新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

Stock Code: 0086

2022

ANNUAL REPORT

The images in the report feature team Sun Hung Kai Scallywag, one of Hong Kong's top professional off-shore sailing teams.

The team won the homecoming leg of the renowned Volvo Ocean Race 17-18, one of the toughest sailing challenges in the world. It was also the line honours winner in the SOLAS Big Boat Challenge and Australia Maxi Championship in 2021, as well as Sun Hung Kai & Co. Around The Island Race in 2022.

Sun Hung Kai & Co believes that competitive sailing reflects and espouses the company's ethos - *"Endure. Adapt. Excel"* and the team's spirit is a source of inspiration for all our employees, business partners and the community at large.

CONTENTS

OUR JOURNEY OF TRANSFORMATION

50+ Years of Excellence

in Financial Markets

HK$43 billion* total assets

Committed to generating long term capital growth for shareholders

*as at 31 December 2022

1969-1995

- SHK & Co. founded in 1969 as a pioneer in the brokerage industry
- Listed in Hong Kong in 1983

1996-2014

- Allied Properties acquired a majority stake in 1996
- Entered Consumer Finance with acquisition of United Asia Finance ("UAF") in 2006
- UAF commenced business in Mainland China in 2007

2015-2020

- 70% of Sun Hung Kai Financial acquired by Everbright Securities in 2015 and the remaining 30% in 2020
- Established Mortgage Loans business in 2015
- Built Investment Management business in 2015
- Extended Investment Management capabilities to Funds Management platform

2021 and Beyond

- Launched Funds Management platform SHK Capital Partners in 2021
- Obtained full Type 1, 4, 9 SFC licenses
- Launched Family Office Solutions in 2022
- Driving SHK & Co.'s mission of becoming a leading alternative investment platform

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.

In recent years, 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 held about HK$43 billion in total assets as at 31 December 2022.

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.

Mortgage Loans

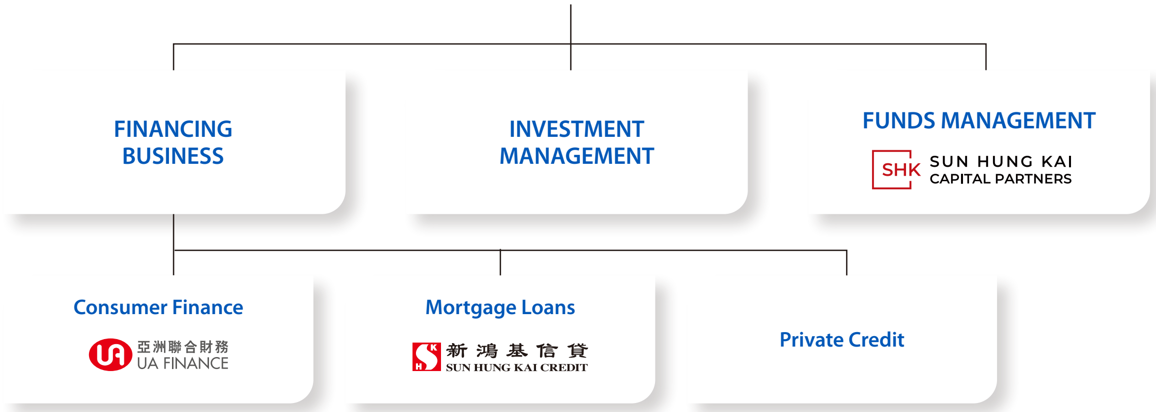
Sun Hung Kai Credit Limited ("Sun Hung Kai Credit" or "SHK Credit")

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.

Private Credit

The Private Credit business provides tailored funding solutions to corporates, investment funds and high net worth individuals. Following the reorganisation 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.

3 Pillars of Our Core Business



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 excess return 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 a Strategic Holdings portfolio. In June 2022, the Public Credit strategy was spun out and launched as a 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 maximise 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

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 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, eight partnerships/funds have been launched since 2021 across a variety of strategies. 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,

In 2022, global markets faced volatility across asset classes, with rising interest rates and disruptions in the real economy driven by both COVID-19 and geopolitics. Against the backdrop of this difficult macroeconomic environment, the Company ("SHK & Co.") took prudent actions to mitigate the impact on our businesses and investments and maintain a strong liquidity position. We remain focused on becoming Asia's leading alternative investment platform.

The Group's diversified business mix and conservative balance sheet has helped us to navigate the strong headwinds and we aim to continue delivering long term risk-adjusted returns to our shareholders. Our Financing assets and our growing Funds Management platform provide us with a relatively uncorrelated diversified earnings stream, while the Investment Management unit focuses on generating risk-adjusted returns in the long term.

Our Funds Management business has achieved solid progress in 2022 post the setup year of 2021. AUM and revenue growth has been very encouraging particularly from strategies that are better suited for the volatile market environment. As at end of 2022, we have seeded five partnerships, launched three internally managed funds with the third-party capital totalled in excess of US$450 million. We have also extended this platform to provide Family Office Solutions. Our balanced and diversified assets give us a platform to deliver consistent value to shareholders.

Financial Highlights, Capital Management and Dividends

In 2022, HK$1,534.8 million of loss attributable to owners of the Company was recorded, compared to the previous year's profit of HK$2,813.7 million. Basic loss per share was HK78.2 cents (2021: profit of HK142.7 cents), mainly due to mark-to-market losses in the Investment Management division. Although we employed active hedges and other strategies to protect our investment portfolios amid the market downturn, the speed, size and volatility of the market moves proved greater than anticipated. The book value per share was HK$11.4 (2021: HK$12.7). Return on equity and return on assets were -6.5% and -2.6%, respectively (2021: 11.8% and 7.1%, respectively).

We continued to maintain a strong cash position and a healthy balance sheet, and adapted to changes in the funding environment. In March 2022, we did a tap issue of US$75 million 5.00% USD medium term notes, and subsequently redeemed the full outstanding amount together with interest (US$443.9 million) of 4.65% USD notes upon their maturity in September 2022. During the year, we also bought back a portion of our outstanding USD medium term notes at an aggregate principal amount of US$59.8 million. The Company continued to repurchase shares in 2022, with a buyback of 5.9 million shares for a total net consideration of HK$18.3 million. We plan to continue repurchasing our shares in the ordinary course of business, as we had in previous years.

We maintained our dividend and share buyback policy in 2022 and returned HK$13.4 billion to our shareholders since 2007. The Board declared a second interim dividend of HK14 cents per share, unchanged from the previous year. Together with an interim dividend of HK12 cents per share, the total dividend per share amounted to HK26 cents for 2022 (2021: HK30 cents per share, including special dividend of HK4 cents per share).

Business Update

During the year, our Financing business produced stable cashflows despite the pandemic-driven economic slowdowns in both Mainland China and Hong Kong. Consumer Finance contributed pre-tax profit of HK$1,197.1 million in 2022, which represented a year-over-year decrease of 28.1% following the unit's record performance in 2021. Revenue and asset quality for the Consumer Finance business was generally stable, and the Company continued to make appropriate impairment provisions.

Mortgage Loans made a pre-tax profit contribution of HK$122.3 million in 2022, reaching an all-time high despite the challenged Hong Kong real estate market. We continued to exercise caution in loan underwriting against continued downward pressure on Hong Kong property values and rising funding costs.

The Private Credit business recorded a pre-tax loss of HK$44.7 million in 2022. The net loan balance declined significantly as the Company focused on managing our existing portfolio and reallocated a large portion of business to MCIP, an APAC real estate loan fund in our Funds Management division, in line with our strategy of developing a leading alternative investment platform.

The Investment Management business stayed focused on its long-term investment horizon, aiming to preserve capital and remain positioned to opportunistically capture market dislocations. Pre-tax loss was HK$2,403.8 million, mainly attributable to the unrealised loss on Alternatives and Real Estate of HK$1,865.9 million, with a large amount of write-downs driven by the over exuberant valuations stemming from the second half of 2021. Private Equity continued to return capital though with a lesser frequency of exits. Meanwhile, we continued to make upgrades to our back end, including investing in a new portfolio management system that will enhance data analytics and improve portfolio reporting.

Sun Hung Kai Capital Partners ("SHKCP"), our Funds Management unit, delivered solid growth, with AUM increasing from US$809 million at end-2021 to US$975 million at end-2022. The quantitative equity market-neutral ActusRayPartners European Alpha Fund we seeded in 2021 performed well in the volatile markets, and the strategy was a main driver of our AUM growth. Such seed arrangements provide an attractive and complementary asymmetric return stream to our investment portfolios.

During the year, we continued to develop, launch, and manage innovative investment solutions both through our Seeded Partners and SHKCP's own funds. On the back of demand by clients for direct alternative investment opportunities, we set up the SHKCP Private Access Fund collaborating with Investment Management division. This collaborative approach is expected to accelerate in 2023.

In addition, we extended our support to E15VC, a global deep tech venture capital Seeded Partner by anchoring the firm's third fund, E15 Fund III, LP. The fund raised US$61 million at first close based on the team's proven track record.

In 2022, we also launched a new initiative called Family Office Solutions (FOS). This unit of SHKCP provides customised alternative investment solutions that creates long term value for a limited number of private clients, family offices and institutions. We expect this new business to support further diversification of our revenue base and open up further synergies between different business units across the Group.

I am very pleased that the Funds Management unit has managed to plant strong roots despite its launch in such an uncertain market environment. Its growing momentum supports our strategy of transforming into a leading alternative investment platform.

People and Community

We have placed greater emphasis on ESG over the past year, setting out guiding principles in four key areas: Culture of Integrity & Compliance, Diversity & Inclusion, Climate Change and Responsible Investment & Financing. These values will ensure that we reward the trust of our stakeholders, foster harmony in our workforce, help take care of the planet and operate our financing and investing businesses in a responsible manner.

I am particularly pleased to share that we have further mapped out our sustainability commitments with the adoption of three new policies: a Group Procurement Policy with Supplier Code of Conduct; a Climate Change Policy; and Green Office Guidelines. We are convinced that the positive impact we can make on the environment and the larger community represent an important part of the value we create for our stakeholders.

During the pandemic, many of our staff were forced to work remotely, and taking care of our people took on increased importance during this difficult period. We supported SHK & Co.'s Hong Kong-based staff in a number of ways, including by delivering green food boxes to every team member's home. Since then, we have continued to promote staff health and wellbeing through team workout challenges, health-focused talks and regular social events.

We delivered more than 19,900 hours of training during the year, on topics ranging from leadership to cybersecurity. We also gave team members a chance to give back to the community through volunteer activities such as planting trees and distributing rice dumplings to the homeless community for the Dragon Boat Festival. Our team's enthusiastic participation in these charity events is a testament to the environmentally and socially conscious corporate culture we have built.

Outlook

The end of 2022 and first months of 2023 have given us cause for cautious optimism. The relaxation of almost all COVID-19 measures in Hong Kong and Mainland China should improve the outlook for our Financing business in particular. Across Investment Management and Funds Management, we have seen opportunities pick up since November and continue their momentum into the new year. Nevertheless, we know that many uncertainties lie ahead. Fears of a global recession and geopolitical tensions continue to cloud markets. These conditions create a challenging operating environment, but they also highlight investors' need for alternative investments, particularly in the Asian region, and confirm that we are moving in the right direction as a group, with our Funds Management and Investment Management businesses leading our ongoing corporate transformation.

I thank our shareholders, business partners, colleagues and Board members for their steadfast support as we continue to navigate the volatility and look to capture the opportunities that lie ahead.

