the Environment
15. Climate Change Adaptation
16. Energy and Resource Use
17. Paperless Operations
18. Investment in Green Finance

Value to our People
9. Talent Recruitment and Retention
10. Development and Training
11. Diversity and Equal Opportunities
12. Employee Health and Wellbeing

Business

The Group's long-term success and sustainable growth is founded on its strong, responsive, and accountable governance body. We believe in acting with integrity and adhering to the highest standard of ethics and compliance to safeguard against relevant risks, while strengthening our business for operational excellence. Through sound management across our business, we aim to provide financial security to all.

Anti-Corruption

The Group understands it is vital to act with probity, accountability and transparency in order to achieve our long-term objectives. Through our Code of Conduct, we require our employees to understand their responsibilities and obligations with respect to their work duties. We maintain a zero tolerance attitude to soliciting or accepting advantages, as well as any form of bribery, extortion, fraud, or money laundering in our operations. This is included in the orientation training for new hires as well as the conditions of employment for all our employees. It is our policy to comply in full with applicable laws and regulations, including the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

Our Whistle Blowing Policy ensures that employees avoid engaging in any improper financial or other reporting, unlawful or improper practices, or wrongful conduct. Where a suspected non-compliance or misconduct is discovered, it shall be reported to the relevant committee or department through designated channels. All suspected cases are assessed with extensive investigative measures, including obtaining relevant documents for examination, preparing an investigative report, and discussing with relevant departments deemed necessary to the investigative matter reported. Shall the case be confirmed as improper, appropriate disciplinary actions would be taken accordingly. All new staff are duly informed about this policy and it is made accessible through an electronic information sharing platform. To maintain appropriateness to our business and regulatory compatibility, we periodically review and revise both our Code of Conduct and Whistle Blowing Policy. During the Reporting Period, the Group received no complaints or legal cases alleging any form of corruption.

To strengthen business ethics and to keep updated in relation to regulatory requirements, all relevant staff in Hong Kong are required to complete the Anti-Money Laundering and Counter-Terrorist Financing e-learning course. Also organised annually by the Group, training sessions are conducted for the Board members, senior management, all new hires and existing staff by invited representatives from the Independent Commission Against Corruption (ICAC) in Hong Kong. However, due to the coronavirus epidemic ("COVID-19"), we had to cancel in-person training this year and instead designed an e-learning course on Anti-Bribery. Through this course, staff enhanced their understanding on the Prevention of Bribery Ordinance and increased their awareness of the corruption risks businesses face. During the Reporting Period, 88 employees of UAF completed 44 hours of Anti-Money Laundering and Counter-Terrorist Financing training while 611 employees of UAF completed 305.5 hours of anti-bribery training through our learning management system.

Anti-Money Laundering

To actively fulfil our anti-money laundering responsibilities as a financial institution, all of our loan businesses in Hong Kong follow the Prevention of Money Laundering and Terrorist Financing Guidance Manual (the "Group AML Guidance Manual"). The Group AML Guidance Manual sets out the procedures to manage and mitigate risks when handling loan applications from individuals and businesses, and is designed in strict compliance with applicable laws and regulations. During the customer onboarding process, we perform comprehensive due diligence, risk assessment and verification of documents to safeguard the interests of the customers as well as our business. In addition to ongoing monitoring obligations, suspicious activity reporting and regular reviews of customer's information are appropriately conducted. At Sun Hung Kai Credit, we place strict monitoring protocols for the loan application process to facilitate early detection of fraudulent activities and maintain high standards of service. We have developed a general operational workflow for mortgage loans in which all staff are expected to follow.

General Operational Workflow for Personal and Corporate Loans

Regular training and internal communications ensure that employees are informed of the latest regulatory developments and that ethical conduct is upheld. This year at Sun Hung Kai Credit, employees underwent compliance training on sanction to keep abreast of the increasing global regulatory rigor in enforcing these requirements. At UAF, all Hong Kong employees attended compliance training on sanctions in order to understand the core principles.

Intellectual Property

We respect intellectual property rights, including but not limited to trademarks, patents and copyrights. As stipulated in the Information Security Policy, employees shall not privately use or allow outside parties to possess and exploit intellectual property, unless permission has been obtained by copyright owners. Employees are required to notify the department head before the use of any name, slogan or mark for any product, program or service. To safeguard our own intellectual property, the Information Technology Department carries out a regular inspection of employees' computers, thus ensuring that genuine software is installed. By the end of this Reporting Period, the Group has 46 registered trademarks in Hong Kong and Mainland China.

Supply Chain Management

We work with a range of service providers across the Group, spanning areas including but not limited to information technology, legal, marketing, agents, consultants and office equipment suppliers. In general, suppliers are selected based on their pricing, reputation, track record of good practices and value-added service to the Group. As for UAF, we also consider whether they have any significant violation record or conflict of interest, whereby a site report and business performance report may be requested if appropriate. Once contracted, the performance of suppliers are then reviewed periodically by relevant departments. These basic requirements are in place to guarantee the delivery of quality products and services.

In regards to the sustainability risks present in the procurement practices, our suppliers do not pose significant environmental or social risks to the Group. However, we promote environmentally friendly technology in our supply chain. For example, UAF actively procures through digital media agencies, in order to market our products through electronic platforms rather than through traditional marketing channels. This is expected to grow alongside our pursuit of introducing more innovative products with advanced technology.

In our loan business segment which comprises UAF and Sun Hung Kai Credit, we appoint external debt collection agents to assist in the recovery of overdue debts. We pride ourselves on maintaining a strong market position through the sincerity of agents. To this end, agents are carefully selected based on performance and reputation, among other factors, and are added to our Authorised Agents list. To certify the authenticity of Authorised Agents, they are required to provide relevant certifications, qualifications and business performance reports. All Authorised Agents are obliged to follow the Authorised Agents Manual that details the procedures for general business ethics, know-your-customer, data privacy, and customer confidentiality. The Code of Conduct also extends to our agents, in which they are required to abide by relevant laws and regulations, uphold information data protection and avoid conduct that undermines the integrity and goodwill of UAF and Sun Hung Kai Credit.

For continuous improvement of quality of service, the performance of our Authorised Agents is annually assessed on the basis of several criteria, as stated in the evaluation form. Such criteria include, but are not limited to, service effectiveness, operational behaviour and data handling. In addition, surveys are regularly distributed to customers and the public in order to receive feedback on service quality. During the Reporting Period, we engaged with 68 Authorised Agents across various countries including Hong Kong, Mainland China, Philippines and Indonesia.

Labour Standards

The Group respects all basic human rights and forbids any forms of child or forced labour practice. During the recruitment process, we require all personnel to provide valid personal identification documents for verification purposes, while background checks will also be carried out whenever necessary. In the unlikely event that false information or a false identity is discovered, the Group will address the situation by closely following the necessary procedures in accordance with laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to labour standards. Additionally, no cases of child or forced labour were reported.

Investors and Customers

SHK&Co. is dedicated to bringing value to our investors and customers through quality products and services. To achieve our vision of Creating Sustained Value requires that we engage in a meaningful way with customers and investors and ensure that their interests are being reflected and protected. We take pride in our long history of developing excellent customer relationships and value the reputation we have received of being a trustworthy, caring and professional financial service company. The Group will continue to develop robust procedures to meet stakeholders expectations and drive better results.

Client Protection

Protecting the general interest of our customers is our utmost priority. Hence, we are committed to incorporating industry best practices and influencing policy development to maintain the stability of the money lending industry as well as to safeguard our customers' rights.

UAF, a founding member and executive committee member of the HKSAR Licensed Money Lenders Association Limited ("LMLA"), led the drafting of the Code of Money Lending Practice ("Code") for the money lending industry. The Code is a comprehensive framework of market practices and standards, developed based on the Hong Kong Monetary Authority's guidelines to banks in Hong Kong. It details the guidelines and procedures on various aspects including customer relationships, know-your customer, anti-money laundering, credit evaluation, collection and recovery and data privacy. Through practicing the Code across the Group, we aim to strengthen consumer confidence and promote a corporate culture that treats customers fairly, so as to ensure their interests are being protected. Apart from the participation of the Code, UAF is also a member of a special task force for the Multiple Credit Reference Agency, a project led by The Hong Kong Association of Banks ("HKAB"). Additionally, we contribute to efforts that enhance consumer education, in order to raise awareness of issues caused by unsustainable debt and the importance of sound financial management.

In recognition of our customers who have been severely impacted by the repercussions of COVID-19, UAF has joined the Interbank Debt Relief Plan in 2020, a framework agreement jointly formulated by HKAB, The DTC Association and LMLA, which aims to alleviate the financial difficulties of borrowers by offering debt relief plans. When qualifying for the Interbank Debt Relief Plan, customers are entitled to adjust their debt repayment plan and receive assistance to work towards financial stability and maintain a positive credit track record.

Data Privacy

It is our legal obligation to safeguard the interests of our stakeholders by maintaining high standards of data protection. The Group's Privacy Policy explains how we collect, manage and protect data, which closely follows the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) and Code of Practice on Consumer Credit Data. Compliance is not only the prime management objective, but also the direct responsibility of every staff member of the Group. To preserve the confidentiality of our customers, personal data will only be collected for necessary purposes by lawful and fair means. We implemented appropriate physical and electronic management measures to ensure that personal data is protected against unauthorised or accidental access, and processing or erasure. To further monitor the safety of our customers when using online services, encryption technology is employed for sensitive data transmission. If customer data is needed for operational or marketing purposes, we ensure that formal consent is provided. For instance, during the loan application process, customers are issued a Personal Data Collection Statement that communicates the purpose of collection, the personnel who will have access to the information, the rights to access, and other relevant information.

The Code of Conduct in the Staff Handbook further outlines the Group's expectations on handling confidential information. The Group prohibits the extraction of any unauthorised electronic and hard copies of information from company computer networks, systems, programs or databases. In addition, appropriate controls to monitor the use of portable storage devices are also established to maintain information privacy, including strict control over usage, storage, disposal and loss of data.

At UAF, employees closely follow the Information Classification Policy, which provides mandatory guidelines for establishing, implementing, maintaining and continually improving information security management systems. To enhance cybersecurity awareness, e-learning courses on information security training were provided to non-IT staff, covering topics such as current challenges and emerging trends of information security, threats, vulnerabilities and impacts of security issues, and the control techniques to prevent their occurrence.

Responsible Marketing

We ensure that investors and customers are informed with complete product information to protect the risks and rights of individuals. The publicity and promotion of our materials is in compliance with the Guidelines on Additional Licencing Conditions of Money Lenders Licence as well as the Trade Description Ordinance (Cap. 362 of the Laws of Hong Kong). To uphold strict risk management, all advertisement materials relating to our money lending business include a telephone hotline for handling complaints and risk warning statements. This is displayed in a clear, consistent and understandable manner to ensure that individuals understand the terms and conditions and are able to make conscious financial decisions.

The Group prohibits any false or misleading information that deceive or mislead customers in the purchasing of financial products. To this end, we have implemented various measures to inform customers of lending scandals. At UAF, the Beware of Money Lending Scam leaflet is available on its website, which warns customers of the signs to look out for when communicating with a fraudster. Moreover, the Note to Intending Borrowers is available online and provides guidance and precautions about applying for loans.

Customer Service

The Group's quality customer service has helped us deliver long-term value for all stakeholders and maintain sound customer relations. We care about our customers and we serve them with the most professional, comprehensive and caring experience. To this end, we strive to recognise customer needs, enhance corporate brand connection and the overall customer experience.

UAF has conducted Customer Satisfaction Survey to enable honest feedback on a variety of our products and services. This enables us to assess the efficiency and accuracy of services and communications, as well as the ability to meet timelines and expectations. In this Reporting Period, 1,980 existing customers have completed the survey for the evaluation of services from different frontline departments, including Branch Operations, Electronic Credit Department, Phone Credit Centre, Overseas Workers Loan Department, Direct Sales Department and Customer Service Department.

Resources are also in place to address customer complaints, which are spearheaded by our dedicated Customer Service Department ("CSD"). CSD conducts a standard procedure to investigate and rectify situations appropriately and professionally. The procedures outline measures to handle complaints according to different levels of severity and by seniority of handling officers. All complaints are appropriately recorded and filed for follow-up and future references. Relevant staff are responsible for investigating each complaint, evaluating possible causes, providing detailed response to the customer, and issuing corrective actions if appropriate. To understand how we can enhance the customer experience, complaints are reviewed regularly and analysed for improvement. During the Reporting Period, two complaint cases were reported in relation to products and services whilst nine complaint cases in Hong Kong and four complaint cases in Mainland China were reported relating to debt collections. All cases have been resolved with due care by the CSD and Debt Collection Unit.

Customer Feedback Channels

- Customer service hotline
- Written letters, email or fax
- Consumer Council channel
- Media platforms
- In-person feedback at branches
- Authorised Agents

Employees

As a financial service company, our employees are the most important asset to drive long-term development and sustainability of the Group. Hence, we are committed to creating a supportive working culture and investing in the development of our employees to demonstrate their fundamental role in growing and prospering with the Group. Our human resources practises are governed by the Employee Handbook, which documents guidelines and conditions of employment, recruitment and selection, working conditions, benefits and remuneration, code of conduct, as well as training and development. It is regularly reviewed according to any changes in the Company policy or any legal requirements.

Talent Recruitment and Retention

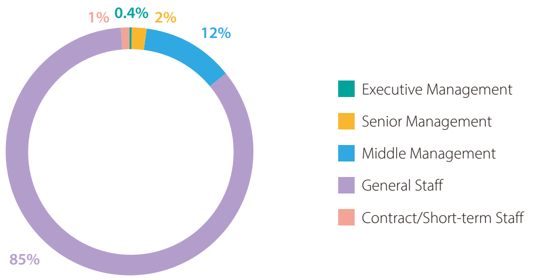
Since our founding, we have strived to uphold the values that underpin our growth. Trust is at the core of our interactions in the workplace as we believe that when given flexibility, employees will respond with a deeper ownership of their work. Established in 2018 in SHK&Co., the ground-breaking Unlimited Paid Leave approach has continued to empower employees to produce exceptional results through better control over their work-life balance. The head office also developed an intranet system that allowed employees to arrange flexible hours, work remotely, and remain productive during COVID-19 restrictions. Looking ahead, we aim to continue embracing modern working styles to foster employee engagement.

The Group attaches great importance to the recruitment and retention of our workforce. We offer highly competitive salaries, and are reviewed annually to maintain our competitive advantage. Moreover, staff are entitled to extra remuneration packages and additional benefits in recognition of their performance. Attributing to our exemplary employee benefits, SHK&Co. is honoured to be named as a "Good MPF Employer" by Manulife for over six years.

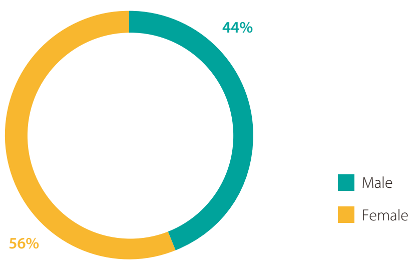
In order to foster an engaging and productive workforce, whilst valuing high-flying performers, the SHK&Co. head office continues to utilise the Incentive Program Policy. In UAF, a Long Service Award scheme is also adopted to reward individuals who completed significant years of service. During the Reporting Period, UAF continued to sign the "Good Employer Charter" organised by the Labour Department, recognising our outstanding human resource management. As of 31 December 2020, the Group employed 2,219 (2019: 2,318) employees.

Workforce Breakdown

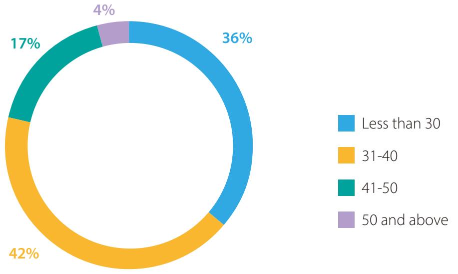
By Employment Category



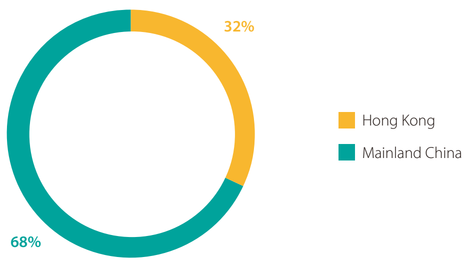
By Gender



By Age Group



By Geographical Region



Diversity and Equal Opportunities

We believe a diverse talent pool enables us to create value to our stakeholders and makes SHK&Co. a great place to work. As an equal opportunity employer, we strictly prohibit any form of discrimination of employees and job candidates on the grounds of gender, race, colour, nationality, religion, sexual orientation, disability, military service or marital status and other status protected by law. Guided by the Employee Handbook, our approach to inclusion is addressed in the recruitment and selection of our candidates, where we incorporate a diversity and inclusion clause in all our job postings and assess candidates based on competency and performance. In addition, during the Reporting Period, UAF continued to pledge to "The Racial Diversity and Inclusion Charter for Employers," run by the "Equal Opportunities Commission", advocating our support for diversity, equality and inclusion in the workplace.

Development and Training

The development of our employees is our strategic priority as we want our employees to realise their potential. Our culture promotes lifelong self-development, encouraging employees to acquire professional knowledge outside the workplace to develop new skills and attain qualifications that will help with their career development.

All new employees are required to undergo orientation training organised by the Human Resources ("HR") department to better comprehend our core values, business goals, as well as code of conduct. We provide a wide spectrum of internal and external training with some examples including anti-corruption, fraud awareness, data privacy and health and safety. To ensure that the programmes deliver value to our employees and our business, UAF invited staff from different business functions to fill in the online training survey on their top preferences in topics annually. Each year, we also encourage employees to set their professional objectives and goals in which the HR department will provide the necessary support to meet these targets.

We are committed to foster a culture that supports continuous improvement and opportunities to grow. As a result, we created an approach designed to aid employees performing below standard with the materials and guidance by their superior to enhance their performance, efficiency and accuracy. To promote lifelong learning, UAF employees are entitled to pursue courses, seminars, diplomas, undergraduate and post-graduate courses outside of office hours with subsidies under the Advanced Learning Allowance Policy. Owing to our dedication in cultivating employee's talent, SHK&Co. and UAF Hong Kong were awarded the "Manpower Developer" from the Employees Retraining Board for three and eight consecutive years respectively. During the Reporting Period, the Group's frontline and supporting employees completed 17,787 hours (2019: 14,390 hours) of training.

Every year we attract bright minds and cultivate talented individuals through UAF's tailor-made Graduate Trainee Programme (Branch Operations). In the programme, we offer 12 months of training, during which the graduate trainees will rotate through different business functions to have an all-rounded financing experience. In addition to gaining on the job training, the programme develops critical thinking and soft skills, which are necessary skill sets for trainees to fast-track to senior positions. Graduate trainees are also given opportunities to lead, organise and participate in various corporate community events.

Gender	Total Training Hours (hours)	Average Training Hours (hours/employee)
Female	8,276.20	6.65
Male	9,510.50	9.75
Employment Category	Total Training Hours (hours)	Average Training Hours (hours/employee)
Executive Management	26.00	4.33
Senior Management	123.50	3.09
Middle Management	2,540.75	9.89
General Staff	15,003.45	7.92
Contractor/ Short-term Staff	93.00	4.23

Health and Wellbeing

Workplace Safety

The Group is committed to creating a safe and secure environment for all our employees. To this end, employees are required to be familiarised with the location of fire alarms, fire-fighting equipment, fire escape route and emergency response protocols. Fire drills are also conducted annually in accordance with property management guidelines. Safety equipment including first-aid boxes, earmuffs and trolleys for heavy goods is accessible in the workplace. In addition, to maintain good indoor quality, smoking indoors is strictly prohibited. During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations in relation to health and safety.

Due to the nature of our business activities, our employees are rarely exposed to high-risk hazards that may cause serious physical injuries. Nevertheless, we have established safety precautions as specified in the Employee Handbook following guidelines issued by the Labour Department. Any work-related injuries and personal accidents that occur during and outside office hours are required to be reported to the HR department through a superior. In this Reporting Period, two cases of workplace related accidents from out of office hours were reported, resulting in 21 lost days. In addition, no work fatalities were reported for the past three years. Moving forward, we aim to conduct regular safety assessments to minimise potential workplace injuries.

COVID-19 Response

At the beginning of the Reporting Period, Hong Kong and Mainland China were among the first regions to be impacted by COVID-19. To protect our employees' health and well-being while maintaining business-as-usual, the Group reacted quickly to implement a set of measures at the offices and branches to minimise risks as much as possible. Through monitoring the situation stringently and keeping informed of local and regional guidelines, we adjusted our updates and advice on a regular basis.

At the head office, we swiftly adapted to work at home arrangements, which were supported by our flexible work culture and highly developed intranet system. During periods where employees were required to attend matters at the office, teams were arranged to work at the office on alternate days to avoid overcapacity and align with government regulations. We also offered free masks when none were available publicly and provided self-testing kits to increase accessibility for our employees. In addition, at SHK&Co. and Sun Hung Kai Credit, we supported junior staff who were bearing the risks in their daily duties with a hardship allowance during the early parts of the year.

To safeguard our employees and customers at the UAF branches, we ensured that stringent procedures were in place. With the periodic closures and constantly changing guidelines, we developed a decision-tree and checklist for different risk scenarios to help employees determine whether it was appropriate to proceed business-as-usual. During the different waves of COVID-19, UAF implemented split operations for separating critical departments into two teams in order to address business continuity scenario for confirmed case in the workplace. Among daily activities, we maintain 1-metre distance from each other at all times, offer masks to guests, and place signs and posters to raise awareness of personal hygiene and safety. The following table details additional key control measures that were practised across our operations.

Checklist to Decide Business-as-usual

1. Any recent travel to foriegn country
2. Any close contact to suspected case
3. Living in buildings undergoing mandatory home quarantine
4. Living in a confirmed case building
5. Individual is a confirmed case

Key control measures

Head Offices and Branches (SHK&Co., Sun Hung Kai Credit and UAF)

- Conducting body temperature screening for staff and guests
- Hand sanitiser was made accessible and replenished whenever necessary
- Frequently replenishing the supply of masks for all staff
- Frequently cleaning and disinfecting meeting rooms
- Restricting the number of occupants in meeting rooms, and encouraging use of digital forms of meeting instead
- Require mask wearing and performing hand hygiene for all guests before entering
- Clean and disinfect frequently touched surfaces, including reception counters and doors every two hours

Head Offices and Branches (UAF)

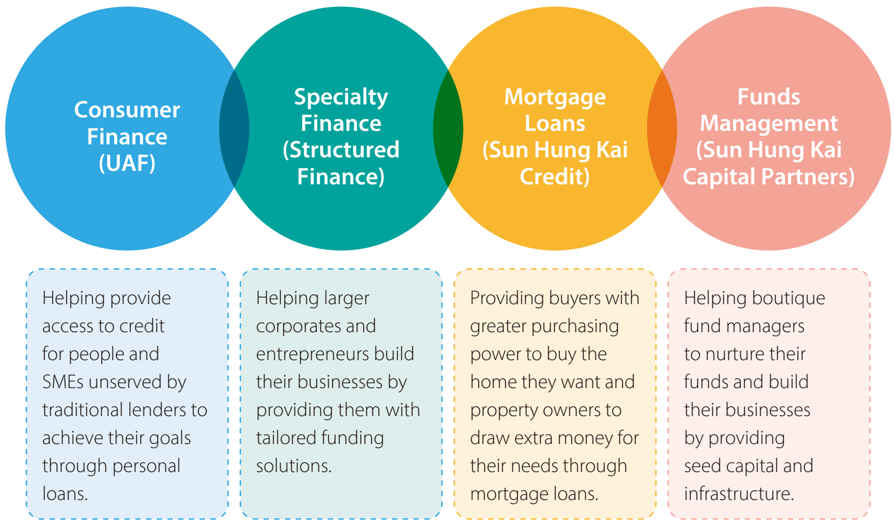
- Frequently replenish supply of masks for guests
- Require mask wearing for all staff at workplace
- Perform body temperature checks for all incoming staff and guests
- Provide digital thermometers, hand sanitisers, face shields and masks

Community

We care about making contributions to our local community to create an inclusive and sustainable society. In light of COVID-19, we had to postpone or cancel many community activities in consideration of the health and safety of our staff as well as our community members. In an effort to promote a caring and sustainable community, the Group will continue to actively participate in local community projects and invest in causes and initiatives that we believe in.

Helping People Grow

The Group believes in the value of 'Helping People Grow', whether it be through offering financial assistance to individuals or by contributing to capital through investment management. This same philosophy guides our attitude towards community investment, where we believe in strengthening community partnership to build lasting relationships, nurture future leaders and alleviate the challenges experienced by the most vulnerable members of society. Through this approach, SHK&Co. inherently supports the society and communities through all walks of life. In the past six years, the Group has donated over HK$45.6 million in ESG initiatives through the Sun Hung Kai & Co. Foundation (the "Foundation").



In recognition of the contributions made towards our community, SHK&Co. has been named a "Caring Company" for the 5th consecutive year, and UAF for the 16th consecutive year, demonstrating our Group's effort and involvement in community development and creating a more inclusive society. In 2020, the Company was also recognised for its outstanding performance in environmental, social and governance through attaining a "Gold Award" in The Asset ESG Corporate Awards.

Empowering the Underprivileged

SHK&Co. has established a long history of philanthropic giving through the Foundation. The Foundation, sponsored by the Company, serves as a significant platform for the Group, its business associates and partners to contribute to the communities. Over the past several years, the Foundation has continuously sponsored initiatives benefiting communities that focus on alleviating the challenges of the underprivileged and improving the environmental health of our communities. To help our communities in need, particularly those affected by COVID-19, SHK&Co. provided support to the Crossroads Foundation, a Hong Kong-based NGO who serve people in a world of need. One of their key service is to collect high-quality goods from donors and donate them to people in need, locally and internationally.

In order to bring growth and progress in society, we believe in promoting and offering equal access to quality education. To this end, we established the Sun Hung Kai & Co. Foundation Fellowship Fund to sponsor the Harvard Business School's need-blind admission initiative to help exemplary MBA students pursue their dream to study in an internationally renowned institution. The Foundation also supported the Dalton School of Hong Kong, a non-profit dual-language and multicultural primary school, to provide quality education to younger generations in Hong Kong.

"Since being named one of the Sun Hung Kai & Co. Foundation Fellowship recipients, my lifelong dream of attending Harvard Business School (HBS) became a reality. The Fellowship has allowed me to concentrate on learning without worrying about finances."

Andi Zhao, HBS MBA 2021

"In my two years of school, thanks to the generous donation of Sun Hung Kai & Co. Foundation, I was able to fully focus on self-discovery and take advantage of all the resources on campus to figure out what I wanted to do in the next chapter of my life as a professional and as a human being. Through the academic training, summer internship, and various school activities in HBS, I found my passion on mental health."

Alex Xu, HBS MBA 2020

Supporting Youth Development Through Sport

Following our belief that sailing nurtures great life skills, the Foundation established an initiative, the Sun Hung Kai Scallywag Foundation ("SHK Scallywag Foundation"), to provide sailing opportunities for underrepresented youth and build on Hong Kong's rich sailing legacy. In partnership with Sailability Hong Kong and Hebe Haven Yacht Club, a number of introductory courses and taster days were offered to develop sailing skills and team building skills. Despite COVID-19 restrictions that inhibited the number of days in the water, we still managed to have 52 children aged 10–18 years old complete 112 sailing days during the Reporting Period. We also welcomed a mixture of disadvantaged youth and young adults to give them a flavour of the sailing programme, which contributed to an additional 26 individuals who completed 42 days of sailing. To strengthen sailing passions, sponsorship is provided to youth who have demonstrated exceptional talent and desire to pursue sailing further. In the hope of making sailing widely accessible and enjoyable for all, we are committed to expanding our sailing events geographically across Hong Kong.

The spirit of competitive sailing echoes our core values of endurance, adaptability, and excellence, as such we are the main sponsor for the Sun Hung Kai Scallywag race team, Hong Kong's professional offshore sailing team. Competing on behalf of Hong Kong in the Volvo Ocean Race 17-18, the race team enduringly journeyed more than 45,000 nautical miles across four oceans. The ultimate goal is to raise awareness and inspire adventurous youth in Asia and internationally of the incredible sport of sailing. To further our agenda, we look forward to sailing in global events in the future.

Industry Organisations and NGO Participation

Beyond our charitable activities, our senior management are involved in a variety of professional associations, Chambers, and non-profit organisations. We are honoured to have supported and contributed to these various organisations below.

Position	Institution
SHK&Co.	
Treasurer	Australian Chamber of Commerce in Hong Kong
Committee Member	The Listing Committee of The Stock Exchange of Hong Kong Limited
Committee Member	Chamber of Hong Kong Listed Companies
UAF	
Founding member, Chairman, Executive Committee Member and Secretary	The HKSAR Licensed Money Lenders Association Limited
Honourable Chairman	Taiwan Business Association (HK) Ltd
Vice Chairman	Yunnan Province Microcredit Association
Executive Director	Tianjing Association of Microcredit
Director	HK & Macau Taiwanese Charity Fund Ltd
Director	Shenzhen Microfinance Industry Association
Director	Liaoning Microcredit Company Association
Director	Dalian Association of Microcredit
Director	Heilongjiang Microcredit Company Association
Director	Nanning Mircocredit Industry Association
Director	Guangxi Mircocredit Company Association
Member	Chongqing Microcredit Association
Member	Chongqing Association of Enterprises with Foreign Investment
Member	Sichuan Association of Microcredit
Member	Chengdu Microfinance Association
Member	Beijing Microfinance Industry Association
Member	Liaoning Microcredit Company Association
Member	Wuhan Association of Microfinance
Member	Hubei Microcredit Company Association
Member	Shanghai Association of Microcredit
Member	The Chamber of Commerce of Beicai Town, Pudong, Shanghai
Member	Qingdao Microcredit Cooperation Development Association
Member	Shandong Microcredit Association
Member	Shenzhen Internet Finance Association
Member	Liaoning Area Financing Guarantee Association

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environment

We recognise that our influence extends to the environment and society in which we operate. For this reason, we are committed to advancing the global environmental agenda by striving to improve our environmental performance within our operations. Our Sustainability Policy sets out the commitments to mitigating environmental impacts, reducing emission and waste, improving energy efficiency, managing paper usage and recycling, and raising environmental awareness. As we are primarily office based, we also aim to adopt various environmental practices that cultivate a green workplace. During the Reporting Period, there were no cases of non-compliance in relation to environmental practices that would have a significant impact on the Group.

Responsible Use of Resources

Part of our global responsibility is to ensure that all resources are used responsibly and efficiently. We strive to minimise our consumption in paper, energy and water, thereby reducing the carbon emissions of our operations.

Paperless Operations

We have long considered the importance of paper usage and have made it a priority in the last few years to digitalise our operations and reduce the reliance of paper. At SHK&Co. head office, we implemented an employee self-service system to allow employees to complete administrative forms such as reimbursements and leave notice online. Electronic and digital mediums are also extensively used and have substituted paper for the issuing of invoices and bills for vendors and suppliers, as well as for all internal communications. For example, internal company publications are digitised and electronic documents are distributed before the commencement of meetings.

To optimise workflow and effective communication between staff at the head office and extensive branch network, we use an electronic platform to facilitate internal communications and administrative documents. Documents such as company internal circulars, employee handbook, relevant company policies as well as lending guidelines are made easily accessible. Moreover, the HR department utilises human resources information system that enables efficient processing of leave applications, staff performance review and management of employee profiles. In 2020, UAF has developed its own learning management system that enables all Hong Kong employees to complete the entire training process on one platform, including enrolment, attendance, examination, evaluation as well as the issuing of certification. The online document management system used by UAF and Sun Hung Kai Credit effectively stores, retrieves, and manages documents to facilitate our business activities. We are constantly striving to minimise our paper consumption, hence we are looking to implement paperless initiatives and monitoring methods to track improvements and continue efforts over time.

