新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

Stock Code: 0086

ANNUAL REPORT 2021

Photo Credit : Sailmedia

The images in the report feature team Sun Hung Kai Scallywag, Hong Kong's professional off-shore sailing team. The team competed on behalf of Hong Kong and won the homecoming leg of the renowned Volvo Ocean Race 17-18, one of the toughest sailing challenges in the world. The team spent more than eight months sailing over 45,000 nautical miles across four oceans.

In 2021, Sun Hung Kai Scallywag won the SOLAS Big Boat Challenge and Australian Maxi Championship.

The origin of the team is Scallywag, a 100-foot super maxi race yacht, where the team spirit echoes the Company's own ethos - Endure. Adapt. Excel.

Contents

Photo Credit : ROLEX/Andrea Francolini

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 estate 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 holds about HK$48.8 billion in total assets as at 31 December 2021.

Our Journey of Transformation

50+ Years of Excellence

in Financial Markets

HK$48.8 bn total assets*

Committed to generating long term capital growth for shareholders

1969-2006

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

2006-2015

- Consumer Finance market leader
- Entered Mainland 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 Sun Hung Kai Financial
- Developed Mortgage Loans business
- Built Investment Management platform leveraging our strengths

From 2020

- Sold remaining 30% interest in Sun Hung Kai Financial
- Extended the Investment Management business into a Funds Management platform

*as at 31 December 2021

OUR BUSINESS

Since our foundation about half century ago, the Group has been a leader in the financial services market of Hong Kong. Over the years, the Group has developed a set of diversified, yet complementary business units with Financing, Investment Management and Funds Management businesses. Under this structure, our Financing business provides the Group with strong cash flow and stable returns while our Investment Management business brings risk-adjusted returns and growth opportunities and extends our business through a global reach. Building on the success of Investment Management, the Company further expands our capabilities to manage external capital through building out a Funds Management platform. The Funds Management segment was officially launched in 2021 and it adds additional revenue streams to the Group and further diversifies our products and strategies.

FINANCING BUSINESS

This segment consists of a diversified loan portfolio covering Consumer Finance loans, Mortgage loans and Private Credit term loans. Our Financing business provides us with steady returns that are largely uncorrelated to the markets, which are highly complementary to our Investment Management and Funds Management businesses. The Financing business also equips us with 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, where it holds an internet loan licence and off-line money lending licences in major cities across the country.

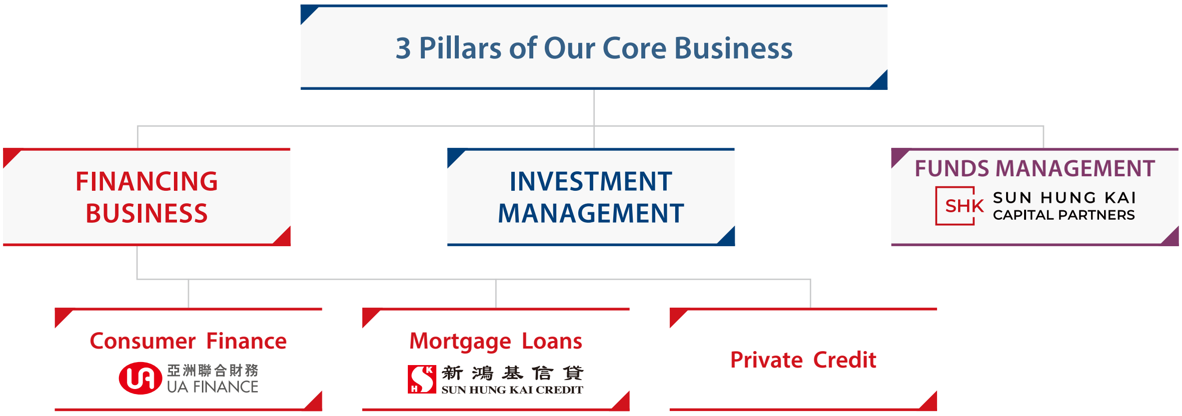
Private Credit (Formerly Specialty Finance)

The Private Credit business provides tailored funding solutions to corporates, investment funds and high net worth individuals. Following the reorganization and rename in November 2021, this division expects to increase its exposure to institutional and corporate borrowers through leveraging the team's expertise and global partnerships in credit.

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 become a household brand name as a mortgage loan provider in Hong Kong.



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 Estate. We have built a sizable and diversified portfolio and it has become a key profit contributor in recent years.

Public Markets Investment

The Company manages a globally diversified portfolio of corporate holdings, which is an internally managed equity strategy, and an internally managed credit strategy. In January 2021, the public equity strategy was spun out and launched as the first partnership on our Funds Management platform.

Alternatives Investment

The Company has sought to invest on the Group's balance sheet 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 Estate Investment (Formerly Real Assets Investment)

Real Estate is a core strength of the Group and an area where we expect to judiciously grow our portfolio going forward. The Company focuses on opportunities with strong downside protection and invests in the real estate in commercial and hospitality sectors in transparent, developed economies across Asia-Pacific, Europe and the US. Being nimble and flexible, the Company makes investments through equity ownership of real estate, co-investments, and loans.

FUNDS MANAGEMENT

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

Along with the strong cash flows from our Financing business, the expertise, network and capital gains contributed by Investment Management have well positioned the Company to expand to the next phase to manage third-party capital. The Group's Funds Management platform — SHK Capital Partners was officially launched in 2021, which now holds SFC Type 1, 4 and 9 licenses. SHK Capital Partners alongside management of its own strategies, incubates, collaborates, accelerates or invests as a limited partner to fund managers depending on their readiness to go to market. Based on the seeding capital provided by SHK & Co, six partnerships/funds were launched in 2021 across a variety of strategies, including APAC equity long/short, technology venture capital, a Europe-focused discretionary probabilistic investing fund, a real estate loan fund, a fund of hedge funds, and a market neutral crypto-currency hedge fund. Going forward, we expect Funds Management to be a new driver for sustainable growth in revenue and assets under management.

CHAIRMAN'S LETTER

Dear Shareholders,

Amidst an increasingly uneasy year with geopolitical headwinds, rising inflation and lingering pandemic-related uncertainty, I am pleased to report that the Company ("SHK & Co.") continued on its transformation journey of becoming a leading alternative investment company. We have further built out our platform while navigating the complex and volatile market dynamics.

Our 52-year history in the financial industry gives us the assurance that we have the capability to weather challenges through economic cycles. We remain confident of the complementary strengths and synergies of our Financing, Investment Management and Funds Management businesses, and believe that a more balanced and diversified business portfolio will ensure a sustainable competitive advantage in the future. We are pleased to have achieved significant progress in building our Funds Management platform, Sun Hung Kai Capital Partners. We have so far seeded four partnerships and launched two internally managed funds and have raised third party capital in excess of US$100 million across different funds, a promising start achieved within a matter of months despite the volatile market conditions.

Financial Highlights, Capital Management and Dividends

In 2021, our combined business portfolio produced 10.4% growth on profit attributable to owners of the Company, totaling HK$2,813.7 million (2020: HK$2,547.7 million). Earnings per share increased to HK142.7 cents, an increase of 11.2% (2020: HK128.3 cents). The book value per share gained 11.4% to HK$12.7 (2020: HK$11.4). Return on equity and return on assets were 11.8% and 7.1%, respectively (2020: 11.8% and 6.8%, respectively).

During the year, we continued to maintain a strong balance sheet and a healthy liquidity position. Following our redemption of the full outstanding amount of the 4.75% USD notes upon its maturity in May 2021, we newly issued US$375 million 5.00% USD medium term notes in September 2021 and a retap of US$75 million of the same bond in early March 2022.

We have maintained our uninterrupted dividends and distributions history, returning HK$12.9 billion (including dividends and share buybacks) to our shareholders since 2007. We declared a second interim dividend of HK14 cents and a special dividend of HK4 cents per share to take account of our strong Alternatives performance in 2021. Together with an interim dividend of HK12 cents per share, the total dividend per share amounted to HK30 cents for 2021 (2020: HK26 cents), representing a pay-out ratio of 21.1% (excluding share buybacks).

In 2021, the Company also continued to repurchase shares, buying back 9.1 million shares (HK$37.8 million). As in prior years, we plan to continue repurchasing our shares in the ordinary course of business.

Business Update

During the year, our Financing business rebounded strongly from 2020, in particular, our Consumer Finance business achieved impressive organic growth and contributed HK$1,665.4 million pre-tax profit to the Group, hitting a record high.

Similarly, Mortgage Loans also rebounded from a low in 2020 and contributed a meaningful pre-tax profit of HK$120.0 million, increasing 6.5% year-on-year. In the meantime, Sun Hung Kai Credit managed to diversify funding channels, lowered financing costs and improved capital efficiency over the year.

Private Credit (formerly Specialty Finance)'s pre-tax contribution in 2021 bounced back from a lossmaking position. The newly renamed unit has refined its focus and will look for global structured finance and special situations opportunities going forward.

Since 2015, our Investment Management business has achieved strong growth and the segment assets reached HK$21,087.9 million as at end of 2021. During the year, we recorded HK$3,481.5 million of realised gains on financial assets and interest income, increasing 98.4% year-on-year as we successfully exited from a number of mature investments made in prior years. In addition, as a cornerstone of our Funds Management initiative, the Investment Management unit had two strategies spun out and launched on the Funds Management platform, namely East Point Asset Management and SHK Latitude Alpha Fund in 2021.

Our Funds Management unit, Sun Hung Kai Capital Partners, has now received Type 1, 4, 9 licenses from the Securities & Futures Commission. Over the year, it launched six partnerships/funds. Apart from launching both internally managed funds SHK Latitude Alpha Fund, a global fund of hedge funds, and Multiple Capital Investment Partners, a real estate loan fund, Sun Hung Kai Capital Partners has completed four partnerships, namely hedge fund managers East Point Asset Management, an APAC long/short equity strategy; ActusRayPartners, a European market neutral discretionary probabilistic strategy and Kernel, a crypto-currency market neutral strategy. In addition, E15VC, a global technology venture fund, has also become our partner to invest in global companies that deploy disruptive technologies.

Total capital provided for seeding purposes exceeded US$600 million while third-party capital raised totaled in excess of US$100 million. In 2022, we will continue to launch and develop partnerships that are in the pipeline, develop customized solutions and expand distribution channels with a focus to attract further third-party capital to build out Sun Hung Kai Capital Partners as a leading platform in the alternative investment management sector.

People and Community

After establishing our ESG Working Committee in 2021 with an updated Sustainability Policy, we are delighted to report that the Company has elevated its focus on ESG over the previous year. A number of events involving the Group giving back to society took place such as a family day of experiential simulation and volunteering at Crossroads Village, our new civil society partner, where our employees learnt firsthand about local and global community concerns. HK$1 million was also donated from SHK & Co. Foundation to build a "Trail of World Need", a series of immersive, interactive exhibits aimed at inspiring and empowering families to engage with world issues. Meanwhile, the Group's frontline and supporting employees completed over 16,000 hours of training in a bid to cultivate a high-performance culture.

We have always looked to make a difference to the safety of both employees and the broader community. To support Hong Kong's vaccination drive, we gave out lucky draw prizes amounted over HK$500,000 to full-time staff ensuring a fully-vaccinated office. Moreover, UAF, which interacts most actively with Hong Kong residents, distributed several thousand boxes of surgical masks and hand sanitisers to its staff in 2021.

This year also saw the Board's performance improved with two new independent non-executive directors increasing its gender, age and nationality diversity. The new additions to the Board also strengthened its expertise in risk management and knowledge in various industries/sectors besides finance.

As a result of the Company's adherence to environmental, sustainable and corporate governance best practices, we have secured The Asset ESG Corporate Award for the seventh consecutive year. In 2021, we also participated in the World Green Organisation's Green Office Award Labelling Scheme and our office was recognised with the "Green Office and Eco-Healthy Workplace Label".

Outlook

The world is finding its way towards a "new normal" with post COVID-19 adjustments, affected by the complex interplay of factors including supply chain disruptions, continued escalation of interest rates, an uncertain world mired in increasing geopolitical conflicts. As a result, we are already seeing much greater volatility but we remain cautiously optimistic and continue to maintain a strong liquidity position while maintaining a balanced and diversified portfolio of businesses and strategies.

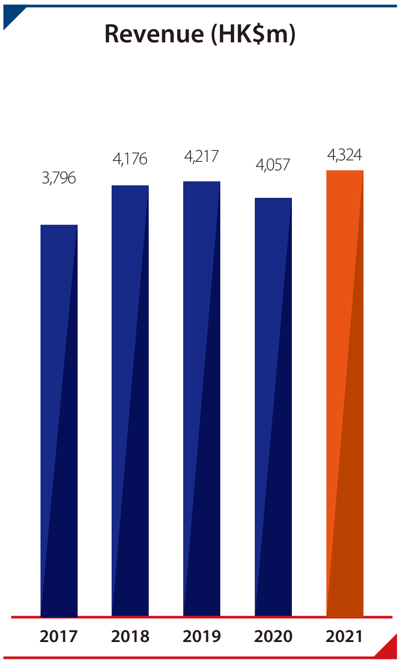
The Company would not have achieved our results, especially in recent difficult years, without the support of our shareholders, business partners, fellow colleagues, and Board members. I would like to take this chance to express my gratitude to all of them.

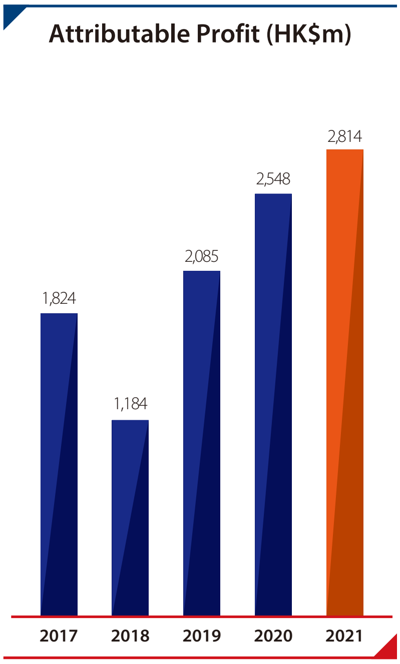
Lee Seng Huang
Group Executive Chairman

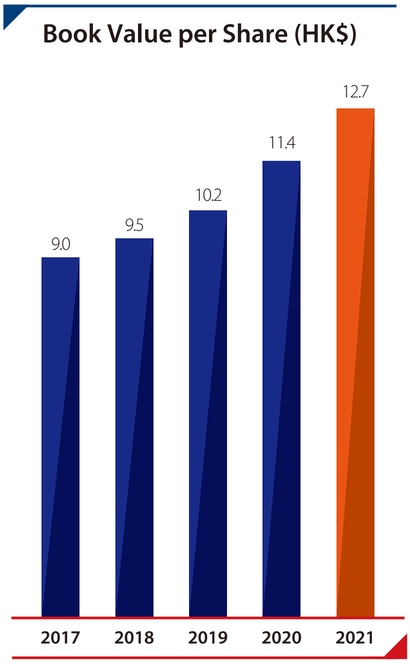
Hong Kong, 17 March 2022

FINANCIAL HIGHLIGHTS

Attributable Profit +10.4%	Total Assets +10.7%
HK$2,813.7m	HK$48,790.1m
Basic EPS +11.2%	**Shareholders' Equity +10.8%**
HK142.7c	HK$25,075.2m
DPS +15.4%	**Net Gearing Ratio from 41.4% to**
HK30.0c	49.0%
BVPS +11.4%	**Interest Cover +26%**
HK$12.7	6.3x







Funding Structure

Total Borrowings

HK$18,283.0m

+10.0%

Bank and Other Borrowings

HK$8,338.6m

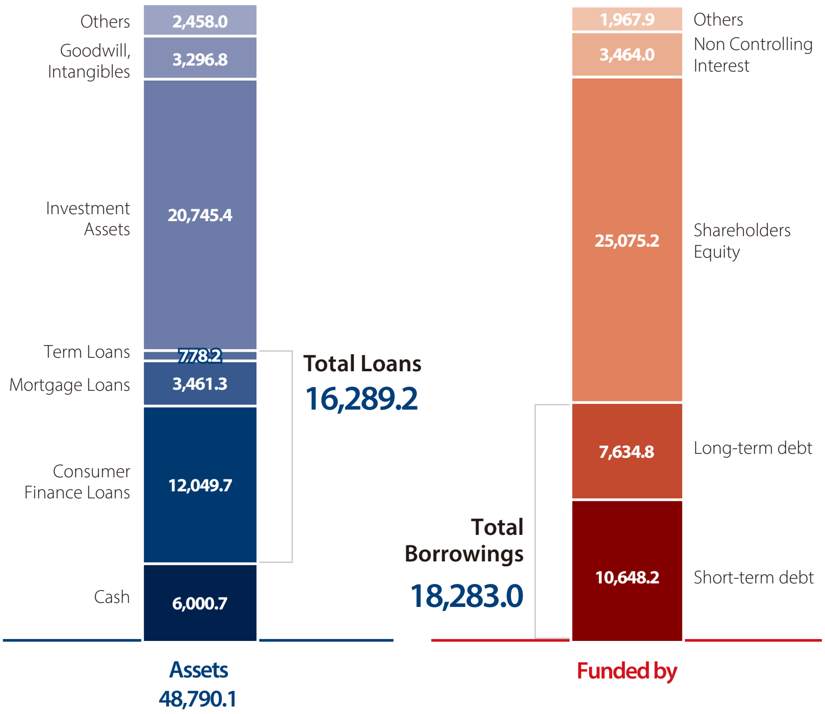
-1.5%

Notes and Paper

HK$9,944.4m

+22.1%

Balance Sheet (HK$ million)

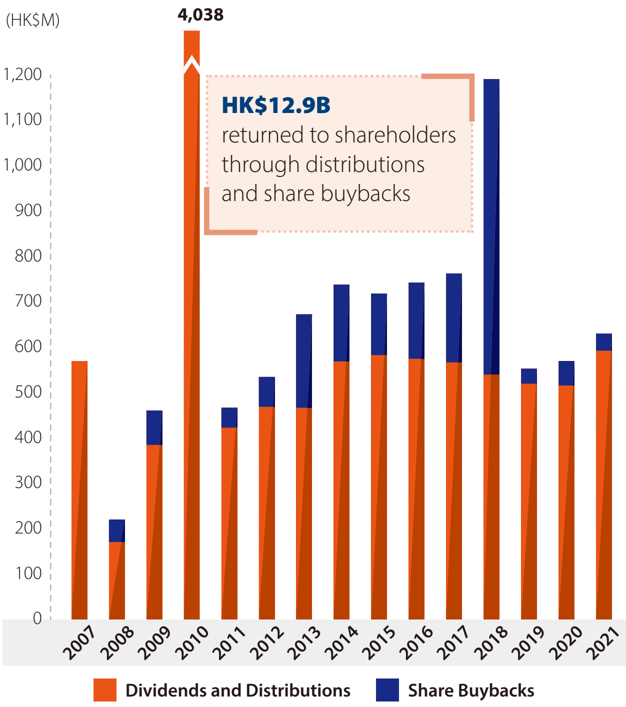


The Group's balance sheet remained strong, with a healthy cash position and low gearing. Long-term loans and investment assets are funded by long-term debt and equity, while short-term assets are well-matched with short-term debt.

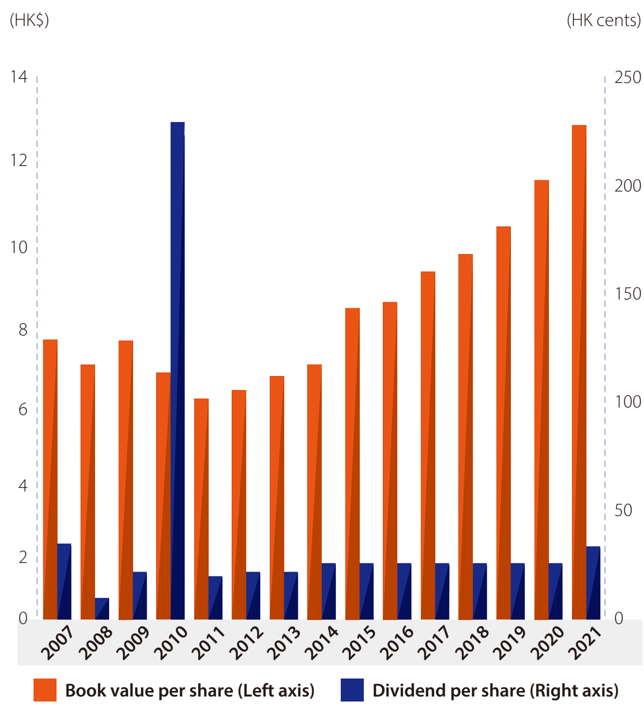
CREATING VALUE FOR SHAREHOLDERS

SHK & Co. has a solid track record of delivering returns to shareholders through dividends and distributions, share repurchases and long-term capital growth. Since 2007, the Group has returned HK$12.9 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)	2017	2018	2019	2020	**2021**	21/20 % change
Revenue	3,795.6	4,175.7	4,216.8	4,056.6	**4,324.0**	6.6%
Profit attributable to owners of the Company	1,824.3	1,183.8	2,085.2	2,547.7	**2,813.7**	10.4%
Balance Sheet data as at 31 Dec (HK$ Million)						
Total assets	37,422.2	40,684.1	42,561.6	44,083.2	**48,790.1**	10.7%
Total liabilities	14,023.7	17,839.0	18,985.0	18,130.9	**20,250.9**	11.7%
Shareholders' equity	19,426.7	19,039.2	20,381.7	22,625.2	**25,075.2**	10.8%
Share Data						
Basic EPS (HK cents)	84.0	56.2	104.4	128.3	**142.7**	11.2%
Diluted EPS (HK cents)	83.9	56.1	104.2	128.0	**142.5**	11.3%
DPS (HK cents)	26.0	26.0	26.0	26.0	**30.0**	15.4%
BVPS (HK$)	9.0	9.5	10.2	11.4	**12.7**	11.4%
Total number of shares at year end (Million)	2,153.0	2,008.0	1,998.8	1,982.3	**1,973.3**	–0.5%

OUR AWARDS AND RECOGNITIONS

	2018-2021	**Listed Enterprises of the Year** by Bloomberg Businessweek/Chinese Edition
	2018-2021	**Listed Company Awards of Excellence** by Hong Kong Economic Journal
	2021	**The 6th Golden Hong Kong Stocks Awards** **– Best Financial Stock Company** **– Best IR Team** by Zhitong Finance/RoyalFlush Information
	2019, 2021 2013-2018, 2020	**Titanium Award of Corporate ESG Awards** **Gold Award of Corporate ESG Awards** by The Asset
	2021	**Green Office Awards Labelling Scheme – Green Office and Eco-Healthy Workplace** by World Green Organisation
	2016-2021	**Caring Company 5 Years+** by The Hong Kong Council of Social Service
	2021	**Happy Company Award** by Happy Index Foundation and Hong Kong Productivity Council
	2014-2021	**Good MPF Employer** by Mandatory Provident Fund Schemes Authority
	2018-2020	**Manpower Developer Award** by The Employees Retraining Board

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	Year Ended		
(HK$ Million)	**2021**	2020	Change
Revenue	**4,324.0**	4,056.6	6.6%
Pre-tax profit	**3,773.2**	3,200.6	17.9%
Profit attributable to owners of the Company	**2,813.7**	2,547.7	10.4%
Basic earnings per share *(HK cents)*	**142.7**	128.3	11.2%
Second interim dividend *(HK cents)*	**14.0**	14.0	–
Special dividend *(HK cents)*	**4.0**	–	N/A
Book value per share *(HK$)*	**12.7**	11.4	11.4%

The Group demonstrated a robust performance and delivered a solid set of financial results in 2021 despite the ongoing disruptions arising from the COVID-19 pandemic, volatilities in global financial markets and intensified regulatory reforms and geopolitical tensions. The Group's financial position remained robust and liquid, and we continued to focus on appropriately containing risk and positioning the business for future growth.

Profit attributable to owners of the Company for 2021 was HK$2,813.7 million (2020: HK$2,547.7 million), up 10.4%. Basic earnings per share ("EPS") for the year was HK142.7 cents (2020: HK128.3 cents), up 11.2% year-on-year.

The Board has declared a second interim dividend of HK14 cents per share for the year ended 31 December 2021 (2020: HK14 cents) and a special dividend of HK4 cents per share (2020: nil) to take account of our strong Alternatives performance in 2021, together with the interim dividend of HK12 cents per share making a total dividend of HK30 cents per share for 2021 (2020: HK26 cents). During the year, the Company repurchased 9.1 million shares for a total net consideration of HK$37.8 million.

As at 31 December 2021, the Group's book value per share was HK$12.7, an increase of 11.4% from HK$11.4 at the end of 2020.

RESULTS ANALYSIS

The Group's revenue in 2021 increased by 6.6% to HK$4,324.0 million (2020: HK$4,056.6 million), which mainly consisted of interest income from Financing Business of HK$4,003.9 million.

Pre-tax profit for the year was HK$3,773.2 million (2020: HK$3,200.6 million), up 17.9% year-on-year, primarily driven by the increase in pre-tax profit of our Financing Business. The Financing Business segment recorded a pre-tax contribution of HK$1,790.5 million (2020: HK$1,218.9 million), increasing 46.9% year-on-year as a result of the improved performance across all sub-segments of the business unit.

Consumer Finance performed strongly and delivered a pre-tax profit of HK$1,665.4 million in 2021 (2020: HK$1,238.5 million), hitting a record high with a year-on-year growth of 34.5%.

Mortgage Loans continued to contribute a meaningful pre-tax profit to the Group, and generated HK$120.0 million in 2021 (2020: HK$112.7 million), up 6.5% year-on-year.

Private Credit (formerly Specialty Finance) recorded a positive pre-tax contribution of HK$5.1 million (2020: pre-tax loss of HK$132.3 million) primarily due to the recoveries of impairment provisions we made on a prudent basis in the prior year.

Investment Management contributed a pre-tax profit of HK$1,934.4 million in 2021 (2020: HK$2,126.4 million), down 9.0% year-on-year. The segment recorded a strong realised gain on financial assets and interest income of HK$3,481.5 million (2020: HK$1,754.8 million), the highest since we commenced the business in 2015. The mark-to-market valuations of our portfolio, however, recorded a loss of HK$854.2 million for 2021 (2020: a gain of HK$936.2 million) amidst the regulatory tightening, volatile markets and US-China tensions.

Group Management and Support ("GMS") recorded a pre-tax profit of HK$48.3 million in 2021 (2020: pre-tax loss of HK$144.7 million) mainly because of the increase in the fair value of financial assets held for liquidity purposes.

Operating costs for the year were HK$1,695.4 million (2020: HK$1,549.3 million), up 9.4% year-on-year primarily due to the increase in brokerage and commission expenses with the growth of our financing business volume.

BUSINESS REVIEW

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

(HK$ Million)	Pre-tax Contribution for the Year ended 2021	2020	Change	Segment Assets as at Dec 2021	Dec 2020
FINANCING BUSINESS					
Consumer Finance	**1,665.4**	1,238.5	34.5%	**19,253.9**	17,937.0
Private Credit*	**5.1**	(132.3)	N/A	**1,038.5**	3,153.0
Mortgage Loans	**120.0**	112.7	6.5%	**3,647.0**	3,117.4
Sub-total	**1,790.5**	1,218.9	46.9%	**23,939.4**	24,207.4
INVESTMENT MANAGEMENT					
Investment Management	**1,934.4**	2,126.4	–9.0%	**21,087.9**	14,603.4
GMS	**48.3**	(144.7)	N/A	**3,762.8**	5,272.4
Total	**3,773.2**	3,200.6	17.9%	**48,790.1**	44,083.2

* Formerly Specialty Finance

FINANCING BUSINESS

Despite the continued impact of COVID-19 pandemic globally, the Greater China region experienced a gradual recovery of regional and local business activities and employment situation. As a result, the business environment for our Financing Business improved and the segment's performance recovered in 2021.

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 engages in offering unsecured loans to individuals and businesses in Hong Kong and Mainland China. UAF is the prominent leader in the unsecured lending market. 2021 was the seventh year since 2014 of consecutive growth in market shares of UAF in Hong Kong. Over the past four years, UAF ranked first amongst all money lenders and was in the top five leaders amongst all market players including banks in Hong Kong in terms of outstanding balance of unsecured lending. In Mainland China, UAF holds an internet loan licence and off-line money lending licences in major cities across the country.

Segment Full Year Results

(HK$ Million)	Year ended 31 December 2021	2020	Change
Revenue	**3,526.2**	3,331.0	5.9%
Return on loans (% average gross loan balance)[1]	**29.4%**	29.7%	
Operating costs	**(1,168.0)**	(1,114.0)	4.8%
Cost to income (% revenue)	**33.1%**	33.4%	
Finance costs	**(222.9)**	(292.8)	-23.9%
Net impairment losses	**(509.4)**	(769.2)	-33.8%
Other gains	**38.8**	72.4	-46.4%
Other losses	**(1.1)**	(1.8)	-38.9%
Exchange gain	**1.8**	12.9	-86.0%
Pre-tax contribution	**1,665.4**	1,238.5	34.5%
Loan Book:			
Net loan balance	**12,049.7**	10,563.7	14.1%
Gross loan balance[2]	**12,680.5**	11,318.0	12.0%

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

The results of UAF in 2021 were strong, marked by a record high pre-tax contribution to the Group at HK$1,665.4 million, an increase of 34.5% year-on-year. The gross loan balance as at end of 2021 also reached a record high of HK$12,680.5 million, increasing 12.0% year-on-year.

Further advance in business volume in the second half of the year contributed to a full year revenue growth of 5.9%. The ultra-low market interest rate through the year had reduced finance costs by 23.9%. As vaccination programme against COVID-19 accelerated, the economy had rebounded following the reduction in infection cases. The improvement in economy and job market had contributed to the reduction in net impairment losses by 33.8% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Impairment Losses on Financial Assets

(HK$ Million)	**2021**	2020
Amounts written off[1]	**(881.7)**	(957.1)
Recoveries[2]	**243.5**	221.9
Charge off	**(638.2)**	(735.2)
As % of average gross loan balance	**5.3%**	6.6%
Written back/(charges) of impairment allowance[3]	**128.8**	(34.0)
Net impairment losses	**(509.4)**	(769.2)
As % of average gross loan balance	**4.2%**	6.9%
Impairment allowance at year end	**630.8**	754.3
As % of gross loan balance at year end	**5.0%**	6.7%

1 The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty 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 2021**	**Note**	31 Dec 2020	Note
Less than 31	**828.4**	**6.9%**	491.4	4.7%
31–60	**102.6**	**0.9%**	36.0	0.3%
61–90	**28.5**	**0.2%**	23.6	0.2%
91–180	**1.6**	**0.0%**	10.2	0.1%
Over 180	**70.6**	**0.6%**	293.9	2.8%
Total	**1,031.7**	**8.6%**	855.1	8.1%

Note: amount as a percentage of net loan balance

Hong Kong Business

Key Operating Data	**2021**	2020	Change
Number of branches	**48**	48	
Loan data:			
Gross loan balance *(HK$ Million)*	**8,767.3**	8,318.0	5.4%
Loan originated for the year *(HK$ Million)*	**12,177.3**	10,373.6	17.4%
Number of loans originated	**172,030**	159,969	7.5%
Average gross balance per loan *(HK$)*	**61,271**	60,736	0.9%
Ratios for the year:			
Total return on loans[1]	**30.6%**	30.5%	
Charge-off ratio[2]	**5.1%**	4.8%	
Net impairment losses ratio[3]	**4.1%**	5.3%	
Impairment allowance ratio[4]	**5.1%**	6.4%	

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 launch of COVID-19 Vaccination Programme in February 2021, vaccination rate of citizens inoculated with two doses of vaccine gradually reached over 70% of total population according to HKSAR's government statistics. Vaccination together with launch of LeaveHomeSafe Apps which facilitates contact tracking, helped reduce the number of infection cases. All these series of measures with certain social distancing control in place assisted to keep the transmission of virus in check throughout 2021. Retail, dinning, entertainment and servicing venues could then operate at expanded activities with safety in check. As a result, the economy and job market showed welcoming improvement with unemployment rate dropping from 7.2% in February 2021 to 3.9% in December 2021. UAF's business and profitability benefited as loan origination demand increased and credit impairment reduced.

At the beginning of 2021, UAF had completed the operation review and restructured the internal organization with the objective of strengthening its management system to enhance its sales and marketing capabilities. More sophisticated analytical tools were deployed at marketing campaigns to enhance the effectiveness of marketing dollars spent. Promotion campaigns can be more targeted at customers with loan demand. Sales force was staffed up to reach out to target customers directly offering UAF's loan products. More partnership cooperation agreements were signed in the year to expand its sales networks to cover customers from all walks of life.

New advertising campaign launched in December 2021 successfully ignited a fresh outlook of UAF's established brand image. The advertisements presented by four popular celebrities can be seen all over the city with large customer traffic and have drawn great public attention. Not only did the campaign bring more business volume but rejuvenated our brand and customer intake according to customer demographic analysis.

Technology being UAF's competitive edge keeps evolving and UAF has no hesitation to continue to upgrade its digital servicing capabilities. Tools and people are all indispensable success factors to stand out amongst the market competitors. With advanced analytical tools SAS and R open-source programming, UAF has built up its own credit scoring model which assists to automate loan credit evaluation and facilitate credit officers to make quality credit judgement. UAF keeps at the forefront of technological innovation to continue to lead the market in this highly competitive environment.

At the beginning of 2022, COVID-19 variant Omicron which is highly contagious has severely impacted the livelihood and economy with the number of infection cases skyrocketed. Borders between Hong Kong and Mainland China remain under tight control which delays the resumption of growth in tourism related spending. Management is vigilant of the pandemic driven risks and adopts cautious and responsive actions to promote UAF's business in order to achieve growth at time of great uncertainties.

Mainland China Business

Key Operating Data	2021	2020	Change
Number of branches	**19**	26	
Loan data:			
Gross loan balance *(HK$ Million)*	**3,913.2**	3,000.0	30.4%
Loan originated for the year *(HK$ Million)*	**5,512.5**	4,223.7	30.5%
Number of loans originated	**52,332**	87,347	-40.1%
Average gross balance per loan *(RMB)*	**69,572**	39,293	77.1%
Ratios for the year:			
Total return on loans[1]	**26.3%**	27.0%	
Charge-off ratio[2]	**5.9%**	12.0%	
Net impairment losses ratio[3]	**4.5%**	11.7%	
Impairment allowance ratio[4]	**4.6%**	7.4%	

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 unsecured loan business in Mainland China turned extremely difficult in the second half of the year due to tightened interest rate control and slowdown in economic growth. More physical branches were closed to reduce operating costs and business was moved to online platforms.