Lee Seng Huang
Group Executive Chairman

Hong Kong, 16 March 2023

FINANCIAL SUMMARY

Total Assets -12.0%

HK$42,914.7m

Revenue -6.2%

HK$4,054.1m

Shareholders' Equity -10.8%

HK$22,358.1m

Attributable Loss

HK$1,534.8m

Net Gearing Ratio from 49.0% to

43.7%

DPS -13.3%

HK26.0c

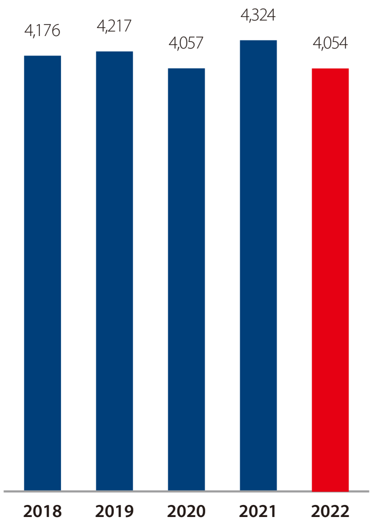
BVPS -10.2%

HK$11.4

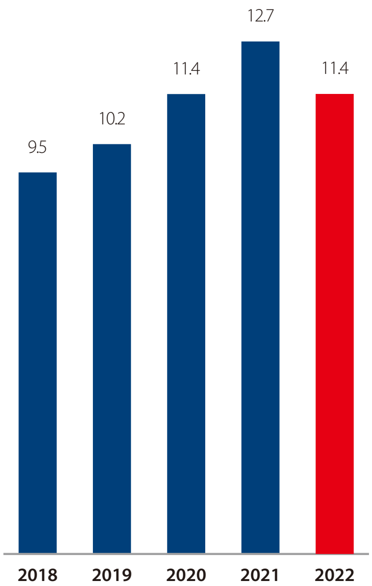
Total cash -1.9%

HK$5,883.9m

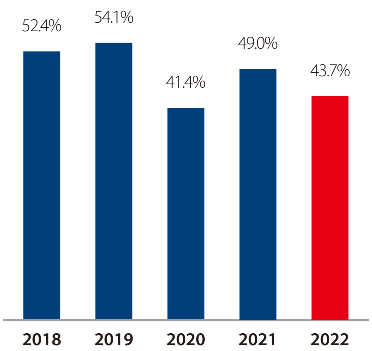
Revenue (HK$m)



Book Value per Share (HK$)



Net Gearing Ratio



Funding Structure

Total Borrowings

HK$15,650.0m

-14.4%

Bank and Other Borrowings

HK$8,985.2m

+7.8%

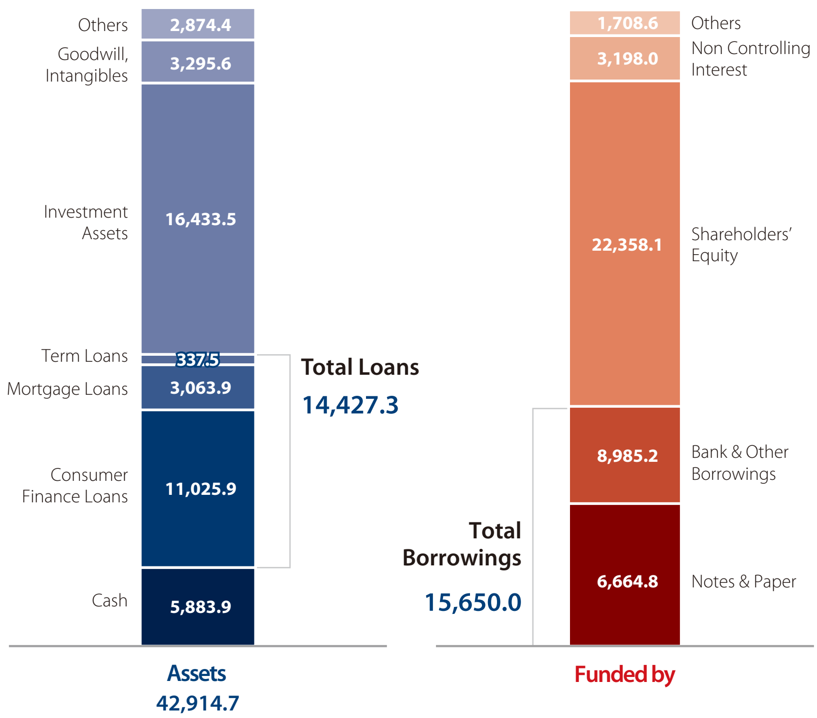
Notes and Paper

HK$6,664.8m

-33.0%

Balance Sheet (HK$ million)

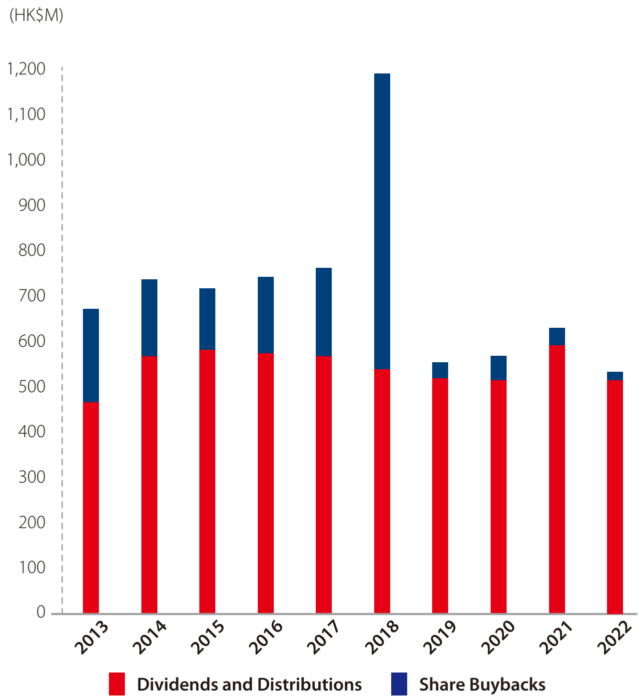
The Group's balance sheet remained strong, with a healthy cash position and low gearing. Long-term loans and investment assets are funded by long-term debt and equity, while short-term assets are well-matched with short-term debt.



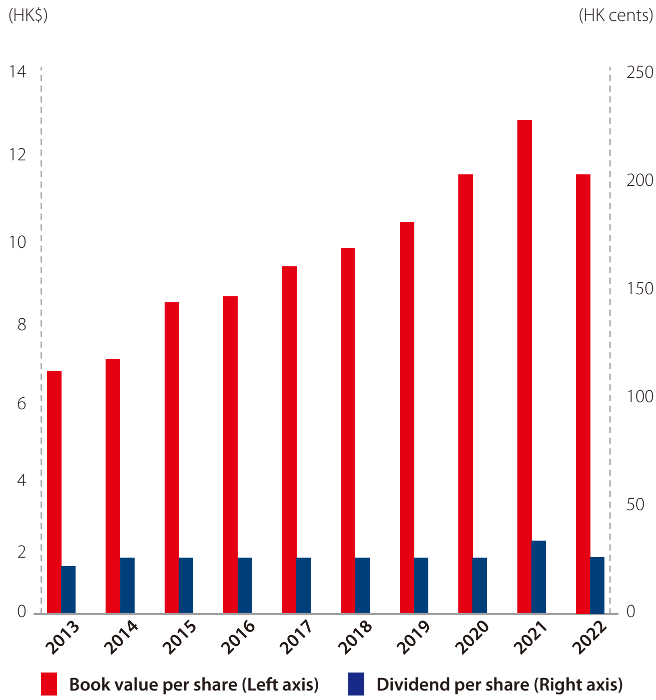
CREATING VALUE FOR SHAREHOLDERS

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$13.4 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)	2018	2019	2020	2021	**2022**	22/21 % change
Revenue	4,175.7	4,216.8	4,056.6	4,324.0	**4,054.1**	-6.2%
Profit/(Loss) attributable to owners of the Company	1,183.8	2,085.2	2,547.7	2,813.7	**(1,534.8)**	N/A
Balance Sheet data as at 31 Dec (HK$ Million)						
Total assets	40,684.1	42,561.6	44,083.2	48,790.1	**42,914.7**	-12.0%
Total liabilities	17,839.0	18,985.0	18,130.9	20,250.9	**17,358.6**	-14.3%
Shareholders' equity	19,039.2	20,381.7	22,625.2	25,075.2	**22,358.1**	-10.8%
Share Data						
Basic EPS (HK cents)	56.2	104.4	128.3	142.7	**(78.2)**	N/A
Diluted EPS (HK cents)	56.1	104.2	128.0	142.5	**(78.1)**	N/A
DPS (HK cents)	26.0	26.0	26.0	30.0	**26.0**	-13.3%
BVPS (HK$)	9.5	10.2	11.4	12.7	**11.4**	-10.2%
Total number of shares at year end (Million)	2,008.0	1,998.8	1,982.3	1,973.3	**1,967.4**	-0.3%

OUR AWARDS AND RECOGNITIONS

2018-2022	**Listed Enterprises of the Year**	Bloomberg Businessweek/Chinese Edition
2018-2022	**Listed Company Awards of Excellence**	Hong Kong Economic Journal
2021-2022	**The 6th Golden Hong Kong Stocks Awards – Best Financial Stock Company**	Zhitong Finance/ Hithink RoyalFlush Information
2022	**Hithink RoyalFlush Corporate Official Accounts Annual Award – IR Pioneer Award**	Hithink RoyalFlush Information
2022	**WIND Best Listed Companies Roadshow Awards – Best Investor Relations**	WIND Financial Terminal
2013-2018, 2020, 2022 2019, 2021	**Gold Award of Corporate ESG Awards** **Titanium Award of Corporate ESG Awards**	The Asset
2021-2022	**Green Office Awards Labelling Scheme – Green Office and Eco-Healthy Workplace**	World Green Organisation
2016-2022	**Caring Company**	The Hong Kong Council of Social Service
2021-2022	**Happy Company Award**	Happy Index Foundation and Hong Kong Productivity Council
2014-2022	**Good MPF Employer**	Mandatory Provident Fund Schemes Authority
2022	**Partner Employer Award**	Hong Kong General Chamber of Small and Medium Businesses

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	Year Ended		
(HK$ Million)	**2022**	2021	Change
Revenue	**4,054.1**	4,324.0	-6.2%
Pre-tax (loss)/profit	**(892.3)**	3,773.2	N/A
(Loss)/profit attributable to owners of the Company	**(1,534.8)**	2,813.7	N/A
Basic (loss)/earnings per share *(HK cents)*	**(78.2)**	142.7	N/A
Second interim dividend *(HK cents)*	**14.0**	14.0	–
Special dividend *(HK cents)*	**–**	4.0	-100.0%
Book value per share *(HK$)*	**11.4**	12.7	-10.2%

In 2022 the Group faced the confluence of turbulent financial markets and a gloomy economy. Central banks led by the US Federal Reserve aggressively hiked rates during the year to contain runaway inflation, driving extreme volatility across all asset classes globally. At the same time, the intermittent COVID-19 lockdowns in the Greater China area continued to curb local business activities and contribute to the regional economic slowdown. Amid these pressures, the Group continued to maintain a robust financial position and high liquidity despite the negative short-term impacts on our financial results. The Group is uniquely positioned to navigate market volatility leveraging our diversified businesses, strong balance sheet and half-century long history.

Loss attributable to owners of the Company for 2022 was HK$1,534.8 million (2021: profit of HK$2,813.7 million), primarily due to the mark-to-market losses taken by the Investment Management segment, reflecting the sharp sell-off in public markets and the subsequent impact on private market valuations. Basic loss per share for the year was HK78.2 cents (2021: earnings per share ("EPS") of HK142.7 cents).

The Board of Directors (the "Board" or the "Directors") of the Company has declared a second interim dividend of HK14 cents per share for the year ended 31 December 2022, same as previous year (excluding special dividends). During the year, the Company repurchased 5.9 million shares for a total net consideration of HK$18.3 million. In addition, the Company also repurchased its medium-term notes ("MTN") with principal amount totalling US$59.8 million during the year and fully redeemed the 4.65% MTN upon its maturity in September 2022 with principal and interest amounting to US$443.9 million.

As at 31 December 2022, the Group's book value per share was HK$11.4 (2021: HK$12.7).

RESULTS ANALYSIS

The Group's revenue in 2022 remained relatively stable at HK$4,054.1 million (2021: HK$4,324.0 million) despite the challenging business environment. The revenue mainly consisted of interest income from the Financing business of HK$3,832.8 million for the year.

Pre-tax loss was HK$892.3 million (2021: profit of HK$3,773.2 million), primarily due to the pre-tax loss recorded in the Investment Management segment, partially offset by a pre-tax profit of HK$1,274.7 million contributed by the Group's Financing business, which is largely uncorrelated to capital markets.

Consumer Finance delivered a robust pre-tax profit of HK$1,197.1 million in 2022, compared to HK$1,665.4 million for 2021, which was an all-time high.

Mortgage Loans contributed a pre-tax profit of HK$122.3 million in 2022 (2021: HK$120.0 million), the highest since the commencement of this business.

Private Credit recorded a pre-tax loss of HK$44.7 million (2021: profit of HK$5.1 million) due in part to a smaller average loan book size and in part to the appropriate impairment provisions we made.

Investment Management recorded a pre-tax loss of HK$2,403.8 million (2021: profit of HK$1,917.8 million), mainly attributable to the unrealised loss on Alternatives and Real Estate of HK$1,865.9 million (2021: HK$559.5 million) and the decrease in realised gain on Alternatives and Real Estate to HK$400.8 million from HK$3,031.8 million for 2021 as a result of fewer exit events in 2022.

Funds Management as a new business segment recorded a pre-tax loss of HK$22.9 million in 2022 (2021: profit of HK$16.6 million), primarily due to a reduction in performance fees received in 2022 versus 2021.

Group Management and Support ("GMS") recorded a pre-tax profit of HK$259.7 million in 2022 (2021: HK$48.3 million), mainly as a result of the increase in the fair value of financial assets held for hedging and liquidity purposes.

Operating costs for the year were HK$1,563.3 million (2021: HK$1,695.4 million), down 7.8% year-on-year, mainly reflecting lower performance-related operating expenses.