UAF developed various innovative products that not only offer flexible loan solutions, but also encourage customers to use various digital channels for loan applications in Hong Kong and Mainland China. Launched in 2020, the "YES UA" mobile app became the first app by a financing company in Hong Kong that offers authentication from all Hong Kong identity cards, thus providing customers the ability to experience the entire loan process from application to cash transfer entirely on their digital device. Loan application requests are also made possible through the "No Show" Personal Loan service, where customers could apply for loans through the telephone without providing physical paper documents for approval. Customers have responded positively, with about 54% making loan origination through electronic channels during the Reporting Period. To further encourage the transition to paperless operations, a service fee is charged for any paper statement request made from 2016. Looking ahead, we shall focus on digitalising more of our customer interactions to enhance service experience and reduce the amount of paper we consume.

Resource Type	Unit	2019	2020
Paper Intensity per Employee [1]	pages/employee	7,830.00	7,280.38
Paper Intensity per Customer [2]	pages/customer	83.00	78.63

1 *Data in 2019 only covers consumption within head offices and branches of UAF and Sun Hung Kai Credit.*
2 *Only covers consumption within head offices and branches of UAF and Sun Hung Kai Credit.*

Energy Saving

Managing energy efficiency is necessary to mitigating the impacts of climate change. Energy is primarily used in the form of petroleum for the transportation of the Group's personnel as well as electricity from our offices and branches. Whilst the majority of electricity consumption stemmed from UAF branches, due to a slight reduction in branch network across Hong Kong and Mainland China to 74 (2019: 78) during this Reporting Period, there was a decrease of electricity consumption by 8%.

The head office is located in a Final Platinum certified building under Hong Kong's BEAM Plus Existing Buildings Certification (Commercial Building), which completed several criteria assessment including good energy performance, and since has been recognised as a sustainable building. Since 2016, UAF in Hong Kong has been presented with the "Gold Award" from the "Charter on External Lighting" launched by the Environment Bureau through successfully switching off external lighting that may affect the outdoor environment, including advertisements and shop signage after midnight.

To further mobilise energy efficiency, we adopted various energy saving initiatives with the ultimate aim to reduce energy consumption and respective air and greenhouse gas ("GHG") emissions.

Energy Saving Initiatives

- Use only LED, T5 or compact fluorescent lamp with energy labels (i.e. EMSD's Grade 1 and 2 or equivalent)
- Place on/off switch stickers on lighting buttons
- Turn off lights when not in use or after office hours
- Regularly maintain electrical appliance such as lamps, computers, water dispenser, fridges and fans to ensure efficiency
- Adopt refrigerating appliances and servers with energy labels
- Utilise multi-functional device that incorporate printing, scanning, photocopy and fax

Resource Type	Unit	2019	2020
Electricity Usage	kWh	3,767,731.00	3,484,276.98
Electricity Intensity per Employee	kWh	1,625.00	1,570.20
Petroleum Usage	L	N/A	35,271.71

Water Efficiency

We endeavour to minimise water consumption and consume water responsibly throughout our business. For Hong Kong operations, water is consumed by municipal water supply and we did not encounter any issues in sourcing water during the Reporting Period. We conducted routine inspection and maintenance on water taps, containers and pipelines to prevent leakage or other issues of the water supply system. Where appropriate, washroom taps are controlled by electronic sensors to manage water consumption. To reinforce water saving practices, water conservation practices are promoted through relevant reminders displayed in pantries and washrooms. With the disruption of COVID-19, there were fewer employees working at the offices and branches, which contributed to a decrease in water consumption by 19%.

Resource Type	Unit	2019	2020
Water	m^3	6,852.00	5,555.72

Air and GHG Emissions

Emissions

We recognise the importance of reducing our GHG emissions to drive sustainable growth of our operations as well as the society. The Group's GHG sources are primarily attributed to electricity consumption and the use of company vehicles from our offices and branches.

The quantification methodology is in reference to local guidelines and international standards, including the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose in Hong Kong), published by the Electrical and Mechanical Services Department and the Environmental Protection Departments, as well as the latest emission factors, with reference from the Baseline Emission Factors for Regional Power Grids in China published by the Department of Climate Change of National Development and Reform Commission.

To minimise these emissions, the use of digital teleconferencing is encouraged in replacement of business travel. In addition, we perform regular vehicle assessments and maintenance, and check fuel efficiency. We endeavour to implement effective measures to further reduce emissions reductions and to meet our emission objectives and targets in coming years.

Waste Management

The Group's non-hazardous waste consists of paper, office equipment waste, office stationery, as well as domestic waste generated from our employees. We aim to reduce the amount of waste generated by diverting useful resources from landfills to recycling or repurposing, whenever applicable.

At the offices, we have designated recycling bins placed next to printers and fax machines for paper collection. These are clearly labelled and easily accessible in order to recycle and reuse as much as possible. Meanwhile, recycling of toner, ink cartridges, plastic bottles and batteries are also encouraged. At the UAF head office, we recycled 455 units of toners, 12.96 kg of plastic bottles, 1.60kg of aluminium cans, as well as 467 bags of shredded paper. To promote a repurpose culture, staff are encouraged to preserve leftover food for later consumption and office areas are provided with umbrella stands to avoid the use of single-use umbrella bags. In recognition of active waste reduction efforts, UAF was awarded the Hong Kong Green Organisation Certification — Wastewi$e Certificate (Basic Level) in 2020 by the Environmental Protection Department. At the SHK&Co. head office, waste is collected by external licensed collectors for further handling and disposal. We aim to dispose of all waste responsibility and strive to adopt best practices.

Climate Change

The Group recognises that the long-term risks of climate change have far-reaching impacts on our operations and environment. As such, we are committed to mitigating the impacts of climate change and other environmental related risks. The largest source of impact derives from carbon emissions that result from the consumption of electricity from the office and branches. We have implemented various mitigation measures as mentioned in "Responsible Use of Resources" and "Air and GHG Emissions".

Changes in weather patterns and the increased severity of extreme weather events will likely disrupt the continuity of daily operations in terms of the ability for our staff to serve our customers and investors. For this reason, we have developed emergency protocols to handle such events, as outlined in the Employee Handbook, including procedures to approach typhoons and black rainstorms.

As a financial institution, the direct and indirect impacts of climate change can affect our stakeholders and assets. We shall continue to explore relevant risks and opportunities to develop green finance products that serve the long-term needs of the environment and consider climate resilience in our portfolios in the future.

Green Education

In efforts to champion towards a greener future, we strive to raise environmental awareness within our operations as well as the wider society. At SHK&Co., we seek to educate our staff members on how to incorporate sustainability into their everyday lives. Various practices are communicated, including but limited to the following examples:

Office Environmental Awareness

Staff are encouraged to

- Prevent unnecessary prolonged use of office appliances
- Activate energy-saving mode or switch off monitors during their lunch hour and when not in use
- Lower the brightness of their monitor screen
- Switch off lights and air conditioning after the use of a room
- Switch off and unplug all appliances when not in use
- Use reflectors when there was excessive sunlight
- Reuse packaging materials such as plastic bags and plastic boxes

Through the Foundation, we actively support and partner with programmes and organisations that educate and advance the cause of environmental conservation. For example, in 2018, we supported the Enough Plastic Movement, a campaign led by Eco Drive Hong Kong and Youth Energy Hong Kong that educated the public of the damaging effects of using single-use plastic. In hopes to preserve our ecosystem for future generations, we also supported the Great Barrier Reef Foundation in 2019 through funding projects that accelerates the protection and restoration of the Great Barrier Reef and coral reefs around the world. We shall continue our support in environmental education in the society.

Laws and Regulations

During the Reporting Year, the Group was not aware of any material non-compliance with any relevant laws and regulations that have a significant impact on the Group. The following table communicates all material laws and regulations that the Group adheres to.

Business

- Money Lenders Ordinance *(Cap. 163 of the Laws of Hong Kong)*
- Prevention of Bribery Ordinance *(Cap. 201 of the Laws of Hong Kong)*
- Trade Marks Ordinance *(Cap. 599 of the Laws of Hong Kong)*
- Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance *(Cap. 615 of the Laws of Hong Kong)*
- Competition Ordinance *(Cap. 619 of the Laws of Hong Kong)*
- Guiding Opinions of the China Banking Regulatory Commission
- Model Code for Securities Transactions by Directors of Listed Issuers
- Prevention and Suppression of Bribery in the Private Sector *(Law No. 19/2009)*
- Prevention and Suppression of Money Laundering Crimes *(Law No. 2/2006)*
- People's Bank of China on the Pilot Operation of Small Loan Companies
- Special Rectification Documents

  - *Notice on Regulating and Rectifying the Cash Loan Business 關於規範整頓現金貸業務的通知*
  - *Notice on the Implementation Plan for the Special Rectification of the Risks of the Online Small Loan Business for Companies that Print and Distribute Small Loan (Online Loan Rectification Letter [2017] No. 56)關於印發小額貸款公司網絡小額貸款業務風險專項整治實施方案的通知(網貸整治辦函[2017]56號)*
  - *Notice on the Special Rectification Work for the P2P Network Lending Risks (Online Loan Rectification Letter [2017] No. 57)關於做好 P2P 網絡借貸風險專項整治整改驗收工作的通知(網貸整治辦函[2017]57號)*

Investors and Customers

- Personal Data (Privacy) Ordinance *(Cap. 486 of the Laws of Hong Kong)*

People

- Employment Ordinance *(Cap. 57 of the Laws of Hong Kong)*
- Employment of Young Persons (Industry) Regulations *(Cap. 57C of the Laws of Hong Kong)*
- Employees' Compensation Ordinance *(Cap. 282 of the Laws of Hong Kong)*
- Occupational Retirement Schemes Ordinance *(Cap. 426 of the Laws of Hong Kong)*
- Sex Discrimination Ordinance *(Cap. 480 of the Laws of Hong Kong)*
- Mandatory Provident Fund Schemes Ordinance *(Cap. 485 of the Laws of Hong Kong)*
- Disability Discrimination Ordinance *(Cap. 487 of the Laws of Hong Kong)*
- Occupational Safety and Health Ordinance *(Cap. 509 of the Laws of Hong Kong)*
- Family Status Discrimination Ordinance *(Cap. 527 of the Laws of Hong Kong)*
- Race Discrimination Ordinance *(Cap. 602 of the Laws of Hong Kong)*
- Minimum Wage Ordinance *(Cap. 608 of the Laws of Hong Kong)*
- Labour Contract Law of the PRC
- Labour Relations Law *(Law No. 7/2008)*
- Regulation on Prohibition of Illegal Work *(Ordinance No. 17/2004)*
- Law of Hiring Non-Residents Workers *(Law No. 21/2009)*

Environment

- Motor Vehicle Idling (Fixed Penalty) Ordinance *(Cap. 611 of the Laws of Hong Kong)*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Performance Data Table

Key Performance Indicators	Unit	2020			
Environmental		SHK&Co.	UAF	Sun Hung Kai Credit	Total
Air and GHG Emissions					
NOx Emissions	kg	5.63	12.31	0.00	17.94
SOx Emissions	kg	0.26	0.26	0.00	0.52
PM Emissions	kg	0.41	0.91	0.00	1.32
GHG Emission — Scope 1	tCO_2e	46.89	46.93	0.00	93.82
GHG Emission — Scope 2	tCO_2e	78.79	2,468.74	35.43	2,582.96
Total GHG Emissions (Scope 1-2)	tCO_2e	125.68	2,515.67	35.43	2,676.78
GHG Emission Intensity by Revenue	tCO_2e/ HK$ Million	N/A	N/A	N/A	0.68
GHG Emission Intensity by Workforce	tCO_2e/ person	1.96	1.18	1.42	1.21
Energy Use					
Petroleum Usage	litre	17,627.87	17,643.84	N/A	35,271.71
Electricity Usage	kWh	97,269.82	3,338,064.98	48,942.18	3,484,276.98
Total Energy Usage	MJ	942,115.26	12,609,514.50	176,191.85	13,727,821.61
Energy Usage Intensity by Revenue	MJ/ HK$ Million	N/A	N/A	N/A	3,462.42
Energy Usage Intensity by Workforce	MJ/ person	14,720.55	5,919.96	7,047.67	6,186.49
Water Use					
Water Usage[3]	m^3	N/A	5,555.72	N/A	5,555.72
Water Usage Intensity by Revenue	m^3/ HK$ Million	N/A	N/A	N/A	1.40
Water Usage Intensity by Workforce	m^3/ person	N/A	2.61	N/A	2.50
Waste					
Paper Consumed	kg	1,380.41	73,435.96	1,452.17	76,268.54
Paper Consumed	pages	274,500.00	15,590,159.00	290,500.00	16,155,159.00
Paper Recycled	bags	69.50	467.00	38.00	574.50
Paper Intensity per Employee	pages/ employee	4,289.06	7,319.32	11,620.00	7,280.38
Paper Intensity per Customer	pages/ customer	N/A	77.41	499.14	78.63
Office Furniture and Office Equipment for Donation	pieces	29.00	163.00	N/A	192.00

3 *Limited to 11 branches in Hong Kong and offices and branches in Dalian, Fuzhou, Harbin, Nanning, Qingdao, Shenzhen and Yunnan in Mainland China.*

Key Performance Indicators	Unit	2020			
Social		SHK&Co.	UAF	Sun Hung Kai Credit	Total
Workforce by Gender					
Female	person	28	1,208	8	1,244
Male	person	36	922	17	975
Workforce by Age					
<30 Years Old	person	9	785	1	795
31-40 Years Old	person	18	914	13	945
41-50	person	22	354	8	384
>50 Years Old	person	15	77	3	95
Workforce by Employment Category					
Executive Management	person	4	2	0	6
Senior Management	person	12	24	4	40
Middle Management	person	26	228	3	257
General Staff	person	20	1,856	18	1,894
Contract/Short-term Staff	person	2	20	0	22
Workforce by Geographical Region					
Hong Kong	person	64	619	25	708
Mainland China	person	0	1,511	0	1,511
Turnover Rate					
Total Turnover Rate[4]	%	N/A	N/A	N/A	33.94
Work-Related Incident					
Work Related Injury Rate	per 1,000 employees	15.15	0.47	0.00	0.90
Lost Days Due to Work-Related Injury	no. of days	16.00	5.00	0.00	21.00

4 *Number of permanent staff who left during the year divided by the average total number of staff employed by the Group over the same timeframe.*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Total Training Hours (hours)	Total Average Training Hours (hours/employee)[5]
By Gender		
Female	8,276.20	6.65
Male	9,510.50	9.75
By Employment Category		
Executive Management	26.00	4.33
Senior Management	123.50	3.09
Middle Management	2,540.75	9.89
General Staff	15,003.45	7.92
Contract/Short-term Staff	93.00	4.23

5 *Total average training hours is calculated by dividing the total training hours by the number of full time employees as of 31 December 2020.*

HKEX ESG Reporting Guide Content Index

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
A. Environmental		
	Aspect A1: Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment — Responsible Use of Resources, Air and GHG Emissions, Green Education; Laws and Regulations
KPI A1.1	The types of emissions and respective emissions data.	Environment — Air and GHG Emissions; Performance Data Table
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment — Air and GHG Emissions; Performance Data Table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group did not generate hazardous waste during the Reporting Period.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment — Paperless Operations; Performance Data Table
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	The Group shall analyse emission patterns based on a 3-year timeline and consider implementing emission targets and relevant initiatives, where material.
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	The Group shall consider analysing material waste records and implementing reduction targets, where material.

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
A. Environmental		
	Aspect A2: Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment — Responsible Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environment — Responsible Use of Resources; Performance Data Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environment — Responsible Use of Resources; Performance Data Table
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them..	The Group will analyse our energy use patterns based on a 3-year timeline and consider implementing energy efficiency targets and relevant initiatives, where material.
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environment — Responsible Use of Resources. The Group will analyse our water efficiency patterns based on a 3-year timeline and consider implementing water efficiency targets and relevant initiatives, where material.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging material is not applicable to the nature of our operations as a financial service company.
	Aspect A3: The Environment and Natural Resources	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Environment — Responsible Use of Resources, Air and GHG Emissions, Climate Change, Green Education
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment — Responsible Use of Resources, Air and GHG Emissions, Climate Change, Green Education
	Aspect A4: Climate Change	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Our Environment — Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Our Environment — Climate Change

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
	Employment and Labour Practices	
	Aspect B1: Employment	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employees — Talent Recruitment and Retention, Diversity and Equal Opportunities, Development and Training; Laws and Regulations
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employees — Talent Recruitment and Retention; Performance Data Table
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	N/A
	Aspect B2: Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employees — Health and Wellbeing; Laws and Regulations
KPI B2.1	Number and rate of work-related fatalities.	Employees — Health and Wellbeing
KPI B2.2	Lost days due to work injury.	Employees — Health and Wellbeing; Performance Data Table
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employees — Health and Wellbeing
	Aspect B3: Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employees — Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category	Employees — Development and Training; Performance Data Table

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
	Aspect B4: Labour Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Business — Labour Standards; Laws and Regulations
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Business — Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Business — Labour Standards
	Operating Practices	
	Aspect B5: Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Business — Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Business — Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Business — Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Business — Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Business — Supply Chain Management

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Investors and Customers — Client Protection, Data Privacy, Responsible Marketing, Customer Service; Laws and Regulations
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Due to the nature of our operations as a financial service company, we do not sell products that are recalled for safety and health reasons.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Investors and Customers — Customer Service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Business — Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures.	Investors and Customers — Customer Service
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Investors and Customers — Data Privacy
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business — Anti-Corruption, Anti-Money Laundering; Laws and Regulations
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Business — Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business — Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business — Anti-Corruption; Anti-Money Laundering

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community — Helping People Grow
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community — Empowering the Underprivileged, Supporting Youth Development, Industry Organisations and NGOs
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community — Helping People Grow, Empowering the Underprivileged, Supporting Youth Development, Industry Organisations and NGOs

DIRECTORS' REPORT

The board of directors of the Company (the "Board") are pleased to present the 2020 annual report ("Annual Report") and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries, associates and joint ventures are set out in Notes 24 to 26 to the consolidated financial statements respectively. Details and analysis of the main business segments of the Group during the year are set out in Note 6 to the consolidated financial statements.

The business review of the Group for the year ended 31 December 2020 and further discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the section of "Financial Highlights", the relevant sections of "Management Discussion and Analysis", the section of "Risk Management Report" and "Environmental, Social and Governance Report" of this Annual Report.

Results and Dividends

The results of the Group for the year ended 31 December 2020 are set out in the Consolidated Statement of Profit or Loss.

An interim dividend of HK12 cents per share was paid to the shareholders of the Company on 17 September 2020. The Directors has declared a second interim dividend of HK14 cents per share for the year ended 31 December 2020 to the shareholders whose names appear on the register of members of the Company on 28 April 2021, making a total dividend for the year 2020 of HK26 cents per share. Dividend warrants of the second interim dividend are expected to be despatched on 12 May 2021.

Investment Properties

Movements in investment properties during the year are detailed in Note 18 to the consolidated financial statements.

Property and Equipment

Movements in property and equipment during the year are detailed in Note 19 to the consolidated financial statements.

Charitable Donations

The total donations made by the Group for charitable purposes during the year amounted to approximately HK$6.6 million.

Share Capital and Shares Issued

Details of the movements in share capital of the Company during the year are set out in Note 42 to the consolidated financial statements.

Debentures

The Group had the following debentures in issue as at 31 December 2020:

– US$249,768,000 4.75% Guaranteed Notes due May 2021 (the "2021 Notes") under the US$3,000,000,000 Guaranteed Medium Term Note Programme (the "MTN Programme"). The 2021 Notes were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in June 2016 (stock code: 5654). The issuer of this programme is Sun Hung Kai & Co. (BVI) Limited ("SHK BVI", a company incorporated in the British Virgin Islands and a direct wholly–owned subsidiary of the Company).

– US$444,089,000 4.65% Guaranteed Notes due September 2022 (the "2022 Notes") issued by SHK BVI under the MTN Programme. The 2022 Notes were listed on the Stock Exchange in September 2017 (stock code: 5267).

– US$350,000,000 5.75% Guaranteed Notes due November 2024 (the "2024 Notes") issued by SHK BVI under the MTN Programme. The 2024 Notes were listed on the Stock Exchange in November 2019 (stock code: 40065).

For further details of the abovementioned issued Guaranteed Notes, please refer to Note 41 to the consolidated financial statements. The Group has not issued any debentures during the year.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2020 pursuant to the Hong Kong Companies Ordinance and details of the movements in reserves during the year are set out in the Consolidated Statement of Changes in Equity and Note 50 to the consolidated financial statements.

Directors

The directors of the Company (the "Directors") during the year and up to the date of this report comprises:

Executive Directors

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

Non-Executive Directors

Peter Anthony Curry
Jonathan Andrew Cimino

Independent Non-Executive Directors ("INEDs")

Evan Au Yang Chi Chun
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung

In accordance with Article 103 of the Company's Articles of Association (the "Articles"), one-third of the Directors for the time being shall be subject to retirement by rotation, and eligible for re-election, at each Annual General Meeting of the Company ("AGM"). Accordingly, pursuant to Article 103 of the Articles, Mr. Simon Chow Wing Charn, Mr. Evan Au Yang Chi Chun and Ms. Jacqueline Alee Leung, the Directors being the longest in office since their last election, will retire at the forthcoming AGM, and being eligible, offer themselves for re-election at the AGM.

A list of names of all the directors who have served on the boards of directors of the Company's subsidiaries during the year and up to the date of this report is available on the website of the Company under the "Governance" section.

Profiles of Directors and Senior Management

Executive Directors

Lee Seng Huang, aged 46, was appointed as an Executive Director and has been the Group Executive Chairman of the Company since 1 January 2007. Mr. Lee was educated at the University of Sydney in Australia and has wide ranging financial services and real estate investment experience in the Asian region. He is the executive chairman of Mulpha International Berhad (a Malaysian listed conglomerate with operations in Malaysia, Australia and the United Kingdom) as well as Mulpha Australia Limited. Mr. Lee was previously the non-executive chairman of Aveo Group Limited (resigned in November 2019), a company which was listed on the Australian Securities Exchange until it was privatized and delisted in December 2019. Mr. Lee is a trustee of Lee and Lee Trust, a discretionary trust owning a controlling interest in Allied Group Limited ("AGL"), which is listed on the Stock Exchange, and the ultimate holding company of the Company. Mr. Lee is also a director of United Asia Finance Limited ("UAF"), a subsidiary of the Company.

Simon Chow Wing Charn, aged 66, was appointed as an Executive Director of the Company on 3 June 2015. He joined the Company as the Group Deputy Chief Executive Officer in December 2014. Mr. Chow has more than 25 years' experience in the banking and financial services industry. Prior to joining the Group, he has been with Citibank for 18 years and his last position was the country manager for China consumer bank of Citibank. Before that, he held senior roles with UBS, Lehman Brothers, British Columbia Hydro and Power Authority and PricewaterhouseCoopers. He is a member of the Institute of the Chartered Accountants of Canada. Mr. Chow holds a Bachelor of Science Degree and a Licentiate in Accounting Degree from the University of British Columbia. He also holds directorships in various subsidiaries of the Company and Everbright Sun Hung Kai Company Limited.

Non-Executive Directors

Peter Anthony Curry, aged 68, was appointed as an Executive Director on 1 January 2011 and was re-designated as a Non-executive Director on 1 September 2018. He joined the Company as the Group Chief Financial Officer in November 2010 until his retirement on 31 August 2018. Mr. Curry has over 45 years of business experience. He joined Peat Marwick Mitchell (now known as KPMG) in Australia in 1974 upon graduation and worked as Tax Partner in 1983. Since that time he has worked in different listed and unlisted companies in Australia as executive director/managing director specialising in natural resources, corporate finance, mergers and acquisitions etc. He has been involved in a range of public and private capital raisings, initial public offering related services and providing corporate and financial advisory services in relation to a range of business transactions including a wide range of mining projects. Mr. Curry holds a Bachelor of Commerce Degree and a Bachelor of Laws Degree from the University of New South Wales. He became a Chartered Accountant and a barrister (non-practising) in Australia in 1978. Mr. Curry is also a non-executive director of Tian An Australia Limited, a company listed on the Australian Securities Exchange and Air Change International Limited, a company listed on the National Stock Exchange of Australia Limited.

Jonathan Andrew Cimino, aged 68, was appointed as a Non-Executive Director on 25 January 2016. He is the chief executive officer of Dubai Group LLC (the "Dubai Group") and was formerly the chief operating officer and the managing director of Finance of Dubai Group since 2008. As at the date of this report, the Dubai Group, through its subsidiary Dubai Ventures LLC, holds 166,000,000 shares of the Company. Mr. Cimino is experienced in financial management, debt restructuring and asset management and has been an investment banker and stockbroker having spent a large part of his career as head of investment banking, chief executive officer and country head of SBC Warburg and UBS in New Zealand. He worked extensively on privatization mandates for the New Zealand Government. Upon leaving UBS in 2001, Mr. Cimino formed his own boutique investment bank Cimino Partners which undertook various M&A and capital market transactions including acting as the lead manager for the IPO of the New Zealand Stock Exchange. He has been a public company director in New Zealand for listed companies in the transportation, environmental, biotechnology and private equity sectors. Mr. Cimino holds a Bachelor of Commerce and Administration Degree from Victoria University of Wellington, New Zealand and completed the Advanced Management Program at Harvard Business School.

Independent Non-Executive Directors

Evan Au Yang Chi Chun, aged 49, was appointed as an Independent Non-Executive Director on 22 March 2018. Mr. Au Yang is the Chairman of the Board of Civic Exchange, a non-partisan public policy think tank based in Hong Kong focused on environment and sustainability issues. Mr. Au Yang also serves on the Board of the Urban Renewal Authority as an independent non-executive director. He is an advisor of Our Hong Kong Foundation, member of the Advisory Committee on Corruption of the Independent Commission Against Corruption ("ICAC"), and Membership Committee member of Young Presidents' Organization. In addition, Mr. Au Yang serves on the Transport Policy Committee of the Chartered Institute of Logistics & Transport, the Development Fund Committee of the Hong Kong Council of Social Service, Advisory Council for Institute at Brown for Environment & Society for Brown University, as well as the Board of Advisors of Hong Kong 2050 is Now.

In his past full-time professional capacities, Mr. Au Yang was the managing director and head of International for GLG (Gerson Lehrman Group) until December 2020, where he ran and grew its business spanning Europe, Middle East, Africa & Asia-Pacific across 15 locations. Prior to GLG, Mr. Au Yang was the deputy managing director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and an executive director of Transport International Holdings Limited ("Transport International"), the parent company of KMB and is listed on the Stock Exchange. Prior to joining Transport International and KMB, Mr. Au Yang was an associate partner at McKinsey & Company. Before management consultancy, Mr. Au Yang was at Citigroup's derivatives structuring and marketing unit. He obtained his undergraduate degree in Economics and Political Science from Brown University, and his MBA degree from the Kellogg School of Management at Northwestern University.

David Craig Bartlett, aged 55, was appointed as an Independent Non-Executive Director on 26 November 1999. Mr. Bartlett graduated with honours in law from Exeter University in the United Kingdom in 1988 and subsequently qualified as a solicitor in England & Wales, the Republic of Ireland and the Hong Kong Special Administrative Region. A former partner of the international law firm Clyde & Co., he regularly acted for and advised the Company and its subsidiaries before leaving private practice for a career in industry. Now based primarily in England, Mr. Bartlett is also an independent non-executive director of AGL. He retired from the position of independent non-executive director of Allied Properties (H.K.) Limited ("APL", an intermediate holding company of the Company and previously listed on the Stock Exchange until 26 November 2020) in December 2020.

Alan Stephen Jones, aged 78, was appointed as an Independent Non-Executive Director on 3 January 2006. Mr. Jones, a Chartered Accountant, has extensive experience in management, administration, accounting, property development, carpark management, finance and trading, and has been involved in successful mergers and acquisitions of a number of public companies in Australia and internationally. He is an independent non-executive director of AGL. Mr. Jones is also an independent non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange and the non-executive chairman of Air Change International Limited, a company listed on the National Stock Exchange of Australia Limited, as well as a non-executive director of Mulpha Australia Limited. He retired from the position of independent non-executive director of APL in December 2020.

Jacqueline Alee Leung, aged 60, was appointed as an Independent Non-Executive Director on 1 November 2014. Ms. Leung is the president and managing director of Leighton Investments Limited and Leighton Textiles Company Limited. She was with Deloitte Touche Tohmatsu from February 2001 to August 2014. Prior to that, she worked at the mergers and acquisitions department of Oppenheimer & Co. Inc. in New York City. Over the years, she held various positions in charitable organisations in Hong Kong, such as the fundraising chairman for the Hong Kong Cancer Fund and a director at Po Leung Kuk.

Ms. Leung is an active community leader and has served as a member of Committee on Self-financing Post-secondary Education (CSPE) since 2010. Ms. Leung is also a member of The Financial Infrastructure and Market Development Sub-Committee (FIMC) of the Hong Kong Monetary Authority and a co-opted member of the Hospital Governing Committee (HGC) of Prince of Wales Hospital (PWH). In October 2020, she was appointed as a member of Council of Lingnan University.

Ms. Leung holds a Bachelor of Arts Degree in Economics and a Bachelor of Science Degree with honors in Mechanical Engineering from Brown University in the United States.

Senior Management

Akihiro Nagahara

Managing Director and Chief Executive Officer, UAF

Mr. Nagahara, aged 80, joined UAF in September 1993 and is its Managing Director and CEO. He is an acknowledged expert in the consumer finance business in Hong Kong and is credited with the successful establishment of Public Finance Limited (formerly known as JCG Finance Company, Limited). He is also the chairman of The Hong Kong S.A.R. Licensed Money Lenders Association Limited, a position he has held since its establishment in 1999, which is the only industry representative association of licensed money lenders in Hong Kong. Mr. Nagahara holds a Law Degree from the National Taiwan University and a Master's Degree from the Graduate School in Law of the National Hitotsubashi University of Japan where he also completed his doctorate courses. Mr. Nagahara was awarded an Honorary Fellowship of the Chinese University of Hong Kong in May 2016. He is also a director of various subsidiaries of UAF and Sun Hung Kai Credit Limited, the subsidiaries of the Company.

Robert James Quinlivan

Group Chief Financial Officer

Mr. Quinlivan, aged 51, joined the Company as Group Chief Financial Officer in September 2018. He has 30 years of experience in the fields of financial markets, public accounting and audit. Prior to joining the Company, he was Chief Financial Officer, Asia for Macquarie Group Limited and has worked in senior finance and assurance roles with Barclays and Merrill Lynch. Prior to Hong Kong, Mr. Quinlivan worked in Seoul, Tokyo, London and New York. He commenced his career with KPMG in Australia. Mr. Quinlivan is a CFA Charterholder and a member of the CFA Institute, and is a Fellow of the Institute of Chartered Accountants in Australia. He obtained a Bachelor of Commerce Degree majoring in accounting and finance from The University of Western Australia. He is also a director of various subsidiaries of the Company.

Elsy Li Chun

Group Treasurer and Head of Corporate Development

Ms. Li, aged 48, joined the Company in May 2017 and is the Group Treasurer and Head of Corporate Development of the Company. She is an investment banking professional with over 20 years of experience. Prior to joining the Group, she was a consultant with an international executive search firm and before that she held various senior investment banking positions including Managing Director, Institutional Client Group and Managing Director, Financial Institutions Group with Deutsche Bank in Hong Kong. Ms. Li has been appointed as a member of the Listing Committee of the Stock Exchange since 5 July 2019. She holds a Bachelor's Degree in Business Administration from the University of Michigan. She is also a director of certain subsidiaries of the Company.