We continued to enhance our cooperation with various third-party online platforms including China UnionPay and All In Pay. We launched business referral cooperation with Shenzhen OneConnect Technology Co., Ltd (深圳壹賬通智能科技有限公司) in later half of 2021 to target certain retail dealers and the loan business volume achieved so far is satisfactory. We will keep exploring cooperation with existing partners and sourcing new business partners to grow our customer base.

UAF's secured loan business in Mainland China grew at a satisfactory pace. Although secured loans generate relative lower return, the repayment is guaranteed by asset management company with solid financial position. Customers are property owners and demonstrate stronger credit profile. Management is confident the secured loan products can perform well in the coming year with return commensurate with lower credit risk.

Prospects

We have a turbulent start of the year 2022 with the outbreak of Omicron variant, which is much more contagious than the previous mutations. Despite high vaccination rate, the number of infection cases has been rising to an alarming level forcing the governments in Hong Kong and Mainland China to aggressively tighten social distancing measures. On the other hand, Sino-US tensions have not shown any signs to ease which impacts trade of goods throughput. The geopolitical tensions and global inflation concerns all have increased risk metrics and imposed pressure on UAF's business outlook. UAF continues to monitor these uncertainties and embedded risks closely and strives to leverage its management and market expertise to overcome the challenges and capture business opportunities, continuing the delivery of satisfactory results to the Group.

Private Credit (Formerly Specialty Finance)

The Group's Specialty Finance business was renamed to Private Credit following the reorganization of the segment effective 1 November 2021. The Private Credit business provides tailored funding solutions to corporates, investment funds and high net worth individuals. Almost all loans are either secured by assets and/or personal or corporate guarantees.

The segment recorded a pre-tax gain of HK$5.1 million in 2021 (2020: pre-tax loss of HK$132.3 million). The improvement in pre-tax contribution was primarily due to the decrease in net impairment loss to HK$185.9 million in 2021 (2020: HK$300.7 million) as a result of settlements or enhanced collaterals of the loans. The gross loan balance was HK$1,500.6 million as at 31 December 2021, representing a year-on-year decline of 33.3% (31 December 2020: HK$2,249.4 million) as we exercised extra caution and prudence in originating new loans considering COVID-19's continuous impact.

Looking ahead, we remain open to new business opportunities with a keen focus on managing our existing loan book. Through leveraging our expertise and partnerships in credit, we expect to increase our exposure to institutional and corporate borrowers by continuing to provide flexible funding solutions structured to meet their needs. Our focus, especially in the current uncertain business environment, is on cautious and consistent underwriting of opportunities that provide asymmetrical returns for our balance sheet on a risk adjusted basis.

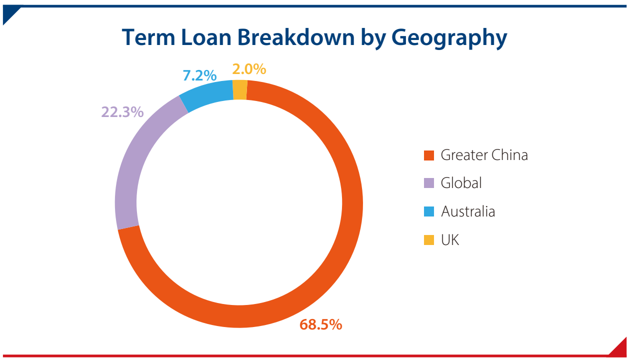
Segment Annual Results

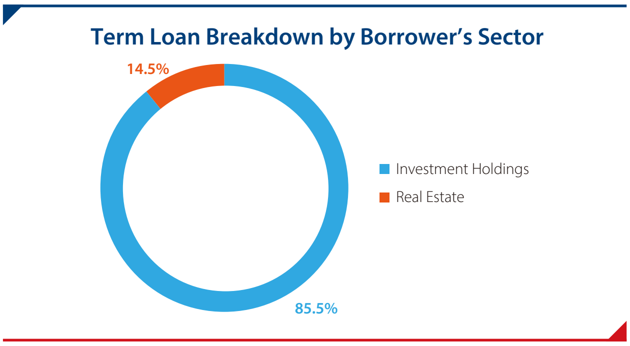
	Year ended 31 December		
(HK$ Million)	**2021**	2020	Change
Revenue	**261.2**	249.4	4.7%
Return on loans (annualised interest and fee income/average gross loan balance)	**13.9%**	11.5%	
Operating costs	**(4.1)**	(3.2)	28.1%
Cost to income (% Revenue)	**1.6%**	1.3%	
Finance costs	**(76.9)**	(91.1)	-15.6%
Net impairment losses	**(185.9)**	(300.7)	-38.2%
Net gain on financial assets and liabilities	**59.1**	19.9	197.0%
Net exchange gain	**—**	0.7	N/A
Others	**(48.3)**	(7.3)	561.6%
Pre-tax contribution	**5.1**	(132.3)	N/A
Loan Book:			
Net loan balance	**703.1**	1,637.9	-57.1%
Gross loan balance	**1,500.6**	2,249.4	-33.3%
Other investments:			
Preference shares	**—**	1,176.0	N/A
Listed shares, warrants and others	**74.4**	38.4	93.8%
Interest in joint venture	**202.1**	243.8	-17.1%
	276.5	1,458.2	-81.0%

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

What was also included in Private Credit was the Group's interest in LSS leasing (previously in the "Strategic Investments"), a Business-to-Business (B2B) and Business-to-Customer (B2C) auto leasing business in Mainland China.

Private Credit Loan Portfolio





MANAGEMENT DISCUSSION AND ANALYSIS

Mortgage Loans

The Group's Mortgage Loans business is operated by its majority-owned subsidiary, Sun Hung Kai Credit Limited ("SHK Credit"). SHK Credit contributed a pre-tax profit of HK$120.0 million in 2021, increasing by 6.5% year-on-year.

Segment Annual Results

	Year ended 31 December		
(HK$ Million)	**2021**	2020	Change
Revenue	**306.1**	303.5	0.9%
Return on loans (% average gross loan balance)	**9.3%**	9.1%	
Operating costs	**(74.7)**	(54.9)	36.1%
Cost to income (% revenue)	**24.4%**	18.1%	
Finance costs	**(101.4)**	(110.2)	-8.0%
Net impairment losses	**(10.0)**	(25.7)	-61.1%
Pre-tax contribution	**120.0**	112.7	6.5%
Loan Book:			
Net loan balance	**3,461.3**	3,013.7	14.9%
Gross loan balance*	**3,514.4**	3,061.1	14.8%

* Before impairment allowance

Revenue was HK$306.1 million for 2021, the highest since the business started in 2015, primarily driven by the growth of loan balance and partially offset by the absence of recoveries of interest income compared to 2020. The gross loan balance increased by 14.8% year-on-year to HK$3,514.4 million as at 31 December 2021 (31 December 2020: HK$3,061.1 million), mainly due to the economic recovery in Hong Kong with the pandemic being contained during 2021 as well as the household brand name of SHK Credit enabling it to continue to grow its customer base and penetrate into new market segments.

First mortgage loans accounted for 90% of the gross loan balance. Operating costs increased by 36.1% year-on-year to HK$74.7 million for 2021 primarily due to investment in IT infrastructure to support business growth and improve lending process efficiency. Finance costs decreased by 8.0% to HK$101.4 million compared to HK$110.2 million for 2020 due to the Group's increasingly diversified funding channels. Net impairment loss recorded a significant year-on-year decrease of 61.1% to HK$10.0 million as we recovered the loss incurred previously thanks to the strong quality of our loan book.

SHK Credit continues to adopt a prudent underwriting approach given the prolonged pandemic and its impact on economic activities as well as the potential volatility of Hong Kong property market. The loan-to-value ratio remained below 65% as at end of 2021.

Over the past 6 years since SHK Credit's establishment, the Group's mortgage loans business has achieved an effective scale and a solid market position. Going forward, SHK Credit will strive for further enhancement in its business scale, revenue mix, capital and funding structures as well as product and service offerings to our increasingly diversified customer base. The Group will continue to build out the business to an asset servicing platform.

INVESTMENT MANAGEMENT

The Investment Management division leverages the Group's internal expertise, external network and strong financial position to seek attractive risk-adjusted returns. During 2021, the annual return on the average assets for the segment was 14.4%. Taking into account operating expenses and funding cost allocations, the segment contributed HK$1,934.4 million to the Group's pre-tax profit, a slight decrease of 9.0% compared to HK$2,126.4 million for 2020.

Analysis of Pre-tax Profit by Nature

	Year ended 31 December		
(HK$ Million)	**2021**	2020	Change
Realised gain on financial assets and interest income	**3,481.5**	1,754.8	98.4%
Dividends received	**23.1**	21.5	7.4%
Rental income	**30.4**	27.9	9.0%
Mark-to-market valuation	**(854.2)**	936.2	N/A
Net impairment allowance (losses)/reversal on financial instruments	**(9.3)**	43.0	N/A
Loss from revaluation on investment properties	**(22.2)**	(161.7)	-86.3%
Others	**81.4**	32.8	148.2%
Total gains	**2,730.7**	2,654.5	2.9%
Operating costs	**(796.3)**	(528.1)	50.8%
Pre-tax contribution	**1,934.4**	2,126.4	-9.0%

While 2021 global headlines continued to be dominated by the COVID-19 pandemic and geopolitical tensions, global financial markets were moving towards different directions. Riding a tailwind from pandemic driven accommodative monetary policies and optimism over economic recovery, the US markets kept notching record highs in 2021. The Hong Kong market, however, was impacted by the Chinese property sector debt crisis and intensified regulatory tightening in various sectors. The Hang Seng Index was down by 14% in 2021, while its US counterpart S&P 500 gained 27% for the year.

Since 2015 we embarked the transformation journey, the Company has successfully built up diversified and quality public and private portfolios leveraging our strong financial position, extensive network and deep insights into industries. With the maturity of investments made in earlier years, we were able to monetise and recorded a realised gain on financial assets and interest income of HK$3,481.5 million. On the mark-to-market valuation, however, we had a loss of HK$854.2 million for 2021 mainly due to the negative impact on our portfolio by regulatory tightening and US-China tensions in the second half of 2021.

We remain confident about the future performance of our portfolios as the underlying investments have strong and resilient businesses and the fund managers selected have proven track records. But in the meantime, we will commit extra caution and diligence to carefully manage our portfolio and mitigate risks as the US enters an interest hike cycle while China is wrestling with a slowing economy.

On the operational side, we continued to strengthen our investment and operating teams while upgrading systems and infrastructure to an institutional grade. During 2021, we added new team members and further built out our analytical and investment framework across businesses. We successfully spun out the Public Equity strategy and certain positions of Hedge Fund for the launch of a partnership/fund on our Funds Management platform in 2021, namely East Point Asset Management and SHK Latitude Alpha Fund respectively.

Segment Assets Breakdown and Annual Return

	2021				Return track record	
(HK$ Million)	Year End Value	Average Value	Gain	Annual Return	2020	2019
Public Markets	**3,731.9**	**3,489.7**	**382.4**	**11.0%**	8.7%	15.0%
Alternatives	**14,991.7**	**12,967.0**	**2,260.6**	**17.4%**	24.7%	15.0%
Real Estate[1]	**2,364.3**	**2,444.8**	**87.7**	**3.6%**	-5.6%	-3.9%
Total	**21,087.9**	**18,901.5**	**2,730.7**	**14.4%**	16.9%	11.9%

1. Formerly Real Assets

Public Markets

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

Breakdown of Public Markets Portfolio as at 31 December 2021

	2021			
(HK$ Million)	Year End Value	Average Value	Gain	Annual Return[1]
Credit	**885.2**	**1,004.5**	**(77.4)**	**-7.7%**
Corporate Holdings	**2,846.7**	**2,485.2**	**459.8**	**18.5%**
Total	**3,731.9**	**3,489.7**	**382.4**	**11.0%**

1. Gain/(loss) before costs of capital charge/average fair market value for the year.

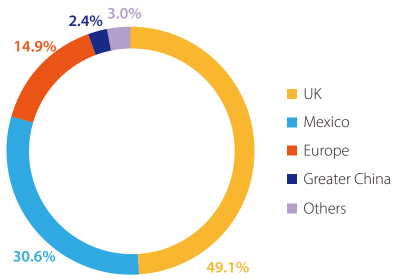
Public Credit

Macro environment for global credit markets was benign in 2021. Global central banks maintained an accommodative monetary environment in their effort to aid global economy to gradually come out of the recessionary environment caused by the COVID-19 pandemic. The low interest rate environment provided a conducive environment for companies to rebuild their balance sheet which had been impaired by the pandemic. At the same time, many countries rolled out financial assistance to individuals in an effort to stimulate consumer demand and revive the flagging economies. These measures boded well for the global economies with companies witnessing recovery in corporate earnings. Credit spreads in developed markets such as Europe and the U.S. went tighter during 2021 amidst this constructive backdrop.

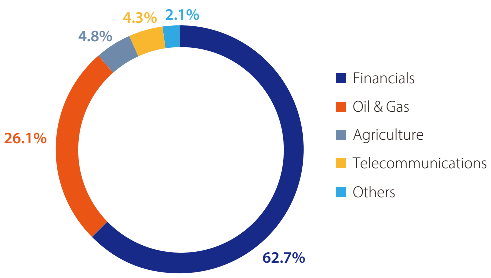
Asian credit markets, however, started to trade weaker in the second half of 2021, largely driven by the regulatory headwinds experienced in various sectors of the Chinese market. The Chinese government announced tightening measures in the third quarter of 2021 which aimed to address the housing price bubbles seen in the country. As a result, the bond prices of many property developers stumbled. This trend was exacerbated by the lack of access to the offshore USD bond markets for those developers due to rising bond yields and weak investor demand on fear of liquidity and default risk. Several large and highly levered property developer in China, effectively went into default in the fourth quarter due to their inability to raise new financing. Many smaller property developers also consummated distressed debt exchanges in the fourth quarter of 2021 due to poor trading conditions in the physical markets. This drove the credit default rate in China to one of the highest in its history.

Looking into 2022, while the Chinese government has announced measures, including easing of property loans and access to escrow accounts, which would help property developers to a certain extent, we think that the recovery of the Chinese property bond market would be subject to a stabilization of the home prices and revival in confidence of home-buyers in China.

Public Credit Holdings by Geography



Public Credit Holdings by Sector



Corporate Holdings

The Corporate Holdings segment manages an equity portfolio consisting of a mix of long-term strategic positions and other shorter-term positions. Derivatives and hedging are used both for risk management and enhancing returns. During 2021, we further strengthened the investment and portfolio management capabilities, striving to achieve sustainable risk-adjusted returns.

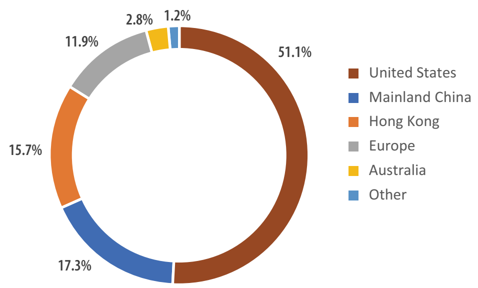
Following the onset of the COVID-19 pandemic in 2020, the global stock markets had divergent performance across major developed and emerging markets in 2021. In the US, stock markets continued to climb higher with the S&P 500 hitting a series of all-time closing highs and ending the year near a record, while major China and Hong Kong equity indices experienced remarkable corrections in 2021, mainly dragged by a weakening economy and intensified regulatory tightening on certain sectors including gaming, education, internet platforms as well as property. In addition, China ADRs had a tough year in 2021 as well. The long-running US-China tensions sent the NASDAQ Golden Dragon China Index to a downward trajectory slumping 43% during the year, the steepest decline since the 2008 global financial crisis.

We had a mixed year of 2021 against the backdrop of continuous outbreak of COVID-19, regulatory headwinds, slowdown of China's growth and US-China tensions. In the first half of 2021, our portfolio delivered a strong performance with both long and short positions generating positive returns. In the second half, however, the returns were partially offset by the decrease in some of our positions' mark-to-market valuation. Despite this, we still managed to close the year with a decent annual return of 18.5%, outperforming Hang Seng Index and NASDAQ Golden Dragon China Index over the same period.

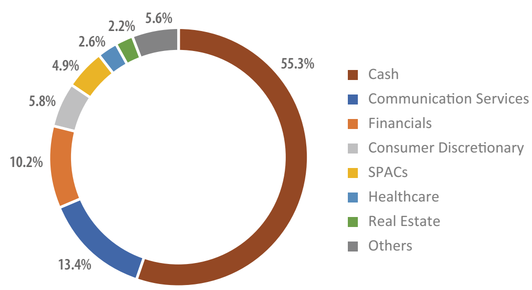
MANAGEMENT DISCUSSION AND ANALYSIS

Entering 2022, the global stock markets continued to be dominated by volatilities and uncertainties. China is implementing both monetary and fiscal stimulus policies to restore consumer confidence and stabilise its economy. On the contrary, the Federal Reserve turns hawkish and multiple interest hikes are expected in 2022 to contain the decades-high inflation. The escalation of Russia-Ukraine conflict adds more risks and volatilities to global financial markets and could negatively impact global supply chains which have already been disrupted by COVID-19. While we remain confident about the long-term performance of our portfolio as our long positions focus on names with strong and resilient businesses, we are also cautious about the near-term volatilities and risks. We will continue to manage our portfolio prudently and monitor risk positions closely to navigate through the uncertainties.

Corporate Holdings by Geography



Corporate Holdings by Sector



Alternatives

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

Breakdown of Alternatives Portfolio as at 31 December 2021

	2021			
(HK$ Million)	Year End Value	Average Value	Gain	Annual Return
Hedge funds	**4,650.1**	**3,802.1**	**85.5**	**2.2%**
Private Equity:				
– External funds	**5,384.6**	**4,539.5**	**1,580.4**	**34.8%**
– Direct/Co-Investments	**4,957.0**	**4,625.4**	**594.7**	**12.9%**
Total	**14,991.7**	**12,967.0**	**2,260.6**	**17.4%**

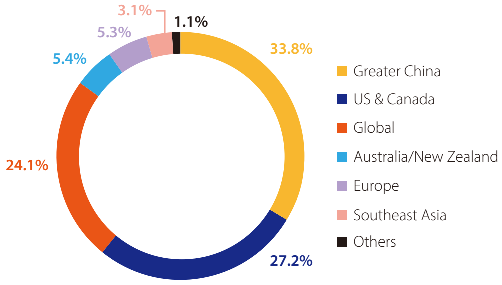
Private Equity

The Private Equity segment consists of our investments into external funds, co-investments alongside such funds, as well as direct investments. The segment delivered a strong combined return of 23.7% for the year of 2021, primarily attributable to the successful exits from a number of funds and direct/co-investments made in prior years including our flagship investment Fairstone Holdings Inc., TuSimple as well as some other projects in healthcare, TMT, consumer and financials sector.

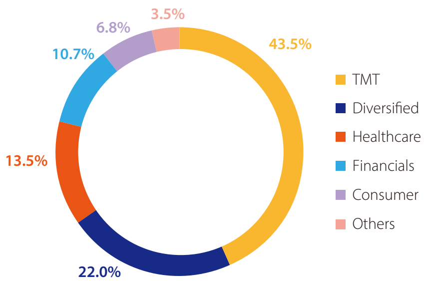
Leveraging our industry knowhow and proprietary deal sourcing channels, in 2021, the Company deployed our capital across the globe with North America as the top destination and revolving around the themes of TMT, healthcare and consumer. In particular, we made new footprints in frontier markets and disruptive industries, including but not limited to The Sandbox, a leading blockchain NFT game; OneDegree, one of Asia's fastest growing InsurTech companies, and Loship, an instant e-commerce delivery startup in Vietnam.

Looking forward, we will continue to review and analyse new investment opportunities with a focus on cutting edge technology, healthcare services and green technology. In the meantime, we will remain prudent in allocating capital considering the continuous impact of COVID-19 pandemic, regulatory environment changes, and other prevalent risks and challenges in the global markets.

Private Equity Exposure by Geography



Private Equity Exposure by Sector

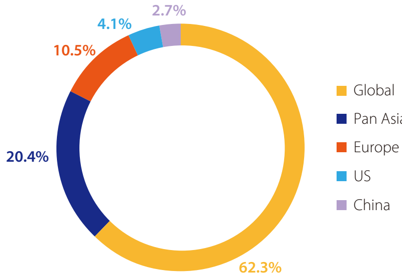


Hedge Funds

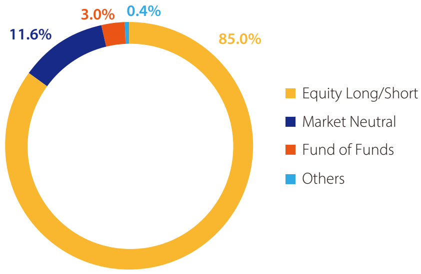
The multi-manager hedge fund portfolio has outperformed benchmarks since its inception in January 2017. Building on the success of this investment program, additional professionals were hired in the first half of 2021 to further strengthen overall risk management, research and asset allocation for a seamless transition to SHK Latitude Alpha Fund, an alternative investment product launched on our Funds Management platform and officially open for external investors subscription in July 2021.

With a large portion of the portfolio being spun out to SHK Latitude Alpha Fund, the residual under the Hedge Funds segment has been managed by industry veterans to further optimize the portfolio and generate alpha consistently.

External Hedge Funds Exposure by Geography



External Hedge Funds Exposure by Strategy



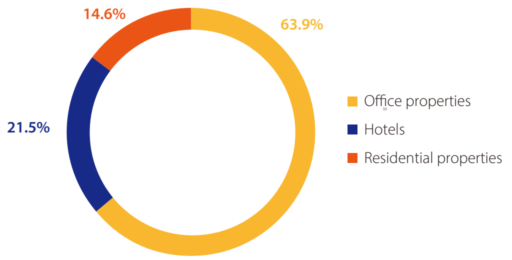
Real Estate (Formerly Real Assets)

The Real Estate segment focuses on opportunities with strong downside protection in transparent developed economies across Asia-Pacific, Europe and the US. The portfolio was valued at HK$2,364.3 million as at 31 December 2021 (31 December 2020: HK$2,601.5 million) and recorded a gain of HK$87.7 million for the year. The Group's interests in Hong Kong commercial real estate as well as hotels and commercial investments abroad constitute the portfolio.

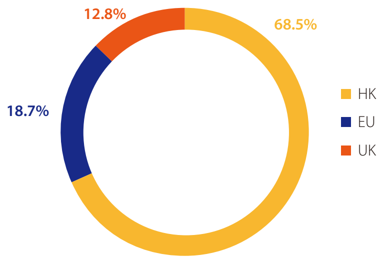
In the first half of 2021, the Group completed the exit of the investment in Parmaco Oy, a Finnish company which designs, builds and leases high quality modular education buildings that are used as schools and day care centers in Finland and Sweden. The Group invested alongside Terra Firma and Metric Capital, two leading London-based investors.

Looking ahead, we will continue to prudently manage the existing portfolio and originate new opportunities to generate strong risk-adjusted returns for the Group.

Real Estate Exposure by Asset Class



Real Estate Exposure by Geography



FUNDS MANAGEMENT

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

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

In the first half of 2021, we formally established our Funds Management vehicle — Sun Hung Kai Capital Partners, which currently holds SFC Type 1, 4 and 9 licenses. Four partnerships/funds have been launched on this platform, the partners/funds being East Point Asset Management, E15VC, ActusRayPartners, and Multiple Capital Investment Partners.

In July 2021 SHK Latitude Alpha Fund, the previously in-house Fund of Hedge Funds ("FoHF") strategy, was also launched. This fund is managed by Allen Sing who has over 20 years' experience in managing FoHF portfolios. In addition, a further seeding partnership with Kernel Fund was established, a market neutral crypto strategy. SHK & Co. committed total seeding capital of over US$600 million to the six partnerships/funds, laying solid foundations for growth and performance in coming years.

Solid progress on the development of the business has been made throughout 2021 with a further additional over US$100 million of external capital raised.

East Point Asset Management ("EPAM")

In January 2021, EPAM was established on the Funds Management platform and SHK & Co. committed seeding capital of US$125 million. EPAM was spun off from the Group's public equity portfolio team.

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

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

From inception on 11 January 2021, the fund generated a gross return of +5.35% versus the MSCI Asia Pacific (MXAP) detracting -7.25% over the same period.

The team is optimistic about the investment backdrop for 2022 for the pan Asian markets where the fund invests. The team believes regionally, the markets have gone through a period of valuation de-rating, and there are many companies with attractive growth prospects at valuations the fund is now comfortable with.

E15VC

In January 2021, a partnership with E15VC was launched on our Funds Management platform with a commitment of US$15 million provided by SHK & Co. to E15VC's second fund. In addition, SHK & Co. has agreed to be the anchor investor for E15VC's third fund, which is expected to launch in the first half of 2022.

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

In September 2021, Vicarious Surgical, which is a robotic surgery pioneer and an anchor investment of E15VC's second fund, completed its merger with D8 Holdings, a special purpose acquisition company (SPAC). Vicarious Surgical now trades on the New York Stock Exchange (NYSE) under the symbol RBOT. The shares of Vicarious Surgical were distributed in kind by E15VC in February 2022.

ActusRayPartners

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

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

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

Over 2021 AUM of the fund increased to 3.8x the seed AUM provided by SHK & Co. and performance was in line with objectives. ActusRayPartners now has institutional clients from Asia, Europe and the Americas.

The team is cautiously optimistic about the outlook for the business over 2022 for several reasons including: (1) the strategy objective of absolute returns irrespective of the direction of the stock market or interest rates, (2) the business reaching critical mass AUM, and (3) the strategy will have a live one-year track record by the end of March.

Multiple Capital Investment Partners ("MCIP")

Multiple Capital Investment Partners ("MCIP") was launched in April 2021 with a US$100 million commitment from SHK & Co., to invest in real estate debt through first and second mortgage loans across select developed Asia-Pacific markets. The fund is co-led by Rai Katimansah and Simon Tozer. The MCIP team brings together experienced investment professionals from SHK & Co. and Mulpha Australia to create a lending platform which provides debt capital to finance acquisition, construction and repositioning of assets.

As of 31 December 2021, the fund made 5 investments: 3 in Hong Kong and 2 in Australia, committing a total of US$71.6 million. The MCIP team is currently raising outside capital and leveraging synergies with SHK Credit and other groups within SHK & Co.'s network for deal sourcing and business development.

SHK Latitude Alpha Fund ("Latitude Alpha")

SHK Latitude Alpha Fund was launched in July 2021 and completed its first calendar year of performance as a standalone entity. Staffed by industry veterans, the fund seeks to consistently generate alpha leveraging the Group's numerous relationships with top fund managers built over the years plus the team's domain knowledge and transparency-based research capabilities.

The multi-manager hedge fund portfolio, since inception in January 2017, has generated a cumulative return which was more than double of the Eurekahedge Fund of Funds Index's cumulative return of 35.6% during the same period.

In 2021, Latitude Alpha protected capital in what was a particularly challenging investment environment in some of its key investment areas such as Greater China and equity long short. The team further built out its research capability by hiring an experienced analyst who specialises in the operational due diligence review of hedge funds. In addition, several external investors made their initial investments in the Latitude Alpha fund during the second half of the year.

Kernel Fund ("Kernel")

The partnership with Kernel was launched on the Funds Management platform with a series of seed commitments totalling US$20 million provided by SHK & Co. Kernel is a fully regulated crypto-currency hedge fund utilizing a quantitative systematic approach to implement a market-neutral strategy. The fund focuses on market making and high-frequency arbitrage for the top 20 tokens on the top 5 exchanges globally.

Led by Julien Guerrand, the founding team members are all industry veterans each with about 20 years of experience in trading and quantitative systematic strategies. The team members bring a range of skills across trading and technology, which equip the fund with world-class systematic trading and risk management system focused on generating consistent strong returns.

As a market maker, Kernel employs a high-frequency systematic trading approach and remains market neutral at all times. This enables the fund to achieve positive performance under any market conditions, needing only volume and volatility to take advantage of market inefficiencies.

OUTLOOK

At the time we present this report, the world is still battling with the continuous outbreak of COVID-19 variants and Hong Kong is experiencing the fifth wave of outbreak, which is the most severe resurgence of infected cases since the emergence of Coronavirus in 2020. In the US, though the economy is charging ahead with strong growth momentum, the decades-high inflation has pushed the Federal Reserve into a hawkish stand with multiple interest hikes being anticipated. The European Central Bank also edges toward 2022 interest hike in the face of a stronger inflation outlook. In China, the government signals to speed up its monetary policy stimulus as well as fiscal expenditures to support its growth target of around 5.5% for 2022, which is the lowest in more than three decades. The recent escalation of Russia-Ukraine conflict notably further complicated the geopolitical dynamics and pushed global capital markets into turmoil further interfering the recovery path for Greater China market in 2022.

We are proud to have achieved strong performance for 2021 in a challenging and volatile economic and investment environment. Looking into 2022, we remain cautious of the COVID-19 pandemic, its eventual economic impact, the aftermath of central banks' pandemic stimulus policy, the evolvement of regulatory measures and the geopolitical tensions.

Our Consumer Finance business performed strongly in 2021 and demonstrated the resilience of the business through economic cycles. Although we are having a bumpy start of 2022 in Hong Kong, where the exacerbating COVID-19 pandemic could jeopardize the recovery of the labour market and economy, we are confident about our seasoned management's capability to weather these challenges, like they had done during Asia financial crisis, SARS, the global financial crisis and the first outbreak of COVID-19 in 2020.

The Mortgage Loans business also recovered in 2021 as the economic activities resumed in Hong Kong with COVID-19 being contained in the city during the year. Looking ahead, we believe our cautious underwriting approach through conservative loan-to-value ratios and careful credit standards will position the business to manage the potential volatility in residential property prices in Hong Kong. The household brand name of SHK Credit will help drive further expansion of our customer base and tap into new market segments.

The Private Credit business turned into profit in 2021 compared to a loss in 2020. After reorganization of the team in late 2021, we expect to judiciously increase our exposure to global institutional and corporate borrowers leveraging our expertise and partnerships in credit. The team will focus on opportunities that provide asymmetrical returns taking advantage of the dislocated markets.

The Investment Management business has been generating strong returns consistently and acting as a growth driver since 2015 when we embarked the transformative journey. The profitability together with the domain knowledge and extensive network accumulated over the past years allowed new business incubation and extension into our new Funds Management platform. We continued to remain prudent in capital deployment and appropriately manage the downside risk.

The Funds Management initiative has achieved strong progress in 2021, the first year of its official launch. During the year, the Funds Management licensed entity — Sun Hung Kai Capital Partners was formally established which now holds SFC Type 1, 4 and 9 licenses, and six partnerships/funds across diverse strategies were launched. While we further built out the infrastructure with an institutional grade focus, a meaningful amount of third-party capital was successfully raised which was a pleasing outcome across the backdrop of a challenging environment and travel limitations due to the pandemic. We are very optimistic about further developing the new business segment in 2022. A key focus for 2022 will be on developing further alternative investment strategies and customized solutions and expanding our distribution reach, with the core objective to build a leading Asian based Alternatives Investment firm.

To achieve our strategic goals, the Group will continue our alternative investing business model and aims to deliver strong performance over the long term with a sound governance and risk approach through all market conditions. We will also maintain diversified funding sources and liquidity to provide staying power and enable our future growth.

As an alternative investment firm, we treasure our people as valuable assets of the Group. Over the course of 2021, we continued to build and adapt 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. We will further develop our culture and systems to adapt to the current work environment and attract and retain top talent with a commitment to integrity, innovation, and teamwork.

LONG TERM CORPORATE STRATEGIES

The Group focuses on building sustainable growth to deliver value to shareholders consistently. 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, Investment Management and Funds Management businesses
- Seek new business opportunities leveraging our extensive networks and strong financial position
- 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 2021**	31 Dec 2020	Change
Capital Structure			
Equity attributable to owners of the Company	**25,075.2**	22,625.2	10.8%
Total cash	**6,000.7**	7,257.9	-17.3%
Total borrowings[1]	**18,283.0**	16,614.1	10.0%
Net debt[2]	**12,282.3**	9,356.2	31.3%
Net debt to equity ratio	**49.0%**	41.4%	
Liquidity			
Interest cover[3]	**6.3**	5.0	26.0%
Return Ratios			
Return on assets[4]	**7.1%**	6.8%	
Return on equity	**11.8%**	11.8%	
Key Performance Indicators			
Book value per share *(HK$)*	**12.7**	11.4	11.4%
Dividend per share *(HK cents)*	**30**	26	15.4%

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 increased to 49.0% at the end of 2021 and has remained healthy. Interest cover for the year improved to 6.3x, compared with 5.0x for the year ended 2020, mainly due to increased earnings.

As at 31 December 2021, total borrowings of the Group amounted to HK$18,283.0 million (31 December 2020: HK$16,614.1 million). Of this amount, 58.2% is repayable within one year (31 December 2020: 48.7%). The Group maintained a balanced mix of funding from various sources. Bank and other borrowings accounted for 45.6% of total debt (31 December 2020: 51.0%) and were at floating interest rates, primarily denominated in HK dollars and US dollars. There were no known seasonal factors in the Group's borrowing profile.

Return on assets increased to 7.1% as at 31 December 2021 (31 December 2020: 6.8%). Return on equity is 11.8% as at 31 December 2021 (31 December 2020: 11.8%). 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 long term.

As at 31 December 2021, the following notes were outstanding:

Notes	Maturity Date	HK$ Equivalent *(In Million)*	% Total
4.65% USD notes^	9/2022	3,510.6	35.3%
5.75% USD notes^	11/2024	2,742.3	27.6%
5.00% USD notes^	9/2026	2,960.6	29.8%
Asset backed notes	4/2022	730.9	7.3%
Total		9,944.4	100.0%

^ Listed on The Stock Exchange of Hong Kong Limited

On 31 May 2021, the Group redeemed US$249.8 million, the full outstanding amount of the 4.75% USD notes upon its maturity at its principal amount together with accrued and unpaid interest. In September 2021, the Group issued US$375 million 5.00% USD notes due in September 2026. The Group continues to maintain a stable capital structure and is well positioned to avoid a liquidity crunch situation.

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

Significant Investments

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 31 December 2021.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the year of 2021, the Group had no material acquisitions and disposal of subsidiaries, associates and joint ventures.

Important Events After the End of the Financial Period

There are no important events affecting the Group which have occurred after the end of the financial year ended 31 December 2021 and up to the date of this announcement.