BUSINESS REVIEW

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

	Pre-tax Contribution for the Year ended			Segment Assets as at	
(HK$ Million)	**2022**	2021	Change	**Dec 2022**	Dec 2021
FINANCING BUSINESS					
Consumer Finance	**1,197.1**	1,665.4	-28.1%	**18,156.9**	19,253.9
Mortgage Loans	**122.3**	120.0	1.9%	**3,283.4**	3,647.0
Private Credit	**(44.7)**	5.1	N/A	**486.0**	1,038.5
Sub-total	**1,274.7**	1,790.5	-28.8%	**21,926.3**	23,939.4
INVESTMENT MANAGEMENT	**(2,403.8)**	1,917.8	N/A	**17,579.9**	21,087.9
FUNDS MANAGEMENT	**(22.9)**	16.6	N/A	**14.3**	31.4
GMS	**259.7**	48.3	437.7%	**3,394.2**	3,731.4
Total	**(892.3)**	3,773.2	N/A	**42,914.7**	48,790.1

FINANCING BUSINESS

The Group's Financing business demonstrated its resilience and contributed strong cashflow in 2022, although it was not fully immune to the weakened business environment.

Consumer Finance

The Group's Consumer Finance business is conducted via its majority-owned subsidiary United Asia Finance Limited ("UAF") which operates under a money lenders licence in Hong Kong and holds an internet loan licence as well as offline money lending licences in major cities across Mainland China. Through a well-established branch network and sophisticated online and mobile platforms, UAF primarily offers unsecured loans to individuals and small to medium-sized business owners in Hong Kong and Mainland China. UAF is the prominent leader in the unsecured lending market. Over the past five consecutive years, UAF ranked first among all money lenders and was one of the top five among all lenders in terms of outstanding balance of unsecured lending in Hong Kong.

Segment Full Year Results

	Year ended 31 December		
(HK$ Million)	**2022**	2021	Change
Revenue	**3,499.3**	3,526.2	-0.8%
Return on loans (% average gross loan balance)[1]	**28.8%**	29.4%	
Operating costs	**(1,229.2)**	(1,168.0)	5.2%
Cost to income (% revenue)	**35.1%**	33.1%	
Finance costs	**(347.3)**	(222.9)	55.8%
Net impairment losses	**(702.3)**	(509.4)	37.9%
Other gains	**28.5**	38.8	-26.5%
Other losses	**(9.2)**	(1.1)	736.4%
Exchange (loss)/gain	**(42.7)**	1.8	N/A
Pre-tax contribution	**1,197.1**	1,665.4	-28.1%
Loan Book:			
Net loan balance	**11,025.9**	12,049.7	-8.5%
Gross loan balance[2]	**11,630.3**	12,680.5	-8.3%

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

Revenue in 2022 remained flat compared to the prior year despite the gross and net loan balance decreasing by 8.3% and 8.5% to HK$11,630.3 million and HK$11,025.9 million, respectively, as we were prudent in new loan underwriting against the economic backdrop.

Operating costs increased by 5.2% year-over-year as we continued to invest in technology infrastructure for our online products. Our enhanced collection efforts, a marketing campaign launched at the end of 2021 which lasted until 1H of 2022 and other promotional activities also contributed to the increase. Our finance costs, a certain portion of which were HIBOR based, increased by 55.8% year-over-year to HK$347.3 million despite the fact that our bank facilities' spread over the benchmark rate remained stable. Net impairment losses increased by 37.9% year-over-year to HK$702.3 million, mainly as a result of the HK$117.7 million reduction in written back of impairment allowance compared to 2021. The fifth wave outbreak of COVID-19 in Hong Kong in 1H 2022 also exacerbated net impairment losses.

As a result, pre-tax contribution to the Group in 2022 amounted to HK$1,197.1 million, a decrease of 28.1% compared to the record high of HK$1,665.4 million for 2021.

Net Impairment Losses on Financial Instruments

(HK$ Million)	**2022**	2021
Amounts written off[1]	**(938.3)**	(881.7)
Recoveries[2]	**224.9**	243.5
Charge off	**(713.4)**	(638.2)
As % of average gross loan balance	**5.9%**	5.3%
Written back of impairment allowance[3]	**11.1**	128.8
Net impairment losses	**(702.3)**	(509.4)
As % of average gross loan balance	**5.8%**	4.2%
Impairment allowance at year end	**604.4**	630.8
As % of gross loan balance at year end	**5.2%**	5.0%

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 2022**	**Note**	31 Dec 2021	Note
Less than 31	**705.0**	**6.4%**	828.4	6.9%
31–60	**127.5**	**1.2%**	102.6	0.9%
61–90	**66.0**	**0.6%**	28.5	0.2%
91–180	**2.7**	**0.0%**	1.6	0.0%
Over 180	**67.6**	**0.6%**	70.6	0.6%
Total	**968.8**	**8.8%**	1,031.7	8.6%

Note: Amount as a percentage of net loan balance

Hong Kong Business

Key Operating Data	**2022**	2021	Change
Number of branches	**49**	48	
Loan data:			
Gross loan balance *(HK$ Million)*	**8,743.1**	8,767.3	-0.3%
Loan originated for the year *(HK$ Million)*	**11,968.2**	12,177.3	-1.7%
Number of loans originated	**165,206**	172,030	-4.0%
Average gross balance per loan *(HK$)*	**60,885**	61,271	-0.6%
Ratios for the year:			
Total return on loans[1]	**30.4%**	30.6%	
Charge-off ratio[2]	**5.1%**	5.1%	
Net impairment losses ratio[3]	**5.0%**	4.1%	
Impairment allowance ratio[4]	**5.0%**	5.1%	

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

During the year, UAF's prudent credit underwriting policy kept the negative impact on our Hong Kong business within our expectation. Market competition remained intense. To grow our customer base among the younger demographic, UAF launched a series of promotion and advertising activities, including the brand revamp campaign featuring popular celebrities introduced at the end of 2021. After launching the campaign, UAF ranked No. 1 in brand consideration among general consumers according to the UA Finance Brand Track Study 2022 conducted by NielsenIQ.

In December 2022, UAF successfully completed development of a credit card branded as "SIM" card, an abbreviation of "Simple Instant Money". The official launch is scheduled for the first quarter of 2023. According to market surveys, this product addresses an untapped niche market segment, and it should benefit our product mix as a whole.

As the market leader, UAF is committed to providing first-rate services by investing in technology development. An iconic 3D robotic arm ("Sunbay") Non-Fungible Token ("NFT") was launched in July 2022 in a limited edition and has spurred great interest among collectors, making UAF the first money lender to launch an NFT. In November 2022, UAF established FinTech Valley, an open office space intended to foster an environment where local experts from technology and startup companies can gather to explore enterprise financing solutions. During the year, UAF further expanded its branch network to Tsing Yi, another densely populated area in Hong Kong, to make our services more accessible to local customers. Going forward UAF will grow its business by serving a wider range of customers with its versatile online and offline products across multiple channels.

Mainland China Business

Key Operating Data	2022	2021	Change
Number of branches	**17**	19	
Loan data:			
Gross loan balance *(HK$ Million)*	**2,887.2**	3,913.2	-26.2%
Loan originated for the year *(HK$ Million)*	**4,168.0**	5,512.5	-24.4%
Number of loans originated	**38,515**	52,332	-26.4%
Average gross balance per loan *(RMB)*	**69,908**	69,572	0.5%
Ratios for the year:			
Total return on loans[1]	**24.4%**	26.3%	
Charge-off ratio[2]	**7.8%**	5.9%	
Net impairment losses ratio[3]	**7.8%**	4.5%	
Impairment allowance ratio[4]	**5.8%**	4.6%	

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

In 2022, our business volume and delinquency in Mainland China were significantly impacted by the nationwide zero-COVID policy. On the operations side, UAF pursued further cost savings by reducing headcount and cutting office overheads in the mainland. Credit risks were closely managed day-to-day at an appropriate level of management. The secured loan product contributed a stable source of revenue and profit with adequate collaterals mitigating credit risk during the year.

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$122.3 million in 2022, the highest since the business commenced in 2015.

Segment Full Year Results

	Year ended 31 December		
(HK$ Million)	2022	2021	Change
Revenue	**285.1**	306.1	-6.9%
Return on loans (% average gross loan balance)	**8.6%**	9.3%	
Operating costs	**(71.0)**	(74.7)	-5.0%
Cost to income (% revenue)	**24.9%**	24.4%	
Finance costs	**(100.9)**	(101.4)	-0.5%
Net reversal (charge) on impairment losses	**9.1**	(10.0)	N/A
Pre-tax contribution	**122.3**	120.0	1.9%
Loan Book:			
Net loan balance	**3,063.9**	3,461.3	-11.5%
Gross loan balance*	**3,107.5**	3,514.4	-11.6%

* Before impairment allowance

Against the backdrop of a challenged Hong Kong property market in 2022, SHK Credit continued to exercise prudence in loan underwriting and focused on protecting our capital. The gross loan balance as at 31 December 2022 was HK$3,107.5 million (31 December 2021: HK$3,514.4 million) with first mortgage loans accounting for over 90%. The loan-to-value ratio remained at a manageable level of around 70%, which was within the management team's expectation.

Revenue for 2022 was HK$285.1 million, a decrease of 6.9% year-over-year primarily due to a smaller loan balance. Operating costs were HK$71.0 million, decreasing 5.0% year-over-year due to our improved cost efficiency in the market down-cycle. Despite the steep rate hikes, finance costs continued to decrease during the year, by 0.5% year-over-year to HK$100.9 million, partly attributable to the Group's increasingly diversified funding channels. Net impairment losses saw a reversal of HK$9.1 million in 2022 thanks to our strong collection efforts, compared to a loss of HK$10.0 million for 2021.

During the year, SHK Credit launched "Centaline • Nova Valuation+", a proprietary and industry-leading solution providing instant property valuation with a broader coverage on past property transaction data. The number of loan applications that were eligible to process under our innovative product Mortgage Fast Pass increased by 80% since its launch.

Private Credit

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

As of 31 December 2022, the net loan balance declined 62.6% year-on-year to HK$263.0 million (31 December 2021: HK$703.1 million), mainly due to our continued efforts in managing existing loans and the reallocation of capital to MCIP, an APAC real estate loan fund on our Funds Management platform, which is licensed to manage third party capital. The shift is in line with our strategy of developing a leading alternative investment platform. Total repayment received for full loan settlement during the year was HK$367.7 million. As a result, revenue for 2022 was HK$83.7 million, decreasing 68.0% year-on-year.

Net impairment losses declined by 62.2% year-on-year to HK$70.3 million in 2022 as existing loans continued to be repaid, while certain net impairment losses were due to extra provisions we appropriately made considering the fluctuation in collateral values. Finance costs also declined substantially by 53.6% year-over-year to HK$35.7 million as less capital was employed. The segment recorded a pre-tax loss of HK$44.7 million (2021: pre-tax profit of HK$5.1 million).

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

Segment Full Year Results

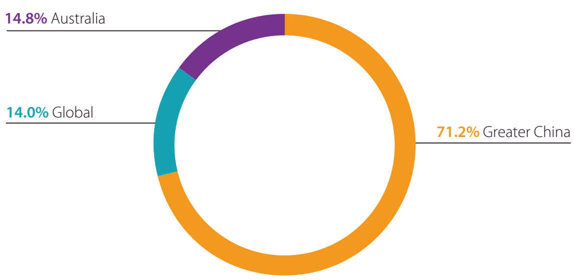
	Year ended 31 Dec		
(HK$ Million)	**2022**	2021	Change
Revenue	**83.7**	261.2	-68.0%
Return on loans[1]	**6.6%**	13.9%	
Operating costs	**(5.6)**	(4.1)	36.6%
Cost to income (% Revenue)	**6.7%**	1.6%	
Finance costs	**(35.7)**	(76.9)	-53.6%
Net impairment losses	**(70.3)**	(185.9)	-62.2%
Net gain on financial assets and liabilities	**6.7**	59.1	-88.7%
Others	**(23.5)**	(48.3)	-51.3%
Pre-tax contribution	**(44.7)**	5.1	N/A
Loan Book:			
Net loan balance	**263.0**	703.1	-62.6%
Gross loan balance[2]	**1,044.6**	1,500.6	-30.4%
Other investments:			
Listed shares and others	**2.3**	74.4	-96.9%
Interest in joint venture	**161.3**	202.1	-20.2%
	163.6	276.5	-40.8%

1 Interest and fee income/average gross loan balance

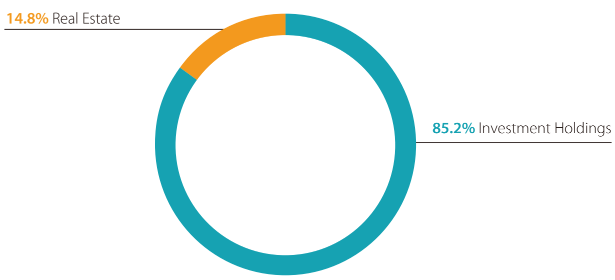
2 Before impairment allowance

Private Credit Loan Portfolio

Term Loan Breakdown by Geography



Term Loan Breakdown by Borrower's Sector



INVESTMENT MANAGEMENT

The Investment Management division leverages the Group's expertise, network and strong financial position to seek attractive risk-adjusted returns. Amid the sharp drop in asset prices in 2022, the Group adopted various active hedging strategies to protect a proportion of our public and private portfolio while rebalancing certain investments in a timely manner.