Lindsay Megan Wright

Chief Executive Officer, Funds Management

Ms. Wright, aged 55, joined the Company as Chief Executive Officer, Funds Management in July 2020. She has over 30 years of experience across the financial services value chain especially asset management, investment and finance. Prior to joining the Company, she was Head of Asia and Global Chief Operating Officer at Matthews Asia. Before that, she was Co-Head of Investment Management Asia Pacific and Head of Distribution at BNY Mellon Investment Management. Prior to Hong Kong, Ms. Wright has worked in Beijing, New York, Singapore, Tokyo and Sydney. She commenced her career at Bankers Trust/Deutsche in New Zealand.

Ms. Wright is the lead independent director, chair of Audit and Risk Committee as well as a member of Nomination Committee of NZX Limited, New Zealand's Stock Exchange ("NZX"). She is also chair of Smartshares Limited, a wholly-owned subsidiary of NZX. Ms. Wright holds a Bachelor's Degree in Commerce from University of Auckland, New Zealand and she is also a Responsible Officer in Hong Kong for Type 1, 4 and 9 licences under the Securities and Futures Commission. She is also a director of certain subsidiaries of the Company.

Directors' Service Contracts

No Director proposed for re-election or election (as the case may be) at the forthcoming AGM has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests

As at 31 December 2020, the interests of Directors in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO were as follows:

(a) Interests in the shares of the Company (the "Shares")

Name of Directors	Capacity	Number of Shares	Approximate % of the total number of issued Shares
Lee Seng Huang	Interests of controlled corporation *(Note 1)*	1,442,182,575 *(Note 2)*	72.74%
Simon Chow Wing Charn	Beneficial owner	2,031,000	0.1%
Peter Anthony Curry	Beneficial owner	1,241,141	0.06%

Notes:

1. Mr. Lee Seng Huang, a Director, together with Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.96% of the total number of shares of AGL (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have interests in the Shares in which AGL was interested.
2. This referred to the deemed interests in (i) 1,245,582,575 Shares held by AP Emerald Limited ("AP Emerald"), a wholly-owned subsidiary of AP Jade Limited which in turn was a wholly-owned subsidiary of APL. AGL directly and indirectly (through Capscore Limited, Citiwealth Investment Limited and Sunhill Investments Limited, all being direct wholly-owned subsidiaries of AGL) owned 100% of the total number of issued shares of APL. AGL was therefore deemed to have an interest in the shares in which AP Emerald was interested; and (ii) 196,600,000 Shares held as holder of security interest by Plentiwind Limited, a wholly-owned subsidiary of the Company, for a loan facility.

(b) Interests in the shares of associated corporations

Name of Director	Associated corporations	Capacity	Number of shares	Approximate % of the total number of the relevant shares
Lee Seng Huang *(Note 1)*	AGL	Trustee *(Note 2)*	2,634,646,760	74.95%
	SHK Hong Kong Industries Limited ("SHK HK Ind")	Interests of controlled corporation *(Note 3)*	3,082,889,606	74.97%

Notes:

1. Mr. Lee Seng Huang, by virtue of his interests in AGL, was deemed to be interested in the shares of the subsidiaries of AGL (including SHK HK Ind, a listed subsidiary of AGL), which are associated corporations of the Company as defined under the SFO.
   A waiver application was submitted to the Stock Exchange for exemption from disclosure of Mr. Lee's deemed interests in the shares of such associated corporations of the Company in this report, and the waiver was granted by the Stock Exchange on 3 February 2021.
2. Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust, being a discretionary trust which indirectly controlled 2,634,646,760 shares of AGL.
3. This referred to the same interests held indirectly by AGL in SHK HK Ind.

All interests stated above represent long positions. As at 31 December 2020, none of the Directors held any short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

Save as disclosed above, as at 31 December 2020, neither the Directors nor the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SHK Employee Ownership Scheme ("EOS")

On 18 December 2007 (the "Adoption Date"), the Company adopted the EOS to recognise the contributions by any employee or director of the Group (the "Selected Grantees") and to provide them with long-term incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

A committee comprising senior management of the Company has been formed, with the power and authority delegated by the Board, to administer the EOS. An independent trustee (the "Trustee") has been appointed for the administration of the EOS. Under the EOS, Selected Grantees are to be awarded Shares which have been purchased by the Trustee at the cost of the Company and which are held in trust for the Selected Grantees until the end of each vesting period. Upon management's recommendation, the number of Shares awarded to the Selected Grantees (other than Directors) shall be determined, with the vesting dates for various tranches, by the committee. Any Shares awarded under the EOS to a Selected Grantee who is a Director shall be subject to the Board's approval following a recommendation from the Remuneration Committee of the Board.

Subject to the terms thereof, the EOS shall be valid and effective for an initial term of five years commencing on 18 December 2007 and automatically extended for another three subsequent terms of five years each unless otherwise terminated. The maximum number of Shares which can be awarded under the EOS and to a Selected Grantee throughout its duration are limited to 5 per cent (i.e. 83,989,452 Shares) and 1 per cent (i.e. 16,797,890 Shares) respectively of the total number of Shares in issue as at the Adoption Date.

During the year, a total of 5,316,000 Shares (2019: 1,788,000 Shares) were awarded to the Selected Grantees subject to various terms including, amongst other things, vesting scales whereby awarded Shares will vest and become unrestricted in various vesting periods. A total of 1,445,000 Shares (2019: 2,526,000 Shares) were vested during the year.

Since its adoption, a total of 26,692,000 Shares have been awarded up to the date of this report, representing about 1.59% of the total number of Shares in issue as at the Adoption Date. As at 31 December 2020, the outstanding awarded but unvested Shares under the EOS amounted to 4,522,000 Shares.

Equity-Linked Agreements

Other than the EOS as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

Arrangement for the Acquisition of Shares or Debentures

Other than the EOS, at no time during the year was the Company, its holding company or any of their subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Interests of Substantial Shareholders and Other Persons

As at 31 December 2020, the following shareholders had interests in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO (the "SFO Register"):

Name of Shareholders	Capacity	Number of Shares	Approximate % of the total number of issued Shares
AGL	Interests of controlled corporation *(Note 1)*	1,442,182,575 *(Note 2)*	72.74%
Lee and Lee Trust	Interests of controlled corporation *(Note 3)*	1,442,182,575 *(Note 2)*	72.74%
Dubai Ventures LLC ("Dubai Ventures")	Beneficial owner	166,000,000	8.37%
Dubai Ventures Group LLC ("DVG")	Interests of controlled corporation *(Note 4)*	166,000,000 *(Note 5)*	8.37%
Dubai Group LLC ("Dubai Group")	Interests of controlled corporation *(Note 6)*	166,000,000 *(Note 5)*	8.37%
Dubai Holding Investments Group LLC ("DHIG")	Interests of controlled corporation *(Note 7)*	166,000,000 *(Note 5)*	8.37%
Dubai Holding LLC ("Dubai Holding")	Interests of controlled corporation *(Note 8)*	166,000,000 *(Note 5)*	8.37%
Dubai Group 2024 Limited ("DG 2024")	Interests of controlled corporation *(Note 9)*	166,000,000 *(Note 5)*	8.37%
Dubai Group Limited ("DGL")	Interests of controlled corporation *(Note 10)*	166,000,000 *(Note 5)*	8.37%
HSBC Trustee (C.I.) Limited ("HSBC Trustee")	Trustee *(Note 11)*	166,000,000 *(Note 5)*	8.37%
HH Mohammed Bin Rashid Al Maktoum	Interests of controlled corporation *(Note 12)*	166,000,000 *(Note 5)*	8.37%
Asia Financial Services Company Limited ("AFSC")	Beneficial owner	196,600,000	9.91%
Asia Financial Services Holdings Limited ("AFSH")	Interests of controlled corporation *(Note 13)*	196,600,000 *(Note 14)*	9.91%
Asia Financial Services Group Limited ("AFSG")	Interests of controlled corporation *(Note 15)*	196,600,000 *(Note 14)*	9.91%
Asia Financial Services Group Holdings Limited ("AFSGH")	Interests of controlled corporation *(Note 16)*	196,600,000 *(Note 14)*	9.91%

Name of Shareholders	Capacity	Number of Shares	Approximate % of the total number of issued Shares
CVC Capital Partners Asia Pacific III L.P. ("CVC LP")	Interests of controlled corporation *(Note 17)*	196,600,000 *(Note 14)*	9.91%
CVC Capital Partners Asia III Limited ("CVC Capital III")	Interests of controlled corporation *(Note 18)*	196,600,000 *(Note 14)*	9.91%
CVC Capital Partners Finance Limited ("CVC Capital Partners Finance")	Interests of controlled corporation *(Note 19)*	196,600,000 *(Note 14)*	9.91%
CVC Group Holdings L.P. ("CVC Group Holdings")	Interests of controlled corporation *(Note 20)*	196,600,000 *(Note 14)*	9.91%
CVC Portfolio Holdings Limited ("CVC Portfolio")	Interests of controlled corporation *(Note 21)*	196,600,000 *(Note 14)*	9.91%
CVC Management Holdings Limited ("CVC Management")	Interests of controlled corporation *(Note 22)*	196,600,000 *(Note 14)*	9.91%
CVC MMXII Limited ("CVC MMXII")	Interests of controlled corporation *(Note 23)*	196,600,000 *(Note 14)*	9.91%
CVC Capital Partners 2013 PCC (acting in respect of its protected cell, CVC Capital Partners Cell I PC) ("CVC Capital Partners 2013")	Interests of controlled corporation *(Note 24)*	196,600,000 *(Note 14)*	9.91%
CVC Capital Partners SICAV-FIS S.A. ("CVC Capital Partners SA")	Interests of controlled corporation *(Note 25)*	196,600,000 *(Note 14)*	9.91%
Plentiwind Limited ("Plentiwind")	Entity having a security interest in shares *(Note 26)*	196,600,000	9.91%
Sun Hung Kai Strategic Capital Limited ("SHKSC")	Interests of controlled corporation *(Note 27)*	196,600,000 *(Note 28)*	9.91%
Shipshape Investments Limited ("Shipshape")	Interests of controlled corporation *(Note 29)*	196,600,000 *(Note 28)*	9.91%
Sun Hung Kai & Co. Limited (the "Company")	Interests of controlled corporation *(Note 30)*	196,600,000 *(Note 28)*	9.91%

DIRECTORS' REPORT

Notes:

1. The interests were held by AP Emerald, a wholly-owned subsidiary of AP Jade Limited which in turn was a wholly-owned subsidiary of APL. AGL directly and indirectly (through Capscore Limited, Citiwealth Investment Limited and Sunhill Investments Limited, all being direct wholly-owned subsidiaries of AGL) owned 100% of the total number of issued shares of APL. AGL was therefore deemed to have interests in the Shares in which AP Emerald was interested.
2. This represented interests in (i) 1,245,582,575 Shares held by AGL through AP Emerald and (ii) 196,600,000 Shares held as holder of security interest by Plentiwind Limited, a wholly-owned subsidiary of the Company for a loan facility.
3. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang (a Director) are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.96% of the total number of shares of AGL (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have an interest in the Shares in which AGL was interested through AP Emerald.
4. DVG owned 99% interest in Dubai Ventures and was therefore deemed to have an interest in the Shares which Dubai Ventures was interested.
5. This referred to the same interests in 166,000,000 Shares held by Dubai Ventures.
6. Dubai Group owned 99% interest in DVG and was therefore deemed to have an interest in the Shares in which DVG was interested.
7. DHIG owned 51% interest in Dubai Group and was therefore deemed to have an interest in the Shares in which Dubai Group was interested.
8. Dubai Holding owned 99% interest in DHIG and was therefore deemed to have an interest in the Shares in which DHIG was interested.
9. DG 2024 owned 49% interest in Dubai Group and was therefore deemed to have an interest in the Share in which Dubai Group was interested.
10. DGL owned 100% interest in DG 2024 and was therefore deemed to have an interest in the Shares in which DG 2024 was interested.
11. HSBC Trustee owned 100% interest in DGL and was therefore deemed to have an interest in the Shares in which DGL was interested.
12. HH Mohammed Bin Rashid Al Maktoum owned 99% interest in Dubai Holding and was therefore deemed to have an interest in the Shares in which Dubai Holding was interested.
13. AFSH held 100% interest in AFSC and was therefore deemed to have an interest in the Shares in which AFSC was interested.
14. This referred to the same interests in 196,600,000 Shares held by AFSC.
15. AFSG owned 99.06% interest in AFSH and was therefore deemed to have an interest in the Shares in which AFSH was interested.
16. AFSGH held 100% interest in AFSG and was therefore deemed to have an interest in the Shares in which AFSG was interested.
17. CVC LP owned 88% interest in AFSGH and was therefore deemed to have an interest in the Shares in which AFSGH was interested
18. CVC Capital III, as the general partner of CVC LP, exclusively managed and controlled CVC LP and was therefore deemed to have an interest in the Shares in which CVC LP was interested.
19. CVC Capital Partners Finance held 100% interest in CVC Capital III and was therefore deemed to have an interest in the Shares in which CVC Capital III was interested.
20. CVC Group Holdings held 100% interest in CVC Capital Partners Finance and was therefore deemed to have an interest in the Shares in which CVC Capital Partners Finance was interested.
21. CVC Portfolio (i) held approximately 81.8% interest in CVC Management (which was the sole limited partner of CVC Group Holdings) and was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested, and (ii) as the general partner of CVC Group Holdings, exclusively managed and controlled CVC Group Holdings, and was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested.
22. CVC Management, as the limited partner of CVC Group Holdings, was therefore deemed to have an interest in the Shares in which CVC Group Holdings was interested.
23. CVC MMXII held 100% interest in CVC Portfolio and was therefore deemed to have an interest in the Shares in which CVC Portfolio was interested.
24. CVC Capital Partners 2013 held 100% interest in CVC MMXII and was therefore deemed to have an interest in the Shares in which CVC MMXII was interested.
25. CVC Capital Partners SA held 100% interest in CVC Capital Partners 2013 and was therefore deemed to have an interest in the Shares in which CVC Capital Partners 2013 was interested.
26. This represented 196,600,000 Shares held by AFSC which were pledged in favour of Plentiwind for a term loan facility.
27. SHKSC held 100% interest in Plentiwind and was therefore deemed to have an interest in Shares in which Pentiwind was interested.
28. This referred to the same interest in 196,600,000 Shares held by Plentiwind.
29. Shipshape held 100% interest in SHKSC and was therefore deemed to have an interest in Shares in which SHKSC was interested.
30. The Company held 100% interest in Shipshape and was therefore deemed to have an interest in Shares in which Shipshape was interested.
31. All the above percentage holdings were calculated based on the total number of issued Shares as at 31 December 2020.

All interests stated above represent long positions. As at 31 December 2020, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other persons who have interests or short positions in the Shares or underlying Shares which would require to be disclosed to the Company pursuant to Part XV of the SFO.

Indemnity of Directors

Pursuant to Article 181 of the Articles and subject to the provisions permitted by the Companies Ordinance, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. A Directors' and Officers' liability insurance policy for the benefit of the Directors and other officers of the Company was in force during the year and up to the date of this report.

Connected Transaction

Lease

As disclosed in the announcement of the Company dated 24 July 2020, SHK Investment Services Limited (an indirect wholly-owned subsidiary of the Company) as the tenant accepted a legally binding offer letter (the "Offer Letter") issued from Hillcrest Development Limited, an indirect wholly-owned subsidiary of APL, as the landlord in relation to the leasing (the "Lease") of the house located at No. 60 Plantation Road, The Peak, Hong Kong (the "Premises") for a term of four years commenced from 24 July 2020 and expiring on 23 July 2024, subject to the tenant's option to renew the term for two additional three-year periods. Pursuant to the Offer Letter, (i) the monthly rental for the premises is HK$850,000 per month inclusive of government rent but exclusive of management fees and rates; (ii) holding deposit of HK$850,000 was payable by the tenant and shall be applied towards the rent for the first month of the lease immediately after the rent free period; (iii) security deposit of HK$1,700,000 was payable by the tenant upon the entering into of the relevant tenancy agreement. The aggregate amount payable by the tenant under the Offer Letter (assuming that the tenant shall exercise the option to review for two additional three-year periods at the same monthly rent) will be approximately HK$100,931,000.

The purpose of entering into the Lease was to facilitate a suitable residential accommodation for Mr. Lee (the Group Executive Chairman and an Executive Director of the Company) under his employment contract.

Given that APL is the substantial shareholder (as defined in the Listing Rules) of the Company, the landlord, being an indirectly wholly-owned subsidiary of APL, is regarded as a connected person of the Company under the Listing Rules and therefore the entering into of the Lease constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.49 and 14A.71 of the Listing Rules, details of the aforesaid transaction are included in this Annual Report.

Continuing Connected Transactions

The following transactions between certain connected persons (as defined in the Listing Rules) and the Company have been entered into and are ongoing for which relevant announcements have been made by the Company in accordance with Chapter 14A of the Listing Rules.

(1) Sharing of Management Services Agreement

As disclosed in the announcement of the Company dated 2 January 2020 and in the annual report for the year ended 31 December 2019, an agreement in respect of the renewal of an expired sharing of management services agreement (the "2020 Sharing of Management Services Agreement") was entered into between the Company and AGL on 2 January 2020, pursuant to which the Company agreed to reimburse AGL the actual costs incurred in respect of the provision of management, consultancy, business development, business introduction, strategic, internal audit, management information system consultancy and all other general business advice services provided by the senior management and selected staff of AGL to the Group for a further term of three years commencing from 1 January 2020 to 31 December 2022 and the relevant annual caps for each of the three financial years ending 31 December 2020, 2021 and 2022 were set at HK$28.0 million, HK$30.8 million and HK$33.9 million respectively.

The total amount paid to AGL under the 2020 Sharing of Management Services Agreement for the year ended 31 December 2020 was HK$22.14 million, which was within the annual cap of HK$28.0 million as set for such financial year.

(2) Master Lease Agreement

As disclosed in the announcement dated 29 November 2017 and the annual reports for 2017, 2018 and 2019 of the Company, the Company as the lessee entered into a master lease agreement (the "2018 Master Lease Agreement") with Art View Properties Limited ("Art View"), a joint venture of APL, as the lessor whereby any member of the Group may continue, amend or renew the existing leases or enter into new leases, sub-leases and licenses in relation to the Allied Kajima Building with Art View from time to time as are necessary for the future business needs of the Group during the period from 1 January 2018 to 31 December 2020 in accordance with the terms of the 2018 Master Lease Agreement.

The maximum agreement amount set for the transaction contemplated under the 2018 Master Lease Agreement for each of the three financial years ending 31 December 2018, 2019 and 2020 were set at HK$27.03 million, HK$29.62 million and HK$29.62 million respectively.

The total amount paid to Art View under the 2018 Master Lease Agreement for the year ended 31 December 2020 was HK$27.77 million which was within the annual cap of HK$29.62 million as set for such financial year.

Subsequently, as disclosed in the announcement of the Company dated 1 December 2020, the 2018 Master Lease Agreement was renewed for a term of three years from 1 January 2021 to 31 December 2023 (the "2021 Master Lease Agreement") for the continuing business needs of the Group. In accordance with HKFRS 16 "Leases", rental payments under the 2021 Master Lease Agreement will be recognised as right-of-use assets on the consolidated statement of financial position of the Group, and management fees will continue to be recognised as expenses in the consolidated statement of profit or loss of the Group. Pursuant to the 2021 Master Lease Agreement, the annual caps for rental payments for each of the three financial years ending 31 December 2021, 2022 and 2023 were set at HK$74.64 million, HK$10.67 million and HK$6.38 million respectively, and the annual caps for management fees for each of the three financial years ending 31 December 2021, 2022 and 2023 were set at approximately HK$3.94 million, HK$5.20 million and HK$6.06 million respectively.

Given that APL is a substantial shareholder of the Company; and AGL and Art View are all associates of APL under the definition of the Listing Rules, each of AGL and Art View is regarded as a connected person of the Company under the Listing Rules. As such, the entering into of the 2020 Sharing of Management Services Agreement and the 2018 Master Lease Agreement constituted continuing connected transactions for the Company (collectively, the "Continuing Connected Transactions") under Chapter 14A of the Listing Rules. In accordance with the requirements of Rules 14A.49 and 14A.71 of the Listing Rules, details of the said Continuing Connected Transactions are included in this Annual Report.

The Company's auditor was engaged to report on the Group's Continuing Connected Transactions for the year ended 31 December 2020 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs as at the date of this report, being Messrs. Evan Au Yang Chi Chun, David Craig Bartlett and Alan Stephen Jones, and Ms. Jacqueline Alee Leung, have reviewed the above Continuing Connected Transactions and confirmed that they were entered into:

(i) in the ordinary and usual course of business of the Group;
(ii) on normal commercial terms or better; and
(iii) according to the respective agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In the opinion of the Board of Directors, the Continuing Connected Transactions were entered into in the manners stated above.

Details of the particulars of the related party transactions or continuing related party transactions (as the case may be), including specification of any connected transactions or continuing connected transactions and the compliance with the disclosure requirements in accordance with Chapter 14A of the Listing Rules are disclosed in Note 38 to the consolidated financial statements under the heading of "Related Party Transactions".

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group are set out in Note 35 to the consolidated financial statements.

Subsidiaries

Particulars regarding the principal subsidiaries are set out in Note 24 to the consolidated financial statements.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. The information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report in this Annual Report.

Directors' Interests in Transactions, Arrangements or Contracts

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which the Directors or an entity connected with the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

Terms of Office for the Non-Executive Directors

All Non-Executive Directors (including the INEDs) were appointed for a specific term of two years which shall continue until 31 December 2022 but subject to the relevant provisions of the Articles or any applicable laws whereby the Directors shall vacate or retire from their office.

Directors' Interests in Competing Businesses

During the year and up to the date of this report, save as disclosed below, none of the Directors (not being the INEDs) are considered to have interests in the businesses listed below which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules:

Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of AGL, SHK HK Ind, APAC Resources Limited ("APAC"), Tian An China Investments Company Limited ("TACI") and Asiasec Properties Limited ("Asiasec") which, through their subsidiaries and close associate, are partly engaged in the businesses as follows:

- AGL, through certain of its subsidiaries and a close associate, is partly engaged in the businesses of money lending, property investment, trading and investment in securities in the resources and related industries and financial instruments;
- SHK HK Ind, through certain of its subsidiaries, is partly engaged in the businesses of investments in listed and unlisted financial instruments;
- APAC, through certain of its subsidiaries, is partly engaged in the business of money lending, investment and/or trading in listed securities in the resources and related industries;
- TACI, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment; and
- Asiasec, through certain of its subsidiaries, is partly engaged in the business of money lending and property investment.

Although the abovementioned Director is considered to have competing interests in other companies by virtue of his shareholding, he will fulfill his fiduciary duties in order to ensure that he will act in the best interests of the shareholders and the Company as a whole at all times. Hence the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year. Also, the aggregate purchases attributable to the Group's five largest suppliers taken together were less than 30% of the Group's total purchases for the year.

None of the Directors, their close associates or any shareholders, which to the knowledge of the Directors own more than 5% of the Company's total number of issued shares, had a beneficial interest in any of the Group's five largest suppliers and customers.

Purchase, Sale or Redemption of Securities

(1) Repurchase of Shares

During the year ended 31 December 2020, the Company repurchased a total of 16,488,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$52,791,490. All the repurchased Shares were subsequently cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net assets value per Share and/or earnings per Share of the Company.

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$)*
January	3,008,000	3.75	3.47	10,965,790
February	–	–	–	–
March	380,000	2.94	2.91	1,111,940
April	2,620,000	3.34	2.84	8,148,890
May	–	–	–	–
June	2,000,000	3.10	3.00	6,111,460
July	1,480,000	3.25	3.17	4,782,230
August	297,000	3.15	3.13	934,270
September	3,503,000	3.15	2.98	10,729,110
October	3,200,000	3.18	3.01	10,007,800
November	–	–	–	–
December	–	–	–	–
	16,488,000			52,791,490

(2) Repurchase of 2022 Notes

During the year ended 31 December 2020, US$400,000 and US$697,000 in the principal amount of 2022 Notes were purchased by the Company at consideration of US$400,000 and US$690,030 respectively by way of private arrangement. The repurchased 2022 Notes were cancelled as to US$400,000 on 26 May 2020 and as to US$697,000 on 17 August 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's or its subsidiaries' listed securities during the year ended 31 December 2020.

Auditor

The consolidated financial statements have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lee Seng Huang
Group Executive Chairman

Hong Kong, 18 March 2021

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF SUN HUNG KAI & CO. LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Sun Hung Kai & Co. Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 98 to 175, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments classified as level 3 under fair value hierarchy	
We identified the valuation of financial instruments classified as level 3 under the fair value hierarchy ("Level 3 financial instruments") as a key audit matter due to the complexity involved in valuing the instruments and the significance of the judgments and estimates made by management. In particular, the determination of unobservable inputs is considerably more subjective given the lack of availability of market-based data. At 31 December 2020, HK$12,034.7 million of the Group's total financial assets (including financial assets at fair value through other comprehensive income of HK$8.5 million and financial assets at fair value through profit or loss of HK$12,026.2 million) and HK$62.4 million of the Group's total financial liabilities carried at fair value were classified as level 3 under fair value hierarchy. These mainly include unlisted convertible preferred and ordinary shares, unlisted preference shares issued by an unlisted company, unlisted overseas equity securities with a put right and unlisted overseas investment funds and other investments at fair value through profit or loss with carrying amount at 31 December 2020 of HK$134.5 million, HK$1,174.0 million, HK$635.7 million, HK$9,636.4 million and HK$445.6 million, respectively.	Our procedures in relation to the valuation of Level 3 financial instruments included: – Obtaining an understanding of the valuation methodologies and the processes performed by management with respect to the valuation of Level 3 financial instruments; – For a sample of financial instruments, performing the following procedures, with the assistance of our internal valuation specialists, as appropriate: • Evaluating the appropriateness of the methodologies and valuation techniques used by management for Level 3 financial instruments; • Assessing the reasonableness and relevance of key assumptions and inputs based on our industry knowledge; and • Checking the mathematical accuracy of the fair value calculations; – In respect of the unlisted overseas investment funds, checking the net asset value against financial information provided by the fund managers or fund administrators on a sample basis, as appropriate; and – Assessing the adequacy of the Group's fair value disclosures including the valuation techniques, fair value hierarchy and other related disclosures in note 27 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to consumer finance customers, mortgage loans and term loans (loss allowance for expected credit losses ("ECL"))	
We identified the ECL for impairment of loans and advances to consumer finance customers, mortgage loans and term loans as a key audit matter due to significant management judgments involved. As disclosed in notes 30, 31 and 32 to the consolidated financial statements, the Group has loans and advances to consumer finance customers of HK$10,563.7 million, after recognising an impairment allowance of HK$754.3 million, mortgage loans of HK$3,013.7 million, after recognising an impairment allowance of HK$47.4 million and term loans of HK$1,712.7 million, after recognising an impairment allowance of HK$612.5 million, as at 31 December 2020. At each reporting date, management assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. Management considers reasonably supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. In assessing the lifetime ECL on credit-impaired financial assets classified as stage 3, the Group performs an assessment based on the Group's historical credit loss experience, adjusted for factors specific to the borrowers, general economic conditions, the current conditions at the reporting date and forward-looking analysis. The Group also reviews the amounts and timing of future cash flows, guarantees and the value of collateral received from the customers in measuring impairment. The methodology and assumptions used for estimating the impairment amount are reviewed regularly to reduce any differences between loss estimates and actual loss experience.	Our procedures in relation to the impairment of loans and advances to consumer finance customers, mortgage loans and term loans included: – Understanding the approach applied in the determination of ECL for loans and advances to consumer finance customers, mortgage loans and term loans; – Understanding key controls over the way in which management estimates ECL for loans and advances to consumer finance customers, mortgage loans and term loans; – Testing the integrity of information used by management to develop the ECL model on a sample basis, by comparing individual items in the analysis with the relevant loan agreements and other supporting documents; – Challenging management's basis and judgment used in determining the appropriateness of grouping of loans and advances to consumer finance customers into different categories, the inputs and assumptions applied in the ECL model, including probability of default, loss given default, the Group's historical loss experience and forward-looking information, with the assistance of our internal specialists; – Assessing the appropriateness of inputs and assumptions applied in the determination of ECL for term loans and mortgage loans, including probability of default, loss given default and forward-looking information; – Reviewing the Group's historical loss experience;

Key audit matter	How our audit addressed the key audit matter
	– Assessing the reasonableness and appropriateness of management's judgments on staging criteria for determining if a significant increase in credit risk has occurred and the basis for classification of exposures into one of the three stages required by HKFRS 9 by examining loan exposures on a sample basis to evaluate if there has been timely identification of significant increase in credit risk and appropriate classification of loan exposures into one of the three stages required by HKFRS 9; – Testing the mathematical accuracy of the calculation of ECL on a sample basis; – For loans and advances to consumer finance customers, mortgage loans and term loans classified at stage 3, we examined underlying documentation supporting the value of collateral, if any, and management's key estimations used in the individual impairment assessment for loans and advances to consumer finance customers, mortgage loans and term loans on a sample basis; and – Evaluating the disclosures regarding the impairment of loans and advances to consumer finance customers, mortgage loans and term loans in notes 30, 31, 32 and 47 to the consolidated financial statements.