Charges on Group Assets

Properties of the Group with a total book value of HK$929.0 million were pledged by subsidiaries to banks for facilities granted to them. HK$461.0 million was drawn down as at 31 December 2021.

As at 31 December 2021, HK$977.0 million (2020: Nil) of mortgage loan receivables were pledged for a securitization financing transaction.

Other Financial Liabilities

Details regarding other financial liabilities are set out in Note 46 of the consolidated financial statements.

PEOPLE & CULTURE (Formerly HUMAN RESOURCES AND TRAINING)

As at 31 December 2021, the Group's total staff numbered 1,738 (31 December 2020: 2,219). Out of this, 81 (31 December 2020: 64) are corporate and investment staff and the remainder are within the main subsidiaries UAF and SHK Credit. The net decrease in staff numbers was 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$886.9 million (2020: HK$852.8 million) mainly reflecting the Group's successful expansion into the Funds Management business.

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

Under our Employee Ownership Scheme ("EOS"), selected employees or directors of the Group (the "Selected Grantees") were awarded shares of the Company. Following management's recommendation, a total of 6,799,000 shares were granted to the Selected Grantees during the year subject to various terms. 273,000 shares were vested for key management personnel in 2021. As at 31 December 2021, the outstanding award shares under the EOS (excluding shares awarded but subsequently forfeited) amounted to 7,724,000 shares.

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

COVID-19 PANDEMIC RESPONSE

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

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

- measures to maximize social distancing and staff protection within the offices;
- meetings are held off-site or by conference calls or video conference as far as possible;
- cancellation of all non-essential travel;
- flexible and remote working plans for employees;
- access to office, restrictions and temperature screening;
- self-isolation following outbound travel, development of symptoms, or interaction with a confirmed case of COVID-19 and conduct COVID-19 test as and when necessary at Company's cost; and
- maintain inventory of face mask, hand sanitiser and hygiene supplies and 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 2021, Funds Management platform obtained its licence from the Hong Kong Securities and Futures Commission to conduct dealing in securities and asset management activities, and the licence to advise in securities was granted in January 2022. 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 approach to risk management. 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 controls. 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. Internal audit is carried out periodically to examine risk management and internal control.

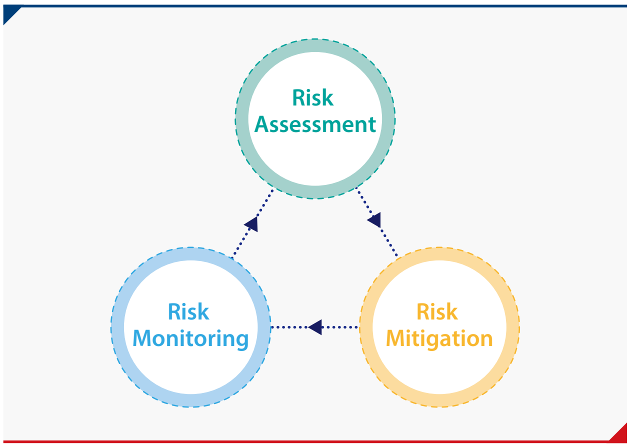
Lines of defense

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 control 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 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. 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 2021, 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
Despite the successful roll-out of vaccines around the world, the Covid-19 pandemic has continued to impact the business environment, particularly in certain sectors, e.g. retail and hospitality.	Deep management expertise. In 2021, despite the ongoing economic recovery, significant uncertainties remain in assessing the duration and impact of the Covid-19 pandemic, including implementation of government restrictions. We continued to strategically reduce our risk exposure across our businesses by monitoring the situation closely and reducing risk where appropriate.	The risk exposure fluctuated during the year and continues in 2022. The Group has BCP procedures in place which operated well during Covid-19.
Geopolitical tensions over trade and technology may lower the global economic growth and that could have an adverse impact on the profitability of businesses. Changes to Global sanctions, as a product of geopolitical tensions, may also impact business and compliance processes.	Continuous monitoring of the economic situation, credit profile of the customers and compliance environment.	The ongoing Sino-US trade war and global conflicts have some impact on the business and compliance environment. However, as at 31 December 2021, our investment portfolio, the credit quality of our loans and regulatory impacts were not material.
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.
Climate change can have an impact to the Group by physical risk – extreme weather events or chronic changes in weather patterns that may damage the Group or our customers' assets leaving them unable to operate, and transition risk – the Group or our customers may fail to align to a net zero economy, which could mean that new climate-related regulation would have a material impact on the business.	Establishment of climate policy of the Group and continuous monitoring of the latest development in climate-related regulation.	The ESG Working Committee and the Board keep close monitoring on the impacts and financial risks caused by climate change, and a climate policy will be developed in the coming year to adapt to and mitigate the effects of climate change. The ESG Working Committee also proposed environmental targets to the Board for approval.

RISK MANAGEMENT REPORT

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 2021. In the first half of 2021, the Group formally established our Funds Management vehicle – Sun Hung Kai Capital Partners with SFC licenses and made significant progress with launching our Funds.
Limited growth opportunities and competition in lending impacts the Group'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. We have not seen a material change in the competitive environment in the year..
Negative news and social media commentary, poor customer experience or material breach of regulations could result reputational damage to the Group.	Effective corporate communication and internal control policies ensure reputational risks are managed in manner and align with the Group's strategy. Closely monitor news and social media and take appropriate actions as necessary.	The risk had no material movement in the year.

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 in 2021 as the results of Covid-19 pandemic, geopolitical tensions, inflation pressure etc. Our strategy of maintaining liquidity reserves positioned us well during times of volatility and allows us to maintain our investment discipline.
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 reporting 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 monitored closely and actively 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.	In 2021, despite the ongoing economic recovery, significant uncertainties remain. However, Consumer Finance and Mortgage Loans were resilient and credit deterioration was manageable. In Private Credit, 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. 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 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.	The Group is focused on improving human resources management to offer attractive compensation, benefits, support, working environment and culture 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 carry on funds management and money lenders businesses or 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. The Group added Type 1 and Type 9 SFC licenses to its Funds Management platform.

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 and protect infrastructure, internal procedure or security control of IT or data could result in financial and reputation loss by system outage, cyber-attack or confidential information leak.	Regularly monitor systems and data. Test system security and continually upgrade system. Increase awareness of cyber risk by provision of training sessions to our employees.	The Group upgraded infrastructure and cyber security, engaged external cyber security review and held several training sessions and assessments in cyber risk to our employees 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 and resilience 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

In light of the Corporate Governance Code (the "CG Code" previously known as Corporate Governance Code and Corporate Governance Report) 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 then CG Code during the year ended 31 December 2021, 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 2021 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 *(resigned on 6 May 2021)*
Independent Non-Executive Directors:	Evan Au Yang Chi Chun David Craig Bartlett Alan Stephen Jones Jacqueline Alee Leung Vivian Alexa Kao *(appointed on 26 May 2021)* Wayne Robert Porritt *(appointed on 26 May 2021)*

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

Board Process

As at the date of this report, the Non-Executive Directors ("NEDs") (six of whom were Independent Non-Executive Directors) 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.

During the year, four Board meetings were held. The individual attendance records of each Director at the meetings of the Board, Nomination Committee, Remuneration Committee, Audit Committee, Risk Management Committee and the annual general meeting of the Company during the year ended 31 December 2021 are set out as follows:

	Number of meetings attended/held					
Name of Directors	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Risk Management Committee**	**Annual General Meeting**
Executive Directors:						
Lee Seng Huang	4/4	2/2				1/1
Simon Chow Wing Charn	4/4				5/5	1/1
Non-Executive Directors:						
Peter Anthony Curry	4/4			3/3		1/1
Jonathan Andrew Cimino[1]	1/1					
Independent Non-Executive Directors:						
Evan Au Yang Chi Chun[2]	4/4	2/2	1/1	3/3	1/1	1/1
David Craig Bartlett	4/4	1/2	1/1	3/3		0/1
Alan Stephen Jones	4/4	2/2	1/1	3/3		1/1
Vivian Alexa Kao[3]	2/2				1/1	
Jacqueline Alee Leung	4/4	2/2	1/1	3/3		1/1
Wayne Robert Porritt[4]	2/2				3/3	

Notes:

1. Mr. Jonathan Andrew Cimino resigned as a Non-Executive Director on 6 May 2021.
2. Mr. Evan Au Yang Chi Chun was appointed as a member of the Risk Management Committee on 25 October 2021.
3. Ms. Vivian Alexa Kao was appointed as an Independent Non-Executive Director on 26 May 2021 and a member of the Risk Management Committee on 25 October 2021.
4. Mr. Wayne Robert Porritt was appointed as an Independent Non-Executive Director and a member of the Risk Management Committee on 26 May 2021. He was later appointed as chairman of the Risk Management Committee on 5 July 2021.

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	✓	✓
Vivian Alexa Kao	✓	✓
Jacqueline Alee Leung	✓	✓
Wayne Robert Porritt	✓	✓

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

Roles of Chairman and Chief Executive

Code provision C.2.1 of the CG Code (A.2.1 of the former 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. Simon Chow assists the Group Executive Chairman in driving the performance of the Mortgage Loans and other operating businesses of the Group as well as exploring new areas of growth.

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

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 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 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 2021 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 B.3.1 of the CG Code (A.5.2 of the former 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 2021, two Nomination Committee meetings were held and the attendance of each member at each meeting is set out in the section headed "Board Process" of this report. The work performed by the Nomination Committee in 2021 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 2021 AGM, with a recommendation to the Board for proposal to the Shareholders for approval at the meeting; and
(iv) considered the nomination of Ms. Vivian Alexa Kao and Mr. Wayne Robert Porritt as new INEDs with recommendations to the Board for approval which appointments were approved by the Board effective from 26 May 2021.

After the end of the reporting period, a Nomination Committee meeting was held in March 2022 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 2022 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 E.1.2 of the CG Code (B.1.2 of the former 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 2021 and the attendance of each member at the meeting is set out in the section headed "Board Process" of this report.

The work performed by the Remuneration Committee during 2021 is summarised as follows:

(i) reviewed the existing policy and structure for the remuneration packages 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 2020 for the two Executive Directors, with a recommendation to the Board for approval; and
(v) reviewed the remuneration of all Directors with recommendations to the Board for approval.

Previously, each Director was entitled to a director's fee. Further remuneration payable to Directors (including any consultancy fees to INEDs or NED) for their responsibilities and services was 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. To enhance the corporate governance, starting from 25 May 2021, the director's fee and consultancy fee payable to each INED and NED were combined into one director's fee, and director's fee payable to each of Executive Directors was cancelled.

Details of the Directors' remuneration for the year ended 31 December 2021 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 "People & Culture" 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 2022 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 made the following recommendations to the Board which were subsequently approved (where appropriate) by the Board:

(i) the payment of discretionary bonuses for the year 2021 to the two Executive Directors:
   – HK$60 million in cash to Mr. Lee Seng Huang ("Mr. Lee"); and
   – HK$4.5 million in cash to Mr. Simon Chow Wing Charn ("Mr. Chow");
(ii) the monthly salary for both Mr. Lee and Mr. Chow from January 2022 remain unchanged; and
(iii) a 5% increment to the annual director's fee of the six INEDs and the NED, commencing from the year 2022.

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 are varying in nature and has changed during the year.

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 D.3.3 of the CG Code (C.3.3 of the former 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 2021 and the attendance of each member at each meeting 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 2021 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 2021 and the final audit of the Group for the year ended 31 December 2021;
(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 2020 and 2021;
(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 2021;
(iv) reviewed the financial reports of the Company for the years ended 31 December 2020 and 2021, and for the six months ended 30 June 2021, and recommended approval by the Board;
(v) reviewed the management report on key financial matters;
(vi) reviewed the internal audit review report on mortgage loan business of Sun Hung Kai Credit Limited ("Sun Hung Kai Credit") conducted by external audit firm;
(vii) reviewed the effectiveness of the risk management and internal control system and recommended action to the Board where appropriate;
(viii) reviewed various internal audit review reports prepared by the internal audit function and the 2022 internal audit plans; and
(ix) 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 Exco 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 three INEDS, an Executive Director, the Group Chief Financial Officer ("Group CFO"), Chief Executive Officer of Funds Management, Head of Operations and Head of Legal, being Messrs. Wayne Robert Porritt (Chairman), Evan Au Yang Chi Chun, Ms. Vivian Alexa Kao, Messrs. Simon Chow Wing Charn, Brendan James McGraw, Ms. Lindsay Megan Wright and Messrs. Alfred Leung Sai Kit and Paul Olivera (resigned to be effective on 21 March 2022) 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

(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 bi-monthly or as directed by the chairman of the RMC. Five RMC meetings were held in 2021 and the attendance of the Directors at each meeting is set out in the section headed "Board Process" of this report.

Apart from committee meetings, the RMC also deals with matters by way of circulation of written resolutions when necessary. 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, Private Credit, Real Estate, 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 2020 and 2021;
(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) consideration and recommendation to the Board of engagement of independent advisor for implementing risk management gap analysis for Group's business operations;
(x) review of internal audit plan for the Group's subsidiary licensed under the Securities and Futures Ordinance;
(xi) review of anti-money laundering policy and the related training received by the staff members;
(xii) initiated an enterprise risk management analysis by third party;
(xiii) establishment of a ESG sub-committee, adoption/revision of its terms of reference and the change of its composition; and
(xiv) oversight of the work performed by the ESG sub-committee and review of the ESG report.

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" 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 Sino-US trade war and Covid-19 pandemic.

The Group's risk management and internal control approach is 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. Processes and procedures are put in place to identify, manage and control the risks of different businesses and activities. More detailed discussions of different types of risks are set out in the "Risk Management Report" in this Annual Report and in Note 48 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 Audit Committee. 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, legal, 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 processes of the Group and fulfill the requirements of the CG Code regarding risk management and internal control processes 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 2021, 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	8.8
Non-audit services (taxation and other professional services)	3.7
Total	12.5

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

Mr. Lee Sze Wai 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.

Mr. Lee is a member of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. During 2021, Mr. Lee undertook over 15 hours of relevant professional training to update his 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 F.2.2 of the CG Code (E.1.2 of the former 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 their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules should also be available to answer questions at any general meeting of the shareholders to approve a connected transaction or any other transaction that requires independent shareholders' approval.

Code provision C.1.6 of the CG Code (A.6.7 of the former 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 2021 AGM was held on 25 May 2021 and six out of seven 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. 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

In view of the technological developments and to provide the flexibility to the Company on the conduct of general meetings in the form of hybrid meetings where shareholders may attend by electronic means in addition to a physical attendance, the Company adopted a new articles of association by way of special resolution passed by the Shareholders at the annual general meeting held on 25 May 2021. The amendments also explicitly set out other related powers of the Board and the chairman of the general meetings, including making arrangements for the attendance and ensuring the security and orderly conduct of the general meetings. Other minor amendments were also made for house-keeping purposes. The new articles of association is available on the websites of the Stock Exchange and the Company.

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, 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, 17 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

About This Report

Sun Hung Kai & Co. Limited (stock code: 86) (the "Company" or "SHK & Co.", together with its subsidiaries, the "Group") is delighted to present its Environmental, Social and Governance ("ESG") Report (the "Report"). The purpose of this Report is to communicate the Group's sustainability approach, policies, as well as initiatives and performance.

This Report has been prepared in accordance with the "mandatory disclosure requirements" and the "comply or explain" provisions of the latest Environmental, Social and Governance Reporting Guide (the "ESG Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This Report covers the Group's sustainability performance for the financial year from 1 January 2021 to 31 December 2021 (the "Reporting Period").

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 ("SHK Credit")

All information has been compiled according to the data and information obtained within the Company and its subsidiaries. The Group's internal control and formal review process are in place to ensure that all information is presented accurately and reliably. This Report has been reviewed and approved by the Board of Directors (the "Board"). In the preparation of this Report, we have strictly adhered to the following reporting principles of "materiality", "quantitative", "balance" and "consistency".

Materiality	This Report is structured based on the results of a comprehensive materiality assessment raised through 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 from SHK & Co., UAF and SHK 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 adopts methodologies for the calculation of KPIs that are consistent with previous years, which allows for meaningful comparison of ESG data over time. There was no significant change with the reporting scope of this Report. For further details of the quantification methodologies, please refer to the "Environment" section.

For further information about our economic impact and corporate governance measures, please review the Annual Report and Corporate Governance Report in page 38 to 51.

Opinion and Feedback

We welcome any comments and suggestions on our sustainability performance shared in this Report. To get in touch with us, please share your views at:

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Tel: (852) 3748 2823
Email: investor.relations@shkco.com

Awards and Recognitions

Award Name	Awarding Institution
SHK & Co.	
Listed Company Awards of Excellence (2018–2021)	Hong Kong Economic Journal
Listed Enterprises of the Year (2018–2021)	Bloomberg Businessweek/Chinese Edition
The 6th Golden Hong Kong Stocks Awards (2021) **– Best Financial Stock Company** **– Best IR Team**	Zhitong Finance/RoyalFlush Information
Titanium Award of Corporate ESG Awards (2019, 2021) **Gold Award of Corporate ESG Awards (2013–2018, 2020)**	The Asset
Green Office Awards Labelling Scheme – **Green Office and Eco-Healthy Workplace (2021)**	World Green Organisation
Good MPF Employer (2014–2021)	Mandatory Provident Fund Schemes Authority
Caring Company 5 Years + (2016–2021)	The Hong Kong Council of Social Service
Happy Company Award (2021)	Happy Index Foundation and Hong Kong Productivity Council
Manpower Developer Award (2018–2020)	The Employees Retraining Board
UAF	
Best Performance of School-Company Partnership (2007–2021)	Young Entrepreneurs Development Council
Caring Company 15 Years + (2005–2022)	The Hong Kong Council of Social Service
Charter on External Lighting (2016–2022)	The Environment Bureau
Drive for Corporate Citizenship & Volunteer Team (2017–2020)	Hong Kong Productivity Council
Equal Opportunity Employer Recognition Scheme — Racial Equality and Inclusion (2021)	Equal Opportunities Commission
Family-Friendly Employers Award (2017–2021)	Family Council
Good Employer Charter (2018–2022)	Workplace Consultation Promotion Division of the Labour Department
Happy Company Award (2017–2021)	Happy Index Foundation and Hong Kong Productivity Council

UAF

Manpower Developer Award (2012–2022)	The Employees Retraining Board
Partner Employer Award (2016–2021)	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 (2016–2021)	Social Welfare Department
Wastewi$e Certificate (2016–2022)	Environmental Campaign Committee
Outstanding Award in Best Search Campaign (2020–2021)	Verizon Media Asia Big Idea Chair
Excellent Brand of Personal Loan Services (2021)	Hong Kong Leaders' Choice 2021
Gold Award of Best e-Commerce — Financial Services (2021)	Asia e-Commerce Awards 2021
Bronze Award of Best Use of Mobile — Financial Services (2021)	Mob-Ex Awards 2021
Gold Award of Best Use of SEM Strategy (2021)	MARKies Awards 2021
Gold Award of Best SEM/PCC (2021)	DigiZ Awards 2021
CAPITAL Merit of Consumer Finance Company Achievement (since 2009)	The CAPITAL Merits of Achievements in Banking & Finance Awards 2021
Asia Pacific Sustainable Innovation Enterprise (APSIE) Awards (2021)	Asia Pacific Institute for Strategy
The Most Popular Finance Company on Internet (2021)	iChoice Awards 2021

SHK Credit

Economic Digest 14th Outstanding Brand Award — Best Mortgage Service (2021)	Economic Digest
The Most Popular Mortgage Company on Internet (2021)	iChoice Awards 2021
Excellence Award for Mortgage Service (2021)	Sky Post Banking & Finance Awards 2021 supported by Hong Kong Economic Times Holdings Limited

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

Approach to Sustainability

SHK & Co.'s 52-year history in financial services has demonstrated that sustainability is indispensable for the longevity, stability and resilient development of the Group. We envision contributing to the transition to a low-carbon economy, operating our business responsibly, as well as creating value for our people, investors, customers and community. Established in 2020, the Sustainability Policy formalises our sustainability principles and approach to ensuring that the management of ESG-related activities is carried out consistently throughout the Group's operations. To remain abreast of the evolving market and prepare for future risks, the Sustainability Policy is reviewed annually and enacted upon the approval of the Board.

Sustainability Framework and Priorities

Our strategy to manage sustainability factors is rooted in our framework of Creating Sustained Value for all our stakeholders. This includes shareholders, investors, employees, as well as the broader environment and society we operate in alike. The longevity of the business can only be ensured if we conduct robust risk control, build transparent communications with stakeholders, facilitate a flexible and inclusive open culture for our employees, invest in our communities, as well as minimise impacts on the environment. To this end, we seek to concentrate our efforts in five core areas of value creation, namely, Business, Investors and Customers, Employees, Communities, and the Environment.

The United Nations Sustainable Development Goals ("UNSDGs") have been integrated into our strategy to align our business with global priorities and international efforts for sustainable development. We aim to pursue specific priorities set under each area of value creation and regularly evaluate our progress towards achieving these priorities.

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 a unique position and influence potential to support and protect the environment through its investment decisions and green practices, with the ultimate goal to support the global-transition towards a low-carbon economy.

As a service company, our employees are at the heart of our operations. Hence, we invest in their professionalism and competency to responsibility 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.

We acknowledge that sustainability is tied to business resiliency and growth and that our size and influential scale can drive change for the betterment of the environment. To accelerate our sustainability commitments, we took the opportunity to conduct a comprehensive review of our past environmental performance to develop a series of environmental targets. Prioritising these environmental targets puts us on a path to achieving positive impacts for the environment and society.

Environmental Aspect	Targets
Greenhouse Gases	• By 2024, ensure that 30% of the Group's investment portfolio considers ESG aspects during investment decisions. • By 2022, join an industry association/coalition/partnership group to promote an ESG topic in the financial industry. • By 2022, organise an environmental initiative that reduces or offsets environmental impact.
Waste	• By 2023, ensure that 80% of office paper is certified FSC or PEFC paper. • By 2023, set up a paper waste monitoring system, to track consumption, usage and recycling data. • By 2025, reduce absolute paper usage by 15%, compared to FY19 baseline. • By 2025, maintain use of paper cheques issued for customer funding to be 15% or below at UAF.
Electricity	• By 2025, reduce absolute electricity usage by 15% compared to FY19 baseline. • By 2023, provide at least 1 hour energy and resource saving training for employees.
Water	• By 2023, provide at least 1 hour energy and resource saving training for employees.

Sustainability Governance

The Board, as stewards of ESG management of the Group, is ultimately accountable for the performance of ESG-related issues through establishing goals and targets and reviewing the performance on an annual basis. The Board has the overall duty to lay out and manage the Group's ESG vision, objectives and strategy for the short-term, medium-term and long-term as well as identifying key ESG topics and issues to focus on that forms our holistic approach to sustainability governance.

Complying with the Corporate Governance Code and related listing rules of the Stock Exchange, we have appointed two new independent non-executive directors to strengthen the gender, age and ethnicity inclusion. The new appointments brought diversified expertise of risk management and knowledge from different industries to the Board, further enhancing our corporate governance and diversity practice. Under the Board's delegation, the Risk Management Committee is tasked to identify ESG-related risks, determine the appropriate risk profile of the Group, as well as report the results of ESG-related risks to the Board.

Supporting the Risk Management Committee is the ESG Working Committee, which shoulders the responsibility for establishing and executing the Group's ESG vision, priorities and strategy. The ESG Working Committee aims to monitor and review the Group's operations to ensure compliance with applicable laws and regulations as well as international standards. The ESG Working Committee is also responsible for reporting to the Risk Management Committee on ESG project budgets and performance progress on a regular basis. Chaired by the Group's Chief Financial Officer, the ESG Working Committee comprises senior management of key business units and divisions and meets annually to review the Group's ESG plans and strategic direction.

For further information about our corporate governance, please review the Corporate Governance Report in page 38 to 51 of the Annual Report.

Stakeholder Engagement

SHK & Co. recognises the importance of interacting with stakeholders as a vital part of our business operation and corporate development. By understanding stakeholders' expectations and feedback on our sustainability approach, we are better equipped to prioritise sustainability-related topics, align our business practice, and ultimately formulate better sustainability-related decisions. To this end, we engage our internal and external stakeholders through multiple communication channels to establish open and trusted relationships.

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

Materiality Assessment

The Board values stakeholders' concerns and views on the Group's sustainable development, thus, it shoulders the responsibility to evaluate, prioritise and manage material ESG-related issues. As stakeholders' concerns and views evolve over time, we commissioned an independent sustainability consultancy to conduct a formal stakeholder engagement exercise to understand ESG-related priorities and stakeholders' perceptions of the progress of our strategy 'Creating Sustained Value'. These perceptions will help us align our business practice, better utilise our resources to address these priorities, as well as guide the refinement of our strategy. Our material stakeholders were identified as the Board, management, shareholders/investors, employees, customers and community partners.

A three-step approach was adopted to assess the materiality of ESG issues:

1. Identification	Based on the previous year's materiality assessment, a total of 18 materials issues were identified. The set of material issues was determined through peer benchmarking, a discussion with senior management, consideration of the Group's corporate values and reference to Global Reporting Initiative Standards.
2. Prioritisation	Feedback from material stakeholder groups was collected through the completion of an online survey ranking material ESG issues by their importance. 11 members of the Board and management were invited to rank the importance of material issues for the Group's sustainable development, whilst 303 other stakeholders, including shareholders/investors, employees, customers and community partners were surveyed to rank based on their preferences and perceptions.
3. Validation	The list of material topics and materiality assessment results were presented to senior management for validation. The validated list of sustainability topics is disclosed in this Report. The Board reviewed the material issues and the materiality matrix to ensure an unbiased and balanced view of our sustainability performance and stakeholder expectations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

The following materiality matrix displays the relative importance of each ESG issue to the sustainable development of the Group. The ESG issues were subsequently grouped under three tiers of importance in the table below.

Tier 1 (Most Material Issues)		Tier 2 (Moderate Material Issues)		Tier 3 (Less Material Issues)	
1	Corporate Governance	5	Customer Engagement and Relations	16	Energy and Resource Use
2	Business Integrity and Ethics	8	Responsible Marketing	17	Paperless Operations
3	Compliance with Laws and Regulations	11	Diversity and Equal Opportunities	18	Investment in Green Finance
4	Risk Management	13	Community Investment and Engagement		
6	Data Privacy and Security	14	Community Partnership		
7	Product and Service Quality	15	Climate Change Adaptation		
9	Talent Recruitment and Retention				
10	Development and Training				
12	Employee Health and Wellbeing				

Business

Our long history of being a trusted and resilient financial institution is attributed to our sound governance body, responsive risk management control and ethical business culture. Through acting with integrity and aligning to the highest standard of ethics and compliance, we are committed to being a responsible business.

Anti-Corruption

The Group has laid down the expectations of ethical behaviour for all employees that can be found in our Employee Handbook. Specifically, we do not tolerate any forms of bribery, extortion, fraud, or money laundering in our operation, and expect employees to refrain from requesting or accepting advantages while performing their duties. While a new anti-bribery and corruption policy will be put in place in 2022 pursuant to the revised Corporate Governance Code of the Listing Rules, training on upholding integrity and preventing misconduct is supplemented as part of the orientation process for new hires and is detailed in the conditions of employment to ensure the contents are clearly communicated and understood. The Group complies in full with applicable laws and regulations related to anti-corruption, including the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

Within UAF, anti-corruption practices are further safeguarded by the Anti-Bribery and Corruption Policy, and the Anti-Fraud Policy. The Anti-Bribery and Corruption Policy provides guidance on detecting and reporting suspected or actual breaches of bribery and corruption, while the Anti-Fraud policy seeks to inform employees of response protocols and methods to deal with and minimise the damage caused by any fraudulent attack.

As we commit to transparency, integrity, and accountability, we encourage employees to report on any alleged unlawful practices, improper financial or other reporting, or misconduct. As specified in the Whistle Blowing Policy, employees can report suspected non-compliance or misconduct to the relevant committee or department through designated channels without fear of reprisal. Upon receipt of the suspected case, extensive investigation measures, including obtaining relevant documents for examination, preparing an investigative report, and discussing with relevant departments deemed necessary to the investigative matter reported, shall be carried out. Shall any cases be confirmed as improper, appropriate disciplinary actions would be taken accordingly. All new staff is 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 our Whistle Blowing Policy. During the Reporting Period, the Group has received no complaints or legal cases alleging any form of corruption.

We take initiatives to enhance employees' awareness and understanding of business ethics as well as to keep abreast of regulatory requirements. During the Reporting Period, SHK & Co. has organised the corruption and bribery prevention training for all employees to understand key financial guidelines to prevent malpractices from occurring and methods to report offences relating to corruption and bribery. The training was delivered by Compliance Asia, Asia's first and renowned independent compliance consulting firm, to over 70% of all staff at SHK & Co.. At UAF, 205 employees attended the anti-bribery training, while 95 management members and employees also attended an anti-corruption online webinar conducted by personnel of the Independent Commission Against Corruption (ICAC). All Hong Kong-based staff of UAF have attended an anti-bribery training session since 2020.

Anti-Money Laundering

As a leading financial institution, we are committed to strict compliance with all applicable anti-money laundering laws and regulations to prevent the use of our products and services for money laundering and terrorist financing purposes. This commitment is embodied in our Prevention of Money Laundering and Terrorist Financing Guidance Manual (the "Group AML Guidance Manual"), which all our loan businesses in Hong Kong follow. The Group AML Guidance Manual highlights the methods to manage and mitigate risks when handling loan applications from individuals and businesses, and is designed in strict compliance with applicable laws and regulations. To understand and manage associated risks, we undertake extensive due diligence, risk assessment and verification of documents as part of the evaluation of new and existing clients.

Along with ongoing monitoring obligations, we also perform suspicious activity reporting and regularly review customers' information. Specifically, SHK Credit, our property loan segment, has developed robust monitoring protocols for the loan application process to facilitate early detection of fraudulent activities and continuous maintenance of high-quality services. These include the general operation workflow for mortgage loans and comprehensive guidelines covering our different mortgage loan products in which staff are expected to follow. To strengthen our regulations against anti-money laundering and malpractice, SHK & Co., SHK Credit and UAF have updated our Anti-Money Laundering and Counter-Terrorist Financing Policy, operational procedures and lending guidelines of different loan products, including unsecured personal loan and mortgage loan during the Reporting Period.

Equipping our employees with relevant financial crime knowledge enables them to recognise, prevent and detect financial crime to the extent possible. To this end, all relevant staff is required to complete mandatory Anti-Money Laundering and Counter-Terrorist Financing training. At UAF, Hong Kong staff also underwent various compliance trainings, including financial crimes, fraud awareness and sanctions, to keep abreast of the increasing global regulatory rigour and to understand core principles. During the Reporting Period, 128 employees of UAF completed 64 hours of anti-money laundering and counter-terrorist financing training while 205 employees of UAF completed 156 hours of anti-bribery training through our learning management system. At SHK & Co., we invited representatives from Compliance Asia to conduct anti-money laundering training for all employees and over 80% of employees have attended and satisfied related assessment requirements.

Supply Chain Management

We work with a range of suppliers across the Group, spanning areas including but not limited to information technology, legal, marketing, agents, consultants and office equipment suppliers. Through taking a prudent approach, we generally select our suppliers based on pricing, reputation, track record of good practices and value-added services to the Group. At UAF, we also consider whether the supplier has 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 is then reviewed periodically by relevant departments. These basic requirements are in place to ensure they continue to meet the needs of the Group and guarantee the delivery of quality products and services. During the Reporting Period, we engaged with 673 suppliers from various countries including but not limited to Hong Kong, Mainland China, Singapore and the United States.

External debt collection agents support the functioning and ongoing service of our loan business segment, which consists of UAF and SHK Credit. As we pride ourselves on maintaining a strong market position through the sincerity of agents' services, we carefully select agents to be added to our Authorised Agents list, based on performance, reputation, among other factors. During the selection process, Authorised Agents are also required to provide relevant certifications, qualifications and business performance reports to guarantee authenticity. Once contracted, Authorised Agents are required to understand the Group's ethical code and professional standard through the Authorised Agents Manual. It stipulates the procedures for general business ethics, know-your-customer, data privacy, and customer confidentiality. We also ensure our authorised agents operate with the highest ethical standards by adhering to relevant laws and regulations, upholding information data protection, as well as avoiding conduct that undermines the integrity and goodwill of UAF and SHK Credit.

The effectiveness and performance of our Authorised Agents are annually assessed to strive for continuous improvement of quality of service. Utilising the evaluation form, Authorised Agents are assessed on criteria including, but not limited to, service effectiveness, operational behaviour and data handling. We also value the feedback from customers and the public on the quality of service, and hence administer feedback surveys regularly.

To understand and manage associated risks in the supply chain, a comprehensive supplier risk assessment was developed during the Reporting Period. The risk assessment identifies potential environmental and social risks that may impact the Group, as well as the likelihood and severity of these risks. These environmental and social risks include but are not limited to financial, operational, information technology and cyber security risks.

To promote green products, we strive to procure office stationery and furniture from suppliers who are certified with relevant local and international environmental certification standards. In addition, for the past few years, we have been procuring Forest Stewardship Council ("FSC") paper where possible. In regard to promoting environmentally friendly technology, UAF actively procures through digital media agencies, in order to market products through electronic platforms rather than traditional marketing channels.

Intellectual Property

Reviewed annually, the Employee Culture Guide and Handbook specifies the principles for respecting intellectual property rights for our clients and other third parties, including but not limited to trademarks, patents and copyrights. Employees are prohibited to privately use or allow outside parties to possess and exploit our intellectual property, unless permission has been obtained by copyright owners. To prevent potential infringement, necessary authorisation from the relevant department shall be sought before the use of any name, slogan or mark for any product, programme or service. Regular inspections of employees' computers are carried out by the Technology Department to ensure genuine software is installed. All our employees are obligated to keep trade secrets confidential and to protect the Group's other proprietary intellectual properties. By the end of this Reporting Period, the Group maintained 46 (2020: 46) registered trademarks in Hong Kong and Mainland China.

Human Rights

The Group is committed to protecting fundamental human rights and exercising a zero-tolerance approach to the hiring of all forms of child and forced labour practice. As a control measure, all personnel are required to provide valid personal identification documents for verification purposes during the recruitment process, while background checks will also be carried out as necessary. In the unlikely event that false information is discovered, the Group will address the situation by closely following the necessary procedures in accordance with relevant 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 human rights and labour standards. The Group also did not receive any cases relating to child or forced labour.