Although our portfolio was protected relative to benchmark indices, we were not fully exempt from the market downturn, as the speed and magnitude of market movements were larger than anticipated. The Alternatives and Real Estate investments, which provide attractive long-term returns, incurred an unrealised loss of HK$1,865.9 million in 2022, partially offset by a realised gain of HK$400.8 million. After operating costs, which include cost of capital, the Investment Management division recorded a pre-tax loss of HK$2,403.8 million.

In the past three years from 2020 to 2022, the cumulative realised gain on Alternatives and Real Estate was HK$5,351.5 million, and the three-year total return of the Investment Management segment was 20.5%.

Analysis of Pre-tax Contribution by Nature

(HK$ Million)	**2022**	2021[1]	Change
Realised gain on Alternatives and Real Estate	**400.8**	3,031.8	-86.8%
Unrealised loss on Alternatives and Real Estate	**(1,865.9)**	(559.5)	233.5%
Net (loss)/gain on Public Markets	**(225.3)**	70.6	N/A
Interest income	**48.1**	84.4	-43.0%
Dividends received	**39.5**	23.1	71.0%
Rental income	**25.9**	30.4	-14.8%
Net impairment allowance reversal/(losses) on financial assets	**5.7**	(9.3)	N/A
Net exchange loss	**(9.0)**	(26.1)	-65.5%
Share of results of associates & joint venture	**(4.2)**	(11.5)	-63.5%
Loss from revaluation on investment properties	**(32.7)**	(22.2)	47.3%
Others	**(0.2)**	68.2	N/A
Total (losses)/gains	**(1,617.3)**	2,679.9	N/A
Operating costs	**(786.5)**	(762.1)	3.2%
Pre-tax contribution	**(2,403.8)**	1,917.8	N/A

1 Re-presented

While major indices worldwide recorded negative returns ranging from mid-single digit to approximately 30% in 2022, the overall return of the Investment Management segment was -8.3% during the same period. Public Markets closed the year with a return of -6.1%. Alternatives recorded a return of -9.8% and Real Estate saw a return of -1.5% amid a gloomy real estate market.

On the operational side, we continued to optimise our team, enhance risk management systems and improve infrastructure to further institutionalise our investment management business and progress toward our vision of being a leading alternative investment platform.

Segment Assets Breakdown and Annual Return

	2022				Return track record	
(HK$ Million)	Year End Value	Average Value	Gain/(Loss)	Annual Return	2021^	2020^
Public Markets	**2,310.3**	**2,860.0**	**(174.9)**	**-6.1%**	4.4%	8.7%
Alternatives	**12,928.3**	**14,395.7**	**(1,409.0)**	**-9.8%**	18.8%	24.7%
Real Estate	**2,341.3**	**2,283.5**	**(33.4)**	**-1.5%**	3.6%	-5.6%
Total	**17,579.9**	**19,539.2**	**(1,617.3)**	**-8.3%**	14.2%	16.9%

^ Re-presented

Public Markets

We reclassified the positions in the Public Markets portfolio to provide more granular investment performance reporting. Currently, the portfolio consists of Corporate Holdings and Strategic Holdings at fair value through other comprehensive income ("FVTOCI"). The Public Credit strategy was spun off and launched as a partnership fund on the Group's Funds Management platform in June 2022.

Breakdown of Public Markets Portfolio as at 31 December 2022

	2022				2021[1]			
(HK$ Million)	Year End Value	Average Value	Gain/(Loss)	Annual Return[2]	Year End Value	Average Value	Gain/(Loss)	Annual Return[2]
Corporate Holdings[3]	**2,098.7**	**2,204.8**	**(163.1)**	**-7.4%**	2,367.9	2,232.2	226.8	10.2%
Credit	**–**	**447.9**	**(11.8)**	**-2.6%**	885.2	1,004.5	(77.4)	-7.7%
Strategic Holdings[4]	**211.6**	**207.3**	**–**	**N/A**	235.4	195.6	–	N/A
Total	**2,310.3**	**2,860.0**	**(174.9)**	**-6.1%**	3,488.5	3,432.3	149.4	4.4%

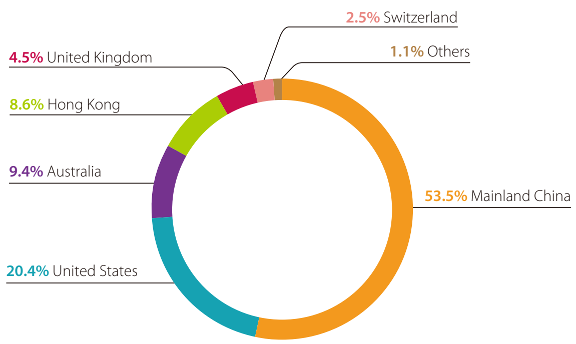
1 Re-presented
2 Gain (Loss) before costs of capital charge/average fair market value for the year
3 Certain delisted positions were regrouped to Direct/Co-investment in Private Equity
4 At FVTOCI

Corporate Holdings

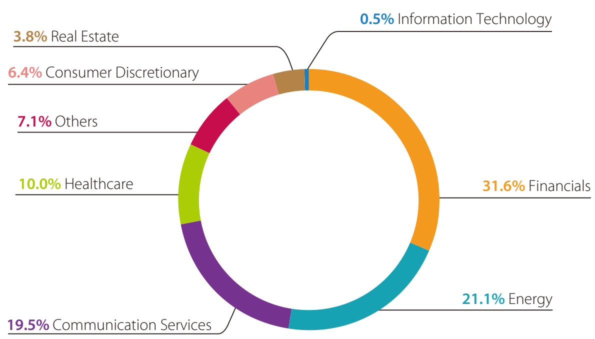
The Corporate Holdings segment mainly manages a mix of long-term and shorter-term equity positions. Derivatives and hedging are used both to manage risk and enhance returns. During 2022, we further strengthened our investment and portfolio management capabilities, striving to achieve sustainable risk-adjusted returns.

Against the confluence of global market volatility and the COVID-impacted economy in Mainland China, the performance of the strategy was -7.4%, outperforming HSCEI by 11.2 percentage points and S&P500 by 10.7 percentage points. We employed hedging strategies for the majority of the year through both index and single stock short positions, which helped reduce overall market exposure, against our US private positions and China strategic listed positions.

Corporate Holdings Exposure by Geography



Corporate Holdings Exposure by Sector



Public Credit

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

At the beginning of 2022, we started to put on active hedges to protect the long positions in our credit portfolio in response to market uncertainty. After navigating the market well relative to benchmarks, the Public Credit portfolio was transferred to an independent partnership launched on the Funds Management platform in June 2022, as part of the subscription of the fund it manages.

Strategic Holdings

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

Alternatives

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

Breakdown of Alternatives Portfolio as at 31 December 2022

(HK$ Million)	2022 Year End Value	2022 Average Value	2022 Gain/(Loss)	2022 Annual Return	2021[1] Year End Value	2021[1] Average Value	2021[1] Gain/(Loss)	2021[1] Annual Return
Private Equity:								
– External funds	**4,669.8**	**5,227.8**	**(883.4)**	**-16.9%**	5,384.6	4,539.5	1,580.4	34.8%
– Direct/ Co-Investments	**4,918.6**	**4,994.5**	**70.1**	**1.4%**	5,200.9	4,683.3	830.7	17.7%
Sub-total	**9,588.4**	**10,222.3**	**(813.3)**	**-8.0%**	10,585.5	9,222.8	2,411.1	26.1%
Hedge Funds	**3,339.9**	**4,173.4**	**(595.7)**	**-14.3%**	4,649.6	3,801.6	31.7	0.8%
Total	**12,928.3**	**14,395.7**	**(1,409.0)**	**-9.8%**	15,235.1	13,024.4	2,442.8	18.8%

[1] Re-presented

Private Equity

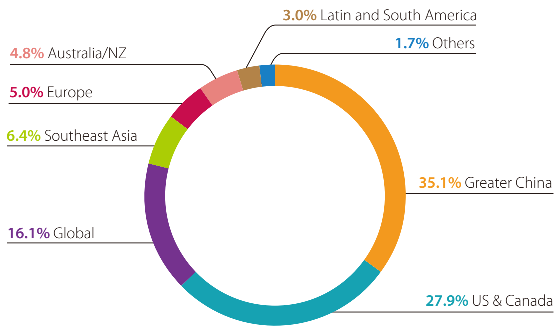
The Private Equity segment consists of our investments into external funds, co-investments alongside such funds, as well as direct investments. This portfolio provides the Company with attractive returns over the longer-term by taking advantage of our strong balance sheet, proprietary deal sourcing,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

During 2022, the portfolio was indirectly impacted by the sell-off in the public markets and recorded a return of -8.0%. This was primarily driven by the mark-to-market losses on listed portfolio companies held by the external funds that have yet to fully exit their positions.

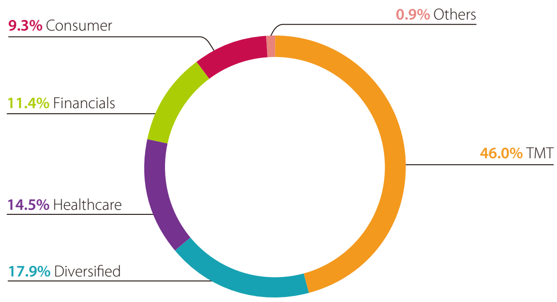
Despite the unfavourable market conditions, the portfolio still generated meaningful distributions, which contributed to this segment's positive cash flow during 2022. In addition, the portfolio also benefited from its diversification across vintages, stages, geographies and sectors; in particular, certain financial services-focused funds in the US and EU as well as consumer direct investments in Mainland China recorded strong gains during the year.

We exercised extra prudence in capital deployment in 2022 and took the opportunity to focus on portfolio management efforts with our direct portfolio companies and improve our internal infrastructure and investment processes.

Private Equity Exposure by Geography



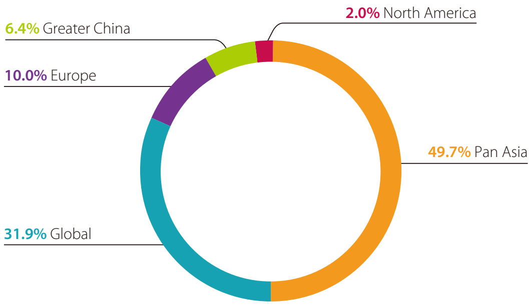
Private Equity Exposure by Sector



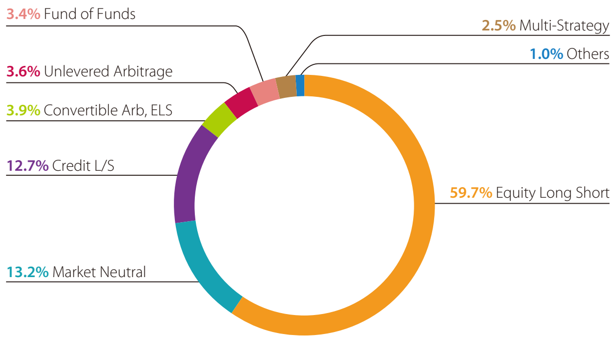
Hedge Funds

The Group's multi-manager hedge fund portfolio primarily consists of a group of selected external hedge funds that complement our capabilities and extend our investment networks. The overall strategy has been to contain losses during the difficult period in 2022 while maintaining investments so that the portfolio would be positioned for attractive opportunities when the environment normalises. Fortunately, key opportunities began to materialise by November, and the hedge fund portfolio benefitted. The Group will constantly monitor the situation with the aim of optimising the portfolio's risk/return balance.

External Hedge Funds Exposure by Geography



External Hedge Funds Exposure by Strategy

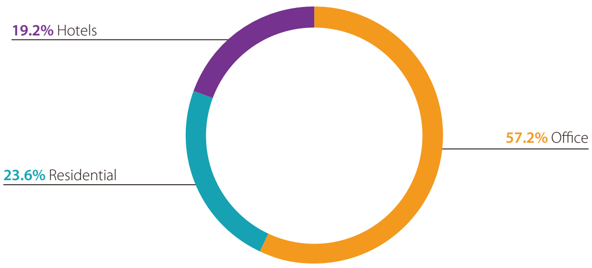


Real Estate

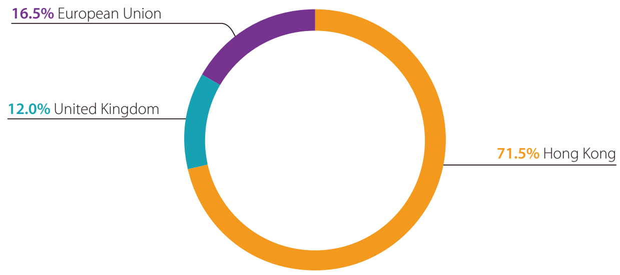
The Real Estate portfolio was valued at HK$2,341.3 million as at 31 December 2022 (31 December 2021: HK$2,364.3 million). The portfolio mainly includes the Group's interests in Hong Kong commercial real estate as well as hotels and commercial investments abroad.