Other Information

The directors of the Company are responsible for the other information. Other Information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chong Kwok Shing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

18 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

(HK$ Million)	Notes	2020	2019
Interest income		**3,963.0**	4,125.1
Other revenue	5	**93.6**	91.7
Other gains	7	**76.2**	14.5
Total income		**4,132.8**	4,231.3
Brokerage and commission expenses		**(47.2)**	(43.9)
Advertising and promotion expenses		**(119.9)**	(147.3)
Direct cost and operating expenses		**(107.9)**	(104.2)
Administrative expenses	11	**(1,274.3)**	(1,152.1)
Net gain on financial assets and liabilities at fair value through profit or loss	12	**2,553.9**	1,807.7
Net exchange gain		**47.5**	82.5
Net impairment losses on financial instruments	13	**(1,052.6)**	(1,024.4)
Finance costs	14	**(807.3)**	(777.7)
Other losses	11	**(166.6)**	(179.0)
		3,158.4	2,692.9
Share of results of associates		**42.4**	48.6
Share of results of joint ventures		**(0.2)**	1.9
Profit before taxation	11	**3,200.6**	2,743.4
Taxation	15	**(271.7)**	(228.8)
Profit for the year		**2,928.9**	2,514.6
Profit attributable to:			
– Owners of the Company		**2,547.7**	2,085.2
– Non-controlling interests	24	**381.2**	429.4
		2,928.9	2,514.6
Earnings per share	17		
– Basic (HK cents)		**128.3**	104.4
– Diluted (HK cents)		**128.0**	104.2

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(HK$ Million)	2020	2019
Profit for the year	**2,928.9**	2,514.6
Other comprehensive (expenses) income:		
Items that will not be reclassified to profit or loss		
Fair value loss on investments in equity instrument of fair value through other comprehensive income	**(7.0)**	(13.9)
Gain on revaluation of properties	**24.8**	–
	17.8	(13.9)
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translating foreign operations	**317.8**	(113.7)
Share of other comprehensive income of associates	**28.9**	4.2
Share of other comprehensive income (expenses) of joint ventures	**21.0**	(3.5)
	367.7	(113.0)
Other comprehensive income (expenses) for the year	**385.5**	(126.9)
Total comprehensive income for the year	**3,314.4**	2,387.7
Total comprehensive income attributable to:		
– Owners of the Company	**2,809.9**	1,997.3
– Non-controlling interests	**504.5**	390.4
	3,314.4	2,387.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(HK$ Million)	Notes	31/12/2020	31/12/2019
Non-current Assets			
Investment properties	18	**1,276.5**	1,312.5
Property and equipment	19	**436.5**	377.2
Right-of-use assets	20	**323.2**	125.5
Intangible assets	21	**904.4**	893.2
Goodwill	22	**2,384.0**	2,384.0
Interest in associates	25	**212.2**	1,196.1
Interest in joint ventures	26	**466.4**	445.5
Financial assets at fair value through other comprehensive income	27	**120.9**	129.5
Financial assets at fair value through profit or loss	27	**9,124.6**	7,687.2
Deferred tax assets	28	**780.7**	780.0
Amounts due from associates	29	**279.0**	261.3
Loans and advances to consumer finance customers	30	**3,088.9**	2,770.5
Mortgage loans	31	**1,192.9**	1,270.7
Term loans	32	**554.5**	49.6
Trade receivables, prepayments and other receivables	33	**17.3**	20.4
		21,162.0	19,703.2
Current Assets			
Financial assets at fair value through profit or loss	27	**4,461.5**	4,285.6
Taxation recoverable		**3.3**	3.7
Amounts due from associates	29	**12.1**	68.6
Loans and advances to consumer finance customers	30	**7,474.8**	7,643.0
Mortgage loans	31	**1,820.8**	2,356.2
Term loans	32	**1,158.2**	1,856.6
Trade receivables, prepayments and other receivables	33	**378.3**	466.8
Amounts due from brokers		**354.3**	451.7
Short-term pledged bank deposits and bank balances	34	**–**	33.2
Bank deposits	34	**12.3**	68.1
Cash and cash equivalents	34	**7,245.6**	5,624.9
		22,921.2	22,858.4

(HK$ Million)	Notes	31/12/2020	31/12/2019
Current Liabilities			
Financial liabilities at fair value through profit or loss	27	**172.8**	715.8
Bank and other borrowings	35	**6,083.2**	5,659.9
Trade payables, other payables and accruals	36	**494.1**	338.4
Financial assets sold under repurchase agreements	37	**–**	386.2
Amounts due to fellow subsidiaries and a holding company	38	**4.7**	35.3
Provisions	39	**257.5**	152.9
Taxation payable		**137.6**	339.6
Lease liabilities	40	**84.2**	89.9
Notes/paper payable	41	**2,013.4**	569.5
		9,247.5	8,287.5
Net Current Assets		**13,673.7**	14,570.9
Total Assets less Current Liabilities		**34,835.7**	34,274.1
Capital and Reserves			
Share capital	42	**8,752.3**	8,752.3
Reserves		**13,872.9**	11,629.4
Equity attributable to owners of the Company		**22,625.2**	20,381.7
Non-controlling interests	24	**3,327.1**	3,194.9
Total Equity		**25,952.3**	23,576.6
Non-current Liabilities			
Deferred tax liabilities	28	**137.1**	143.0
Bank and other borrowings	35	**2,384.1**	2,497.2
Provisions	39	**0.3**	0.3
Lease liabilities	40	**228.5**	27.8
Notes/paper payable	41	**6,133.4**	8,029.2
		8,883.4	10,697.5
		34,835.7	34,274.1

The consolidated financial statements on pages 98 to 175 were approved and authorised for issue by the Board of Directors on 18 March 2021 and are signed on its behalf by:

Lee Seng Huang
Director

Simon Chow Wing Charn
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company									
(HK$ Million)	Share capital	Shares held for Employee Ownership Scheme	Employee share-based compensation reserve	Exchange reserve	Revaluation reserve	Capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2020	**8,752.3**	**(22.5)**	**8.3**	**(360.1)**	**161.4**	**84.8**	**11,757.5**	**20,381.7**	**3,194.9**	**23,576.6**
Profit for the year	–	–	–	–	–	–	2,547.7	2,547.7	381.2	2,928.9
Other comprehensive income for the year (Note 43)	–	–	–	241.7	20.5	–	–	262.2	123.3	385.5
Total comprehensive income for the year	–	–	–	241.7	20.5	–	2,547.7	2,809.9	504.5	3,314.4
Recognition of equity-settled share-based payments	–	–	7.4	–	–	–	–	7.4	–	7.4
Purchase of shares for the SHK Employee Ownership Scheme	–	(3.0)	–	–	–	–	–	(3.0)	–	(3.0)
Vesting of shares of the SHK Employee Ownership Scheme	–	6.7	(6.7)	–	–	–	–	–	–	–
Interim dividends paid (Note 16)	–	–	–	–	–	–	(517.8)	(517.8)	–	(517.8)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(372.3)	(372.3)
Shares repurchased and cancelled	–	–	–	–	–	–	(53.0)	(53.0)	–	(53.0)
Transfer retained earnings to capital reserves	–	–	–	–	–	7.1	(7.1)	–	–	–
At 31 December 2020	**8,752.3**	**(18.8)**	**9.0**	**(118.4)**	**181.9**	**91.9**	**13,727.3**	**22,625.2**	**3,327.1**	**25,952.3**

	Attributable to owners of the Company									
(HK$ Million)	Share capital	Shares held for Employee Ownership Scheme	Employee share-based compensation reserve	Exchange reserve	Revaluation reserve	Capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2019	8,752.3	(29.7)	10.5	(287.6)	195.9	77.5	10,320.3	19,039.2	3,805.9	22,845.1
Profit for the year	–	–	–	–	–	–	2,085.2	2,085.2	429.4	2,514.6
Other comprehensive expenses for the year (Note 43)	–	–	–	(72.5)	(15.4)	–	–	(87.9)	(39.0)	(126.9)
Total comprehensive (expenses) income for the year	–	–	–	(72.5)	(15.4)	–	2,085.2	1,997.3	390.4	2,387.7
Transfer of revaluation reserve to retained earnings	–	–	–	–	(19.1)	–	19.1	–	–	–
Recognition of equity-settled share-based payments	–	–	9.7	–	–	–	–	9.7	–	9.7
Purchase of shares for the SHK Employee Ownership Scheme	–	(4.7)	–	–	–	–	–	(4.7)	–	(4.7)
Vesting of shares of the SHK Employee Ownership Scheme	–	11.9	(11.9)	–	–	–	–	–	–	–
Interim dividends paid (Note 16)	–	–	–	–	–	–	(521.0)	(521.0)	–	(521.0)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(375.9)	(375.9)
Capital redemption of non-controlling interests	–	–	–	–	–	–	(106.0)	(106.0)	(625.5)	(731.5)
Shares repurchased and cancelled	–	–	–	–	–	–	(33.0)	(33.0)	–	(33.0)
Unclaimed dividends forfeited	–	–	–	–	–	–	0.2	0.2	–	0.2
Transfer retained earnings to capital reserves	–	–	–	–	–	7.3	(7.3)	–	–	–
At 31 December 2019	8,752.3	(22.5)	8.3	(360.1)	161.4	84.8	11,757.5	20,381.7	3,194.9	23,576.6

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(HK$ Million)	2020	2019
Operating activities		
Profit for the year	**2,928.9**	2,514.6
Adjustments for:		
– Share of results of associates	**(42.4)**	(48.6)
– Share of results of joint ventures	**0.2**	(1.9)
– Taxation	**271.7**	228.8
– Dividend income	**(23.9)**	(10.8)
– Interest income	**(3,963.0)**	(4,125.1)
– Decrease in fair value of investment properties	**163.3**	42.2
– Expenses recognised for the SHK Employee Ownership Scheme	**7.4**	9.7
– Amortisation of intangible assets	**1.9**	1.9
– Depreciation of property and equipment	**44.4**	45.9
– Depreciation of right-of-use assets	**103.7**	84.5
– Net loss on disposal/write-off of equipment	**0.1**	0.9
– Charge of impairment in an associate	**3.2**	135.9
– Net impairment on financial instruments	**1,274.6**	1,219.8
– Interest expenses	**800.2**	772.2
– Interest of lease liabilities	**7.1**	5.5
– Net realised gain on disposal of subsidiaries	**(1.2)**	–
– Net fair value gain on financial assets and liabilities	**(2,553.9)**	(1,807.7)
– Exchange differences	**(86.8)**	1.4
Operating cash flows before movements in working capital	**(1,064.5)**	(930.8)
Change in financial assets at fair value through profit or loss	**963.9**	529.4
Change in amounts due from associates	**(2.4)**	28.3
Change in loans and advances to consumer finance customers	**(904.2)**	(1,691.7)
Change in mortgage loans	**591.1**	212.3
Change in term loans	**(108.8)**	465.5
Change in trade receivables, prepayments and other receivables	**100.5**	(149.0)
Change in amounts due from brokers	**97.4**	55.3
Change in financial liabilities at fair value through profit or loss	**(542.9)**	290.4
Change in trade payables, other payables and accruals	**152.5**	103.4
Change in financial assets sold under repurchase agreements	**(386.2)**	(830.3)
Change in amounts due to a holding company	**2.3**	(10.9)
Change in provisions	**102.3**	44.9
Cash used in operations	**(999.0)**	(1,883.2)
Dividends received from equity investments	**23.9**	10.8
Interest received	**3,880.2**	4,088.4
Interest paid	**(727.3)**	(698.5)
Taxation paid	**(445.3)**	(157.6)
Net cash from operating activities	**1,732.5**	1,359.9

(HK$ Million)	2020	2019
Investing activities		
Purchase of property and equipment	**(28.5)**	(13.5)
Proceeds on disposal of equipment	**–**	0.3
Refund/(payment) of deposits of right-of-use assets	**0.7**	(3.2)
Prepaid rental for right-of-use assets	**(2.1)**	(13.4)
Purchase of intangible assets	**(12.0)**	(5.0)
Proceeds on disposal of an associate	**1,257.1**	–
Acquisition of investment properties	**(100.0)**	–
Capital injection to a joint venture	**–**	(207.0)
Dividends received from associates	**96.3**	99.2
Purchase of long-term financial assets as at fair value through profit or loss	**(2,665.0)**	(717.9)
Proceeds on disposal of long-term financial assets as at fair value through profit or loss	**2,341.9**	787.9
Proceeds from disposal of financial assets at fair value through other comprehensive incomes	**1.5**	6.1
Net fixed deposits with banks withdrawal	**89.8**	270.7
Net cash from investing activities	**979.7**	204.2
Financing activities		
Short-term loans due to fellow subsidiaries repaid	**(32.9)**	(481.6)
Net short-term bank and other borrowings repaid	**(18,016.1)**	(19,034.0)
New long-term bank and other borrowings raised	**18,338.7**	19,967.6
Proceeds from issue of notes/paper	**–**	3,989.8
Redemption of notes/paper	**(3.1)**	(1,718.9)
Repayment of notes/paper	**(434.3)**	(1,498.7)
Purchase of shares for the SHK Employee Ownership Scheme	**(3.0)**	(4.7)
Lease payments	**(96.9)**	(77.6)
Shares repurchased and cancelled	**(53.0)**	(33.0)
Capital redemption of non-controlling interests	**–**	(731.5)
Dividends paid	**(517.8)**	(521.0)
Dividends to non-controlling interests	**(372.3)**	(375.9)
Payment of deposits for shares buyback of non-controlling interests	**(35.5)**	–
Net cash used in financing activities	**(1,226.2)**	(519.5)
Net change in cash and cash equivalents	**1,486.0**	1,044.6
Cash and cash equivalents at 1 January	**5,624.9**	4,622.4
Effect of foreign exchange rate changes	**134.7**	(42.1)
Cash and cash equivalents at the end of the year (Note 34)	**7,245.6**	5,624.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. Its parent is AP Emerald Limited. Its ultimate holding company is Allied Group Limited, a public limited company which is listed and incorporated in Hong Kong. The ultimate controlling party of the Company are the trustees of Lee and Lee Trust. The address of the principal place of business of the trustees of Lee and Lee Trust is c/o 24/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong. The address of the registered office of the Company is disclosed in the Corporate Information section of the Annual Report. The principal place of business of the Company is in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The principal activity of the Company is to act as an investment holding company and the principal activities of its major subsidiaries are disclosed in Note 24.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and Amendments to HKFRSs in issue but not yet effective

The Group has not yet early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendment[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 622).

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(b) Basis of preparation and consolidation

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and where a valuation technique that utilises unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(b) Basis of preparation and consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interest in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Significant events and transactions in the current year

The COVID-19 pandemic has impacted all aspects of our business, particularly Consumer Finance, Specialty Finance and Investment Management.

(i) Consumer Finance

The Consumer Finance business segment experienced reduced profitability in 2020 as the interest income decreased by 5%. Although businesses picked up in second half of the year, the overall increase in loan portfolio could not lead to a full year return, particular in the Mainland China business for 2020. The economic outlook in 2021 is uncertain and operating in competitive environment for consumer finance business remains challenging. United Asia Finance Limited ("UAF") continues to bear the uncertainties embedded with prolonged impact from COVID-19, progress in rolling out of mass vaccination, continued rebound in the China economy, and the course of Sino-US trade tension in wake of the new US administration. In determining the expected credit losses ("ECL") allowance at 31 December 2020, and in order to adequately capture the risks inherent in this uncertain environment, management has prepared three forward-looking economic scenarios where the weightings of downside scenarios in relation to Hong Kong and PRC economy have been increased.

In relation to the carrying value of goodwill and intangible assets related to UAF, management assessed whether there were any indicators of impairment and did not identify any. Management therefore concluded that no impairment of UAF related goodwill or intangible assets was required as at 31 December 2020.

(ii) Specialty Finance

The specialty finance suffered from a loss in 2020 as a result of an increase in net impairment losses by 88% compared with 2019, reflecting the impact on the economy from various factors including COVID-19 and political conflicts between PRC and the United States. In order to better reflect the possible future changes in economic activity as a result of COVID-19, the probability of default used in assessing ECL by management was derived from a regression between GDP growth and historical bad debt ratio. Management concluded that sufficient and adequate ECL was made as at 31 December 2020.

(iii) Investment Management

For investment management, the net gain on financial assets and liabilities and interest income increased by 50% in 2020 compared to 2019. The volatility in financial markets and global economic conditions caused by the pandemic have to date had insignificant impact on the fair value of level 3 investments. The business invests in level 3 assets with a focus on private equity funds, direct investments and co-investments. Management obtains latest available fund valuations issued by fund managers or engages independent professionals to prepare valuations where necessary. Management concluded that the fair value of the financial instruments in Investment Management are properly recorded as at 31 December 2020.

(c) Business combinations or asset acquisitions

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(c) Business combinations or asset acquisitions *(Continued)*

Business combinations *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard; and

– lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(e) Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date in which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(f) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(g) Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services or for administrative purposes. Property and equipment are stated at cost in the consolidated statement of financial position, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation commences when the assets are ready for their intended use.

Depreciation is calculated using the straight-line method to write off the cost of each asset less its residual value over its estimated useful life as follows:

Property	–	shorter of the estimated useful life and the remaining lease term of land
Furniture and equipment	–	10% to 33% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in the revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained earnings.

For a transfer from an investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals or retirement are determined by comparing the disposal proceeds with the carrying amount and are included in profit or loss.

(h) Leases

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 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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.

The Group 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.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(h) Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets

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 measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19- related rent concessions in which the Group applied the practical expedient.

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.

Refundable rental deposits

Refundable rental deposits paid are accounted for 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 if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group applied the practical expedient, 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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(h) Leases *(Continued)*

The Group as a lessor *(Continued)*

Classification and measurement of leases (Continued)

Rental income which are derived from the Group's ordinary course of business are presented as other revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, 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 for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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.

(i) Intangible assets

(i) Club memberships

Represents the right to use the facilities of various clubs, with management considering that the club membership does not have a finite useful life.

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method.

(iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Such intangible assets are measured at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Useful lives are also examined on an annual basis and adjustments where applicable are made on a prospective basis. Intangible assets with indefinite lives are carried at cost less any subsequent accumulated impairment losses and are tested for impairment annually by comparing their recoverable amount with their carrying amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(j) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the Group's ordinary course of business are presented as revenue.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset, net off expected credit loss provision from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other revenue" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net gain on financial assets and liabilities at fair value through profit or loss" line item.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment

The Group performs impairment assessment under an ECL model on financial assets (including trade and other receivables, bank deposits, short-term pledged bank deposits and bank balances, cash and cash equivalents, loans and advances to consumer finance customers, mortgage loans, term loans, amounts due from brokers and amounts due from associates) and other items (loan commitments and financial guarantee contracts) which are subject to impairment assessment. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group applies the general approach and measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonably supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in (1) regulatory, economic or technological environments; (2) business or financial conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- financial re-organisation/restructuring entered by the debtors.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due (except for term loans where a longer period of "past due" has been applied by the directors of the Company in view of the nature of the operation of the business and practice in managing the credit risk), unless the Group has reasonable and supportable information that demonstrates otherwise.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(j) Financial instruments *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due (except for term loans where a longer period of "past due" has been applied by the directors of the Company in view of the nature of the operation of the business and practice in managing the credit risk) unless the Group has reasonably supportable information to demonstrate that a more lagging default criterion is more appropriate. In particular, the following qualitative indicators are taken into account in determining the risk of a default occurring:

- probable bankruptcy entered by the borrowers; and
- death of the debtor.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concessions that the lenders would not otherwise consider;
(d) probable bankruptcy or other financial reorganisation entered by the borrower; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off the gross carrying amount of a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate.

A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss with such amounts shown with "Net impairment losses on financial instruments".

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition for financial assets.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

ECL for certain loans and advances to consumer finance customers are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(j) Financial instruments *(Continued)*

(v) Measurement and recognition of ECL (Continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of term loans, trade receivables and other receivables, loans and advances to consumer finance customers and mortgage loans where the corresponding adjustment is recognised through a loss allowance account. For loan commitments and financial guarantee contracts, the loss allowances are recognised as provisions.

(vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(vii) Modification of financial assets

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If a qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

(viii) Fair value measurement principles

Fair values of quoted investments are based on quoted prices. For unlisted securities or financial assets without an active market, the Group establishes the fair value by using appropriate valuation techniques including the use of recent arm's length transactions, reference to other investments that are substantially the same, discounted cash flow analysis and option pricing models.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term time deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses in accordance with Note 3(j)(v).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(l) Financial liabilities

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

(ii) Financial liabilities at amortised cost

Financial liabilities including bank and other borrowings, trade payables, other payables, financial assets sold under repurchase agreements, amounts due to related companies and notes/paper payable are subsequently measured at amortised cost, using the effective interest rate method.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee are measured initially at their fair value. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

(iv) Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements continue to be recognised, (i.e. the repurchase agreements do not result in a derecognition of the financial assets), and are recorded as "financial assets at FVTPL". Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented as "financial liabilities for repurchase agreements" in the consolidated statement of financial position. Financial liabilities for repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(l) Financial liabilities *(Continued)*

Classification as debt or equity *(Continued)*

(v) Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

(m) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity.

Dividend distribution to the Company's owners is recognised as a liability in the period in which the dividends are approved by the Directors or shareholders as appropriate.

Where the shares of the Company ("Awarded Shares") are purchased under the SHK Employee Ownership Scheme, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Employee Ownership Scheme" and deducted from equity. When the Awarded Shares are transferred to the awardees upon vesting, the related costs of the Awarded Shares are eliminated against the employee share-based compensation reserve.

(n) Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

(o) Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(p) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, if it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements as “Other Financial Liabilities”. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(q) Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(r) Taxation

Income tax expenses represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit (loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(r) Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(s) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(s) Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for its intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other gains".

(v) Employee benefits

The Group operates defined contribution retirement schemes, the assets of which are held in independently administrated funds. The Group's contributions to the defined contribution retirement schemes are expensed as the employees have rendered their services entitling them to the contributions and are reduced by contributions forfeited, if applicable, by those employees who leave the schemes prior to vesting fully in the contributions.

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

The Group recognises a liability and an expense for bonuses and profit-sharing, where appropriate, based on approved formulas that take into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies *(Continued)*

(v) Employee benefits *(Continued)*

For the Awarded Shares granted under the SHK Employee Ownership Scheme, the fair value of the employee services received is determined by reference to the fair value of Awarded Shares granted at the grant date and is expensed on a straight-line basis over the vesting period based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimates of the number of Awarded Shares that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

(w) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The group's revenue and other income recognition policies are as follows:

(i) Interest income from financial assets is recognised on a time apportionment basis, taking into account the principal amounts outstanding and the effective interest applicable, which is the rate that discounts the estimated future cash flows through the expected life of the financial asset to that asset's net carrying amount on initial recognition.
(ii) Dividend income from investments is recognised when the owners' right to receive payment has been established.
(iii) Rental income arising on investment properties is accounted for on a straight-line basis over the lease term regardless of when the cash rental payment is received.
(iv) Other service income is recognised over the time or at a point in time when the services are rendered in accordance with contract terms.

4. Key Sources of Estimation Uncertainty

In preparing the consolidated financial statements, the Group has made accounting related estimates based on assumptions about current and, for some estimates, future economic and market conditions and in particular has assumed that the current market conditions as a result of the COVID-19 pandemic is not a long-term norm. Although our estimates and assumptions contemplate current and, as applicable, expected future conditions that the Group considers are relevant and reasonable, including but not limited to the potential impacts to our operations arising from the COVID-19 pandemic and different monetary, fiscal and government policy responses aimed at reviving the economies, it is reasonably possible that actual conditions could differ from our expectations. In particular, a number of estimates have been and will continue to be affected by the ongoing COVID-19 outbreak. The severity, magnitude and duration, as well as the economic consequences of the COVID-19 pandemic, are uncertain, rapidly changing and currently impossible to predict. As a result, our accounting estimates and assumptions may change over time in response to the way in which market conditions develop. In addition, actual results could differ significantly from those estimates and assumptions.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out as follows.

4. Key Sources of Estimation Uncertainty

(Continued)

(a) Fair value of derivatives and financial instruments

As at 31 December 2020, a significant amount of the Group's financial assets, including unlisted preferred and ordinary shares, unlisted preference shares issued by an unlisted company, unlisted overseas equity securities with a put right and unlisted overseas investment funds with carrying amounts at 31 December 2020 of HK$134.5 million, HK$1,174.0 million, HK$635.7 million and HK$9,636.4 million, respectively are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees'/issuers' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 27 to the consolidated financial statements for further disclosures.

(b) Impairment allowances on term loans and mortgage loans

In determining impairment allowances on term loans and mortgage loans, the measurement of ECL requires estimation of the amounts and timing of future cash flows and the assessment of whether have been a significant increase in credit risk.

The estimations and assumptions include:

- the selection of inputs which the Group used in the ECL model including loss given default and probability of default;
- the selection of forward-looking factors and the relative weightings of forward-looking scenarios; and
- the amounts and timing of future cash flows, guarantees and value of the collaterals received from the customers.

The provision of ECL is sensitive to changes in estimates. The estimates would include the amounts and timing of future cash flows, guarantees and collateral values when determining impairment allowances. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group considers reasonably supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. Details of expected credit loss are set out in Note 47(b) to the consolidated financial statements. The information about the ECL and the Group's mortgage loans and term loans are disclosed in Notes 31 and 32 to the consolidated financial statements.

(c) Impairment allowances on loans and advances to consumer finance customers

The ECL for loans and advances to consumer finance customers is assessed individually and/or collectively for the balances which were individually insignificant. The grouping are based on ageing of different consumer finance loan products that have similar loss patterns. In determining the impairment allowances on loans and advances to consumer finance customers, the estimates would include:

- the Company's internal credit risk categories, which assigns probabilities of default to the individual categories;
- the grouping of debtors;
- the selection of forward-looking factors and the relative weightings of forward-looking scenarios; and
- the amounts and timing of future cash flows, guarantees and collateral values when determining impairment allowances.

The provision of ECL is sensitive to changes in estimates and these estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group considers reasonably supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. Details of expected credit loss are set out in Note 47(b) to the consolidated financial statements. The information about the ECL and the Group's loans and advances to consumer finance customers are disclosed in Note 30 to the consolidated financial statements.

5. Other Revenue

(HK$ Million)	**2020**	2019
Service and commission income	**41.5**	55.5
Dividends from listed investments	**21.8**	8.7
Dividends from unlisted investments	**2.1**	2.1
Gross rental income from investment properties	**28.2**	25.4
	93.6	91.7

6. Segment Information

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Inter-segment sales are charged at prevailing market rates.

The main reportable and operating segments presented in these consolidated financial statements are as follows:

(a) Consumer Finance: provision of consumer, SME and other financing.
(b) Specialty Finance: provision of structured and specialty financing.
(c) Mortgage Loans: provision of mortgage loans financing.
(d) Investment Management: portfolio investments.
(e) Group Management and Support: provision of liquidity, supervisory and administrative functions to all business segments.

"Strategic Investments" was previously separately shown and is currently removed and presented in "Specialty Finance" and "Investment Management" segments. The directors of the Company consider that these changes to segment reporting are in line with the changes of internal reporting reviewed by the chief operating decision maker in 2020. The comparative figures for the business segments were re-presented.

Segment assets and liabilities are not presented as they are not regularly reviewed by the chief operating decision maker.

	2020					
	Financing Business					
(HK$ Million)	Consumer Finance	Specialty Finance**	Mortgage Loans	Investment Management**	Group Management and Support	Total
Segment revenue	3,331.0	249.4	302.4	106.8	275.9	4,265.5
Less: inter-segment revenue	–	–	–	–	(208.9)	(208.9)
Segment revenue from external customers	3,331.0	249.4	302.4	106.8	67.0	4,056.6
Segment profit or loss	1,238.5	(123.7)	112.7	2,075.6	(144.7)	3,158.4
Share of results of associates	–	–	–	42.4	–	42.4
Share of results of joint ventures	–	(8.6)	–	8.4	–	(0.2)
Profit (loss) before taxation	1,238.5	(132.3)	112.7	2,126.4	(144.7)	3,200.6
Included in segment profit or loss:						
Interest income	3,309.6	226.9	302.4	57.4	66.7	3,963.0
Other gains	72.4	1.2	1.1	0.7	0.8	76.2
Net (loss) gain on financial assets and liabilities	(0.1)	19.9	–	2,633.6	(99.5)	2,553.9
Net exchange gain	12.9	0.7	–	(14.8)	48.7	47.5
Net impairment (losses) reversal on financial instruments	(769.2)	(300.7)	(25.7)	43.0	–	(1,052.6)
Other losses	(1.8)	–	–	(164.8)	–	(166.6)
Amortisation and depreciation	(120.1)	–	(6.9)	–	(23.0)	(150.0)
Finance costs	(292.8)	(91.1)	(110.2)	–	(503.8)	(997.9)
Less: inter-segment finance costs	–	91.1	99.5	–	–	190.6
Finance costs to external suppliers	(292.8)	–	(10.7)	–	(503.8)	(807.3)
Cost of capital (charges) income*	–	–	–	(395.7)	395.7	–

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

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6. Segment Information *(Continued)*

	2019					
	Financing Business					
(HK$ Million)	Consumer Finance	Specialty Finance**	Mortgage Loans	Investment Management**	Group Management and Support	Total
Segment revenue	3,504.7	340.6	295.6	31.6	273.6	4,446.1
Less: inter-segment revenue	–	–	–	–	(229.3)	(229.3)
Segment revenue from external customers	3,504.7	340.6	295.6	31.6	44.3	4,216.8
Segment profit or loss	1,276.0	64.8	121.4	1,242.2	(11.5)	2,692.9
Share of results of associates	–	–	–	48.6	–	48.6
Share of results of joint ventures	–	1.9	–	–	–	1.9
Profit (loss) before taxation	1,276.0	66.7	121.4	1,290.8	(11.5)	2,743.4
Included in segment profit or loss:						
Interest income	3,480.7	305.2	295.2	–	44.0	4,125.1
Other gains (losses)	20.1	–	0.3	3.1	(9.0)	14.5
Net (loss) gain on financial assets and liabilities	–	(0.7)	–	1,799.8	8.6	1,807.7
Net exchange gain	0.9	–	–	48.4	33.2	82.5
Net impairment losses on financial instruments	(803.9)	(159.9)	(12.0)	(48.6)	–	(1,024.4)
Other losses	(1.1)	–	–	(177.9)	–	(179.0)
Amortisation and depreciation	(116.9)	–	(3.5)	–	(11.9)	(132.3)
Finance costs	(321.1)	(111.5)	(119.1)	–	(439.7)	(991.4)
Less: inter-segment finance costs	–	111.5	102.2	–	–	213.7
Finance costs to external suppliers	(321.1)	–	(16.9)	–	(439.7)	(777.7)
Cost of capital (charges) income *	–	–	–	(319.6)	319.6	–

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

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

The geographical information of revenue and non-current assets are disclosed as follows:

(HK$ Million)	**2020**	2019
Revenue from external customers by location of operations		
– Hong Kong	**3,303.7**	3,338.5
– Mainland China	**752.9**	878.3
	4,056.6	4,216.8

(HK$ Million)	**31/12/2020**	31/12/2019
Non-current assets other than interests in associates and joint ventures, financial assets and deferred tax assets by location of assets		
– Hong Kong	**4,815.8**	4,619.8
– Mainland China	**508.8**	472.6
	5,324.6	5,092.4

7. Other Gains

(HK$ Million)	**2020**	2019
Net gain on disposal of subsidiaries	**1.2**	–
Miscellaneous income	**18.0**	14.5
Government grants on Employment Support Scheme	**36.1**	–
Other government grants in the People's Republic of China (the "PRC")	**20.9**	–
	76.2	14.5

During the current year, the Group recognised government grants of HK$57.0 million in respect of COVID-19-related subsidies, of which HK$36.1 million relates to Employment Support Scheme provided by the Hong Kong government and HK$20.9 million mainly relates to social security contributions subsidised by the PRC government. There were no unfulfilled conditions and other contingencies attached to these grants.

8. Emoluments of Directors and Senior Employees

(a) Directors

(HK$ Million)	2020 Director's fees	Consultancy fees	Salaries, housing and other allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit scheme	Total
Executive Directors						
Lee Seng Huang (Group Executive Chairman)	**0.02**	**–**	**11.81**	**88.00**[2]	**0.39**	**100.22**
Simon Chow Wing Charn[1]	**0.02**	**–**	**2.99**	**4.20**[3]	**–**	**7.21**
Non-Executive Directors						
Jonathan Andrew Cimino	**0.02**	**–**	**–**	**–**	**–**	**0.02**
Peter Anthony Curry	**0.02**	**0.25**	**–**	**–**	**–**	**0.27**
Independent Non-Executive Directors						
David Craig Bartlett	**0.02**	**0.25**	**–**	**–**	**–**	**0.27**
Alan Stephen Jones	**0.02**	**0.32**	**–**	**–**	**–**	**0.34**
Jacqueline Alee Leung	**0.02**	**0.25**	**–**	**–**	**–**	**0.27**
Evan Au Yang Chi Chun	**0.02**	**0.25**	**–**	**–**	**–**	**0.27**
	0.16	**1.32**	**14.80**	**92.20**	**0.39**	**108.87**

1 No shares vested during 2020 (2019: 1,498,000 shares).

2 The amount represents an actual cash bonus of HK$88.00 million for the year 2020 (2019: HK$49.00 million).

3 The amount represents a cash bonus for the year 2020 of HK$6.00 million (2019: HK$5.50 million), 70% of which to be paid in 2021, and 30% of which amount (i.e. HK$1.80 million cash) is deferred and to be vested by June 2022.

The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were for their services as a director of the Company.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Bonuses, which are recommended by the remuneration committee and subsequently approved by the Board of Directors, are discretionary and are determined by reference to the Group's and the individuals' performance.

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8. Emoluments of Directors and Senior Employees *(Continued)*

	2019					
(HK$ Million)	Director's fees	Consultancy fees	Salaries, housing and other allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit scheme	Total
Executive Directors						
Lee Seng Huang (Group Executive Chairman)	0.02	–	9.48	49.00[2]	0.39	58.89
Simon Chow Wing Charn[1]	0.02	–	3.02	5.50[3]	0.15	8.69
Non-Executive Directors						
Jonathan Andrew Cimino	0.02	–	–	–	–	0.02
Peter Anthony Curry	0.02	0.23	–	–	–	0.25
Independent Non-Executive Directors						
David Craig Bartlett	0.02	0.23	–	–	–	0.25
Alan Stephen Jones	0.02	0.29	–	–	–	0.31
Jacqueline Alee Leung	0.02	0.23	–	–	–	0.25
Evan Au Yang Chi Chun	0.02	0.23	–	–	–	0.25
Peter Wong Man Kong[4]	0.02	0.06	–	–	–	0.08
	0.18	1.27	12.50	54.50	0.54	68.99

1 1,498,000 shares vested during 2019.