People

As a company focused on creating value, we believe that our employees are our greatest asset. We strive to create a flexible, inclusive and cooperative working environment where everyone can excel. The challenges of COVID-19 have demonstrated that providing attention and support for our employees is vital. We work to attract and reward our talents, safeguard their health and wellbeing, as well as equip them with essential skills to succeed within our organisation.

Governing our human resources practices is the Employee Culture Guide and Handbook, which documents guidelines and conditions of employment, recruitment and promotion, working conditions, benefits and remuneration, code of conduct, as well as training and development. This is regularly reviewed by the People & Culture department according to changes in Company policy or any legal requirements.

Recognising and Rewarding Talent

For more than 50 years, the notion of trust has defined our working culture. We inspire trust through listening to our employees, understanding their needs, and creating approaches that enable flexibility in the workplace. SHK & Co. has been an innovator of flexible work culture and implemented the ground-breaking Unlimited Paid Leave approach in 2018, designed to empower employees to produce exceptional results through better control over their work-life balance. Supporting this flexible working arrangement is our robust intranet system, which enables our employees to remotely work and schedule flexible working hours. We believe these agile and flexible work choices allow our people to feel empowered and inspired.

"With Unlimited Paid Leave, employees can apply for leave flexibly without worries. We believe that when given flexibility, employees will respond with deeper ownership of their work, feel empowered and strengthen trust with the organisation."

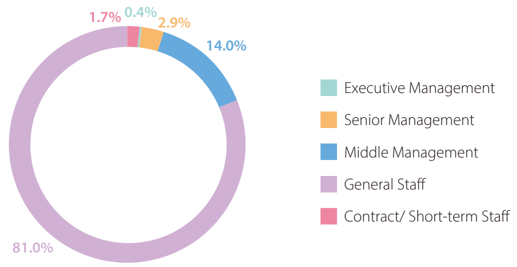
Ms. Samantha Che, Head of People & Culture of SHK & Co.

The Group places major focus on recognising and rewarding our workforce. We offer highly competitive salaries that are reviewed annually to maintain our competitive advantage. To recognise our employees' hard work and contributions, we offer a variety of extra remuneration packages and additional benefits to help them grow personally and professionally. SHK & Co. was honoured to be named as a "Good MPF Employer" by the Mandatory Provident Fund Schemes Authority for over six years. This award recognised our achievements in providing exemplary employee benefits, such as providing better retirement protection. SHK & Co. also received the "Happy Company Award 2021" in recognition of the Company's continuous commitment in building a happy workplace culture and enhancing happiness-at-work level of employees.

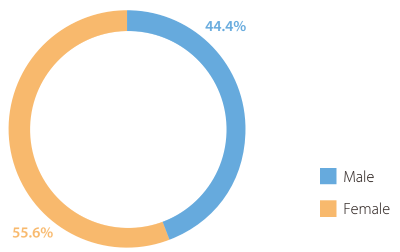
We build an engaged, motivated and productive workforce through various employment reward schemes. For example, SHK & Co.'s Incentive Program Policy rewards high-flying performers based on individual performance rating throughout the year. In SHK & Co. and UAF, a Long Service Award scheme is also adopted to reward individuals who have completed significant years of service. At SHK & Co., we also have an increasing top up MPF contributions from employer scheme in place for senior staff that are employed by the company for more than 5 years. 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 2021, the Group employed 1,738 (2020: 2,219) employees.

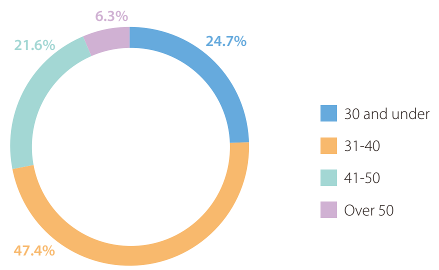
By Employment Category



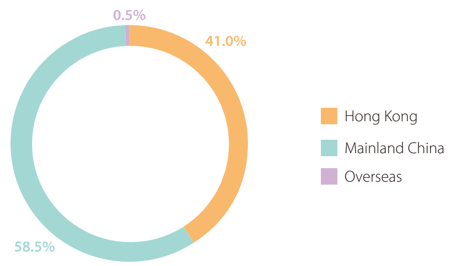
By Gender



By Age Group



By Geographical Region



Health and Wellness

We are committed to creating a safe and comfortable work environment that allows employees to thrive and succeed. To this end, we focus on responding to the health and safety challenges of COVID-19, supporting the physical and mental wellbeing of our employees and promoting a culture of safety.

Managing COVID-19

As the COVID-19 pandemic continues to pervade across the globe, we are dedicated to strengthening our workforce immunity and implementing long-term pandemic response and recovery mechanisms to help minimise disruption and enable business continuity. We take an active approach to safeguard the health of our employees by communicating the Group's latest measures and advice regularly via email or internal notices, keeping employees informed of local and regional guidelines.

Since the outset of COVID-19, we have established a full range of good hygiene and sanitation measures, including but not limited to conducting body temperature screening, disinfecting frequently touched surfaces regularly and requiring wearing surgical masks. At the head office, our flexible work arrangement, efficient intranet system and VPN system provide the backbone to enable business continuation should we be required to adjust our arrangement to curb the spread of transmission in the future. In-person business meetings are kept to a minimum, and if occurring, we are mindful to maximise personal hygiene before, during and after the event.

To help resume our normal business and social activities and reach our goal of a 100% vaccinated office environment, we held a vaccination lucky draw for our employees at SHK & Co. and SHK Credit. With prizes amounted to over HK$500,000 offered to our full-time staff, we endeavoured to contribute to the immunity of the Company and Hong Kong. As there was a sharp rebound in COVID-19 cases in the beginning of 2022, we also distributed COVID-19 testing kits as needed, including surgical masks and, sanitisers to our employees to encourage early detection and prevention.

To maintain our services for customers, we ensured to develop a business continuity plan for the UAF office and branches in the event of changing COVID-19 restrictions. This enabled us to mitigate and minimise the impact of any disruption to our operations through coordinated responses, ensuring a swift recovery and continuation of critical business departments. In addition, we established a decision-tree and checklist for different risk scenarios, which provided clear guidance for employees to determine the appropriateness for continuing with business-as-usual. As we continue to conduct in-person client interactions, it is necessary to equip all UAF branches with health and safety best practices, including practising 1.5 metre distance from each other at all times, offering masks to guests, and placing signs and posters to raise awareness of personal hygiene and safety. During the Reporting Period, UAF distributed 3,985 boxes of surgical masks and 606 pieces of hand sanitisers to its staff. The following table details additional key control measures that were practised across our operations.

Key COVID-19 Control Measures

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

- Conduct body temperature screening for employees and guests
- Hand sanitisers are made accessible and replenished whenever necessary
- Frequently replenish supply of masks for all employees
- Frequent cleaning and disinfecting of meeting rooms and workplaces
- Restrict number of occupants in meeting rooms, and encourage use of digital forms of meeting instead
- Require mask wearing and perform hand hygiene for all guests before entering
- Clean and disinfect frequently touched surfaces, including reception counters and front door and back door handles every two hours
- Provide COVID-19 testing kits to our employees

Head Offices and Branches (UAF)

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

Wellness and Safety

The Group has long supported people's wellbeing and a healthy work-life balance to create a positive environment and a dynamic place to work. We hosted several team building activities throughout the year, including a music jamming event, VR sports game, bowling and karaoke. Additionally, UAF organised 6 online wellness programmes to provide employees guidance in managing and balancing their work demands and mental health.

UAF Online Wellness Programmes

- Boost Your Immunity
- Dietary Management of Dyslipidemia
- Fitness and Conditioning: Chinese Medicine Health Cultivation
- Sleep Schedule: Sleep Tight in Chinese Medicine
- Prevention of Foot and Knee Pain
- Fit Office: Relaxation Exercise in the Workplace

To safeguard our employees, they are required to be familiarised with the location of fire alarms, fire-fighting equipment, fire escape routes and emergency response protocols. Apart from conducting fire drills annually in accordance with property management guidelines, safety equipment is accessible in the workplace including first-aid boxes, earmuffs and trolleys for heavy goods. In addition, to maintain good indoor air 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.

Owing to the nature of our business, the exposure to high-risk occupational hazards that may cause serious physical injuries is unlikely in day-to-day operations. Regardless, employees are well aware of the safety precautions described in the Employee Handbook, which are in line with guidelines issued by the Labour Department. When a work-related injury or personal accident occurs during and outside office hours, employees are responsible to report to the People & Culture department. During this Reporting Period, 1 (2020: 2) case of workplace related accidents from out of office hours was reported, resulting in 0 (2020: 21) lost days. In addition, no work fatalities were reported for the past three years.

Learning and Development

We are committed to investing in our employees at all stages of their careers to help them develop both in their existing roles and future careers. Our culture actively supports the continuous development of our employees by providing internal and external learning opportunities that align with their professional ambitions and goals. It is our mission to equip our staff with the vital skills to stay relevant in the changing world.

Orientation training for new hires is organised by the People & Culture department. They are briefed on our core values, business areas, company culture as well as employee benefits, and subsequently introduced to team members. We offered a wide spectrum of training courses including but not limited to technical knowledge courses such as digital technology and currencies, data analytics, and anti-corruption, as well as training on soft skills including leadership, strategic thinking and personal branding. At SHK & Co., we had a full month dedicated to learning where at least three "Lunch and Learn" events were hosted on a weekly basis, with a healthy lunch provided to staff members. Additionally, to encourage and cultivate a continuous learning culture, three employees were presented with a "Keen Learner" award.

At UAF, training programmes are delivered through a mixture of formats including our online learning management system, physical workshops and self-study guides to provide a flexible and convenient learning experience. To ensure that the programmes deliver value to our employees and our business, UAF employees are invited to provide feedback on their preferred training topics, which are taken into consideration when arranging future training programmes.

To nurture our talented workforce, we encourage employees to set professional objectives and goals on an annual basis, in which the People & Culture department will support through providing necessary resources. In addition, we designed a strategy that aids employees performing below standard with material and guidance by their superior to enhance their performance, efficiency and accuracy. We also rolled out a Learning and Development policy to sponsor the cost for performance-oriented development, licence required trainings and job required qualifications. At UAF, employees are entitled to pursue seminars, academic and job-related courses with subsidies under the Advanced Learning Allowance Policy. In addition, we improved the learning and development application and claim process from paper to online forms to contribute to the Group's sustainability mission.

Owing to our dedication in cultivating a high-performance culture, SHK & Co. and UAF Hong Kong were awarded the "Manpower Developer" from the Employees Retraining Board for three and ten consecutive years respectively. During the Reporting Period, the Group's frontline and supporting employees completed 16,401 hours of training.

UAF is also committed to nurturing young talents and expanding their capabilities. Since 2014, UAF has continued to run a Graduate Trainee Programme that provides opportunities for local university graduates who aspire to pursue a career in the consumer finance industry to gain valuable knowledge, training and experience. We aim to help the Graduate Trainees develop an enthusiastic work attitude and offer their own intelligent insights to drive the growth of our business. During the Reporting Period, there were a maximum of seven Graduate Trainees enrolled on the programme at any given time, where one trainee had accepted an offer of employment and one participant had graduated from the scheme.

	Percentage of Employees Trained	Average Training Hours (hours/employee)
Total	97.35	9.44
Gender		
Male	97.80	11.66
Female	97.00	7.67
Employment Category		
Executive Management	100.00	9.19
Senior Management	76.00	3.00
Middle Management	97.12	17.30
General Staff	98.15	8.38
Others	96.67	6.12

Diversity and Inclusion

The Group values a diverse workforce as it enables us to attract the best people, access a greater range of talents, and build more cohesive teams to produce impactful results for our stakeholders. We pride ourselves in being an equal opportunity employer that assesses candidates based on competency and performance. We strictly prohibit any form of discrimination of employees and job candidates based on gender, race, colour, nationality, religion, sexual orientation, disability, military service or marital status and other statuses protected by local laws. Such commitment is reflected in the talent acquisition process, where we communicate our diversity and inclusion clause in all job postings, assemble a diverse candidate selection pool and enable the candidate to be evaluated by a diverse interviewing panel. To foster equal opportunities, UAF hires ethnic minorities from a range of nationalities.

In recognition of our efforts to promote a diverse and inclusive workplace, UAF was awarded the "Equal Opportunity Employer Recognition Scheme — Racial Equality and Inclusion" by the Equal Opportunities Commission ("EOC"). During the reporting period, UAF also continues to pledge to the "Racial Diversity and Inclusion Charter for Employers" run by the EOC, demonstrating our commitment for diversity, equality and inclusion in the workplace.

Investors and Customers

Our reputation of being a trustworthy, caring and professional services corporation is underpinned by our long history of creating meaningful value and developing excellent customer relationships. In our journey of creating life-long relationships, we are committed to acting in the best interest of our investors and customers to meet their expectations and foster exceptional results. To ensure that we deliver top notch services, we strive to protect our operational activities, continuously refine our engagement approach, as well as identify growth opportunities that create value for our investors and customers.

Financial Protection and Inclusion

As a financial institution, we have an unwavering commitment to uphold financial protection and inclusivity for our clients. In this regard, we are dedicated to actively influencing policy development to maintain the stability of the money lending industry, as well as devise products and services that enhance financial accessibility for a variety of customers.

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, debt collection and recovery, as well as data privacy. Through practising 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.

As an active contributor of the money-lending industry, UAF is also a member of several projects led by The Hong Kong Association of Banks ("HKAB"), including the special task force for the Multiple Credit Reference Agency, and more recently, the task force for the Alternative Payment Solutions ("APS") for Property Transactions. The APS task force aims to facilitate short-term alternative payment solutions for property transactions to reduce settlement risks and enhance customer protection. Additionally, we enhance consumer education on sustainable debt and sound financial management by providing useful public resources on the LMLA website. Through engaging in public bodies and working groups, we hope to promote a stronger corporate culture and integrity among the financial community.

In pursuit of enhancing financial accessibility to vulnerable members of the community, we provided financial relief during the COVID-19 pandemic. In 2020, UAF joined the Interbank Debt Relief Plan, a framework agreement jointly formulated by HKAB, DTC Association and LMLA, which aims to alleviate 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. During the Reporting Period, 82 cases from the Interbank Debt Relief Plan were successfully approved.

We constantly strive to develop products that better support our customers and financial needs. During the Reporting Period, UAF developed a personal loan service that enabled customers to apply for an additional loan that offered the same interest rate as the previous tax loan, which amounts up to 300% for flexible cash payment during tax season. At SHK Credit, we also launched the "Cash Ready in the Next Business Day for Second Mortgage" scheme during the Reporting Period, which enabled customers to receive approval of a mortgage loan within 24 hours. By lowering the barrier to entry and providing a variety of options, we deliver better outcomes for our evolving customer needs.

Sustainable Investment

Recognising that financial markets play a powerful role in furthering the sustainable agenda, we are dedicated to being part of the growing momentum of sustainable investing. To this end, we are committed to supporting enterprises making a positive contribution to the world, whilst also delivering the best possible risk-adjusted returns for our investors. In the past few years, SHK & Co. has invested in various next-generation technology projects covering diverse sectors and ESG focus areas including sustainable buildings, electric vehicles, energy management and digital learning.

SHK & Co.'s Sustainable Investments

Sustainable Buildings	Parmaco, a leading Finnish education infrastructure platform that builds high-quality wooden modular buildings, used by schools and day centres in Nordic countries. Through sourcing renewable wood, using low-emitting materials in production and reusing materials where possible, the greenhouse gas emissions produced during the building life cycle are 54% lower than that of traditional concrete framed schools.
Electric Vehicles	An electric vehicle manufacturer that is committed to producing emissions-free vehicles with more sustainable raw materials and decarbonising their business operations. Through this investment, we aim to be an advocate for electric vehicles that could lower the world's usage of finite fossil fuels and reduce greenhouse gases emissions.
Energy Management	A technology solutions provider that focusses on creating sustainable clean energy for all. The firm works with utility companies to accelerate progress towards decarbonisation goals and customers to enable more efficient energy consumption, which reduces overall emissions.
Digital Teaching & Learning	A digital teaching and learning platform provider that aims to digitise the education process through intuitive, personalised tools and software to engage students with their studies. The integrated online platform helps create engaging, impactful experiences for students and teachers.
NewGlobe Education	To help provide the best quality of education in frontier markets, NewGlobe has developed an innovative cloud-based technology platform to facilitate teaching and learning. The platform builds strong technology-powered education systems and has transformed learning outcomes where the reading fluency of students has been accelerated to 70%.

In the rapidly evolving field of sustainable investing, we also strive to educate and inform our investors of the latest trends and identify sustainable investment opportunities and risks for their portfolios. We shared our expertise together with other industry experts at a webinar discussing insights on regional ESG investing developments and the future of the ESG investment landscape. Being a responsible business, we are actively drafting our responsible investment policy to establish and integrate ESG considerations firmly within the investment decision-making processes and develop robust management guidelines to mobilise capital in a resilient and sustainable manner.

"We don't box ourselves in specific ESG-labelled projects but take a broader view in next-generation technologies, because a lot of them are propellers and facilitators to ESG that provide us more opportunities in participating in the ecosystem of sustainable investments"

Ms. Elsy Li, Group Treasurer and Head of Corporate Development of SHK & Co.

Customer Service

We aim to achieve service excellence by thoroughly understanding the needs of customers and surpassing their expectations. To this end, we are committed to serving our customers with the most professional, comprehensive and caring experience.

As a regular practice, UAF conducts a customer satisfaction survey to gather honest feedback on our service attitude, service quality and remediation solutions. Our goal is to enhance customer experience with a dedicated customer service hotline. Through assessing the survey results, we are better equipped to achieve our objective and make meaningful improvements. Our Customer Service Department ("CSD") is regularly trained to handle matters professionally, pragmatically and swiftly, as testified by the positive response rate of 97.42% during the Reporting Period. In total, 1,104 (2020: 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 CSD during the Reporting Period.

We have consistent protocols and solutions for handling customer complaints, which are led by the CSD. We recognise that customer detriment may occur and undertake appropriate investigation procedures according to different levels of severity and by the seniority of handling officers to address the situation. When a complaint is received, the relevant staff will investigate each complaint, evaluate possible causes, provide a detailed response to the customer, and issue corrective actions if appropriate. For the continuous improvement of our services, complaints are appropriately filed and reviewed regularly. During the Reporting Period, we received 1 (2020: 2) complaint case in relation to products and services, whilst 11 (2020: 9) complaint cases in Hong Kong and 0 (2020: 4) complaint cases in Mainland China were reported relating to debt collections. The CSD and Debt Collection Unit has investigated and resolved every case diligently and thoroughly.

Data Protection

The Group is committed to safeguarding client confidentiality and technology assets. Through upholding professionalism regarding information protection, we strive to minimise the risks from our operations to provide customers with quality products and services.

Data Privacy and Confidentiality

It is every department's and employee's responsibility to protect customers' confidentiality and data privacy. In the Group's Privacy Policy, we identify the rationale for collecting personal information and detail how we responsibly collect, manage and store data. This policy abides by relevant laws and regulations, including the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) and Code of Practice on Consumer Credit Data. When providing service to clients, we ensure that personal data will only be collected for necessary purposes by lawful and fair means.

Both physical and electronic management measures have been established to protect personal data from unauthorised or accidental access, and processing or erasure. With many of our customers using our services online, we ensure the resilience and stability of our system through employing encryption technology to safeguard sensitive data transmission. Under the occasion where customer data is required for operational or marketing purposes, prior formal consent is guaranteed. This includes the issuance of 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.

UAF and SHK Credit have established rigorous protocols that prohibit the extraction of any unauthorised electronic and hard copies of information from company computer networks, systems, programmes or databases. Guidance on the use and monitoring of portable storage devices are also implemented to maintain information privacy during the usage, storage, disposal and loss of data.

To further manage confidential information, UAF employees closely follow the Information Classification Policy. Depending on the risk level of the information, it ensures that only authorised personnel are able to view or access information. In addition, we educate our non-IT staff to prevent cyber security threats through e-learning courses including information security training. This training covered 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.

IT Resilience

As the growth of IT developments and related threats accelerates, the Group continues to invest significantly into hardening of both its infrastructure and cyber security protection. We have developed our infrastructure with multiple backup features and resilience elements incorporated into its secured information repositories located offsite at managed data centres. We have also enhanced our cyber security protection through external audit and benchmarking against the industry standard of National Institute of Standards and Technology ("NIST") Cybersecurity Framework to ensure robust delivery of service and protection of data integrity and privacy.

The stability and resilience of our systems enable us to deliver efficient and high-quality services. To protect information from a wide range of threats and vulnerabilities and minimise business risks, UAF has established an Information Security Management System ("ISMS") in accordance with the ISO 27001 Information Security Management international standard. As part of the ISMS, the Information Security Policy outlines the minimum security requirements that all employees of UAF are expected to observe and follow. We ensure that employees abide by applicable information security statutory, contractual and user requirements, and adopt a continuous improvement approach to improve the effectiveness of ISMS.

Responsible Marketing

We are dedicated to performing responsible marketing practices to communicate updated and complete information to our investors and customers making financial decisions. To protect the risks and rights of individuals, all publicity and promotion materials are in strict 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). In addition to including a telephone hotline for customers to report on illegal publicity, we ensure that risk warning statements are incorporated in all advertisement materials relating to our money lending business. This is displayed in a clear, consistent and understandable manner to ensure that individuals understand the terms and conditions and can make informed decisions based on accurate and reliable information. Within digital marketing strategies, we ensure to balance optimising business traffic and communicating credible and relevant information.

The Group prohibits false or misleading information that may deceive or mislead customers in the purchasing of financial products. To strengthen the resilience of customers, UAF has made available on its website a series of guidance documents regarding money lending scandals.

Money Lending Scam Guidance Documents

- Beware of Money Lending Scams leaflet
- Note to Intending Borrowers
- Financial Health leaflet

Community

At SHK & Co., we leverage our influence and resources to build greater resilience and more sustainable livelihoods within the communities we operate. The Sun Hung Kai & Co. Foundation (the "Foundation"), sponsored by the Company, was established as a significant platform for the Group, business associates and partners to serve and strengthen our communities in need. Among the initiatives we support are programmes that assist economically disadvantaged families, nurture future leaders and empower youths to thrive through sport. This year, we have strengthened our community efforts after being curtailed last year due to social distancing restrictions. Since the establishment of the Foundation in 2015, the Group has donated more than HK$50 million in ESG initiatives through the Foundation, whilst UAF has contributed more than HK$5.8 million since 2020 to promote community wellbeing.

Helping People Grow

At the core, the Group believes that we can help individuals, businesses and communities from all walks of life. From assisting individuals through financial solutions to providing investment capital for new and emerging businesses, we endeavour to build their growth aspirations and hence are bound by the commitment of 'Helping People Grow'. We extend this philosophy to seek effective change in the community through active engagement and investing in meaningful initiatives. Through this approach, we strive to understand and respond to the needs of the communities that surround us.

Consumer Finance (UAF)	Private Credit	Mortgage Loans (Sun Hung Kai Credit)	Funds Management (Sun Hung Kai Capital Partners)
Helping provide access to credit for people and SMEs unserved by traditional lenders achieve their goals through personal loans.	Helping larger corporates and entrepreneurs build their business by providing them tailored funding solutions.	Providing buyers with greater purchasing power to buy the home they want and property owners to draw extra money for their needs through mortgage loans.	Helping boutique fund managers to nurture their funds and build their businesses by providing seed capital and infrastructure.

Owing to our dedicated contributions to creating a more inclusive society, SHK & Co. has been named "Caring Company" for the 6th consecutive year, and UAF for the 17th consecutive year. The Company also received "The Asset ESG Corporate Awards" in 2021 for the 9th consecutive year, for excellent performance in sustainability.

Caring the Underprivileged

During the Reporting Period, the Group has formed a new partnership with Crossroads Foundation to create a "Trail of World Need", aimed at inspiring and empowering families to engage with world issues. The Trail of World Need is a series of immersive, interactive exhibits situated along Crossroads' Tuen Mun campus. The exhibits aim to enlighten participants on a range of important development issues. Bilingual, family-friendly formats ensure family members of all ages across Hong Kong can discover their role in a world of need. As part of the inauguration of this new partnership, we called upon our employees and their families to take part in a family day of experiential simulation and volunteering at Crossroads Village. They helped pack donated

goods, such as stationery and shoes, to be ready to distribute to vulnerable families all over the world. In addition, participants experienced a blind simulation, where they learned to navigate through rural fields, village homes and street markets without sight. This enabled participants to gain a deeper experience of the life of the blind or visually impaired. As part of this day, the Foundation donated HK$1 million to help support the "Trail of World Need" showcase on Crossroads' site, and to contribute towards Crossroads' Computer Refurbishment Programme. This programme equips underprivileged children with access to 600 refurbished computers for online learning, especially during the COVID-19 pandemic.

> *"This family volunteer day marks our ongoing commitment to partnering with Crossroads. We strive to go beyond financial donations; and inspire our own children to work shoulder-to-shoulder to make a real difference in society."*
>
> **Mr. Seng Huang Lee, Group Executive Chairman of SHK & Co.**

The festive seasons bring warmth, happiness and joy, and we endeavour to share the spirit with the less fortunate. Organised by Seeds of Art Charity, volunteers from SHK & Co. and SHK Credit came together to distribute goodie bags containing nutritious food and household essentials to the underprivileged, solitary residents and the vulnerable elderly in Fu Tai Estate at Tuen Mun for the Dragon Boat Festival.

Power of Education

We are avid supporters of institutions that advance equitable access to quality education and promote lifelong opportunities for all. Established since 2018, the "Sun Hung Kai & Co. Foundation Fellowship Fund" continues to be the main sponsor of Harvard Business School's need-blind admission initiative to support exemplary MBA students in pursuing their dream and a better life. We believe that education is one of the best avenues to nurture future leaders as they seek to have a positive impact on the world.

To promote opportunities of quality education to the youth in Hong Kong, the Foundation is also a founding corporate sponsor of the Dalton School of Hong Kong, a non-profit dual-language and multicultural primary school that strives to cultivate global-minded learners and thinkers.

Supporting Thriving Youth through Sports

Championing our core values of endurance, adaptability, and excellence, the Foundation established the Sun Hung Kai Scallywag Foundation to build a sailing legacy in Hong Kong. Since its establishment in 2019, the Sun Hung Kai Scallywag Foundation has partnered with Sailability Hong Kong to facilitate the accessibility of sailing by providing an inclusive platform that enables youth with disabilities and/or from disadvantaged backgrounds to pursue their sailing passion. Since then, the Foundation has inspired and supported 1,042 under-represented youth in Hong Kong with 147 days in water, comprising of free introductory sailing courses that include taster days and practical training.

In addition, during the school breaks in 2021, Sun Hung Kai Scallywag Foundation also organised several sailing camps for the public under its "One-for-One Charitable Scheme", where the children can learn sailing and self-sufficiency while obtaining their sailing certifications from the Hong Kong Sailing Federation. Money raised from each participant supports another underprivileged youth.

In 2021, we united the sailing community in Hong Kong through title sponsoring the "Sun Hung Kai & Co. Around the Island Race", one of the largest inshore events in Hong Kong, in partnership with the Royal Hong Kong Yacht Club. To further promote sailing to youth, we also supported the Open Dinghy Regatta held by Hebe Haven Yacht Club.

With international sailing competitions back at full force, the Sun Hung Kai Scallywag race team sponsored by the Company successfully won the line honours in SOLAS Big Boat Challenge and Australia Maxi Championship during the Reporting Period.

Membership and Associations

Apart from our philanthropic activities, we continue to contribute to several professional associations, chambers and non-profit organisations to raise industry standards and exchange best practices. We hold positions and regularly participated in projects and committees in the following associations:

Position	Institution
SHK & Co.	
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 Association
Honourable Chairman	Taiwan University Alumnus Association
Honourable Chairman	Taiwan Business Association (Hong Kong) Limited
Vice Chairman	Yunnan Province Microcredit Association
Executive Director	Tianjin Association of Microcredit
Director	HK and Macau Taiwanese Charity Fund Limited
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
Trustee Member	New Asia College, The Chinese University of Hong Kong
Committee Member	Committee on Student Exchange Programme with Universities in Japan, New Asia College, The Chinese University of Hong Kong

UAF	
Member	Advisory Board, College of Management, National Chung Cheng University, Taiwan
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	Wuhan Association of Microfinance
Member	Hubei Microcredit Company Association
Member	Shanghai Association of Micro-Credit
Member	The Chamber of Commerce of Beicai Town, Pudong, Shanghai
Member	Qingdao Microcredit Cooperation Development Association
Member	Shandong Microcredit Association
Member	Jinan Folk Financing and Micro-credit Association
Member	Shenzhen Internet Finance Association
Member	Liaoning Area Financing Guarantee Association

Environment

We operate in a way that respects nature as we recognise that every decision we make, and choices enacted, can influence the future of the planet. With the Group's overarching Sustainability Policy in place, we are committed to minimising environmental impacts, reducing emission and waste, improving energy efficiency, managing paper usage and recycling, and raising environmental education and awareness. We continually seek to adopt new technologies, best practices and industry standards as they develop to better manage our environmental footprint. As a result of our substantial efforts to embrace a green office culture, this Reporting Period we achieved the World Green Organisation's "Green Office Awards Labelling Scheme". During the Reporting Period, there were no cases of non-compliance in relation to environmental practices that have a significant impact on the Group.

Environmental Stewardship

The Group is dedicated to the responsible stewardship of its resources by minimising our paper usage, improving energy efficiency, as well as managing water and waste consumption.

Paperless Operations

Transitioning to a paperless operation has been an ongoing priority for the Group. We believe that digitising our operations not only reduces our reliance on traditional paperwork, but also enables us to pursue opportunities in efficiency and flexibility. At SHK & Co. head office, an employee self-service system is utilised to allow employees to complete administration forms such as reimbursements and leave notice online. In substitute of paper, electronic and digital mediums are extensively used for the submission of invoices and bills for vendors and suppliers. We work to centralise our printers through limiting and reducing personal printers for different departments, where possible. If paper is needed, double-sided or duplex printing are set as the default option, while FSC paper is used when applicable, such as for our annual reports, name cards and copying paper.

Our digital platforms and systems are central in helping us promote workflow optimisation and reduce paper usage. To maximise operational workforce and encourage a digital culture, at UAF, electronic platforms help facilitate effective internal communications between staff at the head office and the extensive branch network. Additionally, vital documents such as company internal circulars, employee handbook, relevant company policies as well as lending guidelines are made easily accessible electronically. To minimise paper usage in the People & Culture department, we adopted a human resources information system that enables processing of leave applications, staff performance review and management of employee profiles to be all controlled digitally.

Training courses are also made available online for all UAF Hong Kong employees since the establishment of the learning management system in 2020. This platform enables employees to complete the entire training process on one platform, including enrolment, attendance, examination, evaluation as well as the issuing of certification. At UAF and SHK Credit, we currently adopt an online document management system for the efficient storing, retrieving and management of documents to help run our operations. As a result of our ample efforts and arrangement to reduce paper usage, we reduced approximately 5% of paper consumption during this Reporting Period, compared to the previous Reporting Period.

Over the years, we have enhanced our digital capabilities to enable customers to interact with us electronically as far as possible. In 2020, UAF launched the innovative app "YES UA", which is the first app by a financing company in Hong Kong that offers authentication to 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 devices. In addition, the "No Show" Personal Loan service enables customers to make loan application requests directly through telephone without providing physical paper documents for approval. At the end of the Reporting Period, we had approximately 47% of approved customers making loan originations through electronic channels.

Resource Type	Unit	2019	2020	2021
Paper Consumption	pages	17,719,121.00	16,155,159.00	15,343,986.00
Paper Intensity per Customer[1]	pages/customer	83.00	78.63	79.78

1 Only covers consumption within head offices and branches of UAF and SHK Credit.

Energy Efficiency

With energy being the largest contributor to our operational carbon footprint, ensuring we manage energy consumption and adopting energy efficiency systems are vital for the long-term sustainability and resilience of the business. Across the Group, petroleum usage for company vehicles and electricity consumed for powering the offices and branches remain the two primary energy sources. Electricity consumption from the UAF branch network in Hong Kong and Mainland China accounts for the majority of the Group's electricity usage. During this Reporting Period, there was a decrease of electricity consumption by approximately 8%, compared to the previous Reporting Period.

The head office is situated in a Final Platinum certified building under Hong Kong's BEAM Plus Existing Buildings Certification (Commercial Building), which achieved several criteria assessments such as good energy performance. In addition to extensively utilising power-saving functions for computer screens, we also employ clear light zoning diagrams to improve lighting control and energy performance. At UAF Hong Kong, we have been strategically switching off external lighting that may affect the outdoor environment, including advertisements and shop signage after midnight. For this reason, since 2016, UAF in Hong Kong has been awarded the "Gold Award" from the "Charter on External Lighting" launched by the Environment Bureau. The Group strives to improve our energy performance through retrofitting energy efficiency systems. During the upcoming renovation of UAF Hong Kong offices, we are considering installing various lighting saving and control strategies, including lighting zoning, motion detector light bulbs and LED light bulbs.

During the Reporting Period, we performed various energy saving practices aimed to improve our energy performance.

Energy Saving Practices

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

Resource Type	Unit	2019	2020	2021
Electricity Usage	kWh	3,767,731.00	3,484,276.98	3,198,216.87
Petroleum Usage	L	N/A	35,271.71	35,887.54

Water Consumption

Recognising the availability of clean water is an ongoing global concern, we strive to use freshwater resources wisely while performing sound water management practices. At our Hong Kong office, water is consumed through the municipal water supply and we did not encounter any issues in sourcing water during the Reporting Period. Although our operations are not water-intensive, we performed various measures to optimise water usage. To improve water efficiency, designated washroom taps are controlled by electronic sensor fixtures. We also conduct periodic inspections and maintenance on the water supply systems to prevent wastage due to water leakage. For our external water sources including water dispensers and water in pots and plants, we ensure to clean out pots, cups and plants regularly to avoid water stagnation. Our employees are also reminded to consume water in a conscious manner through relevant reminders displayed in pantries and washrooms. Due to our water conservation practices, we observed a decrease in water consumption by approximately 11%, compared to the previous Reporting Period.

Resource Type	Unit	2019	2020	2021
Water Usage	Cubic metre	6,852.00	5,555.72	4,960.40

Waste Management

The Group is committed to reusing and recycling the waste as much as possible to divert useful resources from landfills. The major types of non-hazardous waste generated by our offices are paper, cardboard, office furniture and equipment, as well as domestic waste. To this end, we installed designated recycling bins to collect relevant waste, as well as several designated collection areas to receive waste containing confidential information.