In 2022, as overseas countries dropped COVID-19 restrictions, our investments in the hospitality sector saw their business recover to pre-pandemic levels. We continue to take a cautious approach to new investment, and we are monitoring broad macroeconomic and consumer preference shifts and their impact on valuations and cash flow in the markets in which we operate. In the near term, we are focused on new origination in the credit space as we believe this market will more rapidly reprice to reflect the material uncertainty ahead.

Real Estate Exposure by Asset Class



Real Estate Exposure by Geography



FUNDS MANAGEMENT

Sun Hung Kai Capital Partners Limited ("SHKCP") is the regulated entity within the Group to conduct funds management business. SHKCP is regulated by the SFC and holds a Type 1, 4 and 9 license.

The build out of the alternative funds management platform, SHKCP, commenced in 2021, a strong startup year. We have added to the platform and at the end of 2022 we had eight partnerships/funds. Albeit market conditions have been challenging we are pleased to report we have made solid progress throughout 2022.

Our primary focus is to work with clients to help them achieve their investment needs resulting in clients experiencing stronger financial wellbeing. We believe an important component of asset allocation for our target client segment is an allocation to alternatives and specifically our core focus is delivering and structuring best-in-class alternatives solutions, either through direct investments or through both independent strategies or strategies provided by our partners or SHKCP funds.

Our Funds Management business is organised into 3 groups:

1. Fund Partnerships

2. SHKCP Funds and Investment Solutions

3. Family Office Solutions

Fund Partnerships and SHKCP Funds and Investment Solutions

Through 2022 SHKCP further expanded both Fund Partnerships and SHKCP Funds and Investment Solutions.

Increased regulation, rising operating costs, a shift to a more conservative industry investor base and a decline in the number of traditional seed investors have made it increasingly difficult for first time funds and early-stage managers to attract sufficient capital to build a long-term viable business. Our Fund Partnerships business model is to work with these teams to overcome these difficulties by way of partnering with SHKCP and SHK & Co. who provides patient seed or acceleration capital, often contractually for a minimum period of time, in exchange for economics in the manager. In many cases, we have worked with the managers to develop business infrastructure and/ or distribution capabilities given the alignment of interest on both performance and asset raising. For the Group this has enabled an attractive and complementary asymmetric return stream to both our hedge fund and private equity portfolios.

During 2022 we continued to develop, launch and manage innovative investment solutions of SHKCP. In particular we launched the SHKCP Private Access Fund, which collaborates with SHK & Co.'s Investment Management teams to target specific alternative investment opportunities for our clients. This collaborative approach, particularly in relation to private company investment opportunities, is expected to accelerate in 2023.

Albeit market conditions were challenging in 2022, most of the Partnership Funds and the SHKCP Funds outperformed their respective benchmarks.

In Q4 2022, we entered into distribution agreements with quality hedge funds which are well known and understood by SHKCP. Such arrangements will provide and enhance revenue growth and diversification over time.

Family Office Solutions

We are pleased to report the establishment and launch of Family Office Solutions ("FOS") in Q4 2022. This unit provides customised alternative investment solutions that create long-term value for a limited number of private clients, family offices and institutions. Uniquely, it provides bespoke and discretionary portfolios of alternative investments leveraging the experienced in-house teams and capability of the broader SHK & Co. group. In addition, FOS provides comprehensive business operations and reporting services for clients.

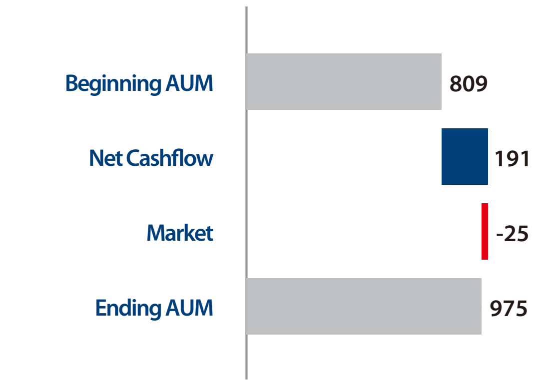
Specifically, as it relates to hedge funds, FOS provides bespoke advisory and discretionary portfolios of hedge funds to private clients and institutions. Mandates include standalone, completion strategy, or region specific and/or highly concentrated. The approach is dedicated to selecting best-in-class hedge fund managers with a focus on generating idiosyncratic sources of alpha and employing strategies uncorrelated to broader risk assets.

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

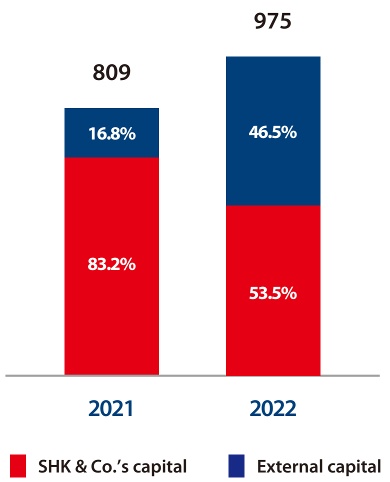
AUM and Segment Full Year Results

Overall, we achieved encouraging AUM growth in 2022, increasing external capital by US$318 million during the period, bringing our total AUM (including committed capital) of our Partners, SHKCP Funds and FOS (incl EAM) to approximately US$975 million. Net cashflow was partially impacted by a reduction in capital of US$129 million by SHK & Co., principally in the Fund of Hedge Fund – SHKCP Latitude Alpha Fund.

AUM Movement in 2022 *(US$'m)*



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



2022 has been characterised by challenging market conditions. Despite this, certain strategies on our Funds Management platform have been performing well and have garnered strong growth in AUM and revenue. Encouragingly early indications from the launch of FOS have indicated strong interest in our value proposition.

The 2022 segment financial results have been impacted by a reduction in performance fees received in 2022 versus 2021. Expenses were well controlled and increased 15.2%, principally due to increased headcount to support the growth of the business.

Segment Full Year Results

	Year ended 31 December		
(HK$ Million)	**2022**	2021	Change
Fee income	**29.2**	50.8	-42.5%
Interest income	**0.1**	–	N/A
Other income/(expenses)	**5.5**	–	N/A
Total income	**34.8**	50.8	-31.5%
Operating expenses	**(39.4)**	(34.2)	15.2%
Net (loss)/gain on financial assets[1]	**(18.8)**	–	N/A
Net exchange gain/(loss)	**0.5**	–	N/A
Pre-tax contribution	**(22.9)**	16.6	N/A

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

OUTLOOK

At the time we present this report, global markets are still facing multiple challenges including persistent inflation, conditional central banks' decision, recession risks in the EU and US as well as ongoing geopolitical tensions. In the Greater China region, the relaxation of the zero-COVID policy and the border reopening between Hong Kong and Mainland China have improved market confidence in economic recovery in 2023. Against this complex backdrop, our management remains committed to exercising extra prudence and selectivity in new investments to preserve our capital. We will continue to improve liquidity across all business segments and position ourselves to capitalise on emergent growth opportunities.

Our Consumer Finance business is poised to benefit from the improved regional economic outlook in 2023 and we expect to see growth in our outstanding loan balance and improvement in our customer credit profile. Although the reduction in the maximum statutory interest rate from 60% to 48% in Hong Kong will partially impact UAF's revenue, we believe the strategy of diversifying our product mix to tap into a larger customer base, specifically through the launch of our new credit card business, will generate additional revenue streams and drive profit growth in the medium to long term.

On the Mortgage Loans business, we are cautiously optimistic about Hong Kong's property market, which faces the confluence of high interest rates, a large stockpile of new homes and the return of business activities. SHK Credit will continue to focus on risk diversification, loan quality and profitability in 2023.

On Private Credit, we will continue to manage our existing loan portfolio and, in the meantime, cautiously originate new opportunities that provide privileged risk-adjusted returns.

Our Investment Management business has played a pivotal role in transforming the Group into a leading alternative investment platform. The management team will continue to proactively manage our investments and work closely with the Funds Management division to explore further synergies across the Group.

Our Funds Management initiative will focus on further building out our client reach through FOS, expanding our distribution efforts through greater connectivity with our Partners to raise third party capital, promoting our own SHKCP Funds and selectively representing other third-party alternative managers. In addition, we will continue to source partnership opportunities to create a broader and more diversified platform. However, we remain cautious on significant capital deployment in this more challenging investment cycle.

The Company is committed to delivering strong shareholder value over a long time horizon with sound governance and risk management. We will also maintain diversified funding sources and strong liquidity to provide staying power and enable our future growth.

We treasure our people as valuable assets of the Group. Over the course of 2022, we continued to build and adapt existing business continuity systems to allow our employees to work remotely, which helped us remain productive during the COVID-19 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 shareholder value 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 and transforming into a leading alternative investment platform

- 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 all stakeholders
- Robust risk management policy 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 2022**	31 Dec 2021	Change
Capital Structure			
Equity attributable to owners of the company	**22,358.1**	25,075.2	-10.8%
Total cash	**5,883.9**	6,000.7	-1.9%
Total borrowings[1]	**15,650.0**	18,283.0	-14.4%
Net debt[2]	**9,766.1**	12,282.3	-20.5%
Net debt to equity ratio	**43.7%**	49.0%	
Liquidity			
Interest cover[3]	**0.02**	6.27	-99.7%
Return Ratios			
Return on assets[4]	**-2.6%**	7.1%	
Return on equity	**-6.5%**	11.8%	
Key Performance Indicator			
Book value per share *(HK$)*	**11.4**	12.7	-10.2%
Dividend per share *(HK cents)*	**26**	30	-13.3%

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

The Group's gearing ratio decreased to 43.7% at the end of the period and has remained healthy. Interest cover in 2022 was lower than 2021 due to the decreased earnings mainly as a result of the mark-to-market losses of HK$1,865.9 million on our Alternatives and Real Estate investments.

As at 31 December 2022, total borrowings of the Group amounted to HK$15,650.0 million (31 December 2021: HK$18,283.0 million). Of this amount, 35.8% was repayable within one year (31 December 2021: 58.2%). The Group maintained a balanced mix of funding from various sources. Bank and other borrowings accounted for 57.4% of total debt (31 December 2021: 45.6%) and were mainly at floating interest rates, primarily denominated in Hong Kong dollars and US dollars. There were no known seasonal factors in the Group's borrowing profile.

Return on assets decreased to -2.6% as at 31 December 2022 (31 December 2021: 7.1%). Return on equity decreased to -6.5% as at 31 December 2022 (31 December 2021: 11.8%), mainly due to the impact of unrealised mark-to-market losses. Our strong cash position has provided us with comfortable liquidity during the volatile market conditions. The Company is well equipped to take advantage of available opportunities to optimise our capital efficiency in the long term.

As at 31 December 2022, the following notes were outstanding:

Note	Maturity Date	HK$ Equivalent *(In Million)*	% Total
5.75% USD notes^	11/2024	2,590.3	38.9%
5.00% USD notes^	9/2026	3,332.6	50.0%
Asset backed notes	4/2024	741.9	11.1%
Total		6,664.8	100.0%

^ Listed on The Stock Exchange of Hong Kong Limited

During 2022, the Group completed issuance of an additional US$75.0 million or equivalent to HK$584.8 million of 5.00% notes in March 2022. The Group has repurchased an aggregate principal amount of US$10.3 million, US$20.5 million and US$29.0 million of 4.65% notes due September 2022, 5.75% notes due November 2024 and 5.00% notes due September 2026, respectively. The repurchased notes were subsequently cancelled. On 8 September 2022, the Group fully redeemed the outstanding 4.65% Notes due in September 2022 upon their maturity at their principal amount together with interest totalling US$443.9 million.

The Group continues to maintain a stable capital structure and is well positioned to avoid a liquidity crunch situation. The Group maintained foreign currency positions to manage its present and potential operating and investment activities. Most non-US or non-HK dollar investment assets costs 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 2022.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the year of 2022, 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 2022 and up to the date of this report.

Charges on Group Assets

Properties of the Group with a total book value of HK$900.0 million were pledged by subsidiaries to banks for facilities granted to them as at 31 December 2022. HK$231.2 million of secured loans was drawn down as at 31 December 2022.

As at 31 December 2022, HK$1,025.0 million (2021: HK$977.0 million) of mortgage loans receivable were pledged for a securitisation financing transaction.

Contingent liabilities

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

PEOPLE & CULTURE

As at 31 December 2022, the Group's total staff numbered 1,608 (31 December 2021: 1,738). Out of this, 76 (31 December 2021: 81) 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 made continuous efforts in driving cost efficiency. Total staff costs amounted to HK$625.8 million (2021: HK$886.9 million) mainly reflecting lower performance-related compensation.

The Group adopts various compensation structures as relevant to different job roles and functions within the organisation. For most staff, compensation comprises base salary with bonus or performance-based incentives, as appropriate. The remuneration packages of employees in a sales function consist of a base pay and commission, bonus or performance-based incentives as appropriate. In addition to monetary reward, the Group also provides 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 3,054,000 shares were granted to the Selected Grantees during the year subject to various terms. 1,021,000 shares were vested for key management personnel in 2022. As at 31 December 2022, the outstanding award shares under the EOS (excluding shares awarded but subsequently forfeited) amounted to 5,616,000 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 2022. We closely monitor the situation and review our preventative protocols regularly to help the Company resume normal business and social activities.