2 The amount represents an actual cash bonus of HK$49.00 million for the year 2019.

3 The amount represents an actual cash bonus of HK$5.50 million for the year 2019.

4 In 2019, the director's fee and consultancy fee in the amount of HK$20,000 and HK$57,500 respectively were paid to the late Mr. Peter Wong Man Kong, an Independent Non-Executive Director of the Company. He was deceased on 11 March 2019.

(b) Highest paid individuals

The five highest paid individuals of the Group include two Directors (2019: two Directors) of the Company. The emoluments of the remaining three (2019: three) highest paid individuals are analysed below:

(HK$ Million)	**2020**	2019
Salaries, housing and other allowances, and benefits in kind	**14.9**	15.4
Bonuses	**20.9**	19.3
Contributions to retirement benefit scheme	**1.4**	1.5
	37.2	36.2

The above emoluments of the highest paid individual were within the following bands:

	Number of employees	
Emoluments band (HK$)	**2020**	2019
$4,500,001 – $5,000,000	**–**	1
$5,500,001 – $6,000,000	**1**	–
$6,000,001 – $6,500,000	**–**	1
$6,500,001 – $7,000,000	**1**	–
$24,000,001 – $25,000,000	**1**	–
$25,000,001 – $25,500,000	**–**	1

8. Emoluments of Directors and Senior Employees *(Continued)*

(c) Senior Management

The emoluments of senior management (as described in Profiles of Directors and Senior Management section) were within the following bands:

	Number of employees	
Emoluments band (HK$)	**2020**	2019
$1,000,001 – $1,500,000	**1**	–
$3,000,001 – $3,500,000	**–**	1
$3,500,001 – $4,000,000	**3**	1
$4,000,001 – $4,500,000	**–**	1
$24,000,001 – $25,000,000	**1**	–
$25,000,001 – $25,500,000	**–**	1

157,000 shares (2019: Nil) were vested and 528,000 shares (2019: 471,000 shares) were granted for our senior management during year 2020. No dividend payments were paid to senior management during the year (2019: Nil).

9. Information About Material Interests of Directors in Transactions, Arrangements or Contracts

Except for the loan to a deceased independent non-executive director as disclosed in the relevant section of the Directors' Report, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which the Directors or an entity connected with the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

10. Employee Benefits

(a) Retirement Benefit Scheme

The principal retirement benefit schemes operated by the Group related to defined contribution schemes for the Hong Kong and overseas offices' qualifying employees.

The employees of the Company's subsidiaries established in People's Republic of China (the "PRC") are members of state-managed retirement benefit schemes operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

Expenses recognised in profit or loss for the contributions to retirement benefit schemes for the current year amounted to HK$59.7 million (2019: HK$64.0 million). The amount of forfeited contributions utilised in the course of the year ended 31 December 2020 was HK$0.34 million (2019: HK$0.25 million).

(b) SHK Employee Ownership Scheme ("EOS")

Under the EOS, which was formally adopted on 18 December 2007, selected employees or directors of the Group (the "Selected Grantees") were awarded shares in the Company. Following management's recommendation, shares were granted to the Selected Grantees subject to various terms including, amongst other things, the vesting scale whereby awarded shares will vest and become unrestricted in various vesting periods.

During the year, 5.3 million shares (2019: 1.8 million shares) of the Company were awarded to Selected Grantees under the EOS. The fair value of the services rendered (by reference to the market value of awarded shares at grant dates) as consideration of the shares awarded during the year was HK$17.5 million (2019: HK$7.1 million) which will be amortised to profit or loss during the vesting period. The amount expensed during the year in respect of shares awarded under the EOS was HK$7.4 million (2019: HK$9.7 million).

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11. Profit Before Taxation

(HK$ Million)	**2020**	2019
Profit before taxation for the year has been arrived at after charging:		
Administrative expenses (Note a)	**(1,274.3)**	(1,152.1)
Outgoings in respect of rental-generating investment properties	**(0.1)**	(0.3)
Other losses (Note b)	**(166.6)**	(179.0)
Share of taxation of associates and joint ventures included in share of results of associates and joint ventures	**(11.3)**	(4.6)
(a) Analysis of administrative expenses:		
Staff costs (including Directors' emoluments)	**(785.7)**	(701.9)
Contributions to retirement benefit schemes	**(59.7)**	(64.0)
Expenses recognised for the SHK Employee Ownership Scheme	**(7.4)**	(9.7)
Total staff costs	**(852.8)**	(775.6)
Auditors' remuneration	**(6.9)**	(4.8)
Depreciation of property and equipment	**(44.4)**	(45.9)
Depreciation of right-of-use assets	**(103.7)**	(84.5)
Amortisation of intangible assets – computer software	**(1.9)**	(1.9)
Payments for short-term leases and leases of low-value assets	**(8.5)**	(28.1)
Other administrative expenses	**(256.1)**	(211.3)
	(1,274.3)	(1,152.1)
(b) Analysis of other losses:		
Net loss on disposal/write-off of equipment	**(0.1)**	(0.9)
Impairment loss on interest in an associate*	**(3.2)**	(135.9)
Decrease in fair value of investment properties	**(163.3)**	(42.2)
	(166.6)	(179.0)

* The Group disposed of 70% interest in a wholly-owned subsidiary Sun Hung Kai Financial Group Limited ("SHKFGL") in June 2015 and classified the remaining 30% equity interest as an associate up to 16 November 2020. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. As part of the disposal, the Group was awarded a put right on the 30% equity interest of SHKFGL. This put right recorded a valuation gain during the period of HK$70.3 million (2019: HK$267.0 million) classified under net gain on financial assets and liabilities at fair value through profit or loss. During the year, an impairment loss in the investment in SHKFGL of HK$3.2 million (2019: HK$135.9 million) was recognised.

On 17 November 2020, the Group exercised the put option on SHKFGL at the consideration of HK$1,257.1 million in cash and HK$1,156.0 million in SHKFGL preference shares. Further details on the transaction are disclosed in Note 25 to the consolidated financial statements.

12. Net Gain on Financial Assets and Liabilities at Fair Value Through Profit or Loss

The following is an analysis of the net gain on financial assets and liabilities at fair value through profit or loss:

(HK$ Million)	**2020**	2019
Net realised and unrealised (loss) gain on financial assets and liabilities		
– Held for trading	**(49.1)**	627.0
– Financial assets at fair value through profit or loss	**2,603.0**	1,180.7
	2,553.9	1,807.7

13. Net Impairment Losses on Financial Instruments

(HK$ Million)	**2020**	2019
Loans and advances to consumer finance customers		
– Net impairment losses	**(991.1)**	(999.2)
– Recoveries of amounts previously written off	**221.7**	195.1
	(769.4)	(804.1)
Mortgage loans		
– Net impairment losses	**(25.7)**	(12.0)
	(25.7)	(12.0)
Term loans		
– Net impairment losses	**(301.1)**	(160.6)
	(301.1)	(160.6)
Amounts due from associates		
– Net impairment losses	**(2.1)**	(0.4)
	(2.1)	(0.4)
Trade and other receivables		
– Net reversal (recognition) of impairment losses	**45.4**	(47.6)
– Recoveries of amounts previously written off	**0.3**	0.3
	45.7	(47.3)
	(1,052.6)	(1,024.4)

14. Finance Costs

(HK$ Million)	2020	2019
Interest on the following liabilities		
– Bank loans	**(335.8)**	(355.6)
– Notes/paper payable	**(434.0)**	(385.4)
	(769.8)	(741.0)
Other borrowing costs	**(30.4)**	(31.2)
Interest on lease liabilities	**(7.1)**	(5.5)
	(807.3)	(777.7)

All finance costs were derived from financial liabilities not at fair value through profit or loss for both years.

15. Taxation

(HK$ Million)	2020	2019
Current tax		
– Hong Kong	**(228.9)**	(250.0)
– PRC	**(13.1)**	(73.9)
	(242.0)	(323.9)
(Under) over provision in prior years	**(1.9)**	0.1
	(243.9)	(323.8)
Deferred tax	**(27.8)**	95.0
	(271.7)	(228.8)

Hong Kong profits tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2019: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

(HK$ Million)	2020	2019
Profit before taxation	**3,200.6**	2,743.4
Less: Share of results of associates	**(42.4)**	(48.6)
Share of results of joint ventures	**0.2**	(1.9)
	3,158.4	2,692.9
Tax at the Hong Kong profits tax rate of 16.5% (2019: 16.5%)	**(521.1)**	(444.3)
(Under) over provision in prior years	**(1.9)**	0.1
Tax effect of non-taxable income	**527.6**	374.6
Tax effect of non-deductible expenses	**(201.1)**	(117.3)
Tax effect of unrecognised deductible temporary difference and tax losses	**(34.3)**	(28.9)
Write-off of deferred tax assets previously recognised (Note)	**(23.7)**	–
Countries subject to different tax rates	**(17.2)**	(13.0)
	(271.7)	(228.8)

Note: Amount mainly represented the write-off of deductible temporary differences of a PRC subsidiary after taking into account the availability of its taxable profits projected over the next five years against which the deductible temporary differences can be utilised.

Deferred tax recognised in other comprehensive income during the year was immaterial (2019: immaterial).

16. Dividends

(HK$ Million)	2020	2019
The aggregate amount of dividends declared and proposed:		
– 2020 interim dividend paid of HK12 cents (2019: HK12 cents) per share	**238.7**	240.3
– 2020 second interim dividend of HK14 cents per share declared after the reporting date (2019: 2019 second interim dividend of HK14 cents per share)	**277.5**	279.4
	516.2	519.7
Dividends recognised as distribution during the year:		
– 2019 second interim dividend paid of HK14 cents (2019: 2018 second interim dividend paid of HK14 cents) per share	**279.1**	280.7
– 2020 interim dividend paid of HK12 cents (2019: HK12 cents) per share	**238.7**	240.3
	517.8	521.0

17. Earnings Per Share

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

(HK$ Million)	2020	2019
Earnings for the purposes of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	**2,547.7**	2,085.2
Number of shares (in million)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,985.3**	1,997.2
Effect of dilutive potential ordinary shares:		
– Impact of contingently issuable shares under the SHK Employee Ownership Scheme	**4.5**	3.2
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,989.8**	2,000.4

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18. Investment Properties

(HK$ Million)	Hong Kong	PRC	Total
At 1 January 2019	1,310.0	50.9	1,360.9
Exchange adjustments	–	(0.8)	(0.8)
Transfer to property and equipment	–	(5.4)	(5.4)
Change in fair value recognised in profit or loss	(42.0)	(0.2)	(42.2)
At 31 December 2019	**1,268.0**	**44.5**	**1,312.5**
Exchange adjustments	**–**	**2.6**	**2.6**
Additions	**124.7**	**–**	**124.7**
Change in fair value recognised in profit or loss	**(161.7)**	**(1.6)**	**(163.3)**
At 31 December 2020	**1,231.0**	**45.5**	**1,276.5**
Unrealised gains or losses for the year included in profit or loss			
– For 2020	**(161.7)**	**(1.6)**	**(163.3)**
– For 2019	(42.0)	(0.2)	(42.2)

The Group leases out investment property under operating leases with rentals payable monthly or quarterly. The lease typically run for an initial period of 2 to 6 years (2019: 3 to 6 years), with the option to renew the lease after that date at which time all terms are renegotiated. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend. None of the leases includes variable lease payments and minimum annual lease payments are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective function currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

In determining the fair value of the investment properties, the management of the Group has formed a valuation working group to determine the appropriate valuation techniques and inputs for fair value measurements with the assistance of an independent qualified professional valuer.

The valuation working group works closely with the independent qualified professional valuer to establish the appropriate valuation techniques and inputs to the valuation model, and analyses changes in fair value measurements from period to period.

The fair value of the Group's investment properties at the reporting date have been arrived on the basis of a valuation carried out by Norton Appraisals Holdings Limited, an independent qualified professional valuer, not connected with the Group. The fair value was grouped under Level 3. The Group considers that the current use of the properties is to be the highest and best use. The following table provides further information regarding the valuation.

			Input values	
	Valuation technique	**Unobservable inputs**	**31/12/2020**	31/12/2019
Hong Kong	Investment method	Term yield	**2%**	2%
		Reversionary yield	**2.1% to 2.25%**	2.1%
		Monthly market unit rent per gross floor area (sq. ft.)	**HK$32 to HK$56**	HK$51 to HK$66
PRC	Investment method	Term yield	**4.50% to 5.50%**	4.25%
		Reversionary yield	**5% to 6%**	4.75%
		Monthly market unit rent per gross floor area (sq. m.)	**RMB28 to RMB35**	RMB28 to RMB34

An increase in market unit rent would result in an increase in fair value of the investment properties while an increase in term yield and reversionary yield would result in a decrease in fair value of the investment properties. The Group believes that reasonably possible changes in the input values would not cause significant change in fair value of the investment properties. There was no change in the valuation technique during the year.

18. Investment Properties *(Continued)*

Particulars of the investment properties at 31 December 2020 were as follows:

Location	Classification	Term of lease
20–1, 20–2, 20–3, 20–4, 19–1, 19–2,19–3 & 19–4 in Block 2 of No. 101 building, Cuibai Road, Chunhuilu Street, Dadukou District, Chongqing, the PRC	Industrial	2061
Units 1001–1010 in Block 2–2 of Phase II of Tianjin Tian An Cyberpark, Zhangjiawo, Xiqing District, Tianjin, the PRC	Industrial	2060
2201, 2201A and 2202, 22/F, Tower I, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053
4/F, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053
8/F, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053
11/F, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong	Commercial	2053
Duplex A on 37/F and 38/F and residential parking space no 607 and 608 on 6/F, The Westminster Terrace, 2A Yau Lai Road, Tsuen Wan, New Territories	Residential	2056
Duplex B on 38/F and 39/F and residential parking space no 613, 615, 616 and 626 on 6/F, The Westminster Terrace, 2A Yau Lai Road, Tsuen Wan, New Territories	Residential	2056

At the end of the reporting period, investment properties with a total carrying value of HK$946.0 million (31/12/2019: HK$1,087.0 million) were pledged as security for the Group's banking facilities.

19. Property and Equipment

(HK$ Million)	Property	Furniture and equipment	Total
Cost			
At 1 January 2019	318.2	424.7	742.9
Exchange adjustments	(5.7)	(3.6)	(9.3)
Transfer from investment properties	5.4	–	5.4
Transfer to right-of-use-assets	–	(2.0)	(2.0)
Additions	–	13.5	13.5
Disposals/write-off	–	(12.3)	(12.3)
At 31 December 2019	**317.9**	**420.3**	**738.2**
Exchange adjustments	**18.8**	**12.1**	**30.9**
Additions	**–**	**87.5**	**87.5**
Disposals/write-off	**–**	**(14.0)**	**(14.0)**
At 31 December 2020	**336.7**	**505.9**	**842.6**
Accumulated depreciation and impairment			
At 1 January 2019	46.6	285.6	332.2
Exchange adjustments	(1.0)	(3.0)	(4.0)
Transfer to right-of-use assets	–	(2.0)	(2.0)
Depreciation provided for the year	9.3	36.6	45.9
Eliminated on disposals/write-off	–	(11.1)	(11.1)
At 31 December 2019	**54.9**	**306.1**	**361.0**
Exchange adjustments	**3.8**	**10.7**	**14.5**
Depreciation provided for the year	**9.1**	**35.3**	**44.4**
Eliminated on disposals/write-off	**–**	**(13.8)**	**(13.8)**
At 31 December 2020	**67.8**	**338.3**	**406.1**
Carrying amount			
At 31 December 2020	**268.9**	**167.6**	**436.5**
At 31 December 2019	263.0	114.2	377.2

The useful lives of the properties are same as the remaining term of the leases that are ranging from 23 to 32 years. The useful lives of the furniture and equipment are ranging from 3 to 10 years.

20. Right-of-Use Assets

(HK$ Million)	Total
At 1 January 2019	148.3
Additions	62.4
Depreciation provided for the year	(84.5)
Exchange adjustments	(0.7)
At 31 December 2019	**125.5**
Additions	**301.1**
Depreciation provided for the year	**(103.7)**
Exchange adjustments	**1.3**
Lease modification	**(1.0)**
At 31 December 2020	**323.2**
Carrying amount at 31 December 2020	**323.2**
Carrying amount at 31 December 2019	125.5

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

	31/12/2020	31/12/2019
Leasehold land	**44.5 years**	44.5 years
Office and retail shops	**6.4 years**	2.3 years
Equipment	**4.5 years**	–

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

(HK$ Million)	**31/12/2020**	31/12/2019
Net carrying amount		
– Leasehold land	**4.1**	4.0
– Office and retail shops	**317.0**	121.5
– Equipment	**2.1**	–

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

(HK$ Million)	**2020**	2019
Amount recognised in profit or loss		
– Depreciation expenses of right-of-use assets		
– Leasehold land	**0.1**	0.1
– Office and retail shops	**103.3**	84.4
– Equipment	**0.3**	–
– Interest expense of lease liabilities	**7.1**	5.5
– Expense relating to short-term leases and leases of low-value assets	**8.5**	28.1

During the year, additions to right-of-use assets were HK$301.1 million (2019: HK$62.4 million) and the total cash outflow for leases amounted to HK$112.5 million (2019: HK$111.2 million).

The Group has extension options in a number of leases for outlets (2019: Nil). These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise is summarised below:

(HK$ Million)	**Lease liabilities recognised as at 31/12/2020**	**Potential future lease payments not included in lease liabilities (undiscounted) 31/12/2020**	Lease liabilities recognised as at 31/12/2019	Potential future lease payments not included in lease liabilities (undiscounted) 31/12/2019
Retail shops – Hong Kong	**4.0**	**7.6**	–	–

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year, there is no such triggering event.

Restrictions or covenants on lease

In addition, lease liabilities of HK$312.7 million (2019: HK$117.7 million) are recognised with related right-of-use assets of HK$323.2 million (2019: HK$125.5 million) as at 31 December 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

21. Intangible Assets

(HK$ Million)	Club membership	Computer software	Trade mark	Customer relationship	Web domain	Total
Cost						
At 1 January 2019	12.2	17.8	875.0	1,154.0	78.0	2,137.0
Exchange adjustments	–	(0.3)	–	–	–	(0.3)
Additions	5.0	–	–	–	–	5.0
At 31 December 2019	**17.2**	**17.5**	**875.0**	**1,154.0**	**78.0**	**2,141.7**
Exchange adjustments	**–**	**1.7**	**–**	**–**	**–**	**1.7**
Additions	**–**	**12.0**	**–**	**–**	**–**	**12.0**
At 31 December 2020	**17.2**	**31.2**	**875.0**	**1,154.0**	**78.0**	**2,155.4**
Accumulated amortisation and impairment						
At 1 January 2019	1.0	6.8	7.0	1,154.0	78.0	1,246.8
Exchange adjustments	–	(0.2)	–	–	–	(0.2)
Amortisation charged for the year	–	1.9	–	–	–	1.9
At 31 December 2019	**1.0**	**8.5**	**7.0**	**1,154.0**	**78.0**	**1,248.5**
Exchange adjustments	**–**	**0.6**	**–**	**–**	**–**	**0.6**
Amortisation charged for the year	**–**	**1.9**	**–**	**–**	**–**	**1.9**
At 31 December 2020	**1.0**	**11.0**	**7.0**	**1,154.0**	**78.0**	**1,251.0**
Carrying amount						
At 31 December 2020	**16.2**	**20.2**	**868.0**	**–**	**–**	**904.4**
At 31 December 2019	16.2	9.0	868.0	–	–	893.2

The directors of the Company consider the economic life of the trademark held by UAF is indefinite:

– trademark can be renewed without the consent of a third party and is renewable at the Group's sole discretion;

– the conditions necessary to obtain renewal will be satisfied;

– the cost to UAF of renewal is not significant when compared with the future economic benefits expect to flow to UAF from renewal. Management intend to renew infinitely and market indicators support cash inflows for an indefinite period.

Other than the club membership and the trade mark, which have indefinite useful lives, the intangible assets are amortised on a straight-line basis over the following periods:

Acquired computer software	3–5 years
Customer relationship	5.4 years
Web domain	10 years

22. Goodwill

(HK$ Million)	**31/12/2020**	31/12/2019
Cost		
At 1 January and 31 December	**2,384.0**	2,384.0

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23. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives

For impairment testing, goodwill and intangible assets with indefinite useful lives at 31 December 2020 were allocated as follows:

	Goodwill		Trade Mark	
(HK$ Million)	**31/12/2020**	31/12/2019	**31/12/2020**	31/12/2019
United Asia Finance Limited ("UAF") in "Consumer Finance" segment	**2,384.0**	2,384.0	**868.0**	868.0

The recoverable amount of UAF, a cash-generating unit, represents the value in use at 31 December 2020 based on a business valuation report on the UAF group prepared by an independent qualified professional valuer, Norton Appraisals Holdings Limited. The valuation used the discounted cash flow approach and is based on a five-year performance projection and certain key assumptions (updated with latest market data as at year end date) including an average growth rate of 9.2% on the profit before tax from 2021 to 2025 (2019: 10.9% from 2020 to 2024), a sustainable growth rate of 2.3% beyond 2025 (2019: 2.3% beyond 2024), and a discount rate of 16.4% (2019: 15.8%). The recoverable amount of UAF was determined to be in excess of its net carrying amount.

The management believes that any reasonably possible changes in any of the above assumptions would not cause the carrying amount of UAF to exceed its recoverable amount.

24. Interest in Subsidiaries

The consolidated profit or loss allocated to non-controlling interests during the year and the accumulated non-controlling interests in the consolidated statement of financial position as at 31 December 2020 are as follows:

	Profit or loss allocated to non-controlling interests		Accumulated non-controlling interests	
(HK$ Million)	**2020**	2019	**31/12/2020**	31/12/2019
United Asia Finance Limited and its subsidiaries	**373.9**	421.6	**3,297.8**	3,172.8
Other subsidiaries having non-controlling interests	**7.3**	7.8	**29.3**	22.1
	381.2	429.4	**3,327.1**	3,194.9

The following tables provide summarised financial information of material subsidiaries that have non-controlling interests. The information is before inter-company eliminations.

	United Asia Finance Limited and its subsidiaries	
(HK$ Million)	**31/12/2020**	31/12/2019
Current assets	**10,310.2***	10,635.7*
Non-current assets	**4,380.8#**	4,030.5#
Current liabilities	**(4,372.6)**	(4,588.4)
Non-current liabilities	**(2,393.7)**	(2,476.1)

(HK$ Million)	**2020**	2019
Dividend paid to non-controlling interests	**372.3**	375.9
Revenue	**3,309.8**	3,480.9
Profit for the year	**1,002.6**	1,061.1
Total comprehensive income for the year	**1,322.3**	963.1
Net change in cash and cash equivalents during the year	**(176.1)**	152.1

* Including loans and advances to consumer finance customers of HK$7,474.8 million (31/12/2019: HK$7,643.0 million)

\# Including loans and advances to consumer finance customers of HK$3,088.9 million (31/12/2019: HK$2,770.5 million)

24. Interest in Subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries at 31 December 2020 were as follows:

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2020	2019	Principal activities
Shares held directly:					
Boneast Assets Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Creative Isle Limited	British Virgin Islands	US$1	**100%**	–	Investment holding
Shipshape Investments Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Sun Hung Kai (ECP) Limited	British Virgin Islands (place of operation: Hong Kong)	US$1	**100%**	100%	Financing
Sun Hung Kai & Co. (RE I) Limited (formerly known as Sun Hung Kai & Co. (CP) Limited)	British Virgin Islands	US$1	**100%**	100%	Investment holding
Sun Hung Kai & Co. (BVI) Limited	British Virgin Islands (place of operation: Hong Kong)	US$1	**100%**	100%	Financing
Sun Hung Kai Capital Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Sun Hung Kai & Co. (Treasury) Limited	Hong Kong	HK$1	**100%**	–	Provision of intra-group financing service
Swan Islands Limited	British Virgin Islands	US$503,000,001	**100%**	100%	Investment holding
Wah Cheong Development Company, Limited	Hong Kong	HK$25,100,000	**100%**	100%	Investment holding
Ranbridge Finance Limited	Hong Kong	HK$20,000,000	**100%**	100%	Asset holding
Razorway Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Upper Selection Investments Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Shares held indirectly:					
Abbey Dale Ventures Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Abundant Bay Limited	British Virgin Islands	US$1	**100%**	–	Investment holding
Admiralty Eight Limited	Hong Kong	HK$1	**100%**	100%	Property investment
Admiralty Eleven Limited	Hong Kong	HK$1	**100%**	100%	Property investment
Bevendean Ventures Limited	British Virgin Islands	US$1	**100%**	–	Investment holding
Bronwood Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Champion Base Properties Limited	Hong Kong	HK$1	**100%**	–	Property investment
Champstar Investments Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding, securities trading and financial services
Chelvey International Limited	British Virgin Islands	US$1	**100%**	–	Investment holding
Dagenham Investments Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Easy Capital Investments Limited	British Virgin Islands	US$1	**63%**	63%	Investment holding
Earnest Finance Limited	British Virgin Islands	HK$100	**63%**	63%	Investment holding
First Asian Holdings Limited	Hong Kong	HK$2	**63%**	63%	Investment holding
Future Isle Limited	British Virgin Islands	US$1	**100%**	–	Investment holding
Itso Limited	Hong Kong	HK$2	**100%**	100%	Investment holding and provision of loan finance
Kennedy (Nominees) Limited	Hong Kong	HK$10,000	**100%**	100%	Provision of nominee services
MCIP CI I Limited (formerly known as SHK Capital CI Limited)	Cayman Islands	US$1	**100%**	–	Investment holding
MCIP GP I Limited (formerly known as SHK Capital GP Limited)	Cayman Islands	US$1	**100%**	–	General partner
Multiple Capital Investment Partners (Australia) Pty Ltd.	Australia	A$10	**100%**	–	Fund management

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24. Interest in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2020	2019	Principal activities
Multiple Capital Investment Partners (Singapore) Pte. Ltd. (formerly known as Sun Hung Kai Capital Pte. Ltd.)	Singapore	S$10,000 (2019: S$1)	**100%**	100%	Fund management
Multiple Capital Real Estate Debt Holdco Limited	Cayman Islands	US$1	**100%**	–	Investment holding
Multiple Capital Real Estate Debt I, L.P. (formerly known as SHK Capital Partners I, L.P.)	Cayman Islands	US$1	**100%**	–	Limited partnership
Oakfame Investment Limited	Hong Kong	HK$2	**100%**	100%	Investment holding
Onspeed Investments Limited	British Virgin Islands	US$1	**63%**	63%	Investment holding
Paignton Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Plentiwind Limited	Hong Kong	HK$15,000,002	**100%**	100%	Investment holding
Rich Century International Investments Limited	Hong Kong	HK$1	**100%**	–	Property investment
Rossworth Global Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Rodril Investments Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Scienter Investments Limited	Hong Kong	HK$20	**100%**	100%	Investment holding and provision of loan finance
SHK Bullion Company Limited	Hong Kong	HK$10,000	**100%**	100%	Investment holding
SHK Asian Opportunities Holdings Limited	Cayman Islands	US$10,000	**95%**	95%	Investment holding
SHK Asset Management Holding Limited	British Virgin Islands	US$3,400,001	**100%**	100%	Investment holding
SHK Investment Company One Limited	British Virgin Islands	US$1	**100%**	–	Asset management
SHK Investments (HK) Limited	Hong Kong	HK$10,000	**100%**	100%	Investment portfolio
SHK Finance Limited	Hong Kong	HK$150,000,000	**63%**	63%	Money lending
SHK Fund Management Global Unconstrained Credit Master Fund	Cayman Islands				Investment fund
– management shares		1,000 US$1 shares	**100%**	–	
SHK Fund Management Global Unconstrained Credit Offshore Fund	Cayman Islands				Investment fund
– management shares		1,000 US$1 shares	**100%**	–	
SHK International Limited	Hong Kong	HK$10,000	**100%**	100%	Investment holding
SHK Investment Services Limited	Hong Kong	HK$1,000,000	**100%**	100%	Asset holding
SHK Pearl River Delta Investment Company Limited	Hong Kong	Issued share capital: HK$100,000,000 Paid up share capital: HK$75,000,000.5	**100%**	100%	Provision of loan finance
SHK Securities Limited	Hong Kong	HK$20	**100%**	100%	Asset holding
Silver International Development Limited	British Virgin Islands	US$1	**100%**	–	Investment holding
South Isle International Limited	British Virgin Islands	US$1	**100%**	–	Investment holding
Star Flourish Investments Limited	British Virgin Islands	US$1	**100%**	–	Investment holding
Sun Hung Kai (China) Investment Management Company Limited	People's Republic of China	RMB50,000,000	**100%**	100%	Corporate marketing and investment consultancy
Sun Hung Kai Capital (UK) Limited	United Kingdom	GBP1	**100%**	–	Investment holding
Sun Hung Kai Capital Partners Limited	Hong Kong	HK$1	**100%**	–	Fund management
Sun Hung Kai Credit Limited	Hong Kong	HK$800,000,000	**92%**	92%	Mortgage financing
Sun Hung Kai Fintech Capital Limited	Hong Kong	HK$3,000,000	**100%**	100%	Investment holding
Sun Hung Kai Global Opportunities Fund	Cayman Islands				Investment fund
– Management shares		1,000 US$1 shares	**100%**	100%	
– Participating shares		7,392.805 US$0.001 shares	**100%**	100%	
– Class B6 participating shares		50,691.45207 (2019: 231,207.6044) US$0.001 shares	**100%**	100%	
Sun Hung Kai Securities (Overseas) Limited	Hong Kong	HK$60,000	**100%**	100%	Investment holding