At the head office, we strive to extend the lifespan of office furniture, computers and electrical and electronic equipment by using it to its maximum capacity. When its lifespan is exhausted, we donate furniture and equipment to designated organisations, or recycle through the Environmental Protection Department's authorised recyclers, when possible.

At the UAF office, we specifically practise segregation and recycling of toner, ink cartridges, plastic bottles and batteries. Due to ample efforts by our employees, we recycled 355 units of toners, 15.96 kg of plastic bottles, 6.68 kg of aluminium cans, as well as 505 bags of shredded paper. We aim to increase the number of waste collection points at the UAF offices to promote the recycling of waste. To ensure professional and responsible disposal of waste, waste is collected by external licensed collectors for further handling and disposal. Monthly records of waste are reported by external licensed collectors and internally monitored to keep track of usage amount.

Climate Change

Climate change is undoubtedly one of the greatest challenges faced by the world today, and the far-reaching risks that pose our people and operations are equally as crucial as our position to help combat the impact. To this end, the Group is committed to reducing our greenhouse gas ("GHG") emissions and adopting measures to prepare our operations and people to respond to climate-related risks.

Emission Management

The Group's GHG sources are mainly attributed to electricity consumption and the use of company vehicles from our offices and branches. Following the successful utilisation of video conferencing and online collaboration platforms for meetings in 2020 as a response to the COVID-19 pandemic, we have continued using this technology, where feasible, to reduce the need for business travel. We also perform regular vehicle assessment and maintenance, as well as check fuel efficiency. To reduce our reliance on fossil fuel powered vehicles, UAF Hong Kong is exploring the potential to adopt electrical vehicles in the coming years.

To accurately quantify and assess the Group's GHG emissions, the quantification methodology is calculated with 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 to the Baseline Emission Factors for Regional Power Grids in China published by the Department of Climate Change of National Development and Reform Commission.

Adapting to Climate Change

As extreme weather events are becoming more frequent and severe, preparing and adapting our people and operations to the effects of climate change is ever more important. Unpredictable extreme weather events may hinder our daily operations in terms of the ability of our staff to serve our customers and investors. As a result, we have established a series of emergency protocols for the office to handle such events, as outlined in the Employee Handbook, including procedures to approach typhoons and black rainstorms.

The risks associated with climate change can materialise directly and indirectly, including through our assets and stakeholders. We are aware of the potential challenges and risks of climate change and have started strengthening our governance structure in disclosing climate-related issues in reference to the Task Force on Climate-Related Financial Disclosures (TCFD). To this end, the Group has conducted a preliminary climate-related risk analysis according to the TCFD framework. During the self-assessment, we identified 14 climate-related physical and transition risks that are material to the Group's operations and concluded through further analysis that all physical and transition risks have a low risk level.

Green Action

We make every effort to utilise our influence to foster a culture that champions environmentally-friendly practices within our operations as well as the broader society.

Connecting Through Education

In support of a circular economy, employees of SHK & Co. volunteered to create lanterns for the Mid-Autumn Festival using upcycled materials, along with intellectually disabled students and our partnering organiser HandsOn Hong Kong. Leveraging materials such as recycled paper, disposable chopsticks and leaves, the activity not only taught employees the ease of repurposing existing materials, but also raised awareness of the significance of waste in our everyday lives.

Building on our concerns of waste, SHK & Co. teamed up with Clean Up Hong Kong Trails to enable employees to participate in a hiking trail clean-up day. With 30 volunteers joining the clean-up day and 10 bags collected, we not only helped rid the trails of the increasing pollution and waste, but the activity illustrated the responsibility that humans possess to respect the environment through daily consumption habits.

"It really is an eye opener to see how much trash is discarded on the trails in Hong Kong. It's sad that we sometimes don't respect our nature enough to keep it clean and tidy so that all people can enjoy it. I am very grateful to have the opportunity today with family and friends to make a real practical difference in cleaning up a trail, whilst enjoying the beautiful scenery."

Brendan McGraw, Group Chief Financial Officer of SHK & Co.

We also strive to enhance the awareness of food consumption habits that are contributing to climate change. Co-organised with Green Monday, we held a Lunch and Learn event for SHK & Co. employees, which consisted of an informative session of environmentally conscious eating behaviour followed by a "Build Your Own Burger" workshop. Through the session, we aim to stimulate our employees to be more conscious of their eating habits and encourage them to seek alternative food choices.

Supporting Environmental Causes

Collaboration and partnering with organisations, NGOs and external programmes are imperative to drive meaningful change in the society. The Group takes a proactive stance toward supporting environmental causes we believe in and does this through the Foundation. Organised annually by the World Wide Fund for Nature, during the Reporting Period, we joined the global Earth Hour movement to empower millions of people to take a moment to reflect their commitment to protecting the planet. Through the Foundation, we also participated in various initiatives to mobilise environmental change, such as the Enough Plastic movement campaign in 2018, led by Eco Drive Hong Kong and Youth Energy Hong Kong that educated the public of the damaging effects of using single-use plastic. Moreover, we supported the Great Barrier Reef Foundation in 2019 through funding projects that accelerate the protection and restoration of the Great Barrier Reef and coral reefs around the world. We endeavour to continue supporting initiatives and organisations that promote a sustainable future.

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. 559 of the Laws of Hong Kong)*
- Securities and Futures Ordinance *(Cap. 571 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)*

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 *(Regulation No. 17/2004)*
- Law for the Employment of Non-resident Workers *(Law No. 21/2009)*

Investors and Customers

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

Environment

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

Performance Data Table

Key Performance Indicators	Unit	2021			
Environmental		**SHK & Co.**	**UAF**	**SHK Credit**	**Total**
Air and GHG Emissions					
Nitrogen Oxide Emissions	kg	6.66	10.40	N/A	17.06
Sulphur Oxide Emissions	kg	0.27	0.26	N/A	0.53
Particulate Matter Emissions	kg	0.49	0.77	N/A	1.26
GHG Emission — Scope 1	tCO_2-e	48.30	47.29	N/A	95.59
GHG Emission — Scope 2	tCO_2-e	81.94	2,161.96	29.65	2,273.55
Total GHG Emissions (Scope 1 -2)	tCO_2-e	130.24	2,209.25	29.65	2,369.14
GHG Emission Intensity by Revenue	tCO_2-e/ HK$' Million	N/A	N/A	N/A	0.55
GHG Emission Intensity by Workforce	tCO_2-e/person	1.61	1.36	0.96	1.36
Energy Use					
Petroleum Usage	Litre	18,156.91	17,730.63	N/A	35,887.54
Electricity Usage	kWh	115,402.61	3,034,787.03	48,027.23	3,198,216.87
Total Energy Usage	MJ	1,025,158.44	11,520,627.82	172,898.02	12,718,684.28
Energy Usage Intensity by Revenue	MJ/HK$' Million	N/A	N/A	N/A	2,941.42
Energy Usage Intensity by Workforce	MJ/person	12,656.28	7,085.26	5,577.36	7,318.00
Water Use					
Water Usage[2]	m^3	N/A	4,960.40	N/A	4,960.40
Water Usage Intensity by Revenue	m^3/HK$' Million	N/A	N/A	N/A	1.15
Water Usage Intensity by Workforce	m^3/person	N/A	3.05	N/A	2.85
Waste					
Paper Consumed	kg	1,164.15	68,987.85	1,252.77	71,404.77
Paper Consumed	pages	229,000.00	14,863,940.00	251,046.00	15,343,986.00
Paper Recycled	kg	1,715.00	N/A	890.00	2,605.00
Paper Recycled	bags	N/A	505.00	N/A	505.00
Paper Intensity per Employee	pages/ employee	2,827.16	9,141.41	8,098.26	8,828.53
Paper Intensity per Customer	pages/ customer	N/A	78.70	434.34	79.78
Office Furniture and Office Equipment for Recycling	pieces	N/A	648.00	N/A	648.00

2 Limited to 22 branches in Hong Kong, and offices and branches in Beijing, Dalian, Fuzhou, Harbin, Nanning, Qingdao, Shenzhen and Yunnan in Mainland China.

Key Performance Indicators	Unit	2021			
Social		SHK & Co.	UAF	SHK Credit	Total
		Workforce			
Total Workforce	person	81	1,626	31	1,738
		Workforce By Gender			
Male	person	43	709	19	771
Female	person	38	917	12	967
		Workforce by Age			
≤30 Years Old	person	7	421	1	429
31–40 Years Old	person	30	780	13	823
41–50 Years Old	person	27	337	12	376
>50 Years Old	person	17	88	5	110
		Workforce by Employment Category			
Executive Management	person	4	4	0	8
Senior Management	person	18	22	10	50
Middle Management	person	22	217	4	243
General Staff	person	37	1,353	17	1,407
Contract/Short-term Staff	person	0	30	0	30
		Workforce by Geographical Location			
Hong Kong	person	72	609	31	712
Mainland China	person	0	1,017	0	1,017
Overseas	person	9	0	0	9
		Turnover Rate [3]			
Total Turnover Rate	%	16.55	44.94	7.14	43.37
		Turnover Rate by Gender			
Male	%	20.93	56.56	5.26	53.31
Female	%	7.89	48.31	8.33	46.23
		Turnover Rate by Age			
≤30 Years Old	%	14.29	86.94	0.00	85.55
31–40 Years Old	%	20.00	50.64	15.38	48.97
41–50 Years Old	%	14.81	19.58	0.00	18.62
>50 Years Old	%	5.88	19.32	0.00	16.36
		Turnover Rate by Geographical Region			
Hong Kong	%	16.67	18.39	6.45	17.70
Mainland China	%	N/A	71.98[4]	N/A	71.98
Overseas	%	0.00	N/A	N/A	0.00

3 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.

4 High turnover rate was due to the reduction in the number of branches of UAF China.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

Key Performance Indicators	Unit	2021			
Social		SHK & Co.	UAF	SHK Credit	Total
Percentage of Employees Trained					
Total Percentage of Employees Trained	%	88.89	97.72	100.00	97.35
Percentage of Employees Trained by Gender					
Male	%	81.40	98.73	100.00	97.80
Female	%	97.37	96.95	100.00	97.00
Percentage of Employees Trained by Employment Category					
Executive Management	%	100.00	100.00	N/A	100.00
Senior Management	%	72.22	68.18	100.00	76.00
Middle Management	%	86.36	98.16	100.00	97.12
General Staff	%	97.30	98.15	100.00	98.15
Contract/Short-term Staff	%	N/A	96.67	N/A	96.67
Average Training Hours[5]					
Total Average Training Hours	hours/person	3.19	9.85	4.00	9.44
Average Training Hours by Gender					
Male	hours/person	2.63	12.41	4.00	11.66
Female	hours/person	3.82	7.87	4.00	7.67
Average Training Hours by Employment Category					
Executive Management	hours/person	4.75	13.63	N/A	9.19
Senior Management	hours/person	3.33	2.27	4.00	3.00
Middle Management	hours/person	4.14	18.88	4.00	17.30
General Staff	hours/person	2.38	8.60	4.00	8.38
Contract/Short-term Staff	hours/person	N/A	6.12	N/A	6.12
Work-Related Incident					
Work-Related Injury Rate	per 1,000 employees	0.00	0.62	0.00	0.58
Lost Days Due to Work-Related Injury	no. of days	0	0	0	0
Suppliers by Geographical Region					
Hong Kong	number	81	110	58	249
Mainland China	number	0	405	0	405
Others	number	13	6	0	19

5 Total training hours divided by the number of full-time employees as of 31 December 2021.

Stock Exchange ESG Reporting Guide Content Index

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Mandatory Disclosure Requirements		
	Governance Structure	
	A statement from the board containing the following elements: i) a disclosure of the board's oversight of ESG issues; ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Approach to Sustainability — Sustainability Framework and Priorities, Sustainability Governance Stakeholder Engagement, Materiality Assessment
	Reporting Principles	
	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report: Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be discussed. Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	About This Report; Approach to Sustainability — Stakeholder Engagement, Materiality Assessment; Performance Data Table
	Reporting Boundary	
	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change	About This Report

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 — Environmental Stewardship, Climate Change, Green Action; Laws and Regulations
KPI A1.1	The types of emissions and respective emissions data.	Environment — Climate Change; 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 — Climate Change; 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 — Environmental Stewardship; Performance Data Table
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Approach to Sustainability — Sustainability Framework and Priorities
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.	Approach to Sustainability — Sustainability Framework and Priorities; Environment — Environmental Stewardship

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 — Environmental Stewardship
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 — Environmental Stewardship; Performance Data Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environment — Environmental Stewardship; Performance Data Table
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Approach to Sustainability — Sustainability Framework and Priorities
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.	Approach to Sustainability — Sustainability Framework and Priorities; Environment — Environmental Stewardship
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.	Environment — Environmental Stewardship, Climate Change, Green Action
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment — Environmental Stewardship, Climate Change, Green Action
	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.	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	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.	People — Recognising and Rewarding Talent, Health and Wellness, Learning and Development, Diversity and Inclusion; Laws and Regulations
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Performance Data Table
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Table
	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.	People — Health and Wellness; Laws and Regulations
KPI B2.1	Number and rate of work-related fatalities in each of the past three years including the reporting year.	People — Health and Wellness; Performance Data Table
KPI B2.2	Lost days due to work injury.	People — Health and Wellness; Performance Data Table
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	People — Health and Wellness
	Aspect B3: Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People — Learning and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	People — Learning and Development; Performance Data Table
KPI B3.2	The average training hours completed per employee by gender and employee category	People — Learning and Development; Performance Data Table

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 — Human Rights; Laws and Regulations
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Business — Human Rights
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Business — Human Rights
	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; Performance Data Table
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
	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 — Financial Protection and Inclusion, Sustainable Investment, Customer Service, Data Protection, Responsible Marketing; 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 Protection

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
	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
	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 — Helping People Grow; Caring the Underprivileged, Power of Education, Supporting Thriving Youth through Sports, Membership and Associations
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community — Helping People Grow; Caring the Underprivileged, Power of Education, Supporting Thriving Youth through Sports, Membership and Associations

DIRECTORS' REPORT

The board of directors of the Company (the "Board") are pleased to present the 2021 annual report ("Annual Report") and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021.

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 2021 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 sections 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 2021 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 16 September 2021. The Directors has declared a second interim dividend of HK14 cents (2020: HK14 cents) per share for the year ended 31 December 2021 and a special dividend of HK4 cents per share (2020: Nil) to the shareholders whose names appear on the register of members of the Company on 27 April 2022, making a total dividend for the year 2021 of HK30 cents per share. Dividend warrants of the second interim and the special dividends are expected to be despatched on 11 May 2022.

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$9.1 million.

Share Capital and Shares Issued

Details of the movements in share capital of the Company during the year are set out in Note 43 to the consolidated financial statements.

Debentures

The Group had the following debentures in issue as at 31 December 2021:

– US$555,000,000 4.65% Guaranteed Notes due September 2022 (the "2022 Notes") under the US$3,000,000,000 Guaranteed Medium Term Note Programme (the "MTN Programme"). The 2022 Notes were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in September 2017 (stock code: 5267). 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). As at 31 December 2021, US$444,089,000 in the principal amount of 2022 Notes were outstanding.

– 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). As at 31 December 2021, US$350,000,000 in the principal amount of 2024 Notes were outstanding.

– US$375,000,000 5.00% Guaranteed Notes due September 2026 (the "2026 Notes") issued by SHK BVI on 7 September 2021 under the MTN Programme. The 2026 Notes were listed on the Stock Exchange in September 2021 (stock code: 40831). As at 31 December 2021, US$375,000,000 in the principal amount of 2026 Notes were outstanding.

During the year, an aggregate of HK$201,000,000 and US$11,200,000 principal amount of commercial papers (the "Commercial Papers") were issued by Sun Hung Kai (ECP) Limited ("SHK ECP", a wholly-owned subsidiary of the Company) under its US$1,000,000,000 commercial paper programme for general corporate purposes of the Group. These Commercial Papers were repaid at their respective maturities prior to the year end.

For further details of the abovementioned issued Guaranteed Notes and Commercial Papers, please refer to Note 42 to the consolidated financial statements. Save as disclosed above, the Group has not issued any debentures during the year.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2021 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 52 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 *(resigned on 6 May 2021)*

Independent Non-Executive Directors ("INEDs")

Evan Au Yang Chi Chun
David Craig Bartlett
Alan Stephen Jones
Vivian Alexa Kao *(appointed on 26 May 2021)*
Jacqueline Alee Leung
Wayne Robert Porritt *(appointed on 26 May 2021)*

In accordance with Article 94 of the Company's Articles of Association (the "Articles"), a new Director appointed to fill a casual vacancy shall hold office only until the next following general meeting and a new Director appointed as an addition to the Board shall hold office only until the next following Annual General Meeting of the Company ("AGM"), and shall be eligible for re-election at that meeting. Besides, one-third of the Directors for the time being shall be subject to retirement by rotation, and eligible for re-election, at each AGM in accordance with Article 103 of the Articles.

Accordingly, pursuant to Article 94 of the Articles, Ms. Vivian Alexa Kao and Mr. Wayne Robert Porritt shall hold office until the forthcoming AGM and, being eligible, offer themselves for re-election, and pursuant to Article 103 of the Articles, Mr. Peter Anthony Curry, Mr. David Craig Bartlett and Mr. Alan Stephen Jones, 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 "Corporate Citizenship\ESG\Corporate Governance Documentation" section.

Profiles of Directors and Senior Management

Executive Directors

Lee Seng Huang, aged 47, 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, the United Kingdom and New Zealand) as well as the chairman of Mulpha Australia Limited. Mr. Lee was previously the non-executive chairman of Aveo Group Limited until his resignation in November 2019. Aveo Group Limited is a company previously 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 67, 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.

Non-Executive Director

Peter Anthony Curry, aged 69, was appointed as an Executive Director of the Company 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, an indirect subsidiary of AGL listed on the Australian Securities Exchange, and a non-executive director of Air Change International Limited, a company listed on the National Stock Exchange of Australia Limited.

Independent Non-Executive Directors

Evan Au Yang Chi Chun, aged 50, was appointed as an Independent Non-Executive Director of the Company on 22 March 2018. Mr. Au Yang is the Group President of Animoca Brands, a Hong Kong-based multinational blockchain technology and investment company focused on developing the digital property rights ecosystem, including play-to-earn games, non-fungible tokens (NFTs), decentralized finance (DeFi), blockchain marketplaces, infrastructure and more. Mr. Au Yang is also the Chairman of the Board of Civic Exchange, a non-partisan public policy think tank. Mr. Au Yang also serves on the Board of the Urban Renewal Authority as a non-executive director and is an independent non-executive director of Asia Financial Holdings Limited, a company listed on the Stock Exchange. He is an advisor of Our Hong Kong Foundation and also 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.

Prior to Animoca Brands, Mr. Au Yang was the managing director and head of GLG International (Gerson Lehrman Group) ("GLG"), a technology-enabled expert insight platform, running and growing 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 56, was appointed as an Independent Non-Executive Director of the Company 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 was an 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) until he retired in December 2020.

Alan Stephen Jones, aged 78, was appointed as an Independent Non-Executive Director of the Company 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 was an independent non-executive director of APL until he retired in December 2020.

Vivian Alexa Kao, aged 40, was appointed as an Independent Non-Executive Director of the Company on 26 May 2021. Ms. Kao has held a number of senior roles at technology startups. Ms. Kao was chief growth officer of WeLab, where she played a key role in the strategic vision and growth of the company and helped to secure financing from investors for the company's business. Prior to that, she was general manager of Chope, an online restaurant booking platform based in Singapore with operations across Asia. Currently, she is Principal of Tamarind, a family office where she manages a diverse portfolio of assets. She commenced her career at Goldman, Sachs & Co. Ms. Kao holds a Bachelor of Arts Degree with Honors in Economics and Chinese Studies from Wellesley College. She also received a Master's Degree in Business Administration from Harvard Business School.

Jacqueline Alee Leung, aged 61, was appointed as an Independent Non-Executive Director of the Company 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 co-opted member of the Hospital Governing Committee (HGC) of Prince of Wales Hospital (PWH) and a member of Council of Lingnan University. She has also served as a member of The Financial Infrastructure and Market Development Sub-Committee (FIMC) of the Hong Kong Monetary Authority from 2016 to 2021.

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.

Wayne Robert Porritt, aged 54, was appointed as an Independent Non-Executive Director of the Company on 26 May 2021. Mr. Porritt is an accomplished global risk professional having extensive experience in banking and finance industry specialising in risk, corporate credit, global financial restructuring, and insolvency engagements for corporate and financial institutions. He has held senior positions with Standard Chartered Bank and Bank of America and has extensive exposure across Asia, United States, United Kingdom, Middle East and Africa. He previously worked for Standard Chartered Bank holding the position of regional chief risk officer for the Greater China & North Asia Region, and a non-executive director on the boards of the Bank's South Korea and Taiwan subsidiaries. Mr. Porritt started his career at the State Bank of New South Wales and then Ernst & Young and Société Générale Australia. Mr. Porritt is a graduate member of the Australian Institute of Company Directors.

Mr. Porritt holds various non-executive director and advisory roles in both corporate and not-for-profit organisations. He is an independent non-executive director of Global Invacom Group Limited, a company listed on the Mainboard of the Singapore Exchange Limited ("SGX") and the London Stock Exchange's AIM market. He is also an independent non-executive director of Floatel International Limited, a company headquartered in Norway which owns and operates a fleet of offshore accommodation vessels. Mr. Porritt was previously a non-executive director of Skylight Financial Solutions Pty Limited, an Australian company engaging in the business of provision of financial solutions services. He is also a council member, a member of Finance, Risk & Audit Committee and Vice Chair of Fundraising & Communications Committee of Oxfam Hong Kong, an advisory board member of Hong Kong Children in Need Foundation, company secretary of The Aurora Group-A Ruby Foundation Limited and an Animal Ethics Committee member of QIMR Berghofer.

Senior Management

Akihiro Nagahara

Managing Director and Chief Executive Officer, UAF

Mr. Nagahara, aged 81, 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.

Brendan James McGraw

Group Chief Financial Officer

Mr. McGraw, aged 49, joined the Company as Group Chief Financial Officer in July 2021. He has more than 20 years of international finance and corporate treasury experience spanning across Asia and Europe and has worked extensively on finance transformation and treasury fundraising in his previous roles. Prior to joining the Company, Mr. McGraw was the Chief Financial Officer at Amret Microfinance Institution in Cambodia, where he oversaw the Finance Division, including the treasury and strategic planning functions and IFRS 9 loan loss controllership. Before that, Mr. McGraw was the Group Treasurer at CLSA and then Head of Treasury at CITIC Securities International, before becoming the Group Chief Financial Officer for CITIC CLSA in Hong Kong, where he led group reporting, budgeting and planning, product control, tax and treasury. Mr. McGraw spent his early career in treasury and finance roles within manufacturing and services sectors across Europe. He graduated from The London School of Economics and Political Science with a Bachelor of Science degree in Economics and Economic History and is a Chartered Management Accountant (CIMA) and a qualified Treasurer (ACT). He also holds directorships in various subsidiaries of the Company.

Elsy Li Chun

Group Treasurer and Head of Corporate Development

Ms. Li, aged 49, 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 and is an independent non-executive director of China Gas Industry Investment Holdings Co. Ltd., a company listed on the Stock Exchange. 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 56, 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 a non-executive independent director, chair of Audit and Risk Committee as well as a member of Human Resources and Remuneration Committee of NZX Limited, New Zealand's Stock Exchange. She holds a Bachelor's Degree in Commerce from University of Auckland, New Zealand. Ms. Wright is a Responsible Officer of Sun Hung Kai Capital Partners Limited, a wholly-owned subsidiary of the Company and is licensed to carry on Type 1, 4 and 9 regulated activities under the Securities and Futures Ordinance. 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 2021, 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 (the "Section 352 Register") were as follows:

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

Name of Director	Capacity	Number of Shares	Approximate % of the total number of issued Shares
Lee Seng Huang	Interests of controlled corporation *(Note 1)*	1,442,182,575 *(Note 2)*	73.08%
Simon Chow Wing Charn	Beneficial owner	1,681,000	0.08%
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 issued 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 1,442,182,575 Shares held by AP Emerald Limited ("AP Emerald"), a wholly-owned subsidiary of AP Jade Limited ("AP Jade") which in turn was a wholly-owned subsidiary of 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.

(b) Interests in the shares of associated corporations

Name of Director	Associated corporation	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%
	Tian An China Investments Company Limited ("TACI")	Interests of controlled corporation *(Note 3)*	745,269,096	50.83%
	Tian An Australia Limited ("TIA")	Interests of controlled corporation *(Note 4)*	66,432,267	76.70%
	Asiasec Properties Limited ("Asiasec")	Interests of controlled corporation *(Note 5)*	930,376,898	74.98%
	MCIP CI I Limited ("MCIP CI") *(Note 6)*	Beneficial owner	5 *(Note 7)*	33.33%
Vivian Alexa Kao	SHK Latitude Alpha Feeder Fund *(Note 8)*	Interests of controlled corporation *(Note 9)*	950 *(Note 10)*	0.27%

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, 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 in this report Mr. Lee's deemed interests in the shares of such associated corporations of the Company as recorded in the Section 352 Register, and the waiver was granted by the Stock Exchange on 25 January 2022.
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 interest held indirectly by AGL in TACI.
4. This referred to the same interest held indirectly by AGL in TIA through TACI.
5. This referred to the same interest held indirectly by AGL in Asiasec through TACI.
6. MCIP CI was a non wholly-owned subsidiary of the Company and therefore was an associated corporation of the Company as defined under the SFO.
7. This referred to non-voting participating class C shares in the issued share capital of MCIP CI.
8. SHK Latitude Alpha Feeder Fund was a non wholly-owned subsidiary of the Company and therefore was an associated corporation of the Company as defined under the SFO.
9. The interests were held by Tamarind Limited, which in turn was wholly-owned by Shou Zi Chew 2019 Trust. Ms. Vivian Alexa Kao together with Mr. Shou Zi Chew are the co-trustees of Shou Zi Chew 2019 Trust and was therefore deemed to have interest in the shares held by Tamarind Limited.
10. This referred to redeemable, non-voting participating class A shares in the issued share capital of SHK Latitude Alpha Feeder Fund.

All interests stated above represent long positions. As at 31 December 2021, 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 2021, neither the Directors nor the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Section 352 Register or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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 6,799,000 Shares (2020: 5,316,000 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 2,154,000 Shares (2020: 1,445,000 Shares) were vested during the year.

Since its adoption, a total of 33,491,000 Shares have been awarded up to the date of this report, representing about 1.99% of the total number of Shares in issue as at the Adoption Date. As at 31 December 2021, the outstanding awarded but unvested Shares under the EOS amounted to 7,724,000 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 2021, the following shareholders had interests in the Shares as recorded in the register required to be kept under Section 336 of the SFO (the "SFO Register"):

Name of Shareholder	Capacity	Number of Shares	Approximate % of the total number of issued Shares
AGL	Interests of controlled corporation *(Note 1)*	1,442,182,575	73.08%
Lee and Lee Trust	Interests of controlled corporation *(Note 2)*	1,442,182,575	73.08%

Notes:

1. The interests were held by AP Emerald, a wholly-owned subsidiary of AP Jade which in turn was a wholly-owned subsidiary of APL. AGL directly and indirectly (through Capscore Limited, Citiwealth Investment Limited and Sunhill Investments Limited, all being direct wholly-owned subsidiaries of AGL) owned 100% of the total number of issued shares of APL. AGL was therefore deemed to have interests in the Shares in which AP Emerald was interested.
2. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang (a Director) are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.96% of the total number of issued shares of AGL (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have an interest in the Shares in which AGL was interested through AP Emerald.
3. All the above percentage holdings were calculated based on the total number of issued Shares as at 31 December 2021.

All interests stated above represent long positions. As at 31 December 2021, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 31 December 2021, 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.

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 reports for 2019 and 2020, 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 2021 was HK$22.7 million, which was within the annual cap of HK$30.8 million as set for such financial year.

(2) Lease arrangements with AGL and its associates

2.1 *Master Lease Agreement*

As disclosed in the announcement of the Company dated 1 December 2020 and the annual report for 2020 of the Company, the Company as the lessee entered into a master lease agreement (the "2021 Master Lease Agreement") with Art View Properties Limited ("Art View"), a joint venture of AGL, as the lessor on 1 December 2020 to renew the master lease agreement dated 29 November 2017 for a term of three years from 1 January 2021 to 31 December 2023. Pursuant to the 2021 Master Lease Agreement, 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 term of the 2021 Master Lease Agreement in accordance with the terms thereof.

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 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 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.

The total value of right-of-use assets and the total amount of the management fees paid to Art View under the 2021 Master Lease Agreement for the year ended 31 December 2021 were HK$72.34 million and HK$3.94 million respectively, which were within the annual caps of HK$74.64 million in respect of rental payments and HK$3.94 million in respect of the management fees as set for such financial year.

2.2 *Sub-tenancy Agreement*

As disclosed in the announcement of the Company dated 1 April 2021, UAF and AGL entered into a sub-tenancy agreement on 1 April 2021 ("Sub-tenancy Agreement") for a term of two years from 1 April 2021 to 31 March 2023 pursuant to which AGL sub-leased to UAF a portion of 24/F and the rights of usage of the ancillary facilities of 23/F of Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong (the "Property") which were owned by Art View, which in turns is indirectly owned as to 50% by AGL. The Sub-tenancy Agreement forms part of the leasing arrangement between AGL and Art View as contemplated under two head tenancy agreements both dated 24 March 2021 made between Art View as lessor and AGL as lessee for a term of 2 years from 1 April 2021 in respect of the leasing of, among others, the whole floor of 23/F and 24/F of the Property. The aggregate rent (which consists of rent and management fees) payable under the Sub-tenancy Agreement shall be HK$126,100 per month, and the annual caps of the management fees payable for each of the three years ending 31 December 2021, 2022 and 2023 are HK$184,000, HK$269,000 and HK$68,000 respectively. The purpose of entering into the Sub-tenancy Agreement was for the continuing business needs of UAF.

In accordance with HKFRS 16 "Leases", rental payments under the Sub-tenancy Agreement will be recognised as right-of-use assets on the consolidated statement of financial position of the Group and constituted a one-off connected transaction for the Company (but was fully exempted from announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as all applicable percentage ratios are less than 0.1%), and management fees will be recognised as expenses in the consolidated statement of profit or loss of the Group and the payment of such expenses will be regarded as a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The transaction contemplated under the Sub-tenancy Agreement has been aggregated with the transactions contemplated under the 2021 Master Lease Agreement for the Listing Rules purpose, the annual caps with respect to the 2021 Master Lease Agreement have been revised and aggregated with the annual caps with respect to the management fee payable under the Sub-tenancy Agreement. The aggregated annual caps with respect to the 2021 Master Lease Agreement and the Sub-tenancy Agreement for each of the three years ending 31 December 2021, 2022 and 2023 were revised to HK$78.76 million, HK$16.13 million and HK$12.51 million respectively.

The total amount of the management fees paid to AGL under the Sub-tenancy Agreement for the year ended 31 December 2021 was HK$183,000, which was within the annual cap of HK$184,000 as set for such financial year.

2.3 License Agreement

As disclosed in the announcement of the Company dated 30 September 2021, UAF and Jaffe Development Limited ("Jaffe", an indirect wholly-owned subsidiary of AGL) entered into a license agreement (the "License Agreement") on 30 September 2021 for a term commencing on 1 October 2021 and expiring on 31 March 2022 pursuant to which Jaffe granted a license over the roof top signage space facing the north and the south sides of the China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong to UAF for the purpose of LED display. The license fee payable by UAF to Jaffe during the term of the License Agreement shall be HK$150,000 per month and the annual caps for the license fee for each of the two years ending 31 December 2021 and 2022 are HK$750,000 and HK$750,000 respectively.

The transaction contemplated under the License Agreement ("License Agreement Transaction") is a lease based on the definition under HKFRS 16 "Leases". The Company applies the short term lease exemption to the License Agreement Transaction which has a lease term of 12-month or less since commencement and hence the payments of license fee are recognised as expenses in the consolidated statement of profit or loss of the Group. As such, the License Agreement Transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The License Agreement Transaction has been aggregated with the transactions contemplated under the 2021 Master Lease Agreement and the Sub-tenancy Agreement (the "Aggregated Transactions") for the Listing Rules purposes, the aggregated annual caps in respect to the Aggregated Transactions for each of the three years ending 31 December 2021, 2022 and 2023 were then further revised to HK$79.51 million, HK$16.88 million and HK$12.51 million respectively.

The total amount of the license fees paid to Jaffe under the License Agreement for the year ended 31 December 2021 was HK$577,910, which was within the annual cap of HK$750,000 as set for such financial year.

Given that AGL is the ultimate holding company of the Company; and Art View and Jaffe are all associates of AGL under the definition of the Listing Rules, each of AGL, Art View and Jaffe 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, the 2021 Master Lease Agreement, the Sub-tenancy Agreement and the License 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 2021 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, Alan Stephen Jones, Ms. Vivian Alexa Kao, Ms. Jacqueline Alee Leung and Mr. Wayne Robert Porritt, 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, 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

Save for disclosed under section headed "Directors' Interests", there were 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

Save for the 2020 Sharing of Management Services Agreement as detailed above under section headed "Continuing Connected Transactions", 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.

Contract of Significance with Controlling Shareholders

Save for disclosed under section headed "Continuing Connected Transactions", there were no contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries 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, 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;

- 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 2021, the Company repurchased a total of 9,093,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$37,813,640. 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 *(HK$)*	Purchase price Lowest *(HK$)*	Aggregate consideration (before expenses) *(HK$)*
January	–	–	–	–
February	–	–	–	–
March	–	–	–	–
April	–	–	–	–
May	–	–	–	–
June	550,000	4.25	4.15	2,317,150
July	1,640,000	4.25	4.03	6,772,460
August	880,000	4.26	3.91	3,625,740
September	3,120,000	4.35	4.13	13,311,180
October	–	–	–	–
November	391,000	4.00	3.92	1,555,530
December	2,512,000	4.20	3.96	10,231,580
	9,093,000			37,813,640

(2) Redemption of Notes of a subsidiary, SHK BVI

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

For more detailed of the issued capital of the subsidiaries and its redemption, please refer to Note 24 to the consolidated financial statements. 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 2021.