We have adopted the following 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 maximise social distancing and staff protection within the offices;
- meetings are held off-site or by conference call or video conference as far as possible;
- cancellation of all non-essential travel;
- flexible and remote working plans for employees;
- restricted access to office and temperature screening;
- self-isolation following outbound travel, development of symptoms or interaction with a confirmed case of COVID-19, with COVID-19 test conducted as and when necessary at Company's cost;
- maintain inventory of face mask, hand sanitiser and hygiene supplies and focus on cleaning and sanitation;
- conduct regular rapid tests; and
- provide free rapid test kits to employees.

With Hong Kong government phasing out its anti-pandemic measures since the second half of 2022, the Company also abolished the protocols gradually and is returning to normality in 2023.

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 a 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 the establishment of 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 Statement

Effective risk management is important to the Group's achievement of its strategic goals. The Group manages risk across multiple risk domains, including but not limited to strategic, credit, market, liquidity, operational, legal and compliance, external and human resources risks. Business operations are managed in line with risk appetite tolerances set by the Board.

The Group continued on its transformation journey of becoming a leading alternative investment company. Its objectives include producing risk-adjusted returns through Financing, Investment Management and Funds Management businesses; seeking new business opportunities leveraging the extensive networks and strong financial position; building trusted relationships with all stakeholders; and producing strong financial results through mid-to-long term focus and consistent leadership. Corporate values of the Group include 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; and investing in our communities and protecting the environment. The Group's long-term sustainability is dependent on its pursuit of strategic goals while simultaneously managing risks, having sufficient capital and liquidity, ensuring continuity of operations, and protecting its reputation.

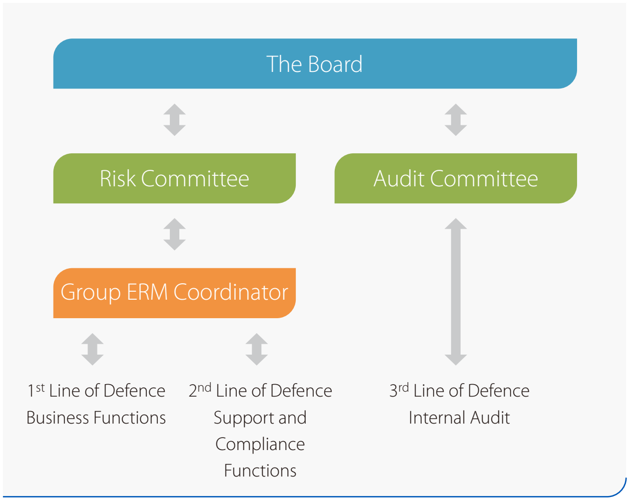
The Group aims to maintain sufficient capital and liquidity to meet its regulatory obligations, which require it to have financial resources to cover potential losses and liquidity needs from the volatility of the market. As a business, the Group also aims to maintain sufficient capital over and above that required to meet its regulatory obligations and adequate liquidity for its working capital and business uses in order to fund its strategic development objectives while ensuring the appropriate balance between risk and shareholder returns. The Group strives to maintain stakeholder trust by avoiding business practices that could lead to reputational damage or harm to the Group. The Group, therefore, seeks to operate within all relevant rules and regulations and to avoid disruptions to its business operations that would have a negative impact on stakeholders.

The Risk Management Framework

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 internal control.

Risk Governance

The Group's risk governance structure is based on a "Three Lines of Defence" model, with oversight and directions from the Board, the Risk Committee, and Group Management through the Group ERM Coordinator.



Risk Management Process

The Group Enterprise Risk Management Framework, approved by the Board, mandates a consistent and effective approach applied across the Group to manage the risks associated with its business and operations.

The following illustrates the key processes adopted under the Group Enterprise Risk Management Policy:

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Phase 7
Establish Context	**Risk Identification**	**Risk Analysis**	**Risk Evaluation**	**Risk Treatment**	**Risk Mapping and Aggregation**	**Risk Monitoring and Reporting**
Determine the scope and extent of the risk assessment process	Business functions identify the risks that potentially impact the key processes of their operations	Prepare the likelihood estimation and consequence analysis	A Risk Heat Map is prepared based on the risk ratings	Mitigate the risks in particular when the risks are rated as Critical or High, as appropriate	Measure the amount of risk taken by individuals/ businesses and the process of aggregating them across	Monitor the risks and the mitigating activities regularly. Regular reporting for the Board/ management oversight

The Risk Committee identifies principal risks by considering an array of aspects such as business strategy, financial position, the operating environment of the Group, human resources risk 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, key risk on personnel and other factors.

Principal Risks

The Group faces a number of principal risks and uncertainties that, if not properly managed, could create an exposure for the Group. Thorough risk assessment and mitigation help ensure these risks are well managed and governed effectively. The Group focuses on addressing the following principal risks.

Principal Risks	Descriptions	Key Controls	Emerging Risks/Risk Movements in the Current Year
Strategic Risk	Strategic Risk is the risk that the Group's strategy selection, prioritisation, modification and implementation jeopardise the achievement of the Group's objectives and corporate values.	• Deep management expertise. In 2022 despite the ongoing volatile economy, significant uncertainties remain in assessing the duration and impact of the prolonged COVID-19 pandemic and the highly contagious Omicron variant, 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. • Continuous monitoring of the economic situation, credit profile of the customers and compliance environment. • Ongoing monitoring of the regulatory environment. • Establishment of climate policy of the Group and continuous monitoring of the latest development in climate-related regulation.	• The risk exposure fluctuated during the year and continues in 2023. • The Group has BCP procedures in place which operated well during COVID-19. • The ongoing Sino-US trade war and global conflicts have some impact on the business and compliance environment. The Group closely monitors the impact on its investment portfolio. It has a robust investment policy and other frameworks to ensure the risk appetite matches the strategic intent and the risk metrics are within our risk tolerance level. • The ESG Working Committee and the Board keep close monitoring on the impacts and financial risks caused by climate change, and a climate policy was developed during the year to adapt to and mitigate the effects of climate change.
Credit Risk	Credit Risk is the risk that a borrower or counterparty fails to meet its obligations.	• Robust credit management and proper approval policies are in place. Where appropriate, use credit data bases and technology • The Group deals with other external counterparties and manages the exposures within limits. • For mortgage business, sufficient and adequate collaterals are obtained to secure the loans. • Continuously update underwriting standards in line with the environment.	The prolonged COVID-19 pandemic and the highly contagious Omicron variant and the increased downward pressure on Hong Kong's property values have impact on the credit market. The Group adopts prudent underwriting standards in the consumer finance portfolio (particularly in PRC) and also in the mortgage portfolio. Overall, our Consumer Finance and Mortgage Loans were resilient and credit deterioration was manageable. In Private Credit, sufficient and adequate provisions were recorded as a result of the impact of a deterioration in credit quality.

Principal Risks	Descriptions	Key Controls	Emerging Risks/Risk Movements in the Current Year
Market Risk	Market risk arises from market price movements and the potential financial losses due to the overall financial market performance. Market risk comprises of interest rate risk, foreign exchange risk, equity risk, commodity risk and valuation risk.	• Act in line with the Investment Policy. • Disciplined investment process and risk management monitoring controls. • Manage diversified funding sources and ability to reprice assets. • Robust FX hedging reporting and monitoring. • Hedging of equity risks in Public and Private portfolios.	• Financial markets were volatile in 2022 as the results of prolonged COVID-19 pandemic and the highly contagious Omicron variant, geopolitical tensions, inflation pressure. As a result, the global economy including PRC and Hong Kong have experienced weaker economic activity than past periods. Our strategy of maintaining liquidity reserves positioned us well during times of volatility and allows us to maintain our investment discipline. • Market rates fluctuated during the year. We maintained diverse funding sources and were able to reprice assets to preserve interest spreads. • FX risk fluctuated during 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 is closely monitored and actively hedged as deemed appropriate.
Liquidity Risk	Liquidity Risk refers to the risk that the Group holding an asset might not be able to liquidate with the promptness required to conduct a transaction/to meet its investment strategies or unable to meet its payment obligations.	• Treasury manages a variety of funding sources and maintains appropriate levels of liquid assets including committed/uncommitted bank lines as a liquidity buffer. • The liquidity and expected realisation of investments is continuously monitored. Prior to making new investments, the Group carefully considers the monetisation plans for existing investments. • We proactively monitor liquidity risk and take actions to reduce exposures where needed. • We have various reporting and control/risk appetite and tolerance limits.	• The Group fully redeemed the 2022 Notes, tapped the 2026 Notes and extended maturity of other credit facilities. • The Group maintains a substantial portfolio of cash and liquid assets.

Principal Risks	Descriptions	Key Controls	Emerging Risks/Risk Movements in the Current Year
Operational Risk	Operational Risk arises from multiple sources, including fraud, failure in processes and procedures, and technology and systems.	• Clear segregation of duties and responsibilities; conduct reviews and internal audit regularly. • 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. • Contingency planning and testing. • 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 Group is upgrading its infrastructure and cyber security, engaged an external consultant in cyber security review, performed penetration testing, and held several training sessions and assessments in cyber security risk to our employees during the year. • Acted in line with the Group Information Security Policy. • 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 and the highly contagious Omicron variant without material impact.
Legal and Compliance Risk	Legal and Compliance Risk is the risk that the Group does not fulfil its functions and obligations under applicable laws, failure in functions to license, supervise and ensure high standards of conduct, integrity and management throughout the financing, investment and fund management businesses.	• Comply with relevant laws and regulations. • Monitor, review and implement any changes to regulatory and other governmental standards.	• The Group appointed a new Group Head of Legal and Compliance to oversee the legal and compliance functions. • The Group held a Board training and various educational sessions to senior management and other staff to enhance awareness on compliance issues. • The Group updated and launched a number of policies and procedures during the year to better regulate internal processes. • There was no material non-compliance noted during the year.

Principal Risks	Descriptions	Key Controls	Emerging Risks/Risk Movements in the Current Year
External Risk	External Risk arises from the activities of major competitors, as well as domestic and international political, economic, societal and environmental conditions facing the Group that may impact the Group's competitive advantage and market position.	• Deep management expertise and understanding of markets. • Effective corporate communication and internal control policies ensure reputational risks are managed in a manner that aligns 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. Management continues to observe market developments and competitors such as virtual banks and credit card service providers in Hong Kong. The Group has commenced its credit card business in 2023 to enhance our competitive product offering.
Human Resource Risk	Human Resources Risks are employee-related risks that might impact the Group's in both financial and non-financial performance.	The Group is focused on improving human resources management to offer attractive compensation, benefits, support, working environment and culture to staff.	• The risk exposure remain stable during the year. • We are aware and focused on the tight labor market post pandemic and inflation costs associated with personnel.

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. The Company has established a long-term business strategy in order to generate long-term risk adjusted returns for the shareholders of the Company (the "Shareholders"). Such discussions can be found in the relevant sections of "Chairman's Letter", "Management Discussion and Analysis" and "Environmental, Social and Governance (ESG) Report" of this Annual Report.

Corporate Governance Code

In light of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Board has reviewed the corporate governance practices of the Company with the adoption of the various enhanced procedures which are detailed in this report. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2022, 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 2022 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 Director:	Peter Anthony Curry
Independent Non-Executive Directors:	Evan Au Yang Chi Chun David Craig Bartlett Alan Stephen Jones Vivian Alexa Kao Jacqueline Alee Leung Wayne Robert Porritt

The brief biographical details of the Directors are set out in the section "Profiles of Directors and Senior Management" of the Directors' Report. A list of Directors and their Roles and Functions is also available on the websites of the Stock Exchange and the Company.

Board Process

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

Throughout the year and up to the date of this report, at least one of the 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. Directors may participate in meeting in person, via telephone or video-conferencing. 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 2022 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	1/1				0/1
Simon Chow Wing Charn	4/4				7/7	1/1
Non-Executive Director:						
Peter Anthony Curry	4/4			4/4		1/1
Independent Non-Executive Directors:						
Evan Au Yang Chi Chun	4/4	1/1	1/1	4/4	6/7	1/1
David Craig Bartlett	4/4	1/1	1/1	4/4		0/1
Alan Stephen Jones	4/4	1/1	1/1	4/4		1/1
Vivian Alexa Kao[1]	3/4				7/7	1/1
Jacqueline Alee Leung	4/4	1/1	1/1	4/4		1/1
Wayne Robert Porritt	4/4				7/7	1/1

Note:

1. Ms. Vivian Alexa Kao was appointed as a member of the ESG Working Committee on 7 April 2022, a sub-committee under the Risk Management Committee. During the year, Ms. Kao had attended 2 out of 2 meetings of the ESG Working Committee.

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.