24. Interest in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2020	2019	Principal activities
Sun Hung Kai Strategic Capital Limited	Hong Kong	HK$2	**100%**	100%	Investment holding, securities trading and financial services
Sun Hung Kai Structured Finance Limited	Hong Kong	HK$137,500,000	**100%**	100%	Investment holding and provision of loan finance
Sun Hung Kai Venture Capital Limited	Hong Kong	HK$2	**100%**	100%	Investment holding
Swanwick Global Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Top Asia Finance Limited	Hong Kong	HK$1	**100%**	100%	Inactive
Top Progress Investments Limited	British Virgin Islands	US$50,000	**63%**	63%	Investment holding
Texgulf Limited	Hong Kong	HK$20	**100%**	100%	Property investment
Treasure Rider Limited	Cayman Islands	US$19,800	**92%**	92%	Investment holding
Tung Wo Investment Company, Limited	Hong Kong	HK$10,000	**100%**	100%	Investment holding
United Asia Finance Limited	Hong Kong	HK$1,502,218,417.8	**63%**	63%	Consumer financing
UA Finance Limited	Hong Kong	HK$1	**63%**	63%	Inactive
UA Finance (BVI) Limited	British Virgin Islands	US$1	**63%**	63%	Financing
UA Finance (China) Limited	Hong Kong	HK$1	**63%**	63%	Inactive
UAF Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Wineur Secretaries Limited	Hong Kong	HK$2	**100%**	100%	Secretarial services
Yee Li Ko Investment Limited	Hong Kong	HK$58,330,000	**100%**	100%	Property investment
Zeal Goal International Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
新鴻基控股(澳門)有限公司	Macau	MOP25,000	**100%**	–	Inactive
上海浦東新區亞聯財小額貸款有限公司 United Asia Finance (ShanghaiPudong) Limited# (a)	People's Republic of China	RMB200,000,000	**44%**	44%	Money lending
大連保税區亞聯財小額貸款有限公司 United Asia Finance (DaLian F.T.Z) Limited (b)	People's Republic of China	US$36,000,000	**63%**	63%	Money lending
天津亞聯財小額貸款有限公司 United Asia Finance (Tianjin) Limited (b)	People's Republic of China	HK$130,000,000	**63%**	63%	Money lending
北京亞聯財小額貸款有限公司 United Asia Finance (Beijing) Limited# (a)	People's Republic of China	RMB200,000,000	**50%**	50%	Money lending
成都亞聯財小額貸款有限公司 United Asia Finance (Chengdu) Limited (b)	People's Republic of China	HK$230,000,000	**63%**	63%	Money lending
成都亞聯財經濟信息諮詢有限公司 UA Financial Consultancy (Chengdu) Limited (c)	People's Republic of China	RMB1,000,000	**63%**	63%	Financial consultancy
亞洲第一信息諮詢(深圳)有限公司 First Asian Financial Consultancy (Shenzhen) Limited (b)	People's Republic of China	RMB50,000,000	**63%**	63%	Financial consultancy
亞聯財信息諮詢(上海)有限公司 UA Financial Consultancy (Shanghai) Limited# (c)	People's Republic of China	RMB1,000,000	**44%**	44%	Financial consultancy
亞聯財信息諮詢(深圳)有限公司 UA Financial Consultancy (Shenzhen) Limited (b)	People's Republic of China	RMB25,000,000	**63%**	63%	Financial consultancy
武漢亞聯財小額貸款有限公司 United Asia Finance (Wuhan) Limited (b)	People's Republic of China	RMB200,000,000	**63%**	63%	Money lending
武漢亞聯財信息諮詢有限公司 UA Financial Consultancy (Wuhan) Limited (c)	People's Republic of China	RMB1,000,000	**63%**	63%	Financial consultancy
青島亞聯財小額貸款有限公司 United Asia Finance (Qingdao) Limited (b)	People's Republic of China	RMB300,000,000	**63%**	63%	Money lending
青島亞聯財信息諮詢有限公司 UA Financial Consultancy (Qingdao) Limited (c)	People's Republic of China	RMB1,000,000	**63%**	63%	Financial consultancy

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24. Interest in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2020	2019	Principal activities
南寧市亞聯財小額貸款有限公司 United Asia Finance (Nanning) Limited (b)	People's Republic of China	RMB200,000,000	**63%**	63%	Money lending
南寧市亞聯財投資管理有限公司 UA Financial Consultancy (Nanning) Limited (c)	People's Republic of China	RMB1,000,000	**63%**	63%	Financial consultancy
哈爾濱市亞聯財小額貸款有限公司 United Asia Finance (Harbin) Limited (b)	People's Republic of China	RMB150,000,000	**63%**	63%	Money lending
哈爾濱亞聯財信息諮詢有限公司 UA Financial Consultancy (Harbin) Limited (c)	People's Republic of China	RMB1,000,000	**63%**	63%	Financial consultancy
重慶亞聯財小額貸款有限公司 United Asia Finance (Chongqing) Limited (b)	People's Republic of China	US$20,000,000	**63%**	63%	Money lending
重慶亞聯財信息諮詢有限公司 UA Financial Consultancy (Chongqing) Limited (c)	People's Republic of China	RMB1,000,000	**63%**	63%	Financial consultancy
深圳亞聯財小額貸款有限公司 United Asia Finance (Shenzhen) Limited (b)	People's Republic of China	RMB600,000,000	**63%**	63%	Money lending
雲南省亞聯財小額貸款有限公司 United Asia Finance (Yunnan) Limited (b)	People's Republic of China	HK$350,000,000	**63%**	63%	Money lending
雲南亞聯財經濟信息諮詢有限公司 UA Financial Consultancy (Yunnan) Limited (c)	People's Republic of China	RMB1,000,000	**63%**	63%	Financial consultancy
新鴻基(天津)股權投資基金管理有限公司 Sun Hung Kai (Tianjin) Equity Fund Management Company Limited (b)	People's Republic of China	RMB50,000,000	**100%**	100%	Asset management
新鴻基融資擔保(瀋陽)有限公司 Sun Hung Kai Financing Guarantee (Shenyang) Limited (b)	People's Republic of China	RMB300,000,000	**63%**	63%	Loan guarantee
福州亞聯財信息諮詢有限公司 UA Financial Consultancy (Fuzhou) Limited (c)	People's Republic of China	RMB1,000,000	**63%**	63%	Financial consultancy
福州市晉安區亞聯財小額貸款有限公司 United Asia Finance (FuzhouJinan) Limited (b)	People's Republic of China	RMB200,000,000	**63%**	63%	Money lending
濟南亞聯財小額貸款有限公司 United Asia Finance (JiNan) Limited (b)	People's Republic of China	RMB200,000,000	**63%**	63%	Money lending
瀋陽亞聯財卓越信息諮詢有限公司 UA Financial Consultancy (Shenyang) " Limited (c)	People's Republic of China	RMB1,000,000	**63%**	63%	Financial consultancy
瀋陽金融商貿開發區亞聯財小額貸款有限公司 United Asia Finance (Shenhe District Shenyang) Limited (b)	People's Republic of China	RMB500,000,000	**63%**	63%	Money lending
壹融站信息技術(深圳)有限公司 Yirongzhan Fintech (Shenzhen) Limited (c)	People's Republic of China	RMB20,000,000	**63%**	63%	Financial consultancy

\# The companies are non-wholly owned subsidiaries of a non-wholly owned subsidiary.
(a) These companies are sino-foreign equity joint ventures.
(b) These companies are wholly-foreign owned enterprises.
(c) These companies are wholly-domestic owned enterprises.

The names of People's Republic of China incorporated companies above are English translations.

The above tables list the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Save as disclosed in Note 41 to the consolidated financial statements, none of the other subsidiaries had issued any debt securities at the end of the year.

25. Interest in Associates

(HK$ Million)	31/12/2020	31/12/2019
Carrying amount of unlisted associates	**213.0**	1,838.7
Less: impairment	**(0.8)**	(642.6)
	212.2	1,196.1

Particulars of the Group's material associate at 31 December 2020 were as follows:

Name	Place of incorporation/operation	Proportion of ownership interest 2020	2019	Principal activities
Sun Hung Kai Financial Group Limited ("SHKFGL")	British Virgin Islands/Hong Kong	–	30%	Wealth management and brokerage business

As at 1 January 2020, the Group had a 30% equity interest in SHKFGL. On 17 November 2020, the Group exercised the put option on SHKFGL at the consideration of HK$1,257.1 million cash and HK$1,156 million SHKFGL preference shares and retained no ordinary shares at 31 December 2020. Upon completing the transaction, SHKFGL ceased to be an associate. The transaction has resulted in the recognition of no gain in profit or loss, calculated as follows:

(HK$ Million)	17/11/2020
Consideration received:	**2,413.1**
Less: carrying amount of the 30% investment on the date of loss of significant influence	**(955.8)**
Less: carrying amount of unlisted put right for shares in SHKFGL	**(1,457.3)**
Gain on disposal	–
Net cash inflow arising on disposal:	
Cash consideration	**1,257.1**

All associates are accounted for using the equity method. The summarised consolidated financial information of the Group's material associate, SHKFGL, is set out below. The summarised consolidated information of the financial performance upon disposal on 17 November 2020 and financial position at the reporting date represents the amounts included in the consolidated financial statements of SHKFGL adjusted by fair value adjustments made at the time of reclassifying SHKFGL from a subsidiary to an associate.

(HK$ Million)	31/12/2020	31/12/2019
Current assets	–	10,655.6
Non-current assets	–	903.6
Current liabilities	–	(6,520.0)
Non-current liabilities	–	(1,672.1)

(HK$ Million)	2020*	2019
Revenue	**1,475.8**	1,727.4
Profit	**261.4**	248.4
Other comprehensive income	**1.6**	–
Total comprehensive income	**263.0**	248.4

* Included the results of an associate upon disposal on 17 November 2020.

The reconciliation of the above summarised financial information to the carrying amount of the interest in SHKFGL is as follows:

(HK$ Million)	31/12/2019
Adjusted net assets of SHKFGL	3,367.1
Group's effective interest	30%
Group's share of adjusted net assets	1,010.1
Goodwill	607.7
Impairment	(641.8)
Carrying amount of the Group's interest in SHKFGL	976.0

The following table provides aggregate information for the share of the total comprehensive expenses and unrecognised share of losses of associates that are not individually material.

(HK$ Million)	2020	2019
Share of loss	**(36.0)**	(30.9)
Share of other comprehensive income	**28.4**	4.2
Share of total comprehensive expenses	**(7.6)**	(26.7)
Share of unrecognised losses for the year	–	(0.1)
Share of cumulative losses	**(26.8)**	(26.8)

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26. Interest in Joint Ventures

(HK$ Million)	**31/12/2020**	31/12/2019
Carrying amount of unlisted joint ventures	**466.4**	445.5
Less: impairment	**–**	–
	466.4	445.5

The joint ventures are accounted for using the equity method in these consolidated financial statements. As at 31 December 2020 and 2019, the Group had interests in the following principal joint ventures.

Name	Place of incorporation/operation	Proportion of ownership interest 2020	2019	Principal activities
LSS Financial Leasing (Shanghai) Limited ("LSS")	People's Republic of China	**40.0%**	40.0%	Auto leasing
Isabella Properties Holdings Limited ("Isabella")	England	**47.5%**	47.5%	Investment holding

On 10 December 2019, an indirect wholly-owned subsidiary of the Group entered into the shareholders agreement for the formation of the joint venture Company with 47.5% interest for a consideration of HK$207.0 million.

All joint ventures are accounted for using the equity method.

The summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents the amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

	LSS		Isabella	
(HK$ Million)	**31/12/2020**	31/12/2019	**31/12/2020**	31/12/2019
Current assets	**1,083.6**	929.7	**78.1**	88.2
Non-current assets	**800.9**	525.4	**1,200.9**	1,151.8
Current liabilities	**(678.1)**	(602.2)	**(23.4)**	(56.7)
Non-current liabilities	**(596.9)**	(256.5)	**(787.3)**	(761.3)
The above amounts of assets and liabilities include the following:				
Investment properties	**–**	–	**1,169.5**	1,129.9

(HK$ Million)	**2020**	2019	**2020**	2019
Revenue	**136.3**	143.1	**68.2**	1.9*
(Loss) profit	**(24.1)**	4.9	**18.1**	4.5*
Total comprehensive (expense) income	**(24.1)**	4.9	**18.1**	4.5*

* Included the results of the joint venture from the date it became joint venture of the Group up to 31 December 2019.

Reconciliation of the above summarised financial information to the carrying amounts of the interests in the joint ventures recognised in these consolidated financial statements:

	LSS		Isabella	
(HK$ Million)	**31/12/2020**	31/12/2019	**31/12/2020**	31/12/2019
Net assets of the joint venture	**609.5**	596.4	**468.3**	422.0
Carrying amount of the Group's interest in the joint venture	**243.8**	238.6	**222.6**	206.9

27. Financial Assets and Liabilities

The following table provides analyses of financial assets and liabilities of the Group that are at fair value.

	At 31 December 2020			
	Fair value			
(HK$ Million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
– Listed equity securities in Hong Kong	32.8	–	–	32.8
– Listed equity securities outside Hong Kong	79.6	–	–	79.6
– Unlisted overseas equity securities	–	–	8.5	8.5
	112.4	–	8.5	120.9
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	137.1	–	–	137.1
– Listed equity and debt securities outside Hong Kong	559.9	18.5	–	578.4
– Over the counter equity currency derivatives	–	3.0	–	3.0
– Quoted options and futures	–	32.2	–	32.2
– Equity linked notes	–	345.7	–	345.7
– Unlisted call option for club memberships	–	–	14.1	14.1
– Bonds	–	433.9	–	433.9
– Unlisted convertible preferred and ordinary shares issued by an unlisted company	–	–	134.5	134.5
– Unlisted preference shares issued by an unlisted company	–	–	1,174.0	1,174.0
– Unlisted preferred and ordinary shares issued by unlisted companies	–	–	73.9	73.9
– Unlisted shares issued by companies	–	–	117.1	117.1
– Unlisted convertible bonds issued by companies	–	–	24.4	24.4
– Unlisted overseas equity securities with a put right	–	–	635.7	635.7
– Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	–	–	216.1	216.1
– Unlisted overseas investment funds	–	–	9,636.4	9,636.4
– Unlisted trust fund	–	29.6	–	29.6
	697.0	862.9	12,026.2	13,586.1
Analysed for reporting purposes as:				
– Non-current assets				9,124.6
– Current assets				4,461.5
				13,586.1
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	–	27.5	–	27.5
– Foreign currency contracts	–	82.5	–	82.5
– Over the counter equity derivatives	–	–	62.4	62.4
– Contracts for difference	–	0.4	–	0.4
Analysed for reporting purposes as current liabilities	–	110.4	62.4	172.8

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27. Financial Assets and Liabilities *(Continued)*

	At 31 December 2019			
	Fair value			
(HK$ Million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
– Listed equity securities in Hong Kong	41.6	–	–	41.6
– Listed equity securities outside Hong Kong	79.4	–	–	79.4
– Unlisted overseas equity securities	–	–	8.5	8.5
	121.0	–	8.5	129.5
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	287.7	–	–	287.7
– Listed equity and debt securities outside Hong Kong	1,553.8	10.1	–	1,563.9
– Over the counter equity currency derivatives	–	0.3	–	0.3
– Forward currency contract	–	79.1	–	79.1
– Quoted options and futures	3.2	30.4	–	33.6
– Unlisted put right for shares in an associate	–	–	1,387.0	1,387.0
– Unlisted call option for club memberships	–	–	13.1	13.1
– Unlisted call option for shares listed outside Hong Kong	–	–	0.1	0.1
– Contracts for difference	–	8.0	–	8.0
– Bonds	–	984.8	–	984.8
– Unlisted convertible preferred and ordinary shares issued by an unlisted company	–	110.3	–	110.3
– Unlisted preferred and ordinary shares issued by unlisted companies	–	–	79.9	79.9
– Unlisted shares issued by companies	–	82.8	36.4	119.2
– Unlisted convertible bonds issued by companies	–	25.0	3.9	28.9
– Unlisted overseas equity securities with a put right	–	–	778.7	778.7
– Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	–	–	177.5	177.5
– Unlisted overseas investment funds	–	–	6,292.7	6,292.7
– Unlisted trust fund	–	–	28.0	28.0
	1,844.7	1,330.8	8,797.3	11,972.8
Analysed for reporting purposes as:				
– Non-current assets				7,687.2
– Current assets				4,285.6
				11,972.8
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	–	17.6	–	17.6
– Foreign currency contracts	3.4	0.1	–	3.5
– Over the counter equity derivatives	–	–	18.2	18.2
– Short position in listed equity securities under stock borrowing arrangement	667.9	–	–	667.9
– Contracts for difference	–	8.6	–	8.6
Analysed for reporting purposes as current liabilities	671.3	26.3	18.2	715.8

27. Financial Assets and Liabilities *(Continued)*

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

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

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
– Level 2 fair value measurements are those derived from input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
– Level 3 fair value measurements are those derived from valuation techniques that include input for the assets or liabilities that are not based on observable market data.

The fair values of bonds under Level 2 at the reporting date were derived from quoted prices from pricing services. Where Level 1 and Level 2 inputs are not available, the Group engages external valuers to perform the valuation for certain complex or material financial assets and liabilities.

The fair values of Level 3 financial assets and liabilities are mainly derived from valuation technique using an unobservable range of data. In estimating the fair value of a financial asset or a financial liability under Level 3, the Group engages external valuers or establishes appropriate valuation techniques internally to perform the valuations which are reviewed by management.

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27. Financial Assets and Liabilities *(Continued)*

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

	At 31 December 2020				
	Valuation technique	Unobservable inputs	Input values	Fair value HK$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss					
Unlisted convertible preferred and ordinary shares issued by an unlisted company	Market approach	Price to sales ratio	14.9	134.5	An increase in price to sales ratio would result in an increase in the fair value.
Unlisted preference shares issued by an unlisted company	Discounted cash flow	Discount rate	12.6%	1,174.0	An increase in discount rate would result in a decrease in the fair value.
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	46.5%	35.6	An increase in expected volatility would result in a decrease in the fair value.
Unlisted ordinary shares issued by an unlisted company	Net asset value	Note 1	Note 1	32.1	Note 1
Unlisted shares issued by companies	Net asset value	Note 1	Note 1	83.6	Note 1
Unlisted convertible bonds issued by an unlisted company	Binomial Model	Risk free rate Expected volatility Discount rate	0.1% 52.8% 28.0%	20.6	An increase in risk free rate would result in a decrease in the fair value. An increase in expected volatility would result in an increase in the fair value. An increase in discount rate would result in a decrease in the fair value.
Unlisted overseas equity securities with a put right	Market approach and option model	Expected volatility Discount rate Equity growth rate Estimated equity value	11.5% 0.1% 1.3% HK$116.3 million	635.7	An increase in expected volatility would result in an increase in the fair value of the put right. An increase in discount rate would result in a decrease in the fair value of the put right. An increase in equity growth rate would result in a decrease in the fair value of the put right. An increase in estimated equity value would result in a decrease in the fair value of the put right.
Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	Market approach	Enterprise value to earnings before interest, taxes, depreciation and amortisation ratio	8.4	216.1	An increase in enterprise value to earnings before interest, taxes, depreciation and amortisation ratio would result in an increase in the fair value of ordinary shares.
Unlisted overseas investment funds	Net asset value	Note 1	Note 1	8,361.2	Note 1
Unlisted overseas investment funds	Net asset value	Discount for lack of marketability	15.6%-21.5%	1,275.2	An increase in discount for lack of marketability would result in a decrease in the fair value.

27. Financial Assets and Liabilities *(Continued)*

	At 31 December 2019				
	Valuation technique	Unobservable inputs	Input values	Fair value HK$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss					
Unlisted put right for shares in an associate	Option model	Expected volatility Equity growth rate Estimated equity value Discount rate (for estimated equity value)	12.3% 0.1% HK$976 million 17.5%	1,387.0	An increase in expected volatility would result in an increase in the fair value. An increase in equity growth rate would result in a decrease in the fair value. An increase in estimated equity value would result in a decrease in fair value. An increase in discount rate would result in a decrease in the fair value.
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	21.4%	54.5	An increase in expected volatility would result in a decrease in the fair value.
Unlisted overseas equity securities with a put right	Market approach and option model	Expected volatility Discount rate Equity growth rate Estimated equity value	5.3% 1.6% 0.1% HK$445 million	778.7	An increase in expected volatility would result in an increase in the fair value of the put right. An increase in discount rate would result in a decrease in the fair value of the put right. An increase in equity growth rate would result in a decrease in the fair value of the put right. An increase in estimated equity value would result in a decrease in fair value of the put right.
Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	Market approach	Enterprise value to earnings before interest, taxes, depreciation and amortisation ratio	8.3	177.5	An increase in enterprise value to earnings before interest, taxes, depreciation and amortisation ratio would result in an increase in the fair value of ordinary shares.
Unlisted overseas investment funds	Net asset value	Note 1	Note 1	4,566.3	Note 1
Unlisted overseas investment funds	Net asset value	Discount for lack of marketability	13.1% – 24.4%	1,726.4	An increase in discount rate of the underlying investment would result in a decrease in the fair value.

Note 1: The significant unobservable inputs of the investments of the Group are the net assets value of the underlying investments made by the funds/Companies. The higher the net assets value of the underlying investments, the higher the fair value of the financial assets at fair value through profit or loss will be. The Group has determined that the reported net asset values represent the fair values of the investments provided by the external counterparties.

Note 2: There is no indication that any changes in the unobservable inputs to reflect reasonably possible alternative assumptions for the investments would result in significantly higher or lower fair value measurements.

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27. Financial Assets and Liabilities *(Continued)*

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

	2020							
			Recognised gains or losses					
(HK$ Million)	Balance at 1/1/2020	Transfer*	Profit or loss	Other comprehensive income	Purchase	Disposal/ Exercise	Balance at 31/12/2020	Unrealised gain or loss for the year
Financial assets at fair value through other comprehensive income								
Unlisted overseas equity securities	8.5	–	–	–	–	–	8.5	–
Financial assets at fair value through profit or loss								
Unlisted put right for shares in an associate	1,387.0	–	70.3	–	–	(1,457.3)	–	–
Unlisted call option for club memberships	13.1	–	1.0	–	–	–	14.1	1.0
Unlisted convertible preferred and ordinary shares issued by an unlisted company	–	109.7	24.8	–	–	–	134.5	24.8
Unlisted call option for shares listed outside Hong Kong	0.1	–	(0.1)	–	–	–	–	(0.1)
Unlisted preference shares issued by an unlisted company	–	–	18.0	–	1,156.0	–	1,174.0	18.0
Unlisted preferred and ordinary shares issued by unlisted companies	79.9	–	(14.0)	–	8.0	–	73.9	(14.0)
Unlisted shares issued by companies	36.4	69.6	36.4	–	–	(25.3)	117.1	22.6
Unlisted convertible bonds issued by companies	3.9	25.0	(4.5)	–	–	–	24.4	(4.5)
Unlisted overseas equity securities with a put right	778.7	–	(143.0)	–	–	–	635.7	(143.0)
Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	177.5	–	38.6	–	–	–	216.1	38.6
Unlisted overseas investment funds	6,292.7	16.0	2,675.0	–	3,200.3	(2,547.6)	9,636.4	1,537.9
Unlisted trust fund	28.0	–	(0.8)	–	–	(27.2)	–	–
Financial liabilities at fair value through profit or loss								
Over the counter equity derivatives	(18.2)	–	(44.2)	–	–	–	(62.4)	(44.2)

* The investments were transferred from Level 2 to Level 3 category and the transfers are primarily attributable to changes in observability of valuation inputs in valuing these investments. Transfers between levels of the fair value hierarchy are deemed to occur at the end of each reporting period.

27. Financial Assets and Liabilities *(Continued)*

	2019							
			Recognised gains or losses					
(HK$ Million)	Balance at 1/1/2019	Transfer*	Profit or loss	Other comprehensive income	Purchase	Disposal	Balance at 31/12/2019	Unrealised gain or loss for the year
Financial assets at fair value through other comprehensive income								
Unlisted overseas equity securities	21.6	–	–	11.9	–	(25.0)	8.5	–
Financial assets at fair value through profit or loss								
Unlisted put right for shares in an associate	1,120.0	–	267.0	–	–	–	1,387.0	267.0
Unlisted call option for club memberships	13.3	–	(0.2)	–	–	–	13.1	(0.2)
Unlisted call option for shares listed outside Hong Kong	0.4	–	(0.3)	–	–	–	0.1	(0.3)
Unlisted preferred and ordinary shares issued by unlisted companies	57.2	12.4	10.3	–	–	–	79.9	10.3
Unlisted shares issued by an company	42.0	–	(5.6)	–	–	–	36.4	(3.0)
Unlisted convertible bonds issued by companies	21.0	–	(17.1)	–	–	–	3.9	(17.1)
Unlisted overseas equity securities with a put right for shares	856.6	–	(77.9)	–	–	–	778.7	(77.9)
Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	–	181.4	(3.9)	–	–	–	177.5	(3.9)
Unlisted overseas investment funds	5,157.3	–	1,228.9	–	663.8	(757.3)	6,292.7	950.4
Unlisted trust fund	28.5	–	1.1	–	29.1	(30.7)	28.0	1.1
Financial liabilities at fair value through profit or loss								
Over the counter equity derivatives	(22.9)	–	4.7	–	–	–	(18.2)	4.7

* The investments were transferred from Level 2 to Level 3 category and the transfers are primarily attributable to changes in observability of valuation inputs in valuing these investments. Transfers between levels of the fair value hierarchy are deemed to occur at the end of each reporting period.

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27. Financial Assets and Liabilities *(Continued)*

The carrying amounts of the Group's financial assets at the end of the reporting period were as follows:

(HK$ Million)	31/12/2020	31/12/2019
Financial assets at fair value through other comprehensive income	**120.9**	129.5
	120.9	129.5
Financial assets at fair value through profit or loss		
– Investments at fair value through profit or loss	**13,586.1**	11,972.8
	13,586.1	11,972.8
Financial assets measured at amortised cost		
– Amounts due from associates (Note 29)	**291.1**	329.9
– Loans and advances to consumer finance customers (Note 30)	**10,563.7**	10,413.5
– Mortgage loans (Note 31)	**3,013.7**	3,626.9
– Term loans (Note 32)	**1,712.7**	1,906.2
– Trade and other receivables (Note 33)	**354.5**	381.8
– Amounts due from brokers	**354.3**	451.7
– Short-term pledged bank deposit and bank balance (Note 34)	**–**	33.2
– Fixed deposits with banks (Note 34)	**12.3**	68.1
– Cash and cash equivalents (Note 34)	**7,245.6**	5,624.9
	23,547.9	22,836.2
	37,254.9	34,938.5

The carrying amounts of Group's financial liabilities and lease liabilities at the end of the reporting period were as follows:

(HK$ Million)	31/12/2020	31/12/2019
Financial liabilities at fair value through profit or loss		
– Held for trading	**172.8**	715.8
Financial liabilities measured at amortised cost and lease liabilities		
– Bank and other borrowings (Note 35)	**8,467.3**	8,157.1
– Trade and other payables (Note 36)	**253.1**	137.3
– Financial assets sold under repurchase agreements (Note 37)	**–**	386.2
– Amounts due to fellow subsidiaries and a holding company (Note 38)	**4.7**	35.3
– Lease liabilities (Note 40)	**312.7**	117.7
– Notes/paper payable (Note 41)	**8,146.8**	8,598.7
	17,184.6	17,432.3
	17,357.4	18,148.1

Transferred financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties. In some cases where these transfers may give rise to full derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

The Group transfers financial assets that are not derecognised in their entirety primarily through the sale of debt securities with repurchase agreements.

Sale and repurchase agreements are transactions in which the Group sells a debt security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially to all the credit risks, market risks and rewards of those debt securities sold. These debt securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these debt securities. The proceeds received on the transfer are recognised as liabilities under "Financial assets sold under repurchase agreements".

27. Financial Assets and Liabilities *(Continued)*

The following table sets out the carrying amounts of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

	At 31 December 2020		
Analysed by liabilities type (HK$ Million)	**Carrying amount of transferred assets Financial assets at fair value through profit or loss**	**Carrying amount of associated liabilities**	**Net Position**
Financial assets sold under repurchase agreements (Note 37)	–	–	–

	At 31 December 2019		
Analysed by liabilities type (HK$ Million)	Carrying amount of transferred assets Financial assets at fair value through profit or loss	Carrying amount of associated liabilities	Net Position
Financial assets sold under repurchase agreements (Note 37)	524.9	386.2	138.7

Financial asset and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

	At 31 December 2020					
				Related amounts not set off in the consolidated statement of financial position		
(HK$ Million)	**Gross amounts of recognised financial assets and liabilities**	**Gross amounts set off in the consolidated statement of financial position**	**Net amounts presented in consolidated statement of financial position**	**Financial instruments**	**Cash collateral received/ pledged**	**Net amount**
Type of financial assets						
Financial assets at fair value through profit or loss	**446.6**	**–**	**446.6**	**(172.8)**	**–**	**273.8**
Type of financial liabilities						
Financial liabilities at fair value through profit or loss	**172.8**	**–**	**172.8**	**(172.8)**	**–**	**–**

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27. Financial Assets and Liabilities *(Continued)*

	At 31 December 2019					
				Related amounts not set off in the consolidated statement of financial position		
(HK$ Million)	Gross amounts of recognised financial assets and liabilities	Gross amounts set off in the consolidated statement of financial position	Net amounts presented in consolidated statement of financial position	Financial instruments	Cash collateral received/ pledged	Net amount
Type of financial assets						
Financial assets at fair value through profit or loss	1,883.0	–	1,883.0	(715.8)	–	1,167.2
Debt securities pledged as collateral for financial assets sold under repurchase agreements (Note 37)	524.9	–	524.9	(386.2)	–	138.7
Type of financial liabilities						
Financial liabilities at fair value through profit or loss	715.8	–	715.8	(715.8)	–	–
Financial assets sold under repurchase agreements	386.2	–	386.2	(386.2)	–	–

28. Deferred Taxation

The following are the major deferred tax assets and liabilities of the Group recognised and movements thereon during the current and prior years:

(HK$ Million)	**Accelerated tax depreciation**	**Provisions and impairment**	**Revaluation of assets**	**Unrealised gain**	**Undistributed earnings and others**	**Tax losses**	**Total**
At 1 January 2019	(14.9)	760.9	(182.5)	(55.2)	0.2	44.5	553.0
Exchange adjustments	–	(12.2)	0.2	1.2	–	(0.2)	(11.0)
Recognised in profit or loss	0.8	52.7	31.9	1.2	0.3	8.1	95.0
At 31 December 2019	**(14.1)**	**801.4**	**(150.4)**	**(52.8)**	**0.5**	**52.4**	**637.0**
Exchange adjustments	**0.2**	**37.3**	**(0.5)**	**(4.0)**	**–**	**1.4**	**34.4**
Recognised in profit or loss	**7.1**	**(57.4)**	**1.0**	**3.7**	**(0.3)**	**18.1**	**(27.8)**
At 31 December 2020	**(6.8)**	**781.3**	**(149.9)**	**(53.1)**	**0.2**	**71.9**	**643.6**

28. Deferred Taxation *(Continued)*

For reporting purposes, certain deferred tax assets and liabilities have been offset in the underlying subsidiaries. The following is the analysis of the deferred tax balances of the Group for financial reporting purposes:

(HK$ Million)	**31/12/2020**	31/12/2019
Deferred tax assets	**780.7**	780.0
Deferred tax liabilities	**(137.1)**	(143.0)
	643.6	637.0

At the end of the reporting period, the Group had unrecognised tax losses of HK$323.2 million (31/12/2019: HK$468.3 million) available to offset against future profits. These tax losses have not been recognised as it is uncertain that there will be sufficient future taxable profits available for the utilisation of these temporary differences. The unrecognised tax losses included a sum of HK$7.2 million that will expire during 2021 to 2025 (31/12/2019: HK$7.5 million will expire during 2020 to 2024).

Under the Law of PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$1,153.3 million at the end of the reporting period (31/12/2019: HK$1,147.9 million). The taxable temporary differences have not been recognised as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. Amounts Due from Associates

(HK$ Million)	**31/12/2020**	31/12/2019
Amounts due from associates	**310.2**	347.4
Less: impairment allowance	**(19.1)**	(17.5)
	291.1	329.9
Analysed for reporting purposes as:		
– Non-current assets	**279.0**	261.3
– Current assets	**12.1**	68.6
	291.1	329.9

Further details of amounts due from associates are disclosed in Note 38 and Note 47.

30. Loans and Advances to Consumer Finance Customers

(HK$ Million)	**31/12/2020**	31/12/2019
Loans and advances to consumer finance customers		
– Hong Kong	**8,318.0**	8,576.2
– Mainland China	**3,000.0**	2,545.1
	11,318.0	11,121.3
Less: impairment allowance	**(754.3)**	(707.8)
	10,563.7	10,413.5
Analysed for reporting purposes as:		
– Non-current assets	**3,088.9**	2,770.5
– Current assets	**7,474.8**	7,643.0
	10,563.7	10,413.5

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

(Per annum)	**31/12/2020**	31/12/2019
Fixed rate loan receivables	**6% to 48%**	6% to 48%
Variable rate loan receivables	**P-1% to P+15.0%**	P-1% to P+22.6%

Movement of impairment allowance during the year of 2020 and 2019 are disclosed in Note 47(b).