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, 17 March 2022

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 110 to 190, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and the 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 2021, 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 subjectivity of the judgments and estimates made by management. In particular, judgments relating to the determination of valuation techniques, and methodologies as well as valuation inputs where data is unobservable given the lack of availability of market-based data. At 31 December 2021, HK$9,746.4 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$9,737.9 million) and HK$192.2 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 preferred and ordinary shares issued by unlisted companies, unlisted shares issued by companies, unlisted overseas investment funds and other investments at fair value through profit or loss with carrying amount at 31 December 2021 of HK$131.4 million, HK$40.7 million, HK$9,474.6 million and HK$91.2 million, respectively.	Our procedures in relation to the valuation of Level 3 financial instruments included: – Obtaining an understanding of the approach taken by management to determine the value of Level 3 financial instruments; – Assessing the design and testing the implementation of controls in place in relation to the valuation of level 3 financial instruments; – For a sample of direct investments in unlisted securities, with the assistance of our internal valuation specialists where 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; – For a sample of unlisted overseas investment funds: • Checking the net asset values against financial information provided by the fund managers or fund administrators, as appropriate; • Performing retrospective testing of the net asset value statements provided by fund managers or fund administrators against audited financial statements of the funds where these were available; and • Where applicable, assessing the reasonableness and relevance of key assumptions and inputs determined by management with the assistance of our internal valuation specialists. – 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 and term loans (loss allowance for expected credit losses ("ECL"))

Key audit matter

We identified the ECL for impairment of loans and advances to consumer finance customers and term loans as a key audit matter due to the subjectivity of the judgments and estimates made by management.

As disclosed in notes 30 and 32 to the consolidated financial statements, the Group has loans and advances to consumer finance customers of HK$12,049.7 million, after recognising an impairment allowance of HK$630.8 million and term loans of HK$778.2 million, after recognising an impairment allowance of HK$799.0 million, as at 31 December 2021.

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 information. Where there has been a significant increase in credit risk since initial recognition, lifetime ECL is recognised.

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 information. The Group also reviews the amounts and timing of future cash flows arising from collateral and credit enhancement such as guarantees. The methodology and assumptions used for estimating the impairment amount are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

How our audit addressed the key audit matter

Our procedures in relation to the impairment of loans and advances to consumer finance customers and term loans included:

– Understanding the approach applied by management in the determination of ECL and the controls in place over the estimation of ECL;

– Assessing the design and testing the implementation of controls in place over the estimation of ECL;

– Testing the mathematical accuracy of the calculation of ECL on a sample basis; and

– Evaluating the disclosures regarding the impairment of loans and advances to consumer finance customers and term loans in notes 30, 32 and 48 to the consolidated financial statements.

For loans and advances to consumer finance customers which are collectively assessed, with the assistance of our internal credit risk specialists where appropriate:

– Understanding the ECL model used by management;

– Testing the integrity of information used by management in the ECL model on a sample basis, by comparing individual items in the analysis with the relevant loan agreements and other supporting documents;

– Assessing and challenging key inputs and assumptions applied in the ECL model including the appropriateness of grouping of loans and advances to consumer finance customers into different categories based on common risk characteristics, probabilities of default, loss given default and forward-looking information.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
	For term loans and loans to consumer finance customers which are individually assessed: – Assessing the reasonableness and appropriateness of management's judgments on classification into one of the three stages required by HKFRS 9 by challenging the criteria for determining if a significant increase in credit risk has occurred (stage 2) or if a loan is credit-impaired (stage 3) by examining loan exposures on a sample basis to evaluate if there has been timely identification and consideration of changes in credit risk; – Reviewing the work, and assessing the objectivity and independence, of the external expert engaged by management to assist in estimation of ECL; and – In respect of these loans where collateral and credit enhancement is a significant input to the estimation of ECL, performing procedures to assess the existence and legal rights of the Group and challenging assumptions made by management and their external expert relating to the fair value and timing of cash flows from the relevant collateral or credit enhancement.

Other Information

The directors of the Company are responsible for the other information. The 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 the 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 Polson, Timothy James.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

(HK$ Million)	Notes	2021	2020
Interest income		**4,133.4**	3,963.0
Other revenue	5	**190.6**	93.6
Other gains	7	**111.8**	76.2
Total income		**4,435.8**	4,132.8
Brokerage and commission expenses		**(124.1)**	(47.2)
Advertising and promotion expenses		**(127.6)**	(119.9)
Direct costs and operating expenses		**(119.8)**	(107.9)
Administrative expenses	11	**(1,323.9)**	(1,274.3)
Net gain on financial assets and liabilities at fair value through profit or loss	12	**2,616.2**	2,553.9
Net exchange (loss) gain		**(66.2)**	47.5
Net impairment losses on financial assets	13	**(714.6)**	(1,052.6)
Finance costs	14	**(716.2)**	(807.3)
Other losses	11	**(24.9)**	(166.6)
		3,834.7	3,158.4
Share of results of associates		**0.3**	42.4
Share of results of joint ventures		**(61.8)**	(0.2)
Profit before taxation	11	**3,773.2**	3,200.6
Taxation	15	**(474.1)**	(271.7)
Profit for the year		**3,299.1**	2,928.9
Profit attributable to:			
– Owners of the Company		**2,813.7**	2,547.7
– Non-controlling interests	24	**485.4**	381.2
		3,299.1	2,928.9
Earnings per share	17		
– Basic (HK cents)		**142.7**	128.3
– Diluted (HK cents)		**142.5**	128.0

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

(HK$ Million)	2021	2020
Profit for the year	**3,299.1**	2,928.9
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Fair value gain (loss) on investments in equity instrument of fair value through other comprehensive income	**66.3**	(7.0)
Gain on revaluation of properties	**–**	24.8
	66.3	17.8
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translating foreign operations	**228.0**	317.8
Share of other comprehensive (expenses) income of associates	**(10.4)**	28.9
Share of other comprehensive income of joint ventures	**7.3**	21.0
	224.9	367.7
Other comprehensive income for the year	**291.2**	385.5
Total comprehensive income for the year	**3,590.3**	3,314.4
Total comprehensive income attributable to:		
– Owners of the Company	**3,021.3**	2,809.9
– Non-controlling interests	**569.0**	504.5
	3,590.3	3,314.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(HK$ Million)	Notes	31/12/2021	31/12/2020
Non-current Assets			
Investment properties	18	**1,255.5**	1,276.5
Property and equipment	19	**492.8**	436.5
Right-of-use assets	20	**364.2**	323.2
Intangible assets	21	**912.8**	904.4
Goodwill	22	**2,384.0**	2,384.0
Interest in associates	25	**202.1**	212.2
Interest in joint ventures	26	**411.8**	466.4
Financial assets at fair value through other comprehensive income	27	**186.6**	120.9
Financial assets at fair value through profit or loss	27	**11,843.7**	9,124.6
Deferred tax assets	28	**567.1**	780.7
Amounts due from associates	29	**263.5**	279.0
Loans and advances to consumer finance customers	30	**3,805.9**	3,088.9
Mortgage loans	31	**2,163.7**	1,192.9
Term loans	32	**40.6**	554.5
Trade receivables, prepayments and other receivables	33	**49.1**	17.3
		24,943.4	21,162.0
Current Assets			
Financial assets at fair value through profit or loss	27	**6,676.4**	4,461.5
Receivable from reverse repurchase agreements	37	**169.3**	–
Taxation recoverable		**3.3**	3.3
Amounts due from associates	29	**1.9**	12.1
Loans and advances to consumer finance customers	30	**8,243.8**	7,474.8
Mortgage loans	31	**1,297.6**	1,820.8
Term loans	32	**737.6**	1,158.2
Trade receivables, prepayments and other receivables	33	**373.2**	378.3
Amounts due from brokers		**342.8**	354.3
Amount due from a holding company	38	**0.1**	–
Short-term pledged bank deposits and bank balances	34	**50.0**	–
Bank deposits	34	**86.0**	12.3
Cash and cash equivalents	34	**5,864.7**	7,245.6
		23,846.7	22,921.2

(HK$ Million)	Notes	31/12/2021	31/12/2020
Current Liabilities			
Financial liabilities at fair value through profit or loss	27	**433.9**	172.8
Bank and other borrowings	35	**6,334.3**	6,083.2
Trade payables, other payables and accruals	36	**811.1**	705.4
Amounts due to fellow subsidiaries and a holding company	38	**–**	4.7
Provisions	39	**37.8**	46.2
Taxation payable		**136.3**	137.6
Other liabilities	40	**32.2**	–
Lease liabilities	41	**100.3**	84.2
Notes/paper payable	42	**4,313.9**	2,013.4
		12,199.8	9,247.5
Net Current Assets		**11,646.9**	13,673.7
Total Assets less Current Liabilities		**36,590.3**	34,835.7
Capital and Reserves			
Share capital	43	**8,752.3**	8,752.3
Reserves		**16,322.9**	13,872.9
Equity attributable to owners of the Company		**25,075.2**	22,625.2
Non-controlling interests	24	**3,464.0**	3,327.1
Total Equity		**28,539.2**	25,952.3
Non-current Liabilities			
Deferred tax liabilities	28	**138.5**	137.1
Bank and other borrowings	35	**2,004.3**	2,384.1
Provisions	39	**0.5**	0.3
Other liabilities	40	**19.2**	–
Lease liabilities	41	**258.1**	228.5
Notes/paper payable	42	**5,630.5**	6,133.4
		8,051.1	8,883.4
		36,590.3	34,835.7

The consolidated financial statements on pages 110 to 190 were approved and authorised for issue by the Board of Directors on 17 March 2022 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 2021

	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 2021	**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**
Profit for the year	–	–	–	–	–	–	2,813.7	2,813.7	485.4	3,299.1
Other comprehensive income for the year (Note 44)	–	–	–	140.6	67.0	–	–	207.6	83.6	291.2
Total comprehensive income for the year	–	–	–	140.6	67.0	–	2,813.7	3,021.3	569.0	3,590.3
Recognition of equity-settled share-based payments	–	–	15.5	–	–	–	–	15.5	–	15.5
Purchase of shares for the SHK Employee Ownership Scheme	–	(35.9)	–	–	–	–	–	(35.9)	–	(35.9)
Vesting of shares of the SHK Employee Ownership Scheme	–	8.0	(8.0)	–	–	–	–	–	–	–
Interim dividends paid (Note 16)	–	–	–	–	–	–	(515.0)	(515.0)	–	(515.0)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(354.7)	(354.7)
Shares repurchased and cancelled	–	–	–	–	–	–	(38.0)	(38.0)	–	(38.0)
Shares buyback of non-controlling interests	–	–	–	–	–	–	2.1	2.1	(77.4)	(75.3)
Transfer retained earnings to capital reserves	–	–	–	–	–	8.8	(8.8)	–	–	–
At 31 December 2021	**8,752.3**	**(46.7)**	**16.5**	**22.2**	**248.9**	**100.7**	**15,981.3**	**25,075.2**	**3,464.0**	**28,539.2**

	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 44)	–	–	–	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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(HK$ Million)	2021	2020
Operating activities		
Profit for the year	**3,299.1**	2,928.9
Adjustments for:		
– Share of results of associates	**(0.3)**	(42.4)
– Share of results of joint ventures	**61.8**	0.2
– Taxation	**474.1**	271.7
– Dividend income	**(25.6)**	(23.9)
– Interest income	**(4,133.4)**	(3,963.0)
– Decrease in fair value of investment properties	**22.7**	163.3
– Expenses recognised for the SHK Employee Ownership Scheme	**15.5**	7.4
– Amortisation of intangible assets	**3.2**	1.9
– Depreciation of property and equipment	**38.3**	44.4
– Depreciation of right-of-use assets	**110.0**	103.7
– Net loss on disposal / write-off of equipment	**0.5**	0.1
– Charge of impairment in an associate	**–**	3.2
– Net impairment losses on financial assets	**958.1**	1,274.6
– Interest expenses	**685.2**	769.8
– Interest of lease liabilities	**12.9**	7.1
– Gain on disposal of investments	**(61.4)**	(1.2)
– Net gain on financial assets and liabilities at fair value through profit or loss	**(2,616.2)**	(2,553.9)
– Exchange differences	**69.4**	(86.8)
Operating cash flows before movements in working capital	**(1,086.1)**	(1,094.9)
Change in financial assets at fair value through profit or loss	**(1,851.6)**	963.9
Change in amounts due from associates	**(1.6)**	(2.4)
Change in loans and advances to consumer finance customers	**(2,104.0)**	(904.2)
Change in mortgage loans	**(438.3)**	591.1
Change in term loans	**748.0**	(108.8)
Change in trade receivables, prepayments and other receivables	**(124.8)**	100.5
Change in amounts due from brokers	**11.4**	97.4
Change in receivable from reverse repurchase agreement	**(169.3)**	–
Change in financial liabilities at fair value through profit or loss	**261.1**	(542.9)
Change in trade payables, other payables and accruals	**100.7**	152.5
Change in financial assets sold under repurchase agreements	**–**	(386.2)
Change in amounts due from a holding company	**(0.1)**	–
Change in amounts due to a holding company	**(4.7)**	2.3
Change in provisions	**(4.0)**	102.3
Cash used in operations	**(4,663.3)**	(1,029.4)
Dividends received from equity investments	**25.6**	23.9
Interest received	**4,099.6**	3,880.2
Interest paid	**(685.9)**	(696.9)
Taxation paid	**(241.1)**	(445.3)
Net cash (used in) from operating activities	**(1,465.1)**	1,732.5

(HK$ Million)	2021	2020
Investing activities		
Purchase of property and equipment	**(63.0)**	(28.5)
Proceeds of disposal of equipment	**0.3**	–
Refund of deposits of right-of-use assets	**3.3**	0.7
Prepaid rental for right-of-use assets	**(0.6)**	(2.1)
Purchase of intangible assets	**(10.9)**	(12.0)
Proceeds on disposal of an associate	**–**	1,257.1
Acquisition of investment properties	**–**	(100.0)
Dividends received from associates	**0.1**	96.3
Purchase of long-term financial assets as at fair value through profit or loss	**(5,994.6)**	(2,665.0)
Proceeds on disposal of long-term financial assets as at fair value through profit or loss	**5,589.8**	2,341.9
Proceeds from disposal of financial assets at fair value through other comprehensive income	**0.7**	1.5
Placement of fixed deposits with banks	**(134.3)**	(11.7)
Withdrawal of fixed deposits with banks	**12.6**	101.5
Net cash (used in) from investing activities	**(596.6)**	979.7
Financing activities		
Short-term loans due to fellow subsidiaries repaid	**–**	(32.9)
Bank and other borrowings repaid	**(19,546.7)**	(18,016.1)
Bank and other borrowings raised	**19,403.9**	18,338.7
Proceeds from issue of notes/paper	**3,704.6**	–
Redemption of notes/paper	**–**	(3.1)
Repayment of notes/paper	**(1,930.5)**	(434.3)
Purchase of shares for the SHK Employee Ownership Scheme	**(35.9)**	(3.0)
Lease payments	**(102.6)**	(96.9)
Shares repurchased and cancelled	**(38.0)**	(53.0)
Dividends paid	**(515.0)**	(517.8)
Dividends to non-controlling interests	**(354.7)**	(372.3)
Payment for shares buyback of non-controlling interests	**(39.8)**	–
Contribution from third-party interests	**51.4**	–
Payment of deposits for shares buyback of non-controlling interests	**–**	(35.5)
Net cash from (used in) financing activities	**596.7**	(1,226.2)
Net change in cash and cash equivalents	**(1,465.0)**	1,486.0
Cash and cash equivalents at 1 January	**7,245.6**	5,624.9
Effect of foreign exchange rate changes	**84.1**	134.7
Cash and cash equivalents at the end of the year (Note 34)	**5,864.7**	7,245.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. General

Sun Hung Kai & Co. Limited (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 is 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 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 periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the amendments to HKFRSs has 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.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 "Financial Instruments: Disclosures".

As at 1 January 2021, the Group has several financial assets and financial liabilities, the interests of which are indexed to benchmark rates that will be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts.

(HK$ Million)	London Interbank Offered Rate ("LIBOR")
Term loans	402.9
Bank and other borrowings	144.2

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for term loans and bank and other borrowings measured at amortised cost.

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

New and Amendments to HKFRSs in issue but not yet effective

The Group has not 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 Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will not have a material impact on the consolidated financial statements in the foreseeable future, except for Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)", the directors are in the process of making an assessment of what the impact of this development is expected to be in the period of initial application.

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 ("Listing Rules") and by the Hong Kong Companies Ordinance (Cap. 622).

(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.

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

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

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.

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.

(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.

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

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

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).

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 assets or liabilities 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 re-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 relevant subsidiary'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).

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

(d) Goodwill *(Continued)*

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.

(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 and 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 in the consolidated statement of financial position 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 "Financial Instruments", 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.

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

(e) Interests in associates and joint ventures *(Continued)*

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 consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(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 and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. 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.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

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. Any gain or loss arising on disposals or retirement is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

(h) Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 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, as appropriate. 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 consolidated 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.

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.

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 an option to terminate the lease.

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

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

(h) Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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.

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.

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

(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).

(iv) Crypto assets

Crypto assets (sometimes referred to as 'digital currencies') such as Bitcoin, Ethereum and Litecoin have the following common characteristics:

- they are recorded on a distributive ledger that uses cryptography. Some may have limits on the maximum possible number of "coins" that can exist;
- they are decentralised, with no single party (government or otherwise) regulating their use. Although values for a crypto asset may sometimes be quoted in a particular currency, a "coin" in one country is indistinguishable from a "coin" in another; and
- there is no contract between the holder of a coin and another party and their value is supported only by the laws of supply and demand.

Crypto assets can be obtained by "mining" (use of computing power to solve the relevant algorithm) or by purchase on a peer-to-peer basis and can, if both parties agree, be exchanged for goods or services.

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 recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed on an annual basis, with the effect of any changes in estimate being accounted for 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 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 of 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)*

Classification and subsequent measurement of financial assets (Continued)

(iv) Receivable from reverse repurchase agreements

Receivable from reverse repurchase agreements arises when the securities are bought by the Group with a concurrent agreement to resell at a specified later date and price. These securities are not recognised in the Group's consolidated statement of financial position as the counterparty retains substantially all risks and returns of the securities. The amount paid by the Group is recognised as receivable. In the event of default by the counterparty, the Group has the right to sell the underlying securities for settling the outstanding receivable. Receivable from reverse repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under an expected credit loss ("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 under HKFRS 9. 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. Assessments are 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 reasonable and 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) the 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.

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

(j) Financial instruments *(Continued)*

(i) Significant increase in credit risk (Continued)

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.

(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 assets".

(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.

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

(j) Financial instruments *(Continued)*

(v) Measurement and recognition of ECL *(Continued)*

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.

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 to another entity. 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).

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 changes 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, 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 values. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

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.

(vi) Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

(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.

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

(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.

(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 to settle the obligation 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. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision in the consolidated financial statements in the reporting period in which the change in probability occurs.

(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.

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

(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.

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 asset is 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.

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

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 used 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.

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

(s) Foreign currencies *(Continued)*

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.

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) Revenue sharing income arising from the Group's seeded capital investments is recognised when the Group's right to receive payment is established.
(v) Management fee income is recognised as the management services on investment funds are performed over time.
(vi) Referral fee income are recognised when or as it satisfies a performance obligation by transferring promised services to the customers in an amount to which the Group expects to be entitled in exchange for those services.
(vii) 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. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company have made certain judgments and accounting-related estimates. The accounting related estimates are 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.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

(Continued)

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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amount recognised in the consolidated financial statements.

(a) Consolidation of funds invested in through the new Funds Management business

During the year, the Group has commenced operation of the new funds management business in the Investment Management segment. The Group makes direct investments in funds in the form of seed capital and standard investment and may provide other services such as acting as the fund manager, providing financing of working capital or other administrative services.

During the year, the Group has undertaken detailed analysis and exercised judgment in the assessment of whether or not it should consolidate the funds in which it invests. As described in note 3(b) the Group consolidates structured entities which it controls. Control is achieved when the Group:

- 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 judgment exercised by the Group has primarily focused on whether or not there is power over the investee. The assessment has looked at the full set of contractual and non-contractual relationships between the Group and each fund including the terms of investments, situations where the Group acts as fund manager, other relationships and the natures of rights that the Group has. Ultimately the judgment as to whether or not the Group has power has been made for each fund specific to the facts and circumstances of the relationships with the fund. Where it has been concluded that the Group has power, the assessment as to whether the Group is exposed to variable returns and has the ability to use the power to affects its return has required less judgment.

Key sources of estimation uncertainty

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

(a) Fair value of derivatives and financial instruments

As at 31 December 2021, a significant amount of the Group's financial assets, including unlisted preferred and ordinary shares issued by unlisted companies, unlisted overseas equity securities with a put right and unlisted overseas investment funds with carrying amounts at 31 December 2021 of HK$483.8 million, HK$397.6 million and HK$14,123.8 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 there 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 48(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

(Continued)

Key sources of estimation uncertainty *(Continued)*

(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 groupings 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 48(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)	2021	2020
Service and commission income	**85.6**	41.5
Dividends from listed investments	**19.2**	21.8
Dividends from unlisted investments	**6.4**	2.1
Gross rental income from investment properties	**31.0**	28.2
Revenue sharing from funds	**37.5**	–
Referral fee	**8.5**	–
Management fee income	**2.4**	–
	190.6	93.6

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) Private Credit: 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.

"Specialty Finance" segment is renamed as "Private Credit" segment. The directors of the Company consider that this change to segment reporting is in line with the changes of internal reporting reviewed by the chief operating decision maker in 2021.

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

6. Segment Information *(Continued)*

	2021					
	Financing Business					
(HK$ Million)	Consumer Finance	Private Credit	Mortgage Loans	Investment Management	Group Management and Support	Total
Segment revenue	3,526.2	261.2	305.6	188.6	215.5	4,497.1
Less: inter-segment revenue	–	–	–	–	(173.1)	(173.1)
Segment revenue from external customers	3,526.2	261.2	305.6	188.6	42.4	4,324.0
Segment profit or loss	1,665.4	55.1	120.0	1,945.9	48.3	3,834.7
Share of results of associates	–	–	–	0.3	–	0.3
Share of results of joint ventures	–	(50.0)	–	(11.8)	–	(61.8)
Profit before taxation	1,665.4	5.1	120.0	1,934.4	48.3	3,773.2
Included in segment profit or loss:						
Interest income	3,504.6	193.7	305.6	84.4	45.1	4,133.4
Other gains	38.8	1.9	0.5	67.8	2.8	111.8
Net gain on financial assets and liabilities at fair value through profit or loss	–	59.1	–	2,542.9	14.2	2,616.2
Net exchange gain (loss)	1.8	–	–	(26.1)	(41.9)	(66.2)
Net impairment losses on financial assets	(509.4)	(185.9)	(10.0)	(9.3)	–	(714.6)
Other losses	(1.1)	–	–	(23.8)	–	(24.9)
Amortisation and depreciation	(113.0)	–	(5.2)	–	(33.3)	(151.5)
Finance costs	(222.9)	(76.9)	(101.4)	–	(471.2)	(872.4)
Less: inter-segment finance costs	–	76.9	79.3	–	–	156.2
Finance costs to external suppliers	(222.9)	–	(22.1)	–	(471.2)	(716.2)
Cost of capital (charges) income *	–	–	–	(587.1)	587.1	–

* 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)*

(HK$ Million)	2020 Financing Business Consumer Finance	2020 Financing Business Private Credit	2020 Financing Business Mortgage Loans	2020 Investment Management	2020 Group Management and Support	2020 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 at fair value through profit or loss	(0.1)	19.9	–	2,633.6	(99.5)	2,553.9
Net exchange gain (loss)	12.9	0.7	–	(14.8)	48.7	47.5
Net impairment (losses) reversal on financial assets	(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.

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

(HK$ Million)	**2021**	2020
Revenue from external customers by location of operations		
– Hong Kong	**3,410.3**	3,303.7
– PRC	**913.7**	752.9
	4,324.0	4,056.6

(HK$ Million)	**31/12/2021**	31/12/2020
Non-current assets other than interests in associates and joint ventures, financial assets and deferred tax assets by location of assets		
– Hong Kong	**4,935.4**	4,815.8
– PRC	**473.9**	508.8
	5,409.3	5,324.6

7. Other Gains

(HK$ Million)	**2021**	2020
Gain on disposal of investments	**61.4**	1.2
Change in net assets attributable to other holders of consolidated structured entities	**1.1**	–
Miscellaneous income	**49.3**	18.0
Government grants on Employment Support Scheme	**–**	36.1
Other government grants in the People's Republic of China (the "PRC")	**–**	20.9
	111.8	76.2

In 2020, 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)	Director's fees	Salaries, housing and other allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit scheme	Total
	2021				
Executive Directors					
Lee Seng Huang (Group Executive Chairman)	0.01	15.18	60.00[2]	0.39	75.58
Simon Chow Wing Charn[1]	0.01	2.99	4.50[3]	–	7.50
Non-Executive Directors					
Peter Anthony Curry	0.30	–	–	–	0.30
Jonathan Andrew Cimino[4]	0.01	–	–	–	0.01
Independent Non-Executive Directors					
Evan Au Yang Chi Chun	0.30	–	–	–	0.30
David Craig Bartlett	0.30	–	–	–	0.30
Alan Stephen Jones	0.37	–	–	–	0.37
Vivian Alexa Kao[5]	0.18	–	–	–	0.18
Jacqueline Alee Leung	0.30	–	–	–	0.30
Wayne Robert Porritt[5]	0.18	–	–	–	0.18
	1.96	18.17	64.50	0.39	85.02

1 No shares vested during 2021 (2020: Nil).

2 The amount represents an actual cash bonus of HK$60.00 million for the year 2021 (2020: HK$88.00 million).

3 The amount represents a cash bonus for the year 2021 of HK$4.50 million (2020: HK$6.00 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).

4 Mr. Jonathan Andrew Cimino resigned as Non-Executive Director of the Company on 6 May 2021.

5 Ms. Vivian Alexa Kao and Mr. Wayne Robert Porritt were appointed as Independent Non-Executive Directors of the Company on 26 May 2021.

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)*

(a) Directors *(Continued)*

	2020				
(HK$ Million)	Director's 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	0.27	–	–	–	0.27
Independent Non-Executive Directors					
Evan Au Yang Chi Chun	0.27	–	–	–	0.27
David Craig Bartlett	0.27	–	–	–	0.27
Alan Stephen Jones	0.34	–	–	–	0.34
Jacqueline Alee Leung	0.27	–	–	–	0.27
	1.48	14.80	92.20	0.39	108.87

[1] No shares vested during 2020.

[2] The amount represents an actual cash bonus of HK$88.00 million for the year 2020.

[3] The amount represents a cash bonus for the year 2020 of HK$6.00 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.

(b) Highest paid individuals

The five highest paid individuals of the Group include two Directors (2020: two Directors) of the Company. The emoluments of the remaining three (2020: three) highest paid individuals are analysed below:

(HK$ Million)	2021	2020
Salaries, housing and other allowances, and benefits in kind	**17.0**	14.9
Bonuses	**20.0**	20.9
Contributions to retirement benefit scheme	**1.6**	1.4
	38.6	37.2

The above emoluments of the highest paid individual were within the following bands:

	Number of employees	
Emoluments band (HK$)	2021	2020
$5,500,001 - $6,000,000	**1**	1
$6,500,001 - $7,000,000	**–**	1
$7,000,001 - $7,500,000	**1**	–
$24,000,001 - $25,000,000	**–**	1
$25,500,001 - $26,000,000	**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:

Emoluments band (HK$)	Number of employees 2021	2020
$1,000,001 - $1,500,000	–	1
$1,500,001 - $2,000,000	1	–
$2,500,001 - $3,000,000	1	–
$3,500,001 - $4,000,000	1	3
$5,500,001 - $6,000,000	1	–
$24,000,001 - $25,000,000	–	1
$25,500,001 - $26,000,000	1	–

273,000 shares (2020: 157,000 shares) were vested and 1,380,000 shares (2020: 528,000 shares) were granted for our senior management during year 2021. Dividend of HK$0.1 million were paid to senior management during the year (2020: 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 the 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$62.9 million (2020: HK$59.7 million). The amount of forfeited contributions utilised in the course of the year ended 31 December 2021 was HK$1.33 million (2020: HK$0.34 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, 6.8 million shares (2020: 5.3 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$27.9 million (2020: HK$17.5 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$15.5 million (2020: HK$7.4 million).

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11. Profit Before Taxation

(HK$ Million)	2021	2020
Profit before taxation for the year has been arrived at after charging:		
Administrative expenses (Note a)	**(1,323.9)**	(1,274.3)
Outgoings in respect of rental-generating investment properties	**(0.9)**	(0.1)
Other losses (Note b)	**(24.9)**	(166.6)
Share of taxation of associates and joint ventures included in share of results of associates and joint ventures	**–**	(11.3)
(a) Analysis of administrative expenses:		
Staff costs (including Directors' emoluments)	**(808.5)**	(785.7)
Contributions to retirement benefit schemes	**(62.9)**	(59.7)
Expenses recognised for the SHK Employee Ownership Scheme	**(15.5)**	(7.4)
Total staff costs	**(886.9)**	(852.8)
Auditors' remuneration	**(9.1)**	(6.9)
Depreciation of property and equipment	**(38.3)**	(44.4)
Depreciation of right-of-use assets	**(110.0)**	(103.7)
Amortisation of intangible assets – computer software	**(3.2)**	(1.9)
Payments for short-term leases and leases of low-value assets	**(4.7)**	(8.5)
Other administrative expenses	**(271.7)**	(256.1)
	(1,323.9)	(1,274.3)
(b) Analysis of other losses:		
Net loss on disposal / write-off of equipment	**(0.5)**	(0.1)
Impairment loss on interest in an associate*	**–**	(3.2)
Change in net assets attributable to other holders of consolidated structured entities	**(1.7)**	–
Decrease in fair value of investment properties	**(22.7)**	(163.3)
	(24.9)	(166.6)

* The Group disposed of 70% interest in a wholly-owned subsidiary Sun Hung Kai Financial Group Limited ("SHKFGL") in June 2015 and classified the remaining 30% equity interest as an associate up to 16 November 2020. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. As part of the disposal, the Group was awarded a put right on the 30% equity interest of SHKFGL. In 2020, this put right recorded a valuation gain of HK$70.3 million classified under net gain on financial assets and liabilities at fair value through profit or loss and an impairment loss in the investment in SHKFGL of HK$3.2 million was recognised.

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

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

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)	2021	2020
Net realised and unrealised gain (loss) on financial assets and liabilities		
– Held for trading	**729.3**	(49.1)
– Financial assets at fair value through profit or loss	**1,886.9**	2,603.0
	2,616.2	2,553.9

13. Net Impairment Losses on Financial Assets

(HK$ Million)	2021	2020
Loans and advances to consumer finance customers		
– Net impairment losses	**(751.0)**	(991.1)
– Recoveries of amounts previously written off	**243.5**	221.7
	(507.5)	(769.4)
Mortgage loans		
– Net impairment losses	**(10.0)**	(25.7)
	(10.0)	(25.7)
Term loans		
– Net impairment losses	**(186.5)**	(301.1)
	(186.5)	(301.1)
Amounts due from associates		
– Net impairment losses	**(10.8)**	(2.1)
	(10.8)	(2.1)
Trade and other receivables		
– Net reversal of impairment losses	**0.2**	45.4
– Recoveries of amounts previously written off	**–**	0.3
	0.2	45.7
	(714.6)	(1,052.6)

14. Finance Costs

(HK$ Million)	2021	2020
Interest on the following liabilities		
– Bank loans	(245.5)	(335.8)
– Notes/paper payable	(439.7)	(434.0)
	(685.2)	(769.8)
Other borrowing costs	(18.1)	(30.4)
Interest on lease liabilities	(12.9)	(7.1)
	(716.2)	(807.3)

All finance costs were derived from financial liabilities not at fair value through profit or loss for both years.

15. Taxation

(HK$ Million)	2021	2020
Current tax		
– Hong Kong	(234.8)	(228.9)
– PRC	(3.2)	(13.1)
	(238.0)	(242.0)
Under provision in prior years	(1.8)	(1.9)
	(239.8)	(243.9)
Deferred tax	(234.3)	(27.8)
	(474.1)	(271.7)

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

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)	2021	2020
Profit before taxation	3,773.2	3,200.6
Less: Share of results of associates	(0.3)	(42.4)
Share of results of joint ventures	61.8	0.2
	3,834.7	3,158.4
Tax at the Hong Kong profits tax rate of 16.5% (2020: 16.5%)	(632.7)	(521.1)
Under provision in prior years	(1.8)	(1.9)
Tax effect of non-taxable income	563.5	527.6
Tax effect of non-deductible expenses	(221.9)	(201.1)
Tax effect of unrecognised deductible temporary difference and tax losses	(76.2)	(34.3)
Reversal of estimated tax losses previously recognised (Note)	(78.2)	(23.7)
Countries subject to different tax rates	(26.8)	(17.2)
	(474.1)	(271.7)

Note: Amount mainly represented the write-off of deductible temporary differences 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, and write-off of tax losses previously recognised by subsidiaries to the extent that it is no longer probable that sufficient taxable profits will be available.

Deferred tax recognised in other comprehensive income during the year was immaterial (2020: immaterial).

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16. Dividends

(HK$ Million)	2021	2020
The aggregate amount of dividends declared and proposed:		
– 2021 interim dividend paid of HK12 cents (2020: HK12 cents) per share	**237.5**	238.7
– 2021 second interim dividend of HK14 cents per share declared after the reporting date (2020: 2020 second interim dividend of HK14 cents per share) (Note)	**276.3**	277.5
– 2021 special dividend of HK4 cents per share declared after the reporting date (2020: nil) (Note)	**78.9**	–
	592.7	516.2
Dividends recognised as distribution during the year:		
– 2020 second interim dividend paid of HK14 cents (2020: 2019 second interim dividend paid of HK14 cents) per share	**277.5**	279.1
– 2021 interim dividend paid of HK12 cents (2020: HK12 cents) per share	**237.5**	238.7
	515.0	517.8

Note: Subsequent to the end of the reporting date, the Board of Directors has declared a second interim dividend of HK14 cents per share (2020: 2020 second interim dividend of HK14 cents per share) amounting to HK$276.3 million (2020: HK$277.5 million). In addition, a special dividend of HK4 cents per share (2020: nil) amounting to HK$78.9 million was also declared to take account of our strong Alternatives performance in 2021, making a total dividend of HK18 cents per share.

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)	2021	2020
Earnings for the purposes of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	**2,813.7**	2,547.7
Number of shares (in million)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,971.2**	1,985.3
Effect of dilutive potential ordinary shares:		
– Adjustments on the SHK Employee Ownership Scheme	**3.4**	4.5
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,974.6**	1,989.8

18. Investment Properties

(HK$ Million)	Hong Kong	PRC	Total
At 1 January 2020	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**
Exchange adjustments	**–**	**1.7**	**1.7**
Change in fair value recognised in profit or loss	**(22.2)**	**(0.5)**	**(22.7)**
At 31 December 2021	**1,208.8**	**46.7**	**1,255.5**
Unrealised gains or losses for the year included in profit or loss			
– For 2021	**(22.2)**	**(0.5)**	**(22.7)**
– For 2020	(161.7)	(1.6)	(163.3)

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 (2020: 2 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 functional 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.