The Board is committed to ensuring independent views and input are available for the Board's discussion. The Chairman of the Board meets at least annually with INEDs without other Directors' present. Regular Board meetings of 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 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). In addition, any Director may make request to the Chairman of the Board in writing to request for independent professional advice to assist the relevant Director to discharge his/her duties. During the year, the Board has reviewed the implementation and effectiveness of such mechanism to ensuring the availability of independent view to the Board.

The Company Secretary assists the Chairman in preparing the agenda for meetings, and ensures that all applicable rules and regulations are complied with. 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 Director:		
Peter Anthony Curry	✓	✓
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 stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisational structure of the Company, the functions of a chief executive are performed by the Group Executive Chairman, Mr. Lee Seng Huang, in conjunction with the Group Deputy Chief Executive Officer, Mr. Simon Chow Wing Charn. The Group Executive Chairman oversees the Group's Investment Management business with support from the management team of the division, as well as its interest in 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.

Prior to 1 January 2023, the NEDs (including the INEDs) of the Company were appointed for a specific term of two years and were subject to the retirement by rotation and re-election requirements under the Articles or any other applicable laws. The term of appointment of the NEDs (including the INEDs) were renewed in December 2022 that with effective from 1 January 2023, the NEDs (including the INEDs) are not appointed for a specific term and shall hold office until terminated by either party by giving to the other not less than one month's prior notice in writing, and are subject to the relevant provisions of the Articles or any other applicable laws/rules whereby the Directors shall vacate or retire from their offices but are eligible for re-election.

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. Such policy would be reviewed by the Board annually.

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, according to the Terms of Reference of the Board and through the Nomination Committee, the structure, size, composition and diversity of the Board, the implementation and effectiveness of the Board Diversity Policy as well as the nomination and appointment procedure of directors during the year. For the year ended 31 December 2022 and as at the date of this report, the Board consists of seven male Directors and two female Directors. The Board considered that the Board was sufficiently diverse in terms of gender and balance of skills and experience.

The gender ratio in the Company's workforce for the year ended 31 December 2022 is set out in the section entitled "Our People" and the "Performance Data Table" of the Environmental, Social and Governance (ESG) Report of this Annual Report. Other than the two Executive Directors, one out of the two members of senior management of the Group is female. The Company will continue to take steps to promote gender diversity at all levels of the Group, including but not limited to the Board and the senior management levels.

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. Such policy and terms of reference would be reviewed by the Board annually.

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 2022 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 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. In 2022, one Nomination Committee meeting was held and the attendance of each member at the meeting is set out in the section headed "Board Process" of this report. The committee also dealt with some matters by way of circulation of written resolutions. The work performed by the Nomination Committee in 2022 is summarised as follows:

(i) reviewed the structure, size, composition, diversity of the Board and the implementation and effectiveness of the Board Diversity Policy;
(ii) assessed the independence of the INEDs;
(iii) reviewed the proposed re-election of Directors at the 2022 AGM, including the reasons that the Nomination Committee considered the re-electing Directors who had served more than nine years are still independent, with a recommendation to the Board for proposal to the Shareholders for approval at the meeting; and
(iv) considered the renewal of the term of appointment of all NEDs (including the INEDs) effective from 1 January 2023 with no specific terms, with a recommendation to the Board for approval.

After the end of the reporting period, a Nomination Committee meeting was held in March 2023 to review the structure, size, composition and diversity of the Board, the implementation and effectiveness of the Board Diversity Policy, assess the independence of the INEDs and review the proposal for re-election of Directors at the coming 2023 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 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 2022 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 2022 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 2021 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.

Each of the NEDs (including INEDs) is entitled to a director's fee. Remuneration packages of the Directors for their responsibilities and services was determined according to their respective contractual terms under their employment contracts or appointment letters as approved by the Board on the recommendation of the Remuneration Committee.

Directors' remuneration would be determined with reference to his/her duties and responsibilities with the Company, the prevailing market conditions and the terms of the Company's remuneration policy. Details of the Directors' remuneration for the year ended 31 December 2022 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, and the movement of share awards granted to the Directors (if any) and the five highest paid individuals of the Group during the reporting year are set out in the section entitled "Share Award Scheme" of the Directors' Report of this Annual Report. 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 2023 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 2022 to the two Executive Directors:
  – HK$500,000 in cash to Mr. Lee Seng Huang ("Mr. Lee"); and
  – HK$500,000 in cash to Mr. Simon Chow Wing Charn ("Mr. Chow");
(ii) the monthly salary for both Mr. Lee and Mr. Chow from January 2023 remain unchanged; and
(iii) the annual director's fee of the six INEDs and the NED commencing from the year 2023 remain unchanged.

For the purpose of Rule 13.51B(1) of the Listing Rules, the amount for the monthly rental-related expenses which form part of the emoluments of Mr. Lee under his service contract 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, 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. Four Audit Committee meetings were held in 2022 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 Audit Committee in 2022 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 2022 and the final audit of the Group for the year ended 31 December 2022;
(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 2021 and 2022;
(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 2022;
(iv) reviewed the financial reports of the Company for the years ended 31 December 2021 and 2022, and for the six months ended 30 June 2022, and recommended approval by the Board;
(v) reviewed the management report on key financial matters;
(vi) reviewed the effectiveness of the risk management and internal control system and recommended action to the Board where appropriate;
(vii) reviewed various internal audit review reports prepared by the internal audit function and the 2023 internal audit plan;
(viii) considered the proposals and the engagement letters for the internal audit service; and
(ix) reviewed the enterprise risk management (ERM) framework and 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, Group Head of Legal & Compliance and Chief Risk Officer of UAF, 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, Ms. Phoebe Yuen Oi Ying and Mr. Ko Man Fly 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 (including ESG 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 (including ESG risks) and system of internal controls;
    (c) the adequacy of the extent and frequency of the communication of the results of monitoring to the Board enabling it and the Audit Committee to develop a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed;
    (d) any major incident that poses substantial risk and/or loss exposure to the Group, whether actual loss is incurred or not; in the event of likely or actual violations of any applicable laws, regulations, regulatory guidelines/codes; significant internal policies, operational or technological failures; and any other significant events that may expose the Group to substantial reputational risk;
    (e) the effectiveness of the Group's processes relating to financial reporting and Listing Rules compliance; and
    (f) all other relevant issues appropriate to risk identification and management and internal control issues.

The RMC will normally meet quarterly or as directed by the chairman of the RMC. Seven RMC meetings were held in 2022 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 financial risks, including the foreign exchange exposure of the Group's investment portfolio, liquidity risk, credit risk and interest rate risk and reporting approaches;
(iii) review of the risk management reports from the Group's Investment Management business, Funds Management business, Private Credit, Real Estate, UAF, Sun Hung Kai Credit and other functions;
(iv) review of the risk management reports of the Group for 2021 and 2022;
(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 2021 and 2022;
(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, and consideration of the Group information security policy with recommendations to the Board for approval;
(viii) review of the risk management gap analysis for Group's business operations;
(ix) review of the Group Anti-Money Laundering and Counter-Terrorist Financing Policy and the Group Anti-Bribery and Anti-Corruption Policy with recommendations to the Board for approval;
(x) review of the ERM maturity assessment report conducted by third party with recommendation to the Board for approval and review of the ERM progress reports;
(xi) review and change of the composition of ESG Working Committee;
(xii) consideration of the ESG principles and priorities and the climate change policy with recommendations to the Board for approval and review of the Environmental, Social and Governance (ESG) Report; and
(xiii) review of the Green Office Guidelines and Group Procurement Policy with recommendations to the Executive Committee/Board for approval.

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, including ESG 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 Covid-19 pandemic, geopolitical tensions and inflation pressure etc.

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's internal control functions are either carried out by internal audit teams for material subsidiaries or independent internal auditor. 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, having agreed by the Audit Committee, 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. Such review results are reflected in the risk register of each sector and summarised as a heat map of the Group. Such results, findings and heatmap 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 and the Risk Management Committee, reviews the adequacy of resources, training programmes, budget, qualifications and experience of the accounting, internal audit and financial reporting staff, as well as those relating to the Company's ESG performance and reporting 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 2022, 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	8.6
Non-audit services (taxation and other professional services)	2.8
Total	11.4

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.

Whistleblowing Policy and Anti-Bribery and Anti-Corruption Policy

The Board has adopted the Whistleblowing Policy and system for employees and those who deal with the Group to raise concern, in confidence and anonymity, if required and appropriate, with the Audit Committee of the Company about possible improprieties in any matter related to the Group.

The Board has also adopted the Anti-Bribery and Anti-Corruption Policy in August 2022 setting out responsibilities of the Group's employees to identify and prevent bribery and corruption in order to protect the integrity and reputation of the Group.

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 2022, 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 and Shareholders' Communication Policy

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 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. The Group Executive Chairman was unable to attend the AGM held on 24 May 2022 due to other important business engagement. However, Mr. Simon Chow Wing Charn, an Executive Director and the Group Deputy Chief Executive Officer, had chaired the AGM in accordance with article 73 of the Company's articles of association.

Code provision C.1.6 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of Shareholders.

The 2022 AGM was held on 24 May 2022 and seven out of nine 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 adopted the Shareholders' Communication Policy in March 2012 which sets out the channels of communication with the shareholders and other stakeholders, including corporate communication which includes documents issued by the Company for the information and action of shareholders including but not limited to annual/interim report, circulars and announcements, shareholders' meetings, corporate website and the rights of shareholders for convening general meeting. Shareholders may also 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.

The Articles is available on the websites of the Stock Exchange and the Company. There was no change in the Articles during the year.

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the year and considered that the policy was able to facilitate an open and on-going communication with the Shareholders on fair disclosure basis.

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, 16 March 2023

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 pleased to present its Environmental, Social and Governance ("ESG") Report 2022 (the "Report"). This Report demonstrates the Group's sustainability approach, policies, initiatives and performance, covering the financial year from 1 January 2022 to 31 December 2022 (the "Reporting Period").

This Report is prepared in accordance with 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") and the Global Reporting Initiative ("GRI") Standards 2021.

With SHK & Co.'s market presence in financing, investment management and funds management businesses in Hong Kong and Mainland China, 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 in this Report has been compiled according to the data and information obtained within the Group. The Group's internal control and formal review process are in place to ensure that all information is presented with accuracy and reliability. This Report has been reviewed and approved by the Board of Directors (the "Board"). In the preparation of this Report, we have 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 ("KPI") 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 "Our Environment" section.

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

Opinion and Feedback

We value your comments and suggestions on our sustainability performance shared in this Report. Please get in touch or share your views at:

Sun Hung Kai & Co. Limited
42/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong
Tel: (852) 3748 2823
Email: investor.relations@shkco.com

Awards and Recognitions

SHK & Co.

Award Name	Awarding Institution
Listed Company Awards of Excellence (2018-2022)	Hong Kong Economic Journal
Listed Enterprises of the Year (2018-2022)	Bloomberg Businessweek/Chinese Edition
The 6th Golden Hong Kong Stocks Awards – Best Financial Stock Company (2021-2022) – Best IR Team (2021)	Zhitong Finance/Hithink RoyalFlush Information
Hithink RoyalFlush Corporate Official Accounts Annual Award – IR Pioneer Award (2022)	Hithink RoyalFlush Information
WIND Best Listed Companies Roadshow Awards – Best Investor Relations (2022)	WIND Financial Terminal
Gold Award of Corporate ESG Awards (2013-2018, 2020, 2022) Titanium Award of Corporate ESG Awards (2019, 2021)	The Asset
Green Office Awards Labelling Scheme – Green Office and Eco-Healthy Workplace (2021-2022)	World Green Organisation
Good MPF Employer (2014-2022)	Mandatory Provident Fund Schemes Authority
Caring Company (2016-2022)	The Hong Kong Council of Social Service
Happy Company Award (2021-2022)	Happy Index Foundation and Hong Kong Productivity Council
Partner Employer Award (2022)	Hong Kong General Chamber of Small and Medium Businesses
The Racial Diversity and Inclusion Charter for Employers (2022)	Equal Opportunities Commission

UAF

Award Name	Awarding Institution
Caring Company (2005-2022)	The Hong Kong Council of Social Service
Charter on External Lighting (2016-2022)	The Environment Bureau
Good Employer Charter (2018-2022)	Workplace Consultation Promotion Division of the Labour Department
Happy Company Award (2017-2022)	Happy Index Foundation and Hong Kong Productivity Council
Manpower Developer Award (2012-2022)	The Employees Retraining Board
Racial Diversity & Inclusion Charter for Employers (2020-2022)	Equal Opportunities Commission
Social Capital Builder Awards (2016-2022)	Community Investment and Inclusion Fund (CIIF), Labour and Welfare Bureau
Volunteer Movement Participating Organisation (2016-2022)	Social Welfare Department
Wastewi$e Certificate (2016-2022)	Environmental Campaign Committee
DigiZ Awards – Best Effective Search Campaign (2022)	Marketing – Interactive
MARKies Awards – Best Use of SEM Strategy (2022)	Marketing – Interactive
MARKies Awards – Customer Engagement (2022)	Marketing – Interactive
Best SME's Partner Award (2022)	The Hong Kong General Chamber of Small and Medium Business (HKGCSMB)
Yahoo Asia Big Idea Chair Awards (2022)	Yahoo Asia
Headline No. 1 Awards (2022)	Headline Daily

SHK Credit

Award Name	Awarding Institution
The Most Popular Mortgage Company on Internet (2017-2022)	iChoice Award
Excellence Award for Mortgage Service (2021-2022)	Sky Post Banking & Finance Awards supported by Hong Kong Economic Times Holdings Limited

Our Sustainability Commitment

SHK & Co. has always envisioned the significance of sustainability on the long-term growth of our businesses. As such, throughout the operations of our businesses, we are committed to support the United Nations Sustainable Development Goals ("UNSDGs") and embed these motives in our actions. Our Sustainability Policy established in 2020 outlines a set of principles that we follow to ensure that ESG aspects are comprehensively considered throughout our business activities. To become resilient in this ever-changing market, we remain vigilant and are actively bracing for future risks by reviewing our Sustainability Policy annually, that is enacted upon the approval of the Board.