The Consumer Finance Division uses the collective assessment to calculate the impairment allowance for loans and advances to consumer finance customers. The provision rates are based on ageing of different consumer financing loan products as groupings of various debtors that have similar loss patterns and different factors, including historical default rates and collectability, being adjusted by forward-looking information that is available without undue cost or effort. In addition, loans and advances to consumer finance customers with significant balances are assessed for impairment individually based on historical credit information.

The ageing analysis for the loans and advances to consumer finance customers that are past due is as follows:

(HK$ Million)	**31/12/2020**	31/12/2019
Less than 31 days past due	**491.4**	582.9
31–60 days	**36.0**	55.6
61–90 days	**23.6**	20.9
91–180 days	**10.2**	148.4
Over 180 days	**293.9**	61.4
	855.1	869.2

30. Loans and Advances to Consumer Finance Customers *(Continued)*

As at 31 December 2020, loans and advances to consumer finance customers with aggregate carrying amount of HK$855.1 million (31/12/2019: HK$869.2 million) are past due. Out of the past due balances, HK$251.0 million (31/12/2019: HK$61.8 million) has been past due 91 days or more and is considered to be credit-impaired. The impairment provision has taken into account the credit quality of the underlying assets, the financial strength of the borrowers as well as collateral and other credit enhancements.

The loans and advances to consumer finance customers categorised as unsecured and secured, are as follows:

At the reporting date, loans and advances to consumer finance customers consisted of HK$9,477.6 million unsecured (31/12/2019: HK$9,510.0 million) and HK$1,086.1 million secured (31/12/2019: HK$903.5 million). The Group has not recognised a loss allowance for loans amounting to HK$847.3 million (2019: HK$398.3 million) which are secured by collateral.

The amount and type of collateral required depend on an assessment of the credit risk of the customer or counterparty.

As at 31 December 2020, the gross carrying amount of loans and advances to consumer finance customers amounts to HK$11,318.0 million (31/12/2019: HK$11,121.3 million). The Group is entitled to sell or repledge collateral when there is default by the borrowers. There has not been any significant changes in the quality of collateral held for loans and advances to consumer finance customers.

The main types of collateral and credit enhancement obtained are as follows:

- for personal lending, charges over residential properties/commercial properties; and
- for commercial lending, corporate guarantee, charges over residential properties/commercial properties, charges over real estate properties, pledge of shares or debentures over the borrower's assets.

In general, secured loans and advances are made to consumer finance customers with sufficient amount of collateral provided by them. Management requests additional collateral as appropriate in accordance with the underlying agreements, and monitors the market value of collateral during its review of the adequacy of the impairment allowance.

Estimates of the fair value of collateral are based on the valuation techniques commonly used for the corresponding assets at the time of borrowing.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding loan balances. In general, the Group does not retain repossessed properties for business purposes. As at 31 December 2020, net realisable value of repossessed properties held by the Group amounted to HK$12.7 million (2019: HK$6.0 million).

In respect of the secured loans and advances to customers with the carrying amount of HK$558.5 million (2019: HK$143.7 million), the fair value of collateral of such loans and advances can be objectively ascertained to cover the outstanding amount of loan balances based on quoted prices of collateral.

The carrying amounts of the loans and advances to consumer finance customers approximate their fair values.

31. Mortgage Loans

(HK$ Million)	31/12/2020	31/12/2019
Mortgage loans		
– Hong Kong	**3,061.1**	3,648.6
Less: impairment allowance	**(47.4)**	(21.7)
	3,013.7	3,626.9
Analysed for reporting purposes as:		
– Non-current assets	**1,192.9**	1,270.7
– Current assets	**1,820.8**	2,356.2
	3,013.7	3,626.9

The mortgage loans bear interest rate are as follows:

(Per annum)	31/12/2020	31/12/2019
Fixed rate loan receivables	**5.8% to 31.2%**	5.8% to 31.2%
Variable rate loan receivables	**P-2.3% to P+6.8%**	P-2.3% to P+6.8%

Movement of impairment allowance during the year of 2020 and 2019 are disclosed in Note 47(b) to the consolidated financial statements.

The mortgage loans have been reviewed by the mortgage loans division to assess impairment allowances which are based on an evaluation of collectability, ageing analysis of accounts, fair value of collateral and on management's judgment, including the current creditworthiness and the past collection statistics of individual accounts and are adjusted for forward-looking information that is available without undue cost or effort.

31. Mortgage Loans *(Continued)*

The ageing analysis for the mortgage loans that are past due is as follows:

(HK$ Million)	**31/12/2020**	31/12/2019
Less than 31 days past due	**66.7**	148.8
31–60 days	**26.6**	32.0
61–90 days	**11.5**	4.0
91–180 days	**160.4**	–
Over 180 days	**459.0**	143.8
	724.2	328.6

At the reporting date, mortgage loans with aggregate carrying amount of HK$724.2 million (31/12/2019: HK$328.6 million) are past due. Out of the past due balances, HK$619.4 million (31/12/2019: HK$143.8 million) has been past due 90 days or more and is considered to be credit-impaired however with collateral. The impairment provision has taken into account the credit quality of the underlying assets, the financial strength of the borrowers as well as collateral and other credit enhancements.

The mortgage loans categorised as unsecured and secured, are as follows:

At the reporting date, mortgage loans consisted of HK$147.8 million unsecured (31/12/2019: HK$174.4 million) and HK$2,865.9 million secured (31/12/2019: HK$3,452.5 million). The Group has not recognised a loss allowance for loans amounting to HK$2,623.6 million (2019: HK$3,033.7 million) which are secured by collateral.

The amount and type of collateral required depends on an assessment of the credit risk of the customer. The main types of collateral and credit enhancement obtained are mortgages over residential properties/commercial properties.

As at 31 December 2020, the gross carrying amount of mortgage loans amounts to HK$3,061.1 million (31/12/2019: HK$3,648.6 million). The Group is entitled to sell or repledge collateral when there is a default by the borrowers. There has not been any significant change in the quality of collateral held for mortgage loans.

In general, mortgage loans are granted on a secured basis with sufficient amount of collateral provided by the borrower. Management requests additional collateral as appropriate in accordance with the underlying agreements, and monitors the market value of collateral during its review of the adequacy of the impairment allowance.

Estimates of the fair value of collateral are based on valuation techniques commonly used for the corresponding assets at the time of borrowing.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding loan balances. In general, the Group does not retain repossessed properties for business purposes. At the end of the reporting period, the net realisable value of the repossessed properties held by Mortgage Loans Division is HK$88.0 million (2019: HK$1.2 million).

In respect of secured mortgage loans to mortgage loan customers with the carrying amount of HK$2,865.9 million (2019: HK$3,452.5 million), the fair value of collateral of such mortgage loans can be objectively ascertained to cover a substantial portion of the outstanding loan amounts based on valuations conducted by an independent property valuer.

The unsecured mortgage loans include second mortgage loans in respect of which the Group are not entitled to the first charge of relevant mortgage properties. Management considers that the second mortgage loans are classified as unsecured loans due to the impediment in repossession of the mortgage properties and the practical difficulties to ascertain the residual collateral value after claim by first mortgagee.

The carrying amounts of the mortgage loans approximate their fair values.

32. Term Loans

(HK$ Million)	**31/12/2020**	31/12/2019
Secured term loans	**2,242.3**	2,111.6
Unsecured term loans	**82.9**	106.0
	2,325.2	2,217.6
Less: impairment allowance	**(612.5)**	(311.4)
	1,712.7	1,906.2
Analysed for reporting purposes as:		
– Non-current assets	**554.5**	49.6
– Current assets	**1,158.2**	1,856.6
	1,712.7	1,906.2

The term loans bear interest rate are as follows:

(Per annum)	**31/12/2020**	31/12/2019
Fixed rate loan receivables	**8.0% to 21.7%**	4.0% to 21.6%
Variable rate loan receivables	**3-month HIBOR + 7.0% to 3-month LIBOR + 10.0%**	–

32. Term Loans *(Continued)*

Movement of impairment allowance during the year of 2020 and 2019 are disclosed in Note 47(b).

It is the Group's policy to dispose of repossessed collateral in an orderly fashion.

The Group considers a loan to be secured when there is collateral or credit enhancement in place. The main types of collateral and credit enhancement obtained includes share charges over unlisted and listed equity securities, personal guarantees, assignment of rights and charges over properties. As at 31 December 2020, the gross carrying amount of secured term loans amounts to HK$2,242.3 million (31 December 2019: HK$2,111.6 million). The Group has not recognised a loss allowance amounting to HK$978.3 million (2019: HK$410.1 million) which are secured by collateral. The Group is entitled to sell or repledge collateral when there is default by the borrowers. There has not been any significant changes in the quality of the collateral held for secured term loans.

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.

The carrying amounts of the term loans approximate their fair values.

Further details on financial risk management of term loans are disclosed in Note 47.

33. Trade Receivables, Prepayments and Other Receivables

(HK$ Million)	31/12/2020	31/12/2019
Deposits	**117.6**	38.0
Others	**239.0**	391.3
Less: impairment allowance	**(2.1)**	(47.5)
Trade and other receivables at amortised cost	**354.5**	381.8
Prepayments	**41.1**	105.4
	395.6	487.2
Analysed for reporting purposes as:		
– Non-current assets	**17.3**	20.4
– Current assets	**378.3**	466.8
	395.6	487.2

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

(HK$ Million)	31/12/2020	31/12/2019
Less than 31 days	**247.2**	279.2
Trade and other receivables without ageing	**107.3**	102.6
Trade and other receivables at amortised cost	**354.5**	381.8

The carrying amounts of the trade and other receivables at amortised cost approximate their fair values.

Further details on financial risk management of trade and other receivables are disclosed in Note 47.

34. Bank Deposits, Cash and Cash Equivalents

(HK$ Million)	31/12/2020	31/12/2019
Bank balances and cash	**4,483.0**	2,732.2
Fixed deposits with banks with a term within 3 months	**2,762.6**	2,892.7
Cash and cash equivalents	**7,245.6**	5,624.9
Short-term pledged bank deposits and bank balances	**–**	33.2
Fixed deposits with banks with a term between 4 to 12 months	**12.3**	68.1
	7,257.9	5,726.2

The carrying amounts of the bank deposits, cash and cash equivalents approximate their fair values. Further details on financial risk management of bank deposits, cash and cash equivalents are disclosed in Note 47.

35. Bank and Other Borrowings

(HK$ Million)	**31/12/2020**	31/12/2019
Bank loans		
– Unsecured term loans	**8,121.6**	7,544.2
– Secured loans	**281.0**	550.8
Total bank borrowings	**8,402.6**	8,095.0
Other borrowings	**64.7**	62.1
	8,467.3	8,157.1
Analysed for reporting purposes as:		
– Current liabilities	**6,083.2**	5,659.9
– Non-current liabilities	**2,384.1**	2,497.2
	8,467.3	8,157.1

At 31 December 2020, bank and other borrowings were repayable as follows:

(HK$ Million)	**31/12/2020**	31/12/2019
Bank borrowings		
– Within one year	**4,116.3**	4,468.7
– In the second year	**1,640.2**	1,483.3
– Over two years and within five years	**679.2**	951.7
Bank borrowings with a repayment on demand clause		
– Within one year	**1,966.9**	1,191.3
	8,402.6	8,095.0
Other borrowings		
– Over five years	**64.7**	62.1
	8,467.3	8,157.1

As at 31 December 2020, all the bank loans and other borrowings are in Hong Kong dollars except for equivalent amounts of HK$140.6 million which was denominated in Renminbi (31/12/2019: Nil), Nil which was denominated in Australian dollar (31/12/2019: HK$60.1 million), HK$736.9 million which was denominated in British pounds (31/12/2019: HK$251.2 million) and HK$1,114.4 million which was denominated in US dollar (31/12/2019: HK$217.7 million). Further details related to financial risk management of such balances are disclosed in Note 47.

The carrying amounts of the bank and other borrowings approximate their fair values.

36. Trade Payables, Other Payables and Accruals

(HK$ Million)	**31/12/2020**	31/12/2019
Other accounts payable	**253.1**	137.3
Accrued staff costs and other accrued expenses	**241.0**	201.1
	494.1	338.4

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

(HK$ Million)	**31/12/2020**	31/12/2019
Less than 31 days/repayable on demand	**225.5**	125.3
31–60 days	**3.7**	6.3
61–90 days	**2.0**	5.6
91–180 days	**–**	0.7
	231.2	137.9
Accrued staff costs, other accrued expenses and other payables without ageing	**262.9**	200.5
	494.1	338.4

The carrying amounts of the trade payables, other payables and accruals at amortised cost approximate their fair values.

37. Financial Assets Sold under Repurchase Agreements

(HK$ Million)	**31/12/2020**	31/12/2019
Analysed by collateral type:		
Debt instruments classified as:		
Financial assets at fair value through profit or loss	**–**	386.2

As at 31 December 2020, no debt instruments which are classified as financial assets at fair value through profit or loss (2019: HK$524.9 million) were sold under repurchase agreements with other financial institutions. All repurchase agreements are due within 12 months from the end of the reporting period. Details of the arrangement are set out in Note 27.

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38. Related Party Transactions

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

(HK$ Million)	2020	2019
Associates and joint ventures of a holding company		
Rental and building management fees to an associate of a holding company***	**(2.2)**	(2.6)
Rental and building management fees to a joint venture of a holding company*	**(27.8)**	(25.0)
Interest expense to a joint venture of a holding company on lease liabilities***@	**(0.6)**	(1.4)
Interest expense to an associate of a holding company***	**(4.5)**	(5.9)
Associates and joint ventures		
Loan referral fee and participation fee received from an associate^	**12.2**	10.3
Management and service fees received from associates and joint ventures^	**2.6**	2.9
Brokerage expenses to an associate^	**(0.5)**	(0.6)
Service fees to an associate^	**(8.9)**	(7.2)
Holding company and its subsidiaries		
Repayment of loan from a fellow subsidiary***	**(32.8)**	(481.6)
Finance costs to fellow subsidiaries***	**(23.1)**	(36.6)
Management fees paid/payable to a holding company*	**(22.1)**	(16.9)
Rental and building management fees to a holding company and its subsidiary*	**(6.5)**	(1.4)
Other related party		
Interest income from loan to Independent Non-Executive Director**	**–**	5.4
Repayment of loan from Independent Non-Executive Director**	**4.8**	1.2
Redemption of Notes to an Executive Director***	**3.1**	–

* The transactions also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Connected Transaction and Continuing Connected Transactions of the Directors' Report.

** The amounts due from a deceased director are secured, interest bearing at market interest rate and repayable within 12 months from the date of drawdown. The transactions also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the announcement of the Company dated 23 October 2018.

*** The transactions also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from all disclosure requirements in Chapter 14A of the Listing Rules.

^ The transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

@ As at 31 December 2020, the Group has lease liabilities of HK$58.3 million (2019: HK$24.1 million) to the joint venture of a holding company.

Compensation of Key Management Personnel

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

(HK$ Million)	2020	2019
Short-term benefits *	**144.3**	103.8
Post-employment benefits *	**2.0**	2.0
	146.3	105.8

The above table includes HK$1.23 million (2019: HK$4.28 million) of short-term benefits and HK$0.11 million (2019: HK$0.14 million) of post-employment benefits for one of the Key Management Personnel who falls into the scope of related party transactions but not regarded as a connected person (as defined in the Listing Rules).

* During the year, 528,000 shares were granted under the SHK Employee Ownership Scheme ("EOS") to key management personnel. In addition, 157,000 shares with a total amount of HK$0.48 million were vested for key management personnel during the year. The total dividend payments paid to the key management personnel during the year were HK$0.03 million (2019: HK$0.63 million). Further information of the EOS is disclosed in the "Management Discussion and Analysis" Section and Directors' Report of this Annual Report.

38. Related Party Transactions *(Continued)*

At the extraordinary general meeting of the Company held on 23 July 2012, it was resolved that a director's service agreement entered between the Group and a director of a subsidiary for a term of ten years be approved. Subject to the terms and conditions of the agreement, the Group has granted the director of a subsidiary an option ("Option") to subscribe for or purchase up to 20% of the issued capital of a new company ("Newco") to be established to hold all equity interest in subsidiaries incorporated or to be incorporated in the PRC for money lending businesses in the PRC ("PRC Subsidiaries") at an exercise price which is determined based on the aggregate carrying amount of shareholders equity and shareholders loans proportional to the shareholding to be taken up by the director of a subsidiary at the time of exercise of the Option. Prior to the period before the Option becomes vested, the director of a subsidiary is also entitled a bonus calculated based on the performance of the PRC Subsidiaries. The transaction constituted a very substantial disposal and a connected transaction and its details were disclosed in the Company's circular dated 29 June 2012.

The fair value of the Option on grant date of 23 July 2012 was HK$255.1 million which was calculated using the Black-Scholes pricing model and carried out by Norton Appraisals Limited, a firm of independent and qualified professional valuers not connected with the Group. The inputs into the model include an underlying asset value of PRC Subsidiaries as at the grant date of HK$1,018.1 million, risk free rate of 2.74%, volatility of 39.25% and expected option life of 5 years. No share based payment expense is recognised in the consolidated financial statements for the year ended 31 December 2020 (2019: Nil) since one of the vesting conditions for the Option is the successful completion of the establishment of the Newco, the date of which, in the opinion of the management, could not yet be estimated with reasonable certainty.

At the end of the reporting period, the Group had the following material balances with related parties:

(HK$ Million)	**31/12/2020**	31/12/2019
Associates		
Amounts due from associates^	**291.1**	329.9
Holding company and fellow subsidiaries		
Management fees paid/payable to a holding company*	**(4.7)**	(2.4)
Short-term loan due to fellow subsidiaries***	**–**	(32.9)
Notes/paper payable held by fellow subsidiaries***	**(394.0)**	(395.8)
Notes/paper payable held by an associate of a holding company***	**(77.5)**	(77.9)
Amount due from an Independent Non-Executive Director**	**143.8**	148.6

* The transactions also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Continuing Connected Transactions of the Directors' Report.

** The amounts due from a deceased director are secured, interest bearing at market interest rate and repayable within 12 months from the date of drawdown. The transactions also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the announcement of the Company dated 23 October 2018.

*** The transactions also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from all disclosure requirements in Chapter 14A of the Listing Rules.

^ The transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

The amounts due from associates are unsecured, non-interest bearing and repayable on demand.

The amounts due to a holding company are unsecured, non-interest bearing and repayable on demand.

The amounts due to fellow subsidiaries are unsecured, interest bearing and repayable on demand.

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39. Provisions

(HK$ Million)	Employee benefits	Loan commitments	Financial guarantee contracts	Others	Total
At 1 January 2019	69.1	28.7	0.3	5.6	103.7
Additional provisions for the year	95.0	3.9	–	1.1	100.0
Amount written back	(0.3)	–	(0.3)	–	(0.6)
Amount utilised during the year	(49.9)	–	–	–	(49.9)
At 31 December 2019	**113.9**	**32.6**	**–**	**6.7**	**153.2**
Additional provisions for the year	**174.7**	**–**	**7.1**	**5.9**	**187.7**
Amount written back	**(0.5)**	**(4.1)**	**(2.1)**	**–**	**(6.7)**
Amount utilised during the year	**(76.4)**	**–**	**–**	**–**	**(76.4)**
At 31 December 2020	**211.7**	**28.5**	**5.0**	**12.6**	**257.8**

(HK$ Million)	31/12/2020	31/12/2019
Analysed for reporting purposes as:		
– Current liabilities	**257.5**	152.9
– Non-current liabilities	**0.3**	0.3
	257.8	153.2

40. Lease Liabilities

(HK$ Million)	31/12/2020	1/1/2020
Current liabilities	**84.2**	89.9
Non-current liabilities	**228.5**	27.8
	312.7	117.7

(HK$ Million)	31/12/2020	1/1/2020
Maturity analysis		
Not later than 1 year	**84.2**	89.9
Later than 1 year and not later than 5 years	**139.5**	27.8
Later than 5 years	**89.0**	–
	312.7	117.7

41. Notes/Paper Payable

(HK$ Million)	31/12/2020	31/12/2019
US dollar denominated notes (the "US$ Notes")		
– 4.75% US$ Notes maturing in May 2021 ("the "4.75% Notes")	**1,936.5**	1,927.0
– 4.65% US$ Notes maturing in September 2022 (the "4.65% Notes")	**3,486.0**	3,504.8
– 5.75% US$ Notes maturing in November 2024 (the "5.75% Notes")	**2,724.3**	2,734.3
HK dollar denominated notes/paper (the "HK$ Notes/Paper")		
– HK$ Notes/Paper	**–**	432.6
	8,146.8	8,598.7
Analysed for reporting purposes as:		
– Current liabilities	**2,013.4**	569.5
– Non-current liabilities	**6,133.4**	8,029.2
	8,146.8	8,598.7

41. Notes/Paper Payable *(Continued)*

The US$ Notes were issued by a subsidiary, Sun Hung Kai & Co. (BVI) Limited, under a US$3 billion guaranteed medium term note programme.

The HK$ Notes/Paper were issued by a subsidiary, Sun Hung Kai (ECP) Limited, under a US$1 billion guaranteed commercial paper programme.

The 4.75% Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 4.75% Notes was US$249.8 million or equivalent to HK$1,936.4 million (31/12/2019: US$249.8 million or equivalent to HK$1,944.9 million) at the reporting date. The fair value of the 4.75% Notes based on the price quoted from pricing service at the reporting date was HK$1,951.3 million (31/12/2019: HK$1,950.6 million) which was categorised as Level 2.

The 4.65% Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 4.65% Notes outstanding after eliminating the intra-group holdings was US$444.1 million or equivalent to HK$3,442.7 million (31/12/2019: US$444.5 million or equivalent to HK$3,461.2 million) at the reporting date. The fair value of the 4.65% Notes based on the price quoted from pricing service at the reporting date was HK$3,491.0 million (31/12/2019: HK$3,492.1 million) which was categorised as Level 2.

The 5.75% Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 5.75% Notes outstanding after eliminating the intra-group holdings was US$350 million or equivalent to HK$2,713.2 million (31/12/2019: US$350 million or equivalent to HK$2,713.2 million) at the reporting date. The fair value of the 5.75% Notes based on the price quoted from pricing service at the reporting date was HK$2,742.7 million (31/12/2019: HK$2,761.6 million) which was categorised as Level 2.

42. Share Capital

	Number of shares		**Share capital**	
	31/12/2020 Million Shares	31/12/2019 Million Shares	**31/12/2020 HK$ Million**	31/12/2019 HK$ Million
Issued and fully paid				
Balance brought forward	**1,998.8**	2,008.0	**8,752.3**	8,752.3
Shares cancelled after repurchase	**(16.5)**	(8.9)	**–**	–
Shares repurchased but not yet cancelled	**–**	(0.3)	**–**	–
Balance carried forward	**1,982.3**	1,998.8	**8,752.3**	8,752.3

During the year, the trustee of the EOS acquired 1.0 million shares (2019: 1.3 million shares) of the Company through purchases on The Stock Exchange of Hong Kong Limited for the awarded shares of the EOS. The total amount paid to acquire the shares during the period was HK$3.0 million (2019: HK$4.7 million), which has been deducted from the owners' equity. Further information is disclosed in the relevant section of "Management Discussion and Analysis" section of this Annual Report.

During the year, the Company repurchased a total of 16.5 million shares (2019: 9.2 million shares) through purchases on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$53.0 million (2019: HK$33.0 million). Further information is disclosed in the relevant section of the Directors' Report.

In 2019, an indirectly owned subsidiary of the Group – UAF repurchased its own shares through a private agreement for HK$731.5 million which increased the Group's ownership interest from 58.18% to 62.74%.

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43. Analysis of Other Comprehensive Income (Expenses)

(HK$ Million)	Attributable to owners of the Company: Exchange reserve	Attributable to owners of the Company: Revaluation reserve	Non-controlling interests	Total
For the year ended 31 December 2020				
Financial assets at fair value through other comprehensive income	**–**	**(4.3)**	**(2.7)**	**(7.0)**
Gain on revaluation of properties	**–**	**24.8**	**–**	**24.8**
Exchange differences arising on translating foreign operations	**191.8**	**–**	**126.0**	**317.8**
Share of other comprehensive income of associates	**28.9**	**–**	**–**	**28.9**
Share of other comprehensive income of joint ventures	**21.0**	**–**	**–**	**21.0**
	241.7	**20.5**	**123.3**	**385.5**
For the year ended 31 December 2019				
Financial assets at fair value through other comprehensive income	–	(15.4)	1.5	(13.9)
Exchange differences arising on translating foreign operations	(73.2)	–	(40.5)	(113.7)
Share of other comprehensive income of associates	4.2	–	–	4.2
Share of other comprehensive expenses of joint ventures	(3.5)	–	–	(3.5)
	(72.5)	(15.4)	(39.0)	(126.9)

44. Commitments

(a) Operating lease commitments

The Group as lessee:

At 31 December 2020, the Group is committed to HK$2.4 million (2019: HK$6.4 million) for short-term leases.

The maturity profile of the lease liabilities are disclosed in Note 40.

The Group as lessor:

At 31 December 2020, all of the properties held for rental purpose have committed leases for the next 3 to 5 years (2019: 3 to 6 years) respectively. Undiscounted lease payments receivables on leases are as follows:

(HK$ Million)	31/12/2020	31/12/2019
Within one year	**23.4**	26.1
In the second year	**7.9**	17.3
In the third year	**0.5**	4.2
In the fourth year	**0.8**	0.3
In the fifth year	**0.6**	0.4
After five years	**–**	0.3
	33.2	48.6

(b) Loan commitments

(HK$ Million)	31/12/2020	31/12/2019
Within one year	**1,606.9**	1,397.0
In the third year	**12.1**	–
	1,619.0	1,397.0

(c) Other commitments

(HK$ Million)	31/12/2020	31/12/2019
Capital commitments for funds	**1,421.6**	751.5
Other capital commitments	**1.4**	–
	1,423.0	751.5

45. Other Financial Liabilities

At the end of the reporting period, the Group issued financial guarantees to banks in respect of banking facilities granted to a joint venture in the amount of nil (2019: HK$105.2 million) and to an independent third party of HK$387.6 million (2019: HK$389.3 million), respectively and the movement is as follows:

(HK$ Million)	31/12/2020	31/12/2019
At 1 January	**494.5**	107.0
Additions	**–**	387.7
Expire	**(105.1)**	–
Exchange adjustments	**(1.8)**	(0.2)
At 31 December	**387.6**	494.5

46. Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support the Group's growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies and processes during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debts divided by the equity. Net debts represent the total of bank and other borrowings and notes/paper payable less bank deposits, cash and cash equivalents. The equity comprises all components of equity attributable to the owners of the Company. The gearing ratio at the reporting date was as follows:

(HK$ Million)	**31/12/2020**	31/12/2019
Bank and other borrowings	**8,467.3**	8,157.1
Notes/paper payable	**8,146.8**	8,598.7
	16,614.1	16,755.8
Less: bank deposits, cash and cash equivalents	**(7,257.9)**	(5,726.2)
Net debts	**9,356.2**	11,029.6
Equity attributable to owners of the Company	**22,625.2**	20,381.7
Gearing ratio	**41.4%**	54.1%

47. Financial Risk Management

Risk is inherent in the financial service business and sound risk management is a cornerstone of prudent and successful financial practice. That said, the Group acknowledges that a balance must be achieved between risks control and business growth. The principal financial risks inherent in the Group's business are market risk (includes equity risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's risk management objective is to enhance shareholders' value while retaining exposure within acceptable thresholds.

The Group's risk management governance structure is designed to cover all business activities and to ensure all relevant risk classes are properly managed and controlled. The Group has adopted a sound risk management and organisational structure equipped with comprehensive policies and procedures which are reviewed regularly and enhanced when necessary in response to changes in markets, the Group's operating environment and business strategies. The Group's independent control functions including Internal Audit, play an important role in the provision of assurance to the Board and senior management that a sound internal risk management mechanism is implemented, maintained and adhered to.

(a) Market Risk

(i) Equity Risk

There are many asset classes available for investment in the marketplace. One of the Group's key business undertakings is investing in equity. Market risk arising from any equity investments is driven by the daily fluctuations in market prices or fair values. The ability to mitigate such risk depends on the availability of any hedging instruments and the diversification level of the investment portfolios undertaken by the Group. More importantly, the knowledge and experience of the trading staff managing the risk are also vital to ensure exposure is being properly hedged and rebalanced in the most timely manner. Proprietary trading across the Group is subject to limits approved by senior management. Valuation of these instruments is measured on a "mark-to-market" and "mark-to-fair-value" basis depending on whether they are listed or unlisted. Value at Risk ("VaR") and stress tests are employed in the assessment of risk. Meanwhile other non-VaR limits such as "maximum loss" and "position" limits are also set out to restrict excessive risk undertakings. VaR and stress tests are approaches which are widely used in the financial industry as tools to quantify risk by combining the size of a position and the extent of a potential market movement into a potential financial impact.

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47. Financial Risk Management *(Continued)*

(a) Market Risk *(Continued)*

(i) Equity Risk (Continued)

The Group's market-making and proprietary trading positions and their financial performance are reported daily to senior management for review. Internal Audit also performs regular checks to ensure there is adequate compliance in accordance with the established market risk limits and guidelines.

The table below summarises the overall financial impact on the Group arising from market movements in global equity indices. The analysis is based on the assumption that equity indices move ±20% with all other variables being held constant and all equity instruments undertaken by the Group moving simultaneously. Declines in the indices are expressed as negatives.

	At 31 December 2020				At 31 December 2019			
	Potential impact on profit or loss for the year		**Potential impact on other components of equity**		Potential impact on profit or loss for the year		Potential impact on other components of equity	
(HK$ Million)	**20%**	**–20%**	**20%**	**–20%**	20%	–20%	20%	–20%
Local Index	**9.0**	**(34.0)**	**6.6**	**(6.6)**	333.1	(324.0)	8.3	(8.3)
Overseas Index	**2,442.7**	**(2,317.1)**	**17.6**	**(17.6)**	1,838.4	(1,838.5)	17.6	(17.6)

Futures, options and knock-out options are hedged by other derivatives in view of the volatile markets and wide trading ranges.

(ii) Interest Rate Risk

Interest rate risk is the risk of loss due to changes in interest rates. The Group's interest rate risk exposure arises predominantly from term financing, mortgage loans and loans and advances to consumer finance customers. Interest spreads are managed with the objective of maximising spreads to ensure consistency with liquidity and funding obligations.

At 31 December 2020, assuming that market interest rates moved by ±50 basis points (31/12/2019: ±50 basis points), the profit before tax for the year for the Group would have been HK$20.3 million lower or HK$20.3 million higher respectively (2019: HK$13.4 million lower or HK$13.6 million higher respectively).