18. Investment Properties *(Continued)*

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**	**31/12/2021**	31/12/2020
Hong Kong	Investment method	Term yield	**1.9% to 2%**	2%
		Reversionary yield	**2.0% to 2.25%**	2.1% to 2.25%
		Monthly market unit rent per gross floor area (sq. ft.)	**HK$33 to HK$52**	HK$32 to HK$56
PRC	Investment method	Term yield	**5.00% to 5.50%**	4.50% to 5.50%
		Reversionary yield	**5.5% to 6%**	5% to 6%
		Monthly market unit rent per gross floor area (sq. m.)	**RMB30 to RMB76**	RMB28 to RMB80

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.

Particulars of the investment properties at 31 December 2021 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$929.0 million (31/12/2020: HK$946.0 million) were pledged as security for the Group's banking facilities.

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19. Property and Equipment

(HK$ Million)	Property	Furniture and equipment	Total
Cost			
At 1 January 2020	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**
Exchange adjustments	**12.4**	**8.0**	**20.4**
Additions	**–**	**84.9**	**84.9**
Disposals / write-off	**–**	**(12.2)**	**(12.2)**
At 31 December 2021	**349.1**	**586.6**	**935.7**
Accumulated depreciation and impairment			
At 1 January 2020	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**
Exchange adjustments	**2.7**	**7.2**	**9.9**
Depreciation provided for the year	**9.8**	**28.5**	**38.3**
Eliminated on disposals / write-off	**–**	**(11.4)**	**(11.4)**
At 31 December 2021	**80.3**	**362.6**	**442.9**
Carrying amount			
At 31 December 2021	**268.8**	**224.0**	**492.8**
At 31 December 2020	268.9	167.6	436.5

The useful lives of the properties are same as the remaining term of the leases that are ranging from 22 to 31 years (2020: 23 to 32 years). The useful lives of the furniture and equipment are ranging from 3 to 10 years (2020: 3 to 10 years).

20. Right-of-Use Assets

(HK$ Million)	Total
At 1 January 2020	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**
Additions	**150.4**
Depreciation provided for the year	**(110.0)**
Exchange adjustments	**0.6**
At 31 December 2021	**364.2**
Carrying amount at 31 December 2021	**364.2**
Carrying amount at 31 December 2020	323.2

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:

	31/12/2021	31/12/2020
Leasehold land	**44.5 years**	44.5 years
Office and retail shops	**6.0 years**	6.4 years
Equipment	**4.5 years**	4.5 years

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

(HK$ Million)	**31/12/2021**	31/12/2020
Net carrying amount		
– Leasehold land	**4.1**	4.1
– Office and retail shops	**358.5**	317.0
– Equipment	**1.6**	2.1
	364.2	323.2

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

(HK$ Million)	**2021**	2020
Amount recognised in profit or loss		
– Depreciation expenses of right-of-use assets		
– Leasehold land	**0.1**	0.1
– Office and retail shops	**109.4**	103.3
– Equipment	**0.5**	0.3
– Interest expense of lease liabilities	**12.9**	7.1
– Expense relating to short-term leases and leases of low-value assets	**4.7**	8.5

During the year, additions to right-of-use assets were HK$150.4 million (2020: HK$301.1 million) and the total cash outflow for leases amounted to HK$120.2 million (2020: HK$112.5 million).

The Group has extension options in a number of leases for outlets in 2021 and 2020. 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 31/12/2021**	**Potential future lease payments not included in lease liabilities (undiscounted) 31/12/2021**	Lease liabilities recognised as at 31/12/2020	Potential future lease payments not included in lease liabilities (undiscounted) 31/12/2020
Retail shops – Hong Kong	**0.8**	**2.0**	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$358.4 million (2020: HK$312.7 million) are recognised with related right-of-use assets of HK$364.2 million (2020: HK$323.2 million) as at 31 December 2021. 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.

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21. Intangible Assets

(HK$ Million)	Club membership	Computer software	Trade mark	Customer relationship	Web domain	Crypto assets	Total
Cost							
At 1 January 2020	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**
Exchange adjustments	**–**	**1.1**	**–**	**–**	**–**	**–**	**1.1**
Additions	**2.3**	**–**	**–**	**–**	**–**	**8.6**	**10.9**
At 31 December 2021	**19.5**	**32.3**	**875.0**	**1,154.0**	**78.0**	**8.6**	**2,167.4**
Accumulated amortisation and impairment							
At 1 January 2020	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**
Exchange adjustments	**–**	**0.4**	**–**	**–**	**–**	**–**	**0.4**
Amortisation charged for the year	**–**	**3.2**	**–**	**–**	**–**	**–**	**3.2**
At 31 December 2021	**1.0**	**14.6**	**7.0**	**1,154.0**	**78.0**	**–**	**1,254.6**
Carrying amount							
At 31 December 2021	**18.5**	**17.7**	**868.0**	**–**	**–**	**8.6**	**912.8**
At 31 December 2020	16.2	20.2	868.0	–	–	–	904.4

The directors of the Company consider the economic lives of the trademark held by UAF and club membership are indefinite:

- those 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 the Group of renewal is not significant when compared with the future economic benefits expect to flow to the Group from renewal. Management intend to renew infinitely and market indicators support cash inflows for an indefinite period.

The directors of the Company consider the economic lives of crypto assets are indefinite as they lack physical form and there is no limit to their useful life.

Other than the club membership, the trade mark and the crypto assets, 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)	31/12/2021	31/12/2020
Cost		
At 1 January and 31 December	**2,384.0**	2,384.0

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 2021 were allocated as follows:

	Goodwill		Trade Mark	
(HK$ Million)	**31/12/2021**	31/12/2020	**31/12/2021**	31/12/2020
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 2021 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 6.2% on the profit before tax from 2022 to 2026 (2020: 9.2% from 2021 to 2025), a sustainable growth rate of 2.4% beyond 2026 (2020: 2.3% beyond 2025), and a pre-tax discount rate of 19.3% (2020: 19.8%). 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 result in impairment.

24. Interests 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 2021 are as follows:

	Profit or loss allocated to non-controlling interests		Accumulated non-controlling interests	
(HK$ Million)	**2021**	2020	**31/12/2021**	31/12/2020
United Asia Finance Limited and its subsidiaries	**477.6**	373.9	**3,426.9**	3,297.8
Other subsidiaries having non-controlling interests	**7.8**	7.3	**37.1**	29.3
	485.4	381.2	**3,464.0**	3,327.1

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)	**31/12/2021**	31/12/2020
Current assets	**11,086.1***	10,310.2*
Non-current assets	**4,920.9#**	4,380.8#
Current liabilities	**(5,617.1)**	(4,372.6)
Non-current liabilities	**(1,996.4)**	(2,393.7)

(HK$ Million)	**2021**	2020
Dividend paid to non-controlling interests	**354.7**	372.3
Revenue	**3,505.1**	3,309.8
Profit for the year	**1,274.9**	1,002.6
Total comprehensive income for the year	**1,496.2**	1,322.3
Net change in cash and cash equivalents during the year	**(128.1)**	(176.1)

* Including loans and advances to consumer finance customers of HK$8,243.8 million (31/12/2020: HK$7,474.8 million)

\# Including loans and advances to consumer finance customers of HK$3,805.9 million (31/12/2020: HK$3,088.9 million)

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24. Interests in Subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries at 31 December 2021 were as follows:

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2021	2020	Principal activities
Shares held directly:					
Boneast Assets Limited	British Virgin Islands	US$1	**100%**	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	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%**	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%**	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
SHK Strategic Digital Limited (formerly known as Bevendean Ventures Limited)	British Virgin Islands	US$1	**100%**	100%	Investment holding
Bronwood Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Champion Base Properties Limited	Hong Kong	HK$1	**100%**	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
Creative Isle Limited	British Virgin Islands	US$1	**100%**	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%**	100%	Investment holding
GCO Global Credit Special Situations Master Fund I (formerly known as SHK Fund Management Global Unconstrained Credit Master Fund)	Cayman Islands				Investment fund
– management shares		1,000 US$1 shares	**–**	100%	
GCO Global Credit Special Situations Feeder Fund I (formerly known as SHK Fund Management Global Unconstrained Credit Offshore Fund)	Cayman Islands				Investment fund
– management shares		1,000 US$1 shares	**–**	100%	

24. Interests in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2021	2020	Principal activities
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
Market Oasis Limited	British Virgin Islands	US$1	**100%**	100%	Inactive
MCIP CI I Limited	Cayman Islands				Investment holding
– Ordinary		US$1	**–**	100%	
– Non-voting Participating Class A Shares		US$185	**30%**		
– Voting Participating Class B Shares		US$1	**100%**	–	
– Non-voting Participating Class C Shares		US$15	**–**	–	
MCIP GP I Limited	Cayman Islands				General partner of investment fund
– Ordinary		US$1	**–**	100%	
– Non-voting Participating Class A Shares		US$10	**60%**	–	
– Non-voting Participating Class B Shares		US$30	**70%**	–	
– Voting Non-Participating Class C Shares		US$1	**100%**	–	
MCIP Octavius Limited	Cayman Islands	US$1	**93%**	–	Investment holding
MCIP Quadratic Limited	Cayman Islands	US$1	**93%**	–	Investment holding
MCIP Quintus Limited	Cayman Islands	US$1	**93%**	–	Investment holding
MCIP Secundus Limited	Cayman Islands	US$2	**93%**	–	Investment holding
MCIP Septimus Limited	Cayman Islands	US$1	**93%**	–	Investment holding
MCIP Sixtus Limited	Cayman Islands	US$1	**93%**	–	Investment holding
MCIP Tribus Limited	Cayman Islands				Investment holding
– Ordinary Shares		–	**–**	100%	
– Class A Shares		US$24,518	**93%**	–	
– Class B Shares		US$1	**93%**	–	
– Class C Shares		–	**–**	–	
Multiple Capital Investment Partners (Australia) Pty Ltd.	Australia	A$10	**100%**	100%	Fund management
Multiple Capital Investment Partners (Singapore) Pte. Ltd.	Singapore	S$10,000	**100%**	100%	Fund management
Multiple Capital Real Estate Debt Holdco Limited	Cayman Islands	US$1	**100%**	100%	Investment holding
Multiple Capital Real Estate Debt I, L.P.	Cayman Islands	US$1	**100%**	100%	Investment fund
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%**	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%**	100%	Asset management
SHK Investments (HK) Limited	Hong Kong	HK$10,000	**100%**	100%	Investment portfolio

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24. Interests in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2021	2020	Principal activities
SHK Finance Limited	Hong Kong	HK$150,000,000	**63%**	63%	Money lending
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 Latitude Alpha Feeder Fund	Cayman Islands				Investment fund
– Founder Shares		US$100	**100%**	–	
– Participating Shares		US$332,284,672	**99%**	–	
SHK Latitude Alpha Master Fund	Cayman Islands				Investment fund
– Founder Shares		US$100	**100%**	–	
– Participating Shares		US$332,391,431	**99%**	–	
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%**	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%**	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%**	100%	Investment holding
Sun Hung Kai Capital Partners Limited	Hong Kong	HK$5,000,000	**100%**	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		103,853.6259 (2020: 50,691.45207) US$0.001 shares	**100%**	100%	
Sun Hung Kai Securities (Overseas) Limited	Hong Kong	HK$60,000	**100%**	100%	Investment holding
Sun Hung Kai Securities (Trustee) Limited	Hong Kong	HK$3,000,000	**100%**	100%	Inactive
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

24. Interests in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2021	2020	Principal activities
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%**	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
大連保稅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%	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
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%	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

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24. Interests in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2021	2020	Principal activities
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%	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 42 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)	31/12/2021	31/12/2020
Carrying amount of unlisted associates	202.9	213.0
Less: impairment	(0.8)	(0.8)
	202.1	212.2

As at 1 January 2020, the Group had a 30% equity interest in Sun Hung Kai Financial Group Limited ("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$1,156.0 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

Particulars of the Group's material associates at 31 December 2021 were as follows:

Name	Place of incorporation/ operation	Proportion of ownership interest		Proportion of voting rights held		Principal activities
		2021	2020	2021	2020	
Fifteen Wattle S.A.R.L. ("Fifteen Wattle")	Luxembourg/France	50%	50%	50%*	50%*	Hotel management
Eastern Frontier Investments Limited ("Eastern Frontier")	British Virgin Islands/United Kingdom	20%	20%	20%	20%	Property investment

* The Group has 50% ownership interest and voting rights in Fifteen Wattle. By considering that the Group has no sufficiently dominant voting rights to direct the relevant activities of Fifteen Wattle unilaterally, the directors of the Company conclude that the Group only has significant influence over Fifteen Wattle and therefore it is classified as an associate of the Group.

All associates are accounted for using the equity method.

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)	2021	2020
Share of profit (loss)	0.3	(36.0)
Share of other comprehensive (expenses) income	(10.4)	28.4
Share of total comprehensive expenses	(10.1)	(7.6)

26. Interest in Joint Ventures

(HK$ Million)	31/12/2021	31/12/2020
Carrying amount of unlisted joint ventures	411.8	466.4
Less: impairment	–	–
	411.8	466.4

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26. Interest in Joint Ventures *(Continued)*

The joint ventures are accounted for using the equity method in these consolidated financial statements. As at 31 December 2021 and 2020, the Group had interests in the following principal joint ventures.

Name	Place of incorporation/ operation	Proportion of ownership interest		Proportion of voting rights held		Principal activities
		2021	2020	**2021**	2020	
LSS Financial Leasing (Shanghai) Limited ("LSS")	People's Republic of China	**40.0%**	40.0%	**40.0%**	40.0%	Auto leasing
Isabella Properties Holdings Limited ("Isabella")	England	**47.5%**	47.5%	**50.0%**	50.0%	Investment holding

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)	**31/12/2021**	31/12/2020	**31/12/2021**	31/12/2020
Current assets	**1,025.6**	1,083.6	**361.4**	78.1
Non-current assets	**447.7**	800.9	**873.0**	1,200.9
Current liabilities	**(549.5)**	(678.1)	**(11.7)**	(23.4)
Non-current liabilities	**(418.4)**	(596.9)	**(781.6)**	(787.3)
The above amounts of assets and liabilities include the following:				
Investment properties	**–**	–	**842.1**	1,169.5

(HK$ Million)	**2021**	2020	**2021**	2020
Revenue	**137.3**	136.3	**371.3**	68.2
(Loss) profit	**(74.6)**	(24.1)	**(25.3)**	18.1
Total comprehensive (expense) income	**(74.6)**	(24.1)	**(25.3)**	18.1

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)	**31/12/2021**	31/12/2020	**31/12/2021**	31/12/2020
Net assets of the joint venture	**505.4**	609.5	**441.1**	468.3
Carrying amount of the Group's interest in the joint venture	**202.1**	243.8	**209.7**	222.6

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 2021			
	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	30.2	–	–	30.2
– Listed equity securities outside Hong Kong	147.9	–	–	147.9
– Unlisted overseas equity securities	–	–	8.5	8.5
	178.1	–	8.5	186.6
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	664.9	–	–	664.9
– Unlisted equity securities in Hong Kong	–	0.4	–	0.4
– Unlisted equity securities outside Hong Kong	–	279.4	–	279.4
– Listed equity and debt securities outside Hong Kong	1,004.9	–	–	1,004.9
– Over the counter derivatives	–	31.0	–	31.0
– Foreign currency contracts	–	15.1	–	15.1
– Credit default swap	–	10.0	–	10.0
– Quoted options and futures	35.8	20.8	–	56.6
– Warrants	9.6	–	–	9.6
– Equity linked notes	–	23.3	–	23.3
– Unlisted call option for club memberships	–	–	3.5	3.5
– Bonds and notes	–	869.0	–	869.0
– Loan receivables	–	418.8	–	418.8
– Unlisted preferred and ordinary shares issued by unlisted companies	–	352.4	131.4	483.8
– Unlisted shares issued by companies	–	–	40.7	40.7
– Unlisted convertible bonds issued by an unlisted company	–	–	26.3	26.3
– Unlisted overseas equity securities with a put right	–	397.6	–	397.6
– Unlisted overseas investment funds	–	4,649.2	9,474.6	14,123.8
– Unlisted trust fund	–	–	61.4	61.4
	1,715.2	7,067.0	9,737.9	18,520.1
Analysed for reporting purposes as:				
– Non-current assets				11,843.7
– Current assets				6,676.4
				18,520.1
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	55.6	8.5	–	64.1
– Foreign currency contracts	–	2.6	–	2.6
– Over the counter derivatives	–	–	192.2	192.2
– Short position in bonds	–	160.1	–	160.1
– Short position in listed equity securities	14.9	–	–	14.9
Analysed for reporting purposes as current liabilities	70.5	171.2	192.2	433.9

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27. Financial Assets and Liabilities *(Continued)*

(HK$ Million)	At 31 December 2020			
	Fair value			
	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 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 an unlisted company	–	–	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 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

27. Financial Assets and Liabilities *(Continued)*

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 and notes 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 2021				
	Valuation technique	Significant unobservable inputs	Input values	Fair value HK$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss					
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	47.8%	30.7	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	46.3	Note 1
Unlisted preferred shares issued by unlisted companies	Net asset value	Note 1	Note 1	52.1	Note 1
Unlisted convertible bonds issued by an unlisted company	Binomial Model	Expected volatility Discount rate	36.6% 25.9%	26.3	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 investment funds	Net asset value	Note 1	Note 1	8,835.2	Note 1
Unlisted overseas investment funds	Net asset value	Discount for lack of marketability	30.83%	639.4	An increase in discount for lack of marketability would result in a decrease in the fair value.
Unlisted shares issued by an unlisted company	Dividend discount model	Discount rate	5.97%	40.7	An increase in discount rate would result in a decrease in the fair value.

27. Financial Assets and Liabilities *(Continued)*

	At 31 December 2020				
	Valuation technique	Significant 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 preferred 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	Expected volatility Discount rate	52.8% 28.0%	20.6	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.
	Discounted cash flow	Discount rate	8%–10%		An increase in discount rate would result in a decrease in the fair value of debt securities and preferred shares.
Unlisted overseas investment funds	Net asset value	Note 1	Note 1	8,361.2	Note 1
Unlisted overseas investment funds	Net asset value	Note 1 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.

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27. Financial Assets and Liabilities *(Continued)*

Note 1: The significant unobservable inputs of the investments of the Group are the net asset value of the underlying investments made by the funds/Companies. The higher the net asset value of the underlying investments, the higher the fair value of the financial assets at fair value through profit or loss will be. The Group has determined that the reported net asset values 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.

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

	2021							
			Recognised gains or losses					
(HK$ Million)	Balance at 1/1/2021	Transfer *#^	Profit or loss	Other comprehensive income	Purchase	Disposal	Balance at 31/12/2021	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 call option for club memberships	14.1	–	(10.6)	–	–	–	3.5	–
Unlisted convertible preferred and ordinary shares issued by an unlisted company	134.5	–	80.0	–	–	(214.5)	–	–
Unlisted preference shares issued by an unlisted company	1,174.0	–	62.9	–	–	(1,236.9)	–	–
Unlisted preferred and ordinary shares issued by unlisted companies	73.9	–	(17.0)	–	83.8	(9.3)	131.4	(19.0)
Unlisted shares issued by companies	117.1	(75.5)	12.3	–	0.5	(13.7)	40.7	4.1
Unlisted convertible bonds issued by companies	24.4	–	1.9	–	–	–	26.3	1.9
Unlisted overseas equity securities with a put right	635.7	(397.6)	(238.1)	–	–	–	–	(238.1)
Unlisted overseas debt securities with redeemable preferred shares and ordinary shares issued by an unlisted company	216.1	–	332.8	–	–	(548.9)	–	(3.1)
Unlisted overseas investment funds	9,636.4	(2,178.9)	2,167.4	–	5,709.2	(5,859.5)	9,474.6	(399.5)
Unlisted trust fund	–	29.6	1.7	–	60.1	(30.0)	61.4	1.7
Financial liabilities at fair value through profit or loss								
Over the counter derivatives	(62.4)	–	(129.8)	–	–	–	(192.2)	(129.8)

* The investments were transferred between Level 2 to Level 3 category and the transfers are primarily attributable to changes in observability of valuation inputs (e.g. availability of recent transaction price) in valuing these investments. Transfers between levels of the fair value hierarchy are deemed to occur at the end of each reporting period.

\# The investments were transferred between Level 3 to Level 2 category and the transfers are primarily attributable to changes in observability of valuation inputs (e.g. availability of underlying lists of investments in the audited financial statements of the funds) in valuing these investments. Transfers between levels of the fair value hierarchy are deemed to occur at the end of each reporting period.

^ The investments were transferred between the classification of financial assets and the transfers are primarily attributable to the nature of the investment. Transfers between classification of financial assets are deemed to occur at the end of each reporting period.

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27. Financial Assets and Liabilities *(Continued)*

	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 for shares	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 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.

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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)	31/12/2021	31/12/2020
Financial assets at fair value through other comprehensive income	**186.6**	120.9
	186.6	120.9
Financial assets at fair value through profit or loss		
– Investments at fair value through profit or loss	**18,520.1**	13,586.1
	18,520.1	13,586.1
Financial assets measured at amortised cost		
– Amounts due from associates (Note 29)	**265.4**	291.1
– Loans and advances to consumer finance customers (Note 30)	**12,049.7**	10,563.7
– Mortgage loans (Note 31)	**3,461.3**	3,013.7
– Term loans (Note 32)	**778.2**	1,712.7
– Trade and other receivables (Note 33)	**364.7**	354.5
– Amounts due from a holding company (Note 38)	**0.1**	–
– Amounts due from brokers	**342.8**	354.3
– Short-term pledged bank deposit and bank balances (Note 34)	**50.0**	–
– Fixed deposits with banks (Note 34)	**86.0**	12.3
– Cash and cash equivalents (Note 34)	**5,864.7**	7,245.6
	23,262.9	23,547.9
	41,969.6	37,254.9

The carrying amounts of Group's financial liabilities and lease liabilities at the end of the reporting period were as follows:

(HK$ Million)	31/12/2021	31/12/2020
Financial liabilities at fair value through profit or loss		
– Held for trading	**433.9**	172.8
Financial liabilities measured at amortised cost and lease liabilities		
– Bank and other borrowings (Note 35)	**8,338.6**	8,467.3
– Trade and other payables (Note 36)	**317.0**	253.1
– Amounts due to fellow subsidiaries and a holding company (Note 38)	**–**	4.7
– Other liabilities (Note 40)	**51.4**	–
– Lease liabilities (Note 41)	**358.4**	312.7
– Notes/paper payable (Note 42)	**9,944.4**	8,146.8
	19,009.8	17,184.6
	19,443.7	17,357.4

The directors of the Company consider that the carrying amounts of financial assets and liabilities measured at amortised cost recognised in the consolidated financial statements approximate their fair values.

Financial assets 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.

27. Financial Assets and Liabilities *(Continued)*

Financial assets and financial liabilities offsetting *(Continued)*

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

(HK$ Million)	At 31 December 2021 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	Related amounts not set off in the 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	**1,203.3**	**–**	**1,203.3**	**(243.0)**	**–**	**960.3**
Type of financial liabilities						
Financial liabilities at fair value through profit or loss	**243.0**	**–**	**243.0**	**(243.0)**	**–**	**–**

(HK$ Million)	At 31 December 2020 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	Related amounts not set off in the 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)	–	–

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	Tax losses	Others	Total
At 1 January 2020	(14.1)	801.4	(150.4)	(52.8)	52.4	0.5	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	18.1	(0.3)	(27.8)
At 31 December 2020	**(6.8)**	**781.3**	**(149.9)**	**(53.1)**	**71.9**	**0.2**	**643.6**
Exchange adjustments	**0.2**	**19.5**	**(0.3)**	**(2.3)**	**2.2**	**–**	**19.3**
Recognised in profit or loss	**(3.6)**	**(291.2)**	**(0.3)**	**13.5**	**47.3**	**–**	**(234.3)**
At 31 December 2021	**(10.2)**	**509.6**	**(150.5)**	**(41.9)**	**121.4**	**0.2**	**428.6**

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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)	**31/12/2021**	31/12/2020
Deferred tax assets	**567.1**	780.7
Deferred tax liabilities	**(138.5)**	(137.1)
	428.6	643.6

At the end of the reporting period, the Group had unrecognised tax losses of HK$1,142.6 million (31/12/2020: HK$874.4 million) and unrecognised deductible temporary differences of HK$147.4 million (31/12/2020: HK$27.7 million) available to offset against future profits. These tax losses and deductible temporary differences 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$107.6 million that will expire during 2022 to 2026 (31/12/2020: HK$7.2 million will expire during 2021 to 2025). Other losses may be carried forward indefinitely but are subject to approval of Hong Kong Inland Revenue Department.

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$1,263.3 million at the end of the reporting period (31/12/2020: HK$1,153.3 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)	**31/12/2021**	31/12/2020
Amounts due from associates	**295.3**	310.2
Less: impairment allowance	**(29.9)**	(19.1)
	265.4	291.1
Analysed for reporting purposes as:		
– Non-current assets	**263.5**	279.0
– Current assets	**1.9**	12.1
	265.4	291.1

Further details of amounts due from associates are disclosed in Note 38 and Note 48.

30. Loans and Advances to Consumer Finance Customers

(HK$ Million)	**31/12/2021**	31/12/2020
Loans and advances to consumer finance customers		
– Hong Kong	**8,767.3**	8,318.0
– PRC	**3,913.2**	3,000.0
	12,680.5	11,318.0
Less: impairment allowance	**(630.8)**	(754.3)
	12,049.7	10,563.7
Analysed for reporting purposes as:		
– Non-current assets	**3,805.9**	3,088.9
– Current assets	**8,243.8**	7,474.8
	12,049.7	10,563.7

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

(Per annum)	**31/12/2021**	31/12/2020
Fixed rate loan receivables	**6.0% to 48.0%**	6.0% to 48.0%
Variable rate loan receivables	**P-1.0% to P+15.0%**	P-1.0% to P+15.0%

"P" refers to Hong Kong dollars prime rate offered by The Hongkong and Shanghai Banking Corporation Limited from time to time to its prime customers, which is 5% at 31 December 2021 (2020: 5%).

Movement of impairment allowance during the year of 2021 and 2020 are disclosed in Note 48(b).

The Consumer Finance Division calculates the impairment allowances for loans and advances to consumer finance customers using a collective assessment. 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.

30. Loans and Advances to Consumer Finance Customers *(Continued)*

The ageing analysis for the loans and advances to consumer finance customers (net of impairment allowance) that are past due is as follows:

(HK$ Million)	31/12/2021	31/12/2020
Less than 31 days past due	**828.4**	491.4
31 – 60 days	**102.6**	36.0
61 – 90 days	**28.5**	23.6
91 – 180 days	**1.6**	10.2
Over 180 days	**70.6**	293.9
	1,031.7	855.1

As at 31 December 2021, loans and advances to consumer finance customers with aggregate carrying amount of HK$1,031.7 million (31/12/2020: HK$855.1 million) are past due. Out of the past due balances, HK$72.2 million (31/12/2020: HK$251.0 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$10,844.2 million unsecured (31/12/2020: HK$9,477.6 million) and HK$1,205.5 million secured (31/12/2020: HK$1,086.1 million). The Group has not recognised a loss allowance for loans amounting to HK$996.7 million (2020: HK$847.3 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 2021, the gross carrying amount of loans and advances to consumer finance customers amounts to HK$12,680.5 million (31/12/2020: HK$11,318.0 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 2021, net realisable value of repossessed properties held by the Group amounted to HK$3.6 million (2020: HK$12.7 million).

In respect of the secured loans and advances to customers with the carrying amount of HK$1,069.7 million (2020: HK$558.5 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.

31. Mortgage Loans

(HK$ Million)	31/12/2021	31/12/2020
Mortgage loans		
– Hong Kong	**3,514.4**	3,061.1
Less: impairment allowance	**(53.1)**	(47.4)
	3,461.3	3,013.7
Analysed for reporting purposes as:		
– Non-current assets	**2,163.7**	1,192.9
– Current assets	**1,297.6**	1,820.8
	3,461.3	3,013.7

The mortgage loans bear interest rate are as follows:

(Per annum)	31/12/2021	31/12/2020
Fixed rate loan receivables	**5.8% to 20.4%**	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 2021 and 2020 are disclosed in Note 48(b) to the consolidated financial statements.

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31. Mortgage Loans *(Continued)*

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.

The ageing analysis for the mortgage loans that are past due is as follows:

(HK$ Million)	31/12/2021	31/12/2020
Less than 31 days past due	**238.0**	66.7
31 – 60 days	**21.3**	26.6
61 – 90 days	**4.8**	11.5
91 – 180 days	**2.9**	160.4
Over 180 days	**321.5**	459.0
	588.5	724.2

At the reporting date, mortgage loans with aggregate carrying amount of HK$588.5 million (31/12/2020: HK$724.2 million) are past due. Out of the past due balances, HK$324.4 million (31/12/2020: HK$619.4 million) which are secured by collateral has been past due 90 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 mortgage loans categorised as unsecured and secured, are as follows:

At the reporting date, mortgage loans consisted of HK$364.4 million unsecured (31/12/2020: HK$147.8 million) and HK$3,096.9 million secured (31/12/2020: HK$2,865.9 million). The Group has not recognised a loss allowance for loans amounting to HK$3,056.3 million (2020: HK$2,623.6 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 2021, the gross carrying amount of mortgage loans amounts to HK$3,514.4 million (31/12/2020: HK$3,061.1 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 the Group is HK$105.2 million (2020: HK$88.0 million).

In respect of secured mortgage loans to mortgage loan customers with the carrying amount of HK$3,096.9 million (2020: HK$2,865.9 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.

32. Term Loans

(HK$ Million)	31/12/2021	31/12/2020
Secured term loans	**1,489.6**	2,242.3
Unsecured term loans	**87.6**	82.9
	1,577.2	2,325.2
Less: impairment allowance	**(799.0)**	(612.5)
	778.2	1,712.7
Analysed for reporting purposes as:		
– Non-current assets	**40.6**	554.5
– Current assets	**737.6**	1,158.2
	778.2	1,712.7

32. Term Loans *(Continued)*

The term loans bear interest rate are as follows:

(Per annum)	31/12/2021	31/12/2020
Fixed rate loan receivables	**8.0% to 24.0%**	8.0% to 21.7%
Variable rate loan receivables	**P+1.0% to 6-month HIBOR +8.0%**	3-month HIBOR +7.0% to 3-month LIBOR +10.0%

Movement of impairment allowance during the year of 2021 and 2020 are disclosed in Note 48(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 include share charges over unlisted and listed equity securities, personal guarantees, assignment of rights and charges over properties. As at 31 December 2021, the gross carrying amount of secured term loans amounts to HK$1,489.6 million (31 December 2020: HK$2,242.3 million). The Group has not recognised a loss allowance amounting to HK$360.8 million (2020: HK$978.3 million) for the loans 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 directors, the ageing analysis does not give additional value in the view of the nature of the term loans financing business.

Further details on financial risk management of term loans are disclosed in Note 48.

33. Trade Receivables, Prepayments and Other Receivables

(HK$ Million)	31/12/2021	31/12/2020
Deposits	**89.5**	117.6
Others	**277.1**	239.0
Less: impairment allowance	**(1.9)**	(2.1)
Trade and other receivables at amortised cost	**364.7**	354.5
Prepayments	**57.6**	41.1
	422.3	395.6
Analysed for reporting purposes as:		
– Non-current assets	**49.1**	17.3
– Current assets	**373.2**	378.3
	422.3	395.6

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

(HK$ Million)	31/12/2021	31/12/2020
Less than 31 days	**271.8**	247.2
	271.8	247.2
Trade and other receivables without ageing	**92.9**	107.3
Trade and other receivables at amortised cost	**364.7**	354.5

Further details on financial risk management of trade and other receivables are disclosed in Note 48.

34. Bank Deposits, Cash and Cash Equivalents

(HK$ Million)	31/12/2021	31/12/2020
Bank balances and cash	**3,999.7**	4,483.0
Fixed deposits with banks with an original maturity within 3 months	**1,865.0**	2,762.6
Cash and cash equivalents	**5,864.7**	7,245.6
Short-term pledged bank deposits and bank balances	**50.0**	–
Fixed deposits with banks with an original maturity between 4 to 12 months	**86.0**	12.3
	6,000.7	7,257.9

Short-term pledged bank deposits carry floating interest rate of 2-month HIBOR and represent deposits pledged to banks to secure banking facilities granted to the Group.

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34. Bank Deposits, Cash and Cash Equivalents *(Continued)*

Further details on financial risk management of bank deposits, cash and cash equivalents are disclosed in Note 48.

35. Bank and Other Borrowings

(HK$ Million)	31/12/2021	31/12/2020
Bank loans		
– Unsecured term loans	**7,815.5**	8,121.6
– Secured loans	**461.0**	281.0
Total bank borrowings	**8,276.5**	8,402.6
Other borrowings	**62.1**	64.7
	8,338.6	8,467.3
Analysed for reporting purposes as:		
– Current liabilities	**6,334.3**	6,083.2
– Non-current liabilities	**2,004.3**	2,384.1
	8,338.6	8,467.3

At 31 December 2021, bank and other borrowings were repayable as follows:

(HK$ Million)	31/12/2021	31/12/2020
Bank borrowings		
– Within one year	**5,634.3**	4,116.3
– In the second year	**1,105.8**	1,640.2
– Over two years and within five years	**836.4**	679.2
Bank borrowings with a repayment on demand clause		
– Within one year	**700.0**	1,966.9
	8,276.5	8,402.6
Other borrowings		
– Over five years	**62.1**	64.7
	8,338.6	8,467.3

As at 31 December 2021, all the bank loans and other borrowings are in Hong Kong dollars except for equivalent amounts of HK$467.1 million which was denominated in Renminbi (31/12/2020: HK$140.6 million), HK$nil million which was denominated in British pounds (31/12/2020: HK$736.9 million) and HK$189.3 million which was denominated in US dollar (31/12/2020: HK$1,114.4 million). Further details related to financial risk management of such balances are disclosed in Note 48.