Creating Sustained Value for all our Stakeholders

Over the years, we have been working towards the objective of Creating Sustained Value for all our stakeholders. Our commitment, accompanied by our core values on sustainability converges to the UNSDGs, which acts as the overarching objective of our business strategies. We understand the importance of making simultaneous effort in all these core aspects for a sustainable growth in our business because these aspects are fundamentally interrelated.

We actively align our strategies with global trends and efforts by regularly setting targets for each category and evaluating our progress to ensure that we are continuously creating sustained value for our people and the planet.

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

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

Last year, we have developed a set of targets in the environmental aspects of greenhouse gases, waste, electricity and water to demonstrate and enhance our sustainability commitments. We are well-aware of the interdependent nature of sustainability and financial performance, and we are keen to bring about positive influence and induce changes in environmental awareness and habits to alleviate climate change. We aim at regularly reviewing and tracking our progress towards these targets according to global trends and priorities to ensure that our values are clearly demonstrated in our actions and efforts are directed towards the issues that require the most attention.

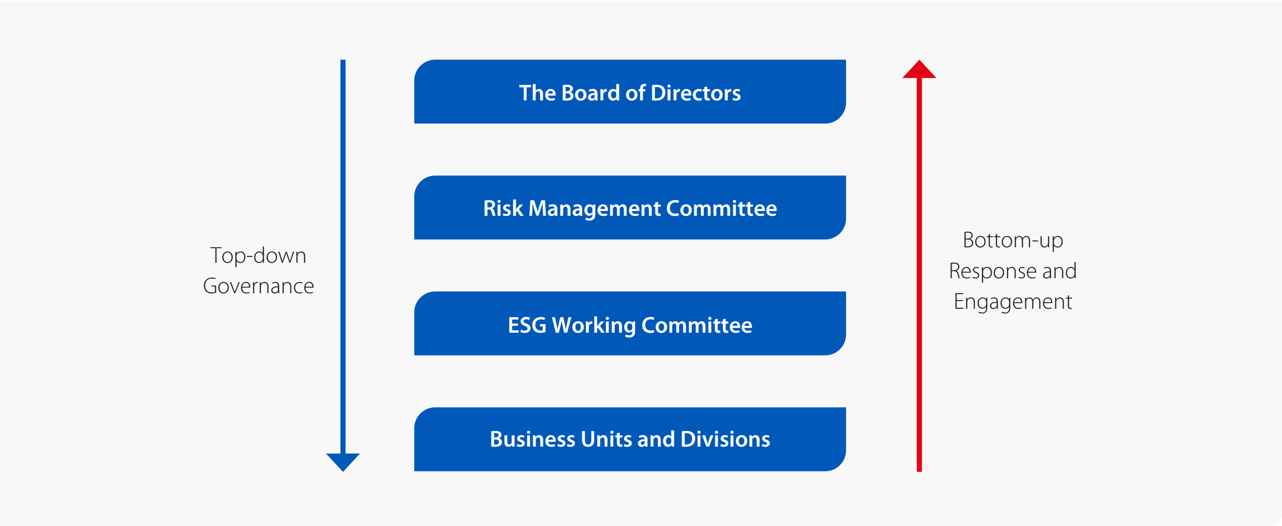
Environmental Aspect	Targets Set in 2021	Progress in 2022
Greenhouse Gases	• By 2024, ensure that 30% of the Group's investment portfolio considers ESG aspects during investment decisions.	Achieved
	• By 2022, join an industry association/coalition/partnership group to promote an ESG topic in the financial industry.	Achieved
	• By 2022, organise an environmental initiative that reduces or offsets environmental impact.	Achieved
Waste	• By 2023, ensure that 80% of office paper is certified FSC or PEFC paper.	In Progress
	• By 2023, set up a paper waste monitoring system, to track consumption, usage and recycling data.	In Progress
	• By 2025, reduce absolute paper usage by 15%, compared to FY19 baseline.	In Progress
	• By 2025, maintain use of paper cheques issued for customer funding to be 15% or below at UAF.	In Progress
Electricity	• By 2025, reduce absolute electricity usage by 15% compared to FY19 baseline.	In Progress
	• By 2023, provide at least 1 hour energy and resource saving training for employees.	In Progress
Water	• By 2023, provide at least 1 hour energy and resource saving training for employees.	In Progress

Sustainability Governance

We recognise the importance of a robust governance framework towards the Group's long-term sustainable development and ESG performance. As such, we have a well-structured governance framework to support our ESG initiatives, considerations and decisions.

The Board oversees the Group's ESG vision, objectives, strategies and risk management. At the top of our governing hierarchy, the Board takes up the ultimate responsibility of the Group's ESG performance, including the management of ESG issues, target-setting and progress of ESG commitments. The Risk Management Committee (the "RMC"), as appointed by the Board, takes accountability of ESG-related risks identification, analysis and management according to the Group's risk appetite and capacity. The Risk Management Committee is further responsible for issuing recommendations, such as risk management strategies, and reporting its findings to the Board.

The ESG Working Committee (the "ESG Committee"), appointed by the Risk Management Committee, is tasked with the establishment and execution of the Group's ESG vision, objectives and strategies with close reference to international standards. The ESG Committee also takes up the role of ensuring compliance with the relevant laws and regulations within the scope of operations. With these responsibilities, the ESG Committee reports to the RMC on the progress of ESG targets, initiatives and project budgets. Along with the Group's Chief Financial Officer as the Chair of the ESG Committee, the senior management of key business units and divisions meet annually to review the Group's ESG strategies and develop plans in accordance with latest trends, expectations and standards.



Stakeholder Engagement

SHK & Co. actively engages with its stakeholders consistently over the years to gain a comprehensive understanding of our stakeholders' satisfaction towards our business and expectations. This process is vitally important for our continuous improvement and development throughout our different divisions of operations. With a better understanding of our stakeholders' views, we could identify material ESG topics that our stakeholders consider with utmost importance, and further align our business practices and make highly informed decisions. The following table summarises the major communication channels that were used with both internal and external stakeholders in the previous year.

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

Materiality Assessment

The Group places high value on views and opinions of both its internal and external stakeholders. Through the processes of assessing materiality, we are presented with a clearer picture of the most important issues that should be managed and addressed at a higher priority.

In 2022, we have continued to commission an external ESG consultant to perform a formal stakeholder engagement exercise to gather feedback from our stakeholders in terms of the Group's ESG performance and identify the sustainability issues that our stakeholders consider to be most material. With these results, we are better equipped to align our business practices, efficiently utilise resources and refine our strategies to address the utmost priorities first. Our material stakeholders were identified as Directors and Management, Employees, Fund and Business Partners, Shareholders and Investors, Financial Counterparts and Suppliers, Community Partners and Non-governmental Organisations (NGOs) and the Media.

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 21 material 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 referencing Global Reporting Initiative Standards ("GRI Standards")[1].
2. Prioritisation	Feedback from material stakeholder groups was collected through the completion of an online survey, ranking material ESG issues by their importance. 8 members of the Board and management were invited to rank the importance of material issues for the Group's sustainable development, whilst 268 other stakeholders, including shareholders/investors, employees, fund/business partners, financial counterparts/suppliers, community partners/NGOs and media 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.

[1] Compared to 2021, we have added 3 material issues (Financial Performance, Market Presence, and Supplier Management & Procurement Practices) to align with GRI Standards.

The following materiality matrix presents the relative importance of the material issues to our stakeholders and to the sustainable development of the Group. The material issues are subsequently grouped under three tiers of importance in the table below.

Most Material Issues (Tier 1)		Moderate Material Issues (Tier 2)		Less Material Issues (Tier 3)	
1	Financial Performance	2	Market Presence	16	Community Investment
3	Risk Management	4	Corporate Governance	18	Energy and Resource Use
5	Business Integrity and Ethics	7	Supplier Management and Procurement Practices	20	Waste and Paperless Operations
6	Compliance with Laws and Regulations	8	Investor/Customer Engagement and Relations	21	Investment in Green Finance
9	Data Privacy and Cyber Security	11	Responsible Marketing		
10	Product and Service Quality	14	Diversity and Equal Opportunities		
12	Talent Recruitment and Retention	15	Development and Training		
13	Employee Health and Wellbeing	17	Community Partnership and Engagement		
		19	Emissions and Climate Change		

The 8 most material issues in the matrix will be detailed in this Report in accordance with the relevant GRI Standards where applicable.

The 21 material issues identified above, covering aspects of business & economics, investors & customers, people, community and the environment, are summarised in the table below along with their impact boundary.

Aspect	Issue	Impact Boundary						
		Directors/Management	Employees	Fund/Business Partners	Shareholders/Investors	Financial Counterparts/ Suppliers	Community Partners/Non-governmental Organisations	Media
Business & Economics	Financial Performance (new topic)	•	•	•	•	•	•	•
	Market Presence (new topic)	•	•	•	•	•	•	•
	Risk Management	•	•		•	•	•	•
	Corporate Governance	•	•		•	•	•	•
	Business Integrity and Ethics	•	•		•	•	•	•
	Compliance with Laws and Regulations	•	•		•	•		•
	Supplier Management & Procurement Practices (new topic)		•		•	•		
Investors & Customers	Investor/ Customer Engagement and Relations	•	•	•	•	•	•	•
	Data Privacy and Cyber Security	•	•		•	•		•
	Product and Service Quality	•	•		•	•	•	•
	Responsible Marketing	•	•		•	•	•	•
People	Talent Recruitment and Retention	•	•		•	•	•	•
	Employee Health and Wellbeing	•	•	•	•	•	•	•
	Diversity and Equal Opportunities	•	•		•	•		•
	Development and Training	•	•	•	•	•	•	•
Community	Community Investment (e.g. investment in community projects)			•		•	•	
	Community Partnership and Engagement (e.g. sponsorship, donation, volunteering)	•		•			•	•
Environment	Energy and Resource Use	•	•			•		•
	Emissions and Climate Change					•		
	Waste and Paperless Operations	•	•			•		•
	Investment in Green Finance				•	•		

Our Business and Governance

Our business structure, governance framework and economic prospects set out the fundaments of our sustainable business operations. We actively manage and refine our governance structure, risk management control and ethical corporate culture to build up our reputation as a more reliable and resilient financial institution. We are dedicated to operating as a responsible corporation by upholding the highest standards of ethics and compliance with integrity across our business operations.

Financial Performance

We place a primary focus on both our financial performance and our management of ESG issues. We have included ESG considerations in our investment processes and achieved our target of 30% ESG investment portfolio[2] by the end of 2022, which went beyond the target set out last year. We are proactively addressing climate-related risks and creating metrics to measure them by 2023. More information on our financial performance can be found in our 2022 Financial Statements and Annual Report.

Risk Management

Members of the RMC, appointed by the Board, analyse and define potential risks for the Group. RMC reports to the Board on major incidents that pose substantial risk or loss exposure and meets at least quarterly. We manage investments for long-term returns, which Sun Hung Kai Capital Partners Limited introduced an Environmental Risk Management Policy in 2022 to meet Hong Kong SFC requirements. The Policy covers governance, risk assessment, investment management, and a focus on environmental risks and financial impacts.

Enterprise Risk Management (ERM)

During the year, with the assistance of an external consultant, the Group completed various tasks to enhance the ERM practices and risk management framework:

- ERM maturity assessment
- Enhancing the existing framework
- Defining risk appetite
- Preparing a risk dashboard and risk registers
- Designing and implementing an ERM system platform

Work planned to be done in 2023:

- Enhance the ERM system
- Design and implement new relevant policies
- Arrange training to enhance staff awareness

[2] Investment portfolio components that are in alignment with the UNSDGs.

Corporate Governance

Governance Structure

The Board believes that a good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value. The Group has a Corporate Governance Policy that outlines roles and responsibilities of the Board, its interaction and formation or use of Board Committees, Company Secretary, Management and Staff and Risk Management and Internal Control, External Auditors and Communications with our Shareholders.

We embrace board diversity, and as such we have a Board Diversity Policy in place to enhance the quality of performance through the use of differences in skills, regional and industry experience, cultural and educational background, knowledge, race, gender