The exposures of the Group's financial assets (liabilities) bearing variable interest rate to cash flow interest rate risks and the earlier of their contractual repricing dates and contractual maturity dates are as follows:

(HK$ Million)	**On demand or less than 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
At 31 December 2020					
Loans and advances to consumer finance customers	**111.6**	**–**	**–**	**–**	**111.6**
Mortgage loans	**111.8**	**659.8**	**750.1**	**–**	**1,521.7**
Term loans	**–**	**3.4**	**401.6**	**–**	**405.0**
Amounts due from associates	**–**	**–**	**226.3**	**–**	**226.3**
Bank deposits, cash and cash equivalents	**4,161.5**	**47.0**	**–**	**–**	**4,208.5**
Bank and other borrowings	**(8,445.4)**	**–**	**–**	**–**	**(8,445.4)**
At 31 December 2019					
Loans and advances to consumer finance customers	133.9	–	–	–	133.9
Mortgage loans	53.7	32.3	1,256.1	–	1,342.1
Amounts due from associates	–	–	206.9	–	206.9
Bank deposits, cash and cash equivalents	3,824.3	–	–	–	3,824.3
Bank and other borrowings	(8,125.3)	–	–	–	(8,125.3)

47. Financial Risk Management *(Continued)*

(a) Market Risk *(Continued)*

(ii) Interest Rate Risk *(Continued)*

The exposures of the Group's financial assets (liabilities) bearing fixed interest rate to fair value interest rate risks and the earlier of their contractual repricing dates and contractual maturity dates are as follows:

(HK$ Million)	On demand or less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
At 31 December 2020						
Loans and advances to consumer finance customers	**2,619.9**	**4,793.9**	**2,818.6**	**219.7**	**–**	**10,452.1**
Mortgage loans	**135.7**	**913.5**	**442.8**	**–**	**–**	**1,492.0**
Bonds included in financial assets at fair value through profit or loss	**316.8**	**–**	**24.4**	**117.1**	**–**	**458.3**
Term loans	**540.7**	**614.1**	**152.9**	**–**	**–**	**1,307.7**
Amounts due from associates	**–**	**–**	**–**	**–**	**64.9**	**64.9**
Bank deposits, cash and cash equivalents	**1,168.0**	**12.3**	**–**	**–**	**1,869.1**	**3,049.4**
Bank and other borrowings	**(19.8)**	**–**	**–**	**–**	**(2.1)**	**(21.9)**
Lease liabilities	**(23.7)**	**(60.5)**	**(139.5)**	**(89.0)**	**–**	**(312.7)**
Notes/paper payable	**–**	**(2,013.4)**	**(6,133.4)**	**–**	**–**	**(8,146.8)**
Amounts due to a holding company	**–**	**–**	**–**	**–**	**(4.7)**	**(4.7)**
At 31 December 2019						
Loans and advances to consumer finance customers	2,876.6	4,697.8	2,699.8	5.4	–	10,279.6
Mortgage loans	833.8	1,436.4	14.6	–	–	2,284.8
Bonds included in financial assets at fair value through profit or loss	340.4	264.9	250.5	157.9	–	1,013.7
Term loans	1,027.2	827.4	51.6	–	–	1,906.2
Amounts due from associates	–	–	–	–	123.0	123.0
Bank deposits, cash and cash equivalents	1,682.8	68.1	–	–	151.0	1,901.9
Bank and other borrowings	(20.0)	–	–	–	(11.8)	(31.8)
Lease liabilities	(22.9)	(67.0)	(27.8)	–	–	(117.7)
Notes/paper payable	–	(569.4)	(8,029.3)	–	–	(8,598.7)
Amounts due to fellow subsidiaries and a holding company	(32.8)	–	–	–	(2.5)	(35.3)

(iii) Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from movements in foreign exchange rates.

The Group's foreign exchange risk primarily arises from currency exposures originating from proprietary trading positions, private equity investments, loans and advances and bank and other borrowings denominated in foreign currencies, mainly in Australian dollars, British pounds, Euro, Canadian dollar and Renminbi ("RMB"). Foreign exchange risk is managed and monitored by senior management. The risk arises from open currency positions are subject to management approved limits and are monitored and reported daily.

At 31 December 2020, assuming that the foreign exchange rates moved ±5% (31/12/2019: ±5%) with all other variables held constant, the profit before tax for the year for the Group would be HK$25.3 million higher/lower (2019: HK$92.6 million higher/lower).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

47. Financial Risk Management *(Continued)*

(b) Credit Risk

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2020, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum exposure to credit risk (which for financial assets is represented by their carrying amounts) and the related impairment assessment are summarised in the tables below. In addition, the Group is also exposed to credit risk arising from loan commitments, financial guarantee contracts for which the maximum exposure to credit risk is as disclosed in Notes 44(b), 39 and 45 to the consolidated financial statements. The maximum exposure to credit risk of the investment securities at FVTPL which are exposed to credit risk is their carrying amount, which amounts to HK$1,760.1 million at 31 December 2020 (2019: HK$1,662.6 million), and is monitored by management according to their geographical locations and industries. Generally, the Group considers that the credit risks associated with loans and advances to consumer finance customers, mortgage loans and term loans are mitigated because they are secured over properties and other securities. For those remaining items that do not have any collateral or other credit enhancements to cover its credit risks associated with its financial assets, loan commitments and financial guarantee contracts, are exposed to credit risk.

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. The Group evaluates the credit risk for each loan application on the basis of the repayment abilities of the customers having regard to their financial position, employment status, past due record and credit reference checking result (if applicable).

Credits are granted according to the hierarchy of approval authorities within the Group, including the front-line approval officers, central credit officers, the Credit Committee and the Boards of Directors of the respective companies within the Group (if applicable).

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions and interviews with customers to update the credit risk of customers. Credit review checking and approval processes are properly segregated to ensure effective internal control over credit risk and monitoring in the respective companies within the Group. Dedicated teams of operations staff independent from the credit approval authorities are assigned for recovery of overdue debts. The credit quality review process enables the Group to assess the potential loss as a result of the risk to which it is exposed and take appropriate corrective actions.

The Group adopts a prudent approach to credit risk management framework. Its credit policy is timely revised to align with the prevailing credit environment which is continuously affected by changes in business, economy, regulatory requirements, money market, and social conditions.

Internal Audit Department and Risk Management Department of respective companies within the Group periodically conducts internal control reviews and compliance checking over all aspects of credit processes to ensure that the established credit policies and procedures are complied with and sufficient controls are in place to mitigate credit risk.

The credit risks on bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Loans and advances to consumer finance customers, mortgage loans and term loans consist of a large number of customers who are spread across diverse industries.

Concentration risk of loans and advances to consumer finance customers is managed by reference to individual customers. The aggregate credit exposure in relation to the ten largest outstanding consumer finance customers, including corporate entities and individuals, after taking into account any collateral held or other credit enhancements, net of ECL, at 31 December 2020 was HK$985.4 million (2019: HK$1,233.4 million) of which 58.7% (2019: 64.6%) was secured by collateral.

Concentration risk of mortgage loans is managed by reference to individual mortgage finance customers. The aggregate credit exposure in relation to the ten largest outstanding mortgage finance customers, including corporate entities and individuals, after taking into account any collateral held or other credit enhancements, net of ECL, at 31 December 2020 was HK$1,117.8 million (2019: HK$1,176.2 million) of which 100% (2019: 100%) was secured by collateral.

Concentration risk of term loans is managed by reference to individual term loan customers. The aggregate credit exposure in relation to the ten largest outstanding term loan customers, including corporate entities and individuals, after taking into account any collateral held or other credit enhancements, net of ECL, at 31 December 2020 was HK$1,633.2 million (2019: HK$1,770.3 million) of which 100% (2019: 100%) was secured by collateral.

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk assessment for loans and advances to consumer finance customers and mortgage loans comprises the following categories:

Internal credit risk categories	Description	Loans and receivables at amortised costs	Loan commitments/ financial guarantee contracts
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL	12-month ECL
Watch list	Debtor usually settles overdue balances after due date	12-month ECL	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition based on information from internal or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of debts	Amount is written off against the allowance account	N/A

The Group takes into consideration forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not changed in the estimation techniques or significant assumptions during the reporting period.

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47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets (including loans and advances to consumer finance customers, mortgage loans, term loans, amounts due from associates, amounts due from brokers, short-term pledged bank deposits and bank balances, bank deposits, cash and cash equivalents and other receivables), loan commitments and financial guarantee contracts, which are subject to ECL assessment:

	Note	Internal credit risk categories	12-month or lifetime ECL	Gross carrying amount 2020 HK$ Million	Gross carrying amount 2019 HK$ Million
Loans and receivables at amortised costs and maximum exposure to credit risk without taking into account of any collaterals and other credit enhancements					
Loans and advances to consumer finance customers	30	Low risk/watch list	12-month ECL	**10,594.0**	10,501.9
		Doubtful	Lifetime ECL (not credit impaired)	**327.5**	464.8
		Loss	Lifetime ECL (credit-impaired)	**396.5**	154.6
				11,318.0*	11,121.3*
Mortgage loans	31	Low risk/watch list	12-month ECL	**2,291.5**	3,170.6
		Doubtful	Lifetime ECL (not credit impaired)	**104.9**	14.4
		Loss	Lifetime ECL (credit-impaired)	**664.7**	463.6
				3,061.1*	3,648.6*
Term loans	32	Note 2	12-month ECL	**1,186.1**	1,041.7
		Note 2	Lifetime ECL (not credit impaired)	**63.1**	459.2
			Lifetime ECL (credit-impaired)	**1,076.0**	716.7
				2,325.2*	2,217.6*
Amounts due from associates	29	N/A	12-month ECL	**292.7**	329.9
		N/A	Lifetime ECL (credit-impaired)	**17.5**	17.5
				310.2	347.4
Amounts due from brokers		N/A	12-month ECL	**354.3**	451.7
Short-term pledged bank deposits and bank balances	34	N/A	12-month ECL	**–**	33.2
Bank deposits	34	N/A	12-month ECL	**12.3**	68.1
Bank balances and deposits	34	N/A	12-month ECL	**7,233.6**	5,611.5
Trade and other receivables	33	N/A	Lifetime ECL (not credit impaired)	**158.7**	231.4
		N/A	Lifetime ECL (credit-impaired)	**197.9**	197.9
				356.6	429.3
Other items					
Loan commitments (Note 1)	44	Low risk/watch list	12-month ECL	**1,609.9**	1,382.4
		Doubtful	Lifetime ECL (not credit impaired)	**9.1**	14.6
				1,619.0	1,397.0
Other financial liabilities – financial guarantee (Note 3)	45	N/A	12-month ECL	**387.6**	494.5

* The gross carrying amounts disclosed above include the relevant interest receivables.

Notes:

1. Loan commitments represent undrawn loan commitments to consumer finance customers, mortgage customers and term loans customers granted by the Group under revolving loan facility arrangement.

2. The ECL is assess by reference to the probability of default and loss given default for the relevant credit rating grades published by external credit rating agencies, and adjusted for forward-looking factors that are available.

3. The gross carrying amount of financial guarantee-represents the maximum amount the Group has guaranteed under respective contracts.

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Impairment assessment

To assess the impairment loss on loans and advances to consumer finance customers, the Group groups together all outstanding loan balances, not subject to individual assessment, with common risk characteristics which are ascertained by categories of loan products and are further categorised then into different past due days brackets. ECL is calculated using methodology prescribed under HKFRS 9 (details refer to Note 3 Financial assets – impairment of financial assets) and the resultant impairment loss rate for loans balances which are assessed are shown below:

Gross carrying amount being assessed based on collective assessment:

Loans and advances to consumer finance customers	**Average loss rate**	**31/12/2020 HK$ Million**	Average loss rate	31/12/2019 HK$ Million
Current (not past due)	**4.4%**	**8,547.5**	4.2%	8,336.7
1 to 30 days past due	**16.2%**	**543.6**	17.0%	692.3
31 to 60 days past due	**55.9%**	**80.5**	59.8%	124.0
61 to 90 days past due	**74.2%**	**53.0**	75.6%	73.2
		9,224.6		9,226.2

Debtors with significant outstanding balances or credit-impaired debts with gross carrying amounts of HK$1,696.9 million and HK$396.5 million respectively (2019: HK$1,740.5 million and HK$154.6 million respectively) on 31 December 2020 were assessed individually for impairment loss allowances.

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47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

The following tables show reconciliation of loss allowances that have been recognised for loans and advances to consumer finance customers, mortgage loans, term loans, amounts due from associates, loan commitments and trade and other receivables.

Loans and advances to consumer finance customers

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2019	400.6	181.8	63.2	645.6
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	(9.4)	9.4	–	–
Transfer from lifetime ECL to 12-month ECL	3.1	(3.1)	–	–
Transfer from 12-month ECL to credit-impaired	(8.9)	–	8.9	–
Transfer from lifetime ECL to credit-impaired	–	(475.9)	475.9	–
Net remeasurement of ECL	(23.9)	532.1	489.9	998.1
New financial assets originated	617.2	–	–	617.2
Repayment and derecognition	(552.0)	(51.9)	(12.2)	(616.1)
	26.1	10.6	962.5	999.2
Movement without impact on profit or loss:				
Written off (Note)	–	–	(933.0)	(933.0)
Exchange adjustments	(2.8)	(1.2)	–	(4.0)
	(2.8)	(1.2)	(933.0)	(937.0)
As at 31 December 2019	**423.9**	**191.2**	**92.7**	**707.8**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(145.4)**	**145.4**	**–**	**–**
Transfer from lifetime ECL to 12-month ECL	**9.7**	**(9.7)**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(8.9)**	**–**	**8.9**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(523.4)**	**523.4**	**–**
Net remeasurement of ECL	**4.2**	**436.0**	**488.2**	**928.4**
New financial assets originated	**669.5**	**–**	**–**	**669.5**
Repayment and derecognition	**(541.0)**	**(54.5)**	**(11.3)**	**(606.8)**
	(11.9)	**(6.2)**	**1,009.2**	**991.1**
Movement without impact on profit or loss:				
Written off (Note)	**–**	**–**	**(957.1)**	**(957.1)**
Exchange adjustments	**9.7**	**2.1**	**0.7**	**12.5**
	9.7	**2.1**	**(956.4)**	**(944.6)**
As at 31 December 2020	**421.7**	**187.1**	**145.5**	**754.3**

Note: Amount of HK$957.1 million (2019: HK$933.0 million) that were written off during the year are still subject to enforcement activities.

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Mortgage loans

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2019	–	3.8	5.9	9.7
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	(0.1)	–	0.1	–
Transfer from lifetime ECL to 12-month ECL	–	(2.4)	2.4	–
Net remeasurement of ECL	3.6	(1.0)	11.2	13.8
New financial assets originated	0.7	–	–	0.7
Repayment and derecognition	(0.7)	(0.4)	(1.4)	(2.5)
	3.5	(3.8)	12.3	12.0
As at 31 December 2019	**3.5**	**–**	**18.2**	**21.7**
Changes due to financial instruments recognised during the year:				
Net remeasurement of ECL	**–**	**–**	**31.5**	**31.5**
Repayment and derecognition	**(3.5)**	**–**	**(2.3)**	**(5.8)**
	(3.5)	**–**	**29.2**	**25.7**
As at 31 December 2020	**–**	**–**	**47.4**	**47.4**

Term loans

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2019	0.4	–	150.4	150.8
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	(18.8)	18.8	–	–
Transfer from 12-month ECL to credit-impaired	(59.9)	–	59.9	–
Net remeasurement of ECL	81.0	13.1	65.8	159.9
New financial assets originated	0.7	–	–	0.7
	3.0	31.9	125.7	160.6
As at 31 December 2019	**3.4**	**31.9**	**276.1**	**311.4**
Changes due to financial instruments recognised during the year:				
Transfer from lifetime ECL to credit-impaired	**–**	**(66.6)**	**66.6**	**–**
Net remeasurement of ECL	**3.0**	**50.8**	**247.3**	**301.1**
	3.0	**(15.8)**	**313.9**	**301.1**
As at 31 December 2020	**6.4**	**16.1**	**590.0**	**612.5**

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47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Amounts due from associates

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2019	–	–	17.1	17.1
Changes due to financial instruments recognised during the year:				
Net remeasurement of ECL	–	–	0.4	0.4
	–	–	0.4	0.4
As at 31 December 2019	**–**	**–**	**17.5**	**17.5**
Changes due to financial instruments recognised during the year:				
Net remeasurement of ECL	**1.8**	**–**	**0.3**	**2.1**
	1.8	**–**	**0.3**	**2.1**
Movement without impact on profit or loss:				
Exchange adjustments	**–**	**–**	**(0.5)**	**(0.5)**
	–	**–**	**(0.5)**	**(0.5)**
As at 31 December 2020	**1.8**	**–**	**17.3**	**19.1**

Loan commitments

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2019	22.9	5.8	–	28.7
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	(0.7)	0.7	–	–
Net remeasurement of ECL	1.7	6.6	–	8.3
New financial assets originated or purchased	24.7	–	–	24.7
Expire/and derecognition	(23.3)	(5.8)	–	(29.1)
As at 31 December 2019	**25.3**	**7.3**	**–**	**32.6**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(0.1)**	**0.1**	**–**	**–**
Net remeasurement of ECL	**1.6**	**4.4**	**–**	**6.0**
New financial assets originated	**24.7**	**–**	**–**	**24.7**
Expiry and derecognition	**(27.3)**	**(7.5)**	**–**	**(34.8)**
As at 31 December 2020	**24.2**	**4.3**	**–**	**28.5**

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Trade and other receivables

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2019	–	–	–	–
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to credit-impaired	(0.1)	–	0.1	–
Net remeasurement of ECL	–	–	47.5	47.5
New financial assets originated	0.1	–	–	0.1
	–	–	47.6	47.6
Movement without impact on profit or loss:				
Written off	–	–	(0.1)	(0.1)
	–	–	(0.1)	(0.1)
As at 31 December 2019	**–**	**–**	**47.5**	**47.5**
Changes due to financial instruments recognised during the year:				
Net remeasurement of ECL	**–**	**–**	**(45.4)**	**(45.4)**
	–	**–**	**(45.4)**	**(45.4)**
Movement without impact on profit or loss:				
Written off	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**
As at 31 December 2020	**–**	**–**	**2.1**	**2.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Changes in the loss allowance for loans and advances to consumer finance customers, mortgage loans, term loans, amounts due from associates, loan commitments and trade and other receivables are mainly due to changes in expected credit loss rate at each stage and changes in gross carrying amounts of respective loans and receivables are as follows:

Loans and advances to consumer finance customers

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
Gross carrying amount as at 1 January 2019	9,912.9	281.8	220.6	10,415.3
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	(1,194.7)	1,194.7	–	–
Transfer from lifetime ECL to 12-month ECL	6.2	(6.2)	–	–
Transfer from 12-month ECL to credit-impaired	(240.8)	–	240.8	–
Transfer from lifetime ECL to credit-impaired	–	(735.4)	735.4	–
New financial assets originated	15,093.5	–	–	15,093.5
Repayment and derecognition	(13,031.7)	(268.8)	(108.9)	(13,409.4)
Written off	–	–	(933.0)	(933.0)
Exchange adjustments	(43.5)	(1.3)	(0.3)	(45.1)
Gross carrying amount as at 31 December 2019	**10,501.9**	**464.8**	**154.6**	**11,121.3**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(1,163.0)**	**1,163.0**	**–**	**–**
Transfer from lifetime ECL to 12-month ECL	**18.4**	**(18.4)**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(236.7)**	**–**	**236.7**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(997.8)**	**997.8**	**–**
New financial assets originated	**13,508.6**	**–**	**–**	**13,508.6**
Repayment and derecognition	**(12,197.6)**	**(287.1)**	**(36.8)**	**(12,521.5)**
Written off	**–**	**–**	**(957.1)**	**(957.1)**
Exchange adjustments	**162.4**	**3.0**	**1.3**	**166.7**
Gross carrying amount as at 31 December 2020	**10,594.0**	**327.5**	**396.5**	**11,318.0**

As at 31 December 2020, loans and advances to consumer finance customers with a gross carrying amount of HK$161.4 million (2019: HK$89.0 million) classified as lifetime ECL (credit-impaired) is covered by collateral and other credit enhancement measures.

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Mortgage loans

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
Gross carrying amount as at 1 January 2019	3,487.6	350.7	25.6	3,863.9
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	(196.8)	196.8	–	–
Transfer from 12-month ECL to credit-impaired	(7.9)	–	7.9	–
Transfer from lifetime ECL to credit-impaired	–	(459.1)	459.1	–
New financial assets originated	2,033.1	–	–	2,033.1
Repayment and derecognition	(2,145.4)	(74.0)	(29.0)	(2,248.4)
Gross carrying amount as at 31 December 2019	**3,170.6**	**14.4**	**463.6**	**3,648.6**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(171.4)**	**171.4**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(296.4)**	**–**	**296.4**	**–**
Transfer from lifetime ECL to 12-month ECL	**14.6**	**(14.6)**	**–**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(53.9)**	**53.9**	**–**
New financial assets originated	**1,828.0**	**–**	**–**	**1,828.0**
Repayment and derecognition	**(2,253.9)**	**(12.4)**	**(149.2)**	**(2,415.5)**
Gross carrying amount as at 31 December 2020	**2,291.5**	**104.9**	**664.7**	**3,061.1**

As at 31 December 2020, mortgage loans with a gross carrying amount of HK$664.7 million (2019: HK$463.6 million) classified as lifetime ECL (credit-impaired) is covered by collateral.

Term loans

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
Gross carrying amount as at 1 January 2019	2,228.3	–	407.7	2,636.0
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	(459.2)	459.2	–	–
Transfer from 12-month ECL to credit-impaired	(309.0)	–	309.0	–
New financial assets originated	371.4	–	–	371.4
Repayment and derecognition	(789.8)	–	–	(789.8)
Gross carrying amount as at 31 December 2019	**1,041.7**	**459.2**	**716.7**	**2,217.6**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(49.4)**	**49.4**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(47.1)**	**–**	**47.1**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(312.2)**	**312.2**	**–**
New financial assets originated	**926.7**	**–**	**–**	**926.7**
Repayment and derecognition	**(685.8)**	**(133.3)**	**–**	**(819.1)**
Gross carrying amount as at 31 December 2020	**1,186.1**	**63.1**	**1,076.0**	**2,325.2**

As at 31 December 2020, term loans with a gross carrying amount of HK$1,076.0 million (2019: HK$716.7 million) classified as lifetime ECL (credit-impaired) is covered by collateral and other credit enhancement measures.

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For the year ended 31 December 2020

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Amounts due from associates

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
Gross carrying amount as at 1 January 2019	363.8	–	17.1	380.9
Changes due to financial instruments recognised during the year:				
Advances	–	–	0.4	0.4
Repayment and derecognition	(33.9)	–	–	(33.9)
Gross carrying amount as at 31 December 2019	**329.9**	**–**	**17.5**	**347.4**
Changes due to financial instruments recognised during the year:				
New financial assets originated	**21.1**	**–**	**–**	**21.1**
Repayment and derecognition	**(58.3)**	**–**	**–**	**(58.3)**
Gross carrying amount as at 31 December 2020	**292.7**	**–**	**17.5**	**310.2**

Trade and other receivables

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
Gross carrying amount as at 1 January 2019	368.6	–	–	368.6
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to credit-impaired	(242.9)	–	242.9	–
New financial assets originated or purchased	105.7	–	–	105.7
Repayment and derecognition	–	–	(45.0)	(45.0)
Gross carrying amount as at 31 December 2019	**231.4**	**–**	**197.9**	**429.3**
Changes due to financial instruments recognised during the year:				
New financial assets originated	**38.6**	**–**	**–**	**38.6**
Repayment and derecognition	**(111.3)**	**–**	**–**	**(111.3)**
Gross carrying amount as at 31 December 2020	**158.7**	**–**	**197.9**	**356.6**

47. Financial Risk Management *(Continued)*

(c) Liquidity Risk

The goal of liquidity management is to mitigate risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or make the required profit. Another goal is to enable the Group, even under adverse market conditions, to actively manage and match funds inflow against all maturing repayment obligations to achieve maximum harmony on cash flow management.

The Group manages its liquidity position to ensure a prudent and adequate liquidity ratio. This is achieved by a transparent and collective monitoring approach across the Group involving Executive Directors and the Group CFO.

The exposure of the Group's contractual undiscounted cash flow for financial liabilities and lease liabilities and their contractual maturity dates are as follows:

(HK$ Million)	On demand or less than 90 days	91 days to 1 year	1 year to 5 years	Over 5 years	Total
At 31 December 2020					
Bank and other borrowings+	**4,605.5**	**1,584.7**	**2,418.6**	**64.7**	**8,673.5**
Trade and other payables	**253.1**	**–**	**–**	**–**	**253.1**
Amounts due to fellow subsidiaries and a holding company	**4.7**	**–**	**–**	**–**	**4.7**
Lease liabilities	**26.9**	**68.2**	**164.6**	**97.7**	**357.4**
Notes/paper payable	**80.0**	**2,218.2**	**6,783.9**	**–**	**9,082.1**
Loan commitments#	**1,606.9**	**–**	**12.1**	**–**	**1,619.0**
Guarantees*	**–**	**–**	**387.6**	**–**	**387.6**
Total	**6,577.1**	**3,871.1**	**9,766.8**	**162.4**	**20,377.4**
At 31 December 2019					
Bank and other borrowings+	4,892.5	877.4	2,609.7	62.1	8,441.7
Trade payables and other payables	137.3	–	–	–	137.3
Financial assets sold under repurchase agreements	386.2	–	–	–	386.2
Amounts due to fellow subsidiaries and a holding company	35.5	–	–	–	35.5
Lease liabilities	24.0	68.9	28.5	–	121.4
Notes/paper payable	181.9	666.1	9,126.6	–	9,974.6
Loan commitments#	1,397.0	–	–	–	1,397.0
Guarantees*	–	105.2	389.3	–	494.5
Total	7,054.4	1,717.6	12,154.1	62.1	20,988.2

\+ Bank and other borrowings with repayment on demand clause are classified as on demand in the above analysis although the demand clause has not been exercised.

\# The amount represents the maximum undrawn loan commitments under the loan facilities arrangement and the Group could be required to provide loan disbursements upon demand from the consumer finance customers. Based on the expectation at the end of the reporting period, the Group considers that it is remote for such whole loan commitments to be fully drawn down in any significant respect.

* The amounts included above for guarantees are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

48. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

(HK$ Million)	Short-term loans due to fellow subsidiaries (Note 38)	Bank and other borrowings (Note 35)	Lease liabilities (Note 40)	Notes/ paper payable (Note 41)	Total
At 1 January 2020	**32.9**	**8,157.1**	**117.7**	**8,598.7**	**16,906.4**
Financing cash flows:					
New short-term loans due to fellow subsidiaries repaid	**(32.9)**	**–**	**–**	**–**	**(32.9)**
Net short-term bank and other borrowings repaid	**–**	**(18,016.1)**	**–**	**–**	**(18,016.1)**
New long-term bank and other borrowings raised	**–**	**18,338.7**	**–**	**–**	**18,338.7**
Repurchase of notes/paper	**–**	**–**	**–**	**(3.1)**	**(3.1)**
Repayment of notes/paper	**–**	**–**	**–**	**(434.3)**	**(434.3)**
Accrued interest	**–**	**335.8**	**7.1**	**434.0**	**776.9**
Interest paid	**–**	**(279.1)**	**(7.1)**	**(410.7)**	**(696.9)**
Lease payments	**–**	**–**	**(96.9)**	**–**	**(96.9)**
New lease entered/lease modified	**–**	**–**	**290.8**	**–**	**290.8**
Unamortised arrangement fee reclassified from prepayments	**–**	**(68.5)**	**–**	**–**	**(68.5)**
Effect on foreign exchange rate changes	**–**	**(0.6)**	**1.1**	**(37.8)**	**(37.3)**
At 31 December 2020	**–**	**8,467.3**	**312.7**	**8,146.8**	**16,926.8**
At 1 January 2019	514.5	7,183.1	135.1	7,800.0	15,632.7
Financing cash flows:					
New short-term loans due to fellow subsidiaries raised	(481.6)	–	–	–	(481.6)
Net short-term bank and other borrowings repaid	–	(19,034.0)	–	–	(19,034.0)
New long-term bank and other borrowings raised	–	19,967.6	–	–	19,967.6
Proceeds from issue of notes/paper	–	–	–	3,989.8	3,989.8
Redemption of notes/paper	–	–	–	(1,718.9)	(1,718.9)
Repayment of notes/paper	–	–	–	(1,498.7)	(1,498.7)
Accrued interest	–	355.6	5.5	385.4	746.5
Interest paid	–	(314.7)	(5.5)	(347.1)	(667.3)
Lease payments	–	–	(77.6)	–	(77.6)
New lease entered/lease modified	–	–	60.5	–	60.5
Effect on foreign exchange rate changes	–	(0.5)	(0.3)	(11.8)	(12.6)
At 31 December 2019	32.9	8,157.1	117.7	8,598.7	16,906.4

49. Statement of Financial Position of the Company

(HK$ Million)	31/12/2020	31/12/2019
Non-current Assets		
Property and equipment	**1.6**	0.8
Intangible assets	**6.2**	6.2
Right-of-use assets	**100.1**	–
Interest in subsidiaries	**4,001.4**	4,008.7
Interest in associates	**–**	700.8
Amounts due from subsidiaries	**4,458.3**	7,905.4
Amounts due from associates	**59.8**	59.8
	8,627.4	12,681.7
Current Assets		
Amounts due from subsidiaries	**6,062.4**	5,408.3
Financial assets at fair value through profit or loss	**1,174.0**	–
Term loan	**402.9**	–
Other receivables	**12.1**	5.0
Tax recoverable	**–**	3.4
Cash and cash equivalents	**1,932.5**	339.8
	9,583.9	5,756.5
Current Liabilities		
Amounts due to subsidiaries	**5,300.0**	7,045.3
Amounts due to holding company	**4.7**	2.4
Trade and other payables	**59.6**	31.4
Provisions	**213.9**	111.8
	5,578.2	7,190.9
Net Current Assets (Liabilities)	**4,005.7**	(1,434.4)
Total Assets less Current Liabilities	**12,633.1**	11,247.3
Capital and Reserves		
Share capital	**8,731.0**	8,731.0
Reserves	**3,811.7**	2,516.0
Equity attributable to owners of the Company	**12,542.7**	11,247.0
Non-current Liabilities		
Lease liabilities	**90.1**	–
Provisions	**0.3**	0.3
	12,633.1	11,247.3

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 18 March 2021 and are signed on its behalf by:

Lee Seng Huang
Director

Simon Chow Wing Charn
Director

50. Reserves of the Company

(HK$ Million)	2020	2019
Retained earnings		
Balance at 1 January	**2,516.0**	2,925.2
Profit and total comprehensive income for the year	**1,866.5**	144.6
Unclaimed dividends forfeited	**—**	0.2
Dividends paid	**(517.8)**	(521.0)
Shares repurchased	**(53.0)**	(33.0)
Balance at 31 December	**3,811.7**	2,516.0

The distributable reserves of the Company at 31 December 2020 amounted to HK$3,201.5 million (31/12/2019: HK$1,905.9 million), being its net realised profits calculated under Section 291 of the Hong Kong Companies Ordinance.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Peter Anthony Curry
Jonathan Andrew Cimino

Independent Non-Executive Directors

Evan Au Yang Chi Chun
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung

EXECUTIVE COMMITTEE

Lee Seng Huang *(Chairman)*
Simon Chow Wing Charn

NOMINATION COMMITTEE

Lee Seng Huang *(Chairman)*
Evan Au Yang Chi Chun
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung

REMUNERATION COMMITTEE

Evan Au Yang Chi Chun *(Chairman)*
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung

AUDIT COMMITTEE

Alan Stephen Jones *(Chairman)*
Evan Au Yang Chi Chun
David Craig Bartlett
Peter Anthony Curry
Jacqueline Alee Leung

RISK MANAGEMENT COMMITTEE

Robert James Quinlivan *(Chairman)*
Simon Chow Wing Charn
Alfred Leung Sai Kit
Lindsay Megan Wright *(appointed on 19 August 2020)*
Paul Olivera *(appointed on 19 August 2020)*

COMPANY SECRETARY

Hester Wong Lam Chun

INVESTOR RELATIONS

investor.relations@shkco.com

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

SOLICITORS

Clifford Chance
Davis Polk & Wardwell
DLA Piper
King & Wood Mallesons
Maples & Calder (Hong Kong) LLP
Mayer Brown
P. C. Woo & Co.

BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Bank of China (Hong Kong) Limited
OCBC Wing Hang Bank Limited
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
Taipei Fubon Commercial Bank Co., Ltd.
CMB Wing Lung Bank Limited
Mizuho Bank, Ltd., Hong Kong Branch
Taishin International Bank Co., Ltd.
Cathay United Bank Company, Limited, Hong Kong Branch
China Minsheng Banking Corp. Ltd., Hong Kong Branch
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch
Chiyu Banking Corporation Limited

REGISTRAR

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

42/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

WEBSITES

www.shkco.com
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