36. Trade Payables, Other Payables and Accruals

(HK$ Million)	31/12/2021	31/12/2020
Other accounts payable	**317.0**	253.1
Accrued staff costs and other accrued expenses	**494.1**	452.3
	811.1	705.4

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)	31/12/2021	31/12/2020
Less than 31 days/repayable on demand	**290.7**	225.5
31 – 60 days	**5.5**	3.7
61 – 90 days	**1.5**	2.0
	297.7	231.2
Accrued staff costs, other accrued expenses and other payables without ageing	**513.4**	474.2
	811.1	705.4

37. Receivable from Reverse Repurchase Agreements

The receivable from reverse repurchase agreements arises when the securities are bought by the Group with a concurrent agreement to resell at a specified later date and price. These securities are not recognised in the Group's consolidated statement of financial position as the counterparty retains substantially all risks and returns of the securities. The amount paid by the Group is recognised as receivable. In the event of default by the counterparty, the Group has the right to sell the underlying securities for settling the outstanding receivable.

As at 31 December 2021, the outstanding amount paid for the reverse repurchase agreements was HK$169.3 million (2020: Nil) and was recognised as receivable from reverse repurchase agreements. The following table specifies the fair value of financial assets received as collateral for the outstanding receivable at the year end.

(HK$ Million)	31/12/2021	31/12/2020
Analysed by collateral type:		
Debt instruments	**160.1**	–

38. Related Party Transactions

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

(HK$ Million)	2021	2020
Associates and joint ventures of ultimate holding company		
Rental and building management fees to an associate of ultimate holding company for short-term leases***	**(2.0)**	(2.2)
Building management fees to a joint venture of ultimate holding company*	**(3.9)**	(3.9)
Interest expense to a joint venture of ultimate holding company on lease liabilities***@	**(1.6)**	(0.6)
Interest expense to an associate of ultimate holding company***	**(3.7)**	(4.5)
Associates and joint ventures		
Loan referral fee and participation fee received from an associate^	**–**	12.2
Management and service fees received from associates and joint ventures^	**–**	2.6
Brokerage expenses to an associate^	**–**	(0.5)
Service fees to an associate^	**–**	(8.9)
Holding company and its subsidiaries		
Repayment of loan from a fellow subsidiary***	**–**	(32.8)
Finance costs to fellow subsidiaries***	**(6.0)**	(23.1)
Licence fee paid/payable to a fellow subsidiary*	**(0.6)**	–
Management fees paid/payable to a holding company*	**(22.7)**	(22.1)
Building management fees to a holding company*	**(0.2)**	–
Rental and building management fees to fellow subsidiaries***	**(0.4)**	–
Interest expenses to a holding company on lease liabilities***#	**(3.5)**	(1.6)
Other related parties		
Repayment of loan from a former Independent Non-Executive Director**	**143.8**	4.8
Redemption of Notes from an Executive Director***	**–**	3.1
Purchase of consolidated fund interests from Independent Non-Executive Director and key management personnel***	**8.2**	–

* 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 2021, the Group has lease liabilities of HK$44.3 million (2020: HK$57.9 million) to the joint venture of ultimate holding company. During the year ended 31 December 2021, the Group has recognised additions to right-of-use assets of HK$7.4 million* (2020: HK$63.5 million*) and additions to lease liabilities of HK$7.0 million (2020: HK$57.8 million) for properties with joint venture of holding company.

\# As at 31 December 2021, the Group has lease liabilities of HK$73.7 million (2020: HK$79.2 million) to a holding company. During the year ended 31 December 2021, the Group has recognised additions to right-of-use assets of HK$2.5 million (2020: HK$79.6 million*) and additions to lease liabilities of HK$2.5 million (2020: HK$79.0 million) for properties with 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)	2021	2020
Short-term benefits *	**122.4**	144.3
Post-employment benefits *	**2.1**	2.0
	124.5	146.3

* During the year, 1,380,000 shares were granted under the SHK Employee Ownership Scheme ("EOS") to key management personnel. In addition, 273,000 shares with a total amount of HK$1.13 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$0.1 million (2020: HK$0.03 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)*

Compensation of Key Management Personnel *(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 2021 (2020: 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)	**31/12/2021**	31/12/2020
Associates		
Amounts due from associates^	**265.4**	291.1
Holding company and fellow subsidiaries		
Management fees receivable (payable) to a holding company*	**0.1**	(4.7)
Notes/paper payable held by fellow subsidiaries***	**(77.5)**	(394.0)
Notes/paper payable held by an associate of a holding company***	**–**	(77.5)
Amount due from a former Independent Non-Executive Director**	**–**	143.8

* 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.

The amounts due to an associate of a holding company are unsecured, interest bearing and repayable on demand.

39. Provisions

(HK$ Million)	Employee benefits	Loan commitments	Financial guarantee contracts	Others	Total
At 1 January 2020	0.9	32.6	–	6.7	40.2
Additional provisions for the year	–	–	7.1	5.9	13.0
Amount written back	(0.5)	(4.1)	(2.1)	–	(6.7)
At 31 December 2020	**0.4**	**28.5**	**5.0**	**12.6**	**46.5**
Additional provisions for the year	**0.5**	**–**	**–**	**1.4**	**1.9**
Amount written back	**–**	**(5.1)**	**(5.0)**	**–**	**(10.1)**
At 31 December 2021	**0.9**	**23.4**	**–**	**14.0**	**38.3**

(HK$ Million)	31/12/2021	31/12/2020
Analysed for reporting purposes as:		
– Current liabilities	**37.8**	46.2
– Non-current liabilities	**0.5**	0.3
	38.3	46.5

40. Other Liabilities

(HK$ Million)	31/12/2021	31/12/2020
Non-current		
– Third-party interests in consolidated structured entities	**19.2**	–
Current		
– Third-party interests in consolidated structured entities	**32.2**	–
	51.4	–

Third-party interests in consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities which are reflected as liabilities since there is a contractual obligation for the Group to repurchase or redeem the unit for cash.

The realisation of third-party interests in consolidated funds cannot be predicted with accuracy since these interests represent the interests of third-party unit holders in consolidated funds held to back investment contract liabilities and are subject to market risk and the actions of third-party investors.

41. Lease Liabilities

(HK$ Million)	31/12/2021	31/12/2020
Current liabilities	**100.3**	84.2
Non-current liabilities	**258.1**	228.5
	358.4	312.7

(HK$ Million)	31/12/2021	31/12/2020
Maturity analysis		
Not later than 1 year	**100.3**	84.2
Later than 1 year and not later than 5 years	**202.2**	139.5
Later than 5 years	**55.9**	89.0
	358.4	312.7

42. Notes/Paper Payable

(HK$ Million)	31/12/2021	31/12/2020
US dollar denominated notes (the "US$ Notes")		
– 4.75% US$ Notes maturing in May 2021 (the "4.75% Notes")	**–**	1,936.5
– 4.65% US$ Notes maturing in September 2022 (the "4.65% Notes")	**3,510.6**	3,486.0
– 5.75% US$ Notes maturing in November 2024 (the "5.75% Notes")	**2,742.3**	2,724.3
– 5.00% US$ Notes maturing in September 2026 (the "5.00% Notes")	**2,960.6**	–
HK dollar denominated notes/paper (the "HK$ Notes/Paper")		
– Asset backed notes maturing in April 2022	**730.9**	–
	9,944.4	8,146.8
Analysed for reporting purposes as:		
– Current liabilities	**4,313.9**	2,013.4
– Non-current liabilities	**5,630.5**	6,133.4
	9,944.4	8,146.8

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42. Notes/Paper Payable *(Continued)*

The US$ Notes were issued by a subsidiary of the Group, Sun Hung Kai & Co. (BVI) Limited, under a US$3 billion guaranteed medium term note programme.

The 4.65% Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 4.65% Notes after eliminating the intra-group holdings was US$444.1 million or equivalent to HK$3,462.6 million (31/12/2020: US$444.1 million or equivalent to HK$3,442.7 million) at the end of the reporting period. The fair value of the 4.65% Notes based on the price quoted from pricing service at the end of the reporting period was HK$3,547.7 million (31/12/2020: HK$3,491.0 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 was US$350.0 million or equivalent to HK$2,729.0 million (31/12/2020: US$350.0 million or equivalent to HK$2,713.2 million) at the end of the reporting period. The fair value of the 5.75% Notes based on the price quoted from pricing service at the end of the reporting period was HK$2,851.8 million (31/12/2020: HK$2,742.7 million) which was categorised as Level 2.

The 5.00% Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 5.00% Notes was US$375.0 million or equivalent to HK$2,923.9 million at the end of the reporting period. The fair value of the 5.00% Notes based on the price quoted from pricing service at the end of the reporting period was HK$3,000.3 million which was categorised as Level 2.

Subsequent to the year end, the Group completed issuance of additional US$75.0 million or equivalent to HK$584.8 million of the 5.00% Notes. The transaction was completed in March 2022.

The 4.75% Notes matured in May 2021 and the outstanding balance was fully repaid during the year ended 31 December 2021.

In 2021, the Group entered into a HK$1,066.7 million securitisation financing transaction (the "Transaction"). Pursuant to the Transaction, the Group transferred mortgage loan receivables to a special purpose vehicle ("the SPV") operated in Hong Kong. The Transaction consists of two classes – Class A and Class B. Class B notes of HK$266.7 million was subscribed by a subsidiary of the Group.

The Group holds undivided interest in the mortgage loan receivables transferred. In accordance with HKFRS 10 "Consolidated Financial Statements", the SPV is controlled by the Group and the results thereof are consolidated by the Group in its consolidated financial statements. According to HKFRS 9, assets transferred under the Transaction have not been derecognised and remained in the Group's consolidated financial statements. The debt issued is backed by the mortgage loan receivables transferred and is recognised in the Group's consolidated financial statements with the carrying amount denominated in HKD.

	Asset backed notes HK$ Million
As at 31 December 2021	
Carrying amount of transferred assets	**977.0**
Carrying amount of associated liabilities	**730.9**
Net position	**246.1**
As at 31 December 2020	
Carrying amount of transferred assets	–
Carrying amount of associated liabilities	–
Net position	–

43. Share Capital

	Number of shares		**Share capital**	
	31/12/2021 **Million Shares**	31/12/2020 Million Shares	**31/12/2021** **HK$ Million**	31/12/2020 HK$ Million
Issued and fully paid				
Balance brought forward	**1,982.3**	1,998.8	**8,752.3**	8,752.3
Shares cancelled after repurchase	**(9.0)**	(16.5)	**–**	–
Balance carried forward	**1,973.3**	1,982.3	**8,752.3**	8,752.3

During the year, the trustee of the EOS acquired 8.8 million shares (2020: 1.0 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$35.9 million (2020: HK$3.0 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 9.0 million shares (2020: 16.5 million shares) through purchases on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$38.0 million (2020: HK$53.0 million). Further information is disclosed in the relevant section of the Directors' Report.

44. 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 2021				
Financial assets at fair value through other comprehensive income	**–**	**67.0**	**(0.7)**	**66.3**
Gain on revaluation of properties	**–**	**–**	**–**	**–**
Exchange differences arising on translating foreign operations	**143.7**	**–**	**84.3**	**228.0**
Share of other comprehensive expenses of associates	**(10.4)**	**–**	**–**	**(10.4)**
Share of other comprehensive income of joint ventures	**7.3**	**–**	**–**	**7.3**
	140.6	**67.0**	**83.6**	**291.2**
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

45. Commitments

(a) Lease commitments

The Group as lessee:

At 31 December 2021, the Group is committed to HK$5.0 million (2020: HK$2.4 million) for short-term leases.

The maturity profile of the lease liabilities are disclosed in Note 41.

The Group as lessor:

At 31 December 2021, all of the properties held for rental purpose have committed operating leases for the next 4 years (2020: 5 years) respectively. Undiscounted lease payments receivables on leases are as follows:

(HK$ Million)	31/12/2021	31/12/2020
Within one year	**21.4**	23.4
In the second year	**14.0**	7.9
In the third year	**6.0**	0.5
In the fourth year	**0.6**	0.8
In the fifth year	**–**	0.6
	42.0	33.2

(b) Loan commitments

(HK$ Million)	31/12/2021	31/12/2020
Within one year	**1,623.0**	1,606.9
In the second year	**7.7**	12.1
After the fifth year	**25.8**	–
	1,656.5	1,619.0

(c) Other commitments

(HK$ Million)	31/12/2021	31/12/2020
Capital commitments for funds	**2,221.5**	1,421.6
Other capital commitments	**0.3**	1.4
	2,221.8	1,423.0

46. Financial Guarantees

At the end of the reporting period, the Group's financial guarantees to an independent third party has expired (2020: HK$387.6 million), which was not recognised as financial liabilities in respect of the financial guarantee contracts in the consolidated statement of financial position and the movement is as follows:

(HK$ Million)	31/12/2021	31/12/2020
At 1 January	**387.6**	494.5
Expire	**(387.6)**	(105.1)
Exchange adjustments	**–**	(1.8)
At 31 December	**–**	387.6

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47. 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 2021 and 31 December 2020.

Certain subsidiaries of the Group are subject to regulatory imposed capital and liquid capital requirements. These subsidiaries have complied with those requirements at all time during both the current and prior financial years.

For subsidiaries with regulated capital and liquidity requirements, the Group closely monitors their liquidity positions. To ensure strict compliance, the Group maintains adequate cash reserves to prepare for immediate fund injection if required. If there is a medium to long-term operational need, management would also consider adjusting those subsidiaries' capital structure. Subsidiaries with external equity stakeholders are generally responsible for their own liquidity management.

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)	**31/12/2021**	31/12/2020
Bank and other borrowings	**8,338.6**	8,467.3
Notes/paper payable	**9,944.4**	8,146.8
	18,283.0	16,614.1
Less: bank deposits, cash and cash equivalents	**(6,000.7)**	(7,257.9)
Net debts	**12,282.3**	9,356.2
Equity attributable to owners of the Company	**25,075.2**	22,625.2
Gearing ratio	**49.0%**	41.4%

48. 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 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.

48. 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.

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 2021				At 31 December 2020			
	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	276.7	(189.2)	6.0	(6.0)	9.0	(34.0)	6.6	(6.6)
Overseas Index	4,377.5	(3,594.8)	31.3	(31.3)	2,442.7	(2,317.1)	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 private credit, mortgage loans as well as loans and advances to consumer finance customers. Interest spreads are managed with the objective of maximising spreads to ensure consistency with liquidity and funding obligations.

At 31 December 2021, assuming that market interest rates moved by ±50 basis points (31/12/2020: ±50 basis points), the profit before tax for the year for the Group would have been HK$19.0 million lower or HK$29.1 million higher respectively (2020: HK$20.3 million lower or HK$20.3 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 2021					
Loans and advances to consumer finance customers	95.8	–	–	–	95.8
Mortgage loans	106.1	729.4	–	–	835.5
Term loans	–	26.4	5.7	–	32.1
Amounts due from associates	–	200.6	–	–	200.6
Bank deposits, cash and cash equivalents	4,308.8	50.0	–	–	4,358.8
Loan receivables included in financial assets at fair value through profit or loss	72.5	–	–	–	72.5
Bank and other borrowings	(8,205.8)	(117.7)	–	–	(8,323.5)
Notes/paper payable	(730.0)	–	–	–	(730.0)
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	–	–	226.2	–	226.2
Bank deposits, cash and cash equivalents	4,161.5	47.0	–	–	4,208.5
Bank and other borrowings	(8,445.4)	–	–	–	(8,445.4)

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48. 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 2021						
Loans and advances to consumer finance customers	**2,803.0**	**5,382.1**	**3,491.4**	**277.4**	**–**	**11,953.9**
Mortgage loans	**521.7**	**757.1**	**1,264.9**	**82.1**	**–**	**2,625.8**
Bonds and notes included in financial assets at fair value through profit or loss	**195.6**	**78.8**	**65.3**	**578.9**	**–**	**918.6**
Term loans	**691.1**	**20.1**	**22.8**	**12.1**	**–**	**746.1**
Amounts due from associates	**–**	**–**	**–**	**–**	**64.8**	**64.8**
Bank deposits, cash and cash equivalents	**1,219.5**	**86.0**	**–**	**–**	**336.4**	**1,641.9**
Loan receivables included in financial assets at fair value through profit or loss	**–**	**–**	**–**	**–**	**346.3**	**346.3**
Amount due from a holding company	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Bank and other borrowings	**(7.4)**	**–**	**–**	**–**	**(7.7)**	**(15.1)**
Lease liabilities	**(26.6)**	**(73.7)**	**(202.2)**	**(55.9)**	**–**	**(358.4)**
Notes/paper payable	**–**	**(3,583.1)**	**(5,630.4)**	**–**	**(0.9)**	**(9,214.4)**
Bonds included in financial liabilities at fair value through profit or loss	**–**	**–**	**(76.9)**	**(83.2)**	**–**	**(160.1)**
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)

(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 and Renminbi ("RMB"). Foreign exchange risk is managed and monitored by senior management. The risk arises from open currency positions are subject to ratios that are monitored and reported weekly.

At 31 December 2021, assuming that the foreign exchange rates moved ±5% (31/12/2020: ±5%) with all other variables held constant, the profit before tax for the year for the Group would be HK$137.1 million higher/lower (2020: HK$25.3 million higher/lower).

48. 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 2021, 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 45(b), 39 and 46 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$1,751.6 million at 31 December 2021 (2020: HK$1,760.1 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 2021 was HK$866.5 million (2020: HK$985.4 million) of which 21.8% (2020: 58.7%) 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 2021 was HK$1,299.3 million (2020: HK$1,117.8 million) of which 100% (2020: 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 2021 was HK$708.4 million (2020: HK$1,633.2 million) of which 98% (2020: 100%) was secured by collateral.

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48. 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.

48. 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:

	Notes	Internal credit risk categories	12-month or lifetime ECL	Gross carrying amount 2021 HK$ Million	2020 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	**11,973.8**	10,594.0
		Doubtful	Lifetime ECL (not credit impaired)	**542.1**	327.5
		Loss	Lifetime ECL (credit-impaired)	**164.6**	396.5
				12,680.5*	11,318.0*
Mortgage loans	31	Low risk/watch list	12-month ECL	**2,854.1**	2,291.5
		Doubtful	Lifetime ECL (not credit impaired)	**296.3**	104.9
		Loss	Lifetime ECL (credit-impaired)	**364.0**	664.7
				3,514.4*	3,061.1*
Term loans	32	Note 2	12-month ECL	**474.4**	1,186.1
		Note 2	Lifetime ECL (not credit impaired)	**–**	63.1
			Lifetime ECL (credit-impaired)	**1,102.8**	1,076.0
				1,577.2*	2,325.2*
Amounts due from associates	29	N/A	12-month ECL	**277.8**	292.7
		N/A	Lifetime ECL (credit-impaired)	**17.5**	17.5
				295.3	310.2
Amounts due from brokers		N/A	12-month ECL	**342.9**	354.3
Short-term pledged bank deposits and bank balances	34	N/A	12-month ECL	**50.0**	–
Bank deposits	34	N/A	12-month ECL	**86.0**	12.3
Bank balances and deposits	34	N/A	12-month ECL	**5,864.7**	7,245.6
Trade and other receivables	33	N/A	12-month ECL	**257.8**	158.7
		N/A	Lifetime ECL (credit-impaired)	**–**	197.9
				257.8	356.6
Other items					
Loan commitments (Note 1)	45	Low risk/watch list	12-month ECL	**1,647.6**	1,609.9
		Doubtful	Lifetime ECL (not credit impaired)	**8.9**	9.1
				1,656.5	1,619.0
Financial guarantees (Note 3)	46	N/A	12-month ECL	**–**	387.6

* 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 assessed 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.

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48. 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**	**31/12/2021 HK$ Million**	Average loss rate	31/12/2020 HK$ Million
Current (not past due)	**3.0%**	**9,196.2**	4.4%	8,547.5
1 to 30 days past due	**16.0%**	**555.0**	16.2%	543.6
31 to 60 days past due	**58.7%**	**83.1**	55.9%	80.5
61 to 90 days past due	**76.7%**	**59.7**	74.2%	53.0
		9,894.0		9,224.6

Debtors with significant outstanding balances or credit-impaired debts with gross carrying amounts of HK$2,621.9 million and HK$164.6 million respectively (2020: HK$1,696.9 million and HK$396.5 million respectively) on 31 December 2021 were assessed individually for impairment loss allowances.

48. 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 2020	423.9	191.2	92.7	707.8
Changes due to financial instruments recognised as at 1 January 2020:				
– 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
– Repayment and derecognition	(541.0)	(54.5)	(11.3)	(606.8)
New financial assets originated	669.5	–	–	669.5
	(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**
Changes due to financial instruments recognised as at 1 January 2021:				
– Transfer from 12-month ECL to lifetime ECL	**(36.8)**	**36.8**	**–**	**–**
– Transfer from lifetime ECL to 12-month ECL	**3.0**	**(3.0)**	**–**	**–**
– Transfer from 12-month ECL to credit-impaired	**(7.4)**	**–**	**7.4**	**–**
– Transfer from lifetime ECL to credit-impaired	**–**	**(329.8)**	**329.8**	**–**
– Net remeasurement of ECL	**(145.3)**	**361.3**	**514.3**	**730.3**
– Repayment and derecognition	**(513.1)**	**(57.9)**	**(23.1)**	**(594.1)**
New financial assets originated	**614.8**	**–**	**–**	**614.8**
	(84.8)	**7.4**	**828.4**	**751.0**
Movement without impact on profit or loss:				
Written off (Note)	**–**	**–**	**(881.7)**	**(881.7)**
Exchange adjustments	**5.3**	**1.7**	**0.2**	**7.2**
	5.3	**1.7**	**(881.5)**	**(874.5)**
As at 31 December 2021	**342.2**	**196.2**	**92.4**	**630.8**

Note: Amount of HK$881.7 million (2020: HK$957.1 million) that were written off during the year are still subject to enforcement activities.

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48. 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 2020	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**
Changes due to financial instruments recognised during the year:				
Net remeasurement of ECL	**–**	**–**	**25.1**	**25.1**
Repayment and derecognition	**–**	**–**	**(15.1)**	**(15.1)**
	–	**–**	**10.0**	**10.0**
Movement without impact on profit or loss:				
Written off	**–**	**–**	**(4.3)**	**(4.3)**
	–	**–**	**(4.3)**	**(4.3)**
As at 31 December 2021	**–**	**–**	**53.1**	**53.1**

Term loans

(HK$ Million)	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
As at 1 January 2020	3.4	31.9	276.1	311.4
Changes due to financial instruments recognised during the year:				
Transfer from 12-month 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**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to credit-impaired	**(35.8)**	**–**	**35.8**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(16.1)**	**16.1**	**–**
Net remeasurement of ECL	**39.5**	**–**	**144.5**	**184.0**
New financial assets originated	**2.5**	**–**	**–**	**2.5**
	6.2	**(16.1)**	**196.4**	**186.5**
As at 31 December 2021	**12.6**	**–**	**786.4**	**799.0**

48. 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 2020	–	–	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**
Changes due to financial instruments recognised during the year:				
Net remeasurement of ECL	**10.8**	**–**	**–**	**10.8**
	10.8	**–**	**–**	**10.8**
As at 31 December 2021	**12.6**	**–**	**17.3**	**29.9**

Loan commitments

(HK$ Million)	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
As at 1 January 2020	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 or purchased	24.7	–	–	24.7
Expiry/and derecognition	(27.3)	(7.5)	–	(34.8)
As at 31 December 2020	**24.2**	**4.3**	**–**	**28.5**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(0.4)**	**0.4**	**–**	**–**
Net remeasurement of ECL	**(5.3)**	**3.4**	**–**	**(1.9)**
New financial assets originated	**22.5**	**–**	**–**	**22.5**
Expiry and derecognition	**(21.6)**	**(4.1)**	**–**	**(25.7)**
As at 31 December 2021	**19.4**	**4.0**	**–**	**23.4**

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48. 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 2020	–	–	47.5	47.5
Changes due to financial instruments recognised during the year:				
Repayment and derecognition	–	–	(45.4)	(45.4)
	–	–	(45.4)	(45.4)
As at 31 December 2020	**–**	**–**	**2.1**	**2.1**
Changes due to financial instruments recognised during the year:				
New financial assets originated	**2.3**	**–**	**–**	**2.3**
Repayment and derecognition	**(0.4)**	**–**	**(2.1)**	**(2.5)**
	1.9	**–**	**(2.1)**	**(0.2)**
As at 31 December 2021	**1.9**	**–**	**–**	**1.9**

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 2020	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**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(991.7)**	**991.7**	**–**	**–**
Transfer from lifetime ECL to 12-month ECL	**5.8**	**(5.8)**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(240.8)**	**–**	**240.8**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(661.2)**	**661.2**	**–**
New financial assets originated	**18,094.9**	**–**	**–**	**18,094.9**
Repayment and derecognition	**(15,610.6)**	**(113.7)**	**(253.1)**	**(15,977.4)**
Written off	**–**	**–**	**(881.7)**	**(881.7)**
Exchange adjustments	**122.2**	**3.6**	**0.9**	**126.7**
Gross carrying amount as at 31 December 2021	**11,973.8**	**542.1**	**164.6**	**12,680.5**

As at 31 December 2021, loans and advances to consumer finance customers with a gross carrying amount of HK$155.5 million (2020: HK$161.4 million) classified as lifetime ECL (credit-impaired) is covered by collateral and other credit enhancement measures.

48. 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 2020	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**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(263.8)**	**263.8**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(108.6)**	**–**	**108.6**	**–**
Transfer from lifetime ECL to 12-month ECL	**1.6**	**(1.6)**	**–**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(20.5)**	**20.5**	**–**
New financial assets originated	**2,810.1**	**–**	**–**	**2,810.1**
Repayment and derecognition	**(1,876.7)**	**(50.3)**	**(429.8)**	**(2,356.8)**
Gross carrying amount as at 31 December 2021	**2,854.1**	**296.3**	**364.0**	**3,514.4**

As at 31 December 2021, mortgage loans with a gross carrying amount of HK$364.0 million (2020: HK$664.7 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 2020	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**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(159.2)**	**159.2**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(35.8)**	**–**	**35.8**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(63.1)**	**63.1**	**–**
New financial assets originated	**269.5**	**–**	**–**	**269.5**
Repayment and derecognition	**(945.4)**	**–**	**(72.1)**	**(1,017.5)**
Gross carrying amount as at 31 December 2021	**315.2**	**159.2**	**1,102.8**	**1,577.2**

As at 31 December 2021, term loans with a gross carrying amount of HK$1,102.8 million (2020: HK$1,076.0 million) classified as lifetime ECL (credit-impaired) is covered by collateral and other credit enhancement measures.

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48. 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 2020	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**
Changes due to financial instruments recognised during the year:				
New financial assets originated	**1.5**	**–**	**–**	**1.5**
Exchange adjustments	**(16.4)**	**–**	**–**	**(16.4)**
Gross carrying amount as at 31 December 2021	**277.8**	**–**	**17.5**	**295.3**

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 2020	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**
Changes due to financial instruments recognised during the year:				
New financial assets originated	**120.9**	**–**	**–**	**120.9**
Repayment and derecognition	**(23.8)**	**–**	**(197.9)**	**(221.7)**
Exchange adjustments	**2.0**	**–**	**–**	**2.0**
Gross carrying amount as at 31 December 2021	**257.8**	**–**	**–**	**257.8**

48. 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 2021					
Bank and other borrowings+	**4,433.2**	**2,003.5**	**2,039.0**	**62.1**	**8,537.8**
Trade and other payables	**317.0**	**–**	**–**	**–**	**317.0**
Lease liabilities	**30.0**	**82.8**	**215.8**	**73.6**	**402.2**
Notes/paper payable	**160.7**	**4,505.5**	**6,551.4**	**–**	**11,217.6**
Loan commitments#	**1,623.0**	**–**	**7.7**	**25.8**	**1,656.5**
Other liabilities	**32.2**	**–**	**–**	**19.2**	**51.4**
Total	**6,596.1**	**6,591.8**	**8,813.9**	**180.7**	**22,182.5**
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	4,258.7	9,379.2	162.4	20,377.4

+ 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.

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48. Financial Risk Management *(Continued)*

(c) Liquidity Risk *(Continued)*

Interest rate benchmark reform

As listed in note 35 as at 31 December 2021, several of the Group's LIBOR bank and other borrowings will be subject to the interest rate benchmark reform. Term loans indexed to LIBOR that were present at 1 January 2021 have been repaid in full by 31 December 2021. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

Risks arising from the interest rate benchmark reform

The Group considered that the risks arising from the transition on the interest rate benchmark reform are below:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

The Group is planning to repay the remaining LIBOR bank and other borrowings at an agreed point in time before cessation of the relevant LIBOR index.

49. 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)	Other liabilities (Note 40)	Lease liabilities (Note 41)	Notes/paper payable (Note 42)	Total
At 1 January 2021	**–**	**8,467.3**	**–**	**312.7**	**8,146.8**	**16,926.8**
Financing cash flows:						
Bank and other borrowings repaid	**–**	**(19,546.7)**	**–**	**–**	**–**	**(19,546.7)**
Bank and other borrowings raised	**–**	**19,403.9**	**–**	**–**	**–**	**19,403.9**
Proceeds from issue of notes/paper	**–**	**–**	**–**	**–**	**3,704.6**	**3,704.6**
Repayment of notes/paper	**–**	**–**	**–**	**–**	**(1,930.5)**	**(1,930.5)**
Accrued interest	**–**	**245.5**	**–**	**12.9**	**439.7**	**698.1**
Interest paid	**–**	**(208.1)**	**–**	**(12.9)**	**(464.9)**	**(685.9)**
Lease payments	**–**	**–**	**–**	**(102.6)**	**–**	**(102.6)**
New lease entered/lease modified	**–**	**–**	**–**	**147.8**	**–**	**147.8**
Contribution from third-party interests	**–**	**–**	**51.4**	**–**	**–**	**51.4**
Payments of loan arrangement fee	**–**	**(42.1)**	**–**	**–**	**–**	**(42.1)**
Effect on foreign exchange rate changes	**–**	**18.8**	**–**	**0.5**	**48.7**	**68.0**
At 31 December 2021	**–**	**8,338.6**	**51.4**	**358.4**	**9,944.4**	**18,692.8**
At 1 January 2020	32.9	8,157.1	–	117.7	8,598.7	16,906.4
Financing cash flows:						
Short-term loans due to fellow subsidiaries repaid	(32.9)	–	–	–	–	(32.9)
Bank and other borrowings repaid	–	(18,016.1)	–	–	–	(18,016.1)
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

50. Interests in Unconsolidated Structured Entities

Interests in unconsolidated structured entities held by the Group include investment funds. The nature and purpose of these unconsolidated structured entities is to hold interest in investment funds managed by third parties, and they are financed through issue of units to investors. The interests held by the Group in these unconsolidated structured entities mainly involve the investments held by the Group or revenue shared from third parties.

As at 31 December 2021, the carrying amounts of interests held by the Group from unconsolidated structured entities managed by third parties were HK$14,123.8 million. The amounts were classified as financial assets at fair value through profit or loss. The carrying amounts approximate to the maximum loss exposure.

During the year ended 31 December 2021, revenue shared from investment funds managed by third parties was HK$37.5 million.

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51. Statement of Financial Position of the Company

(HK$ Million)	31/12/2021	31/12/2020
Non-current Assets		
Property and equipment	**5.4**	1.6
Intangible assets	**8.4**	6.2
Right-of-use assets	**166.5**	100.1
Interests in subsidiaries	**4,024.2**	4,001.4
Interest in associates	**–**	–
Other receivable	**8.9**	–
Amounts due from subsidiaries	**6,019.8**	4,458.3
Amounts due from associates	**59.8**	59.8
	10,293.0	8,627.4
Current Assets		
Amounts due from subsidiaries	**9,544.8**	6,062.4
Amounts due from holding company	**0.1**	–
Financial assets at fair value through profit or loss	**–**	1,174.0
Term loan	**–**	402.9
Other receivables	**17.8**	12.1
Cash and cash equivalents	**196.7**	1,932.5
	9,759.4	9,583.9
Current Liabilities		
Amounts due to subsidiaries	**6,584.9**	5,300.0
Amounts due to holding company	**–**	4.7
Trade payables, other payables and accruals	**244.2**	259.3
Tax payable	**11.3**	–
Lease liabilities	**25.2**	9.6
Provisions	**0.1**	4.6
	6,865.7	5,578.2
Net Current Assets	**2,893.7**	4,005.7
Total Assets less Current Liabilities	**13,186.7**	12,633.1
Capital and Reserves		
Share capital	**8,731.0**	8,731.0
Reserves	**4,312.1**	3,811.7
Equity attributable to owners of the Company	**13,043.1**	12,542.7
Non-current Liabilities		
Lease liabilities	**143.3**	90.1
Provisions	**0.3**	0.3
	13,186.7	12,633.1

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 17 March 2022 and are signed on its behalf by:

Lee Seng Huang
Director

Simon Chow Wing Charn
Director

52. Reserves of the Company

(HK$ Million)	2021	2020
Retained earnings		
Balance at 1 January	**3,811.7**	2,516.0
Profit and total comprehensive income for the year	**1,053.4**	1,866.5
Dividends paid	**(515.0)**	(517.8)
Shares repurchased and cancelled	**(38.0)**	(53.0)
Balance at 31 December	**4,312.1**	3,811.7

The distributable reserves of the Company at 31 December 2021 amounted to HK$3,701.9 million (31/12/2020: HK$3,201.5 million), being its net realised profits calculated under Section 291 of the Hong Kong Companies Ordinance.

53. Comparative figures

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Peter Anthony Curry

Independent Non-Executive Directors

Evan Au Yang Chi Chun
David Craig Bartlett
Alan Stephen Jones
Vivian Alexa Kao *(appointed on 26 May 2021)*
Jacqueline Alee Leung
Wayne Robert Porritt *(appointed on 26 May 2021)*

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

Wayne Robert Porritt *(Chairman) (appointed as member on 26 May 2021 and as chairman on 5 July 2021)*
Simon Chow Wing Charn
Evan Au Yang Chi Chun *(appointed on 25 October 2021)*
Vivian Alexa Kao *(appointed on 25 October 2021)*
Brendan James McGraw *(appointed on 5 July 2021)*
Alfred Leung Sai Kit
Lindsay Megan Wright
Paul Olivera *(resigned to be effective on 21 March 2022)*

COMPANY SECRETARY

Lee Sze Wai *(appointed on 5 July 2021)*

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

Davis Polk & Wardwell
Maples & Calder
Mayer Brown
P. C. Woo & Co.

CORPORATE INFORMATION

BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
China CITIC Bank International 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
Tai Fung Bank Limited
Mega International Commercial Bank Co., Ltd, Offshore Banking Branch
Credit Suisse AG, Cayman Islands Branch
Citibank N.A.

REGISTRAR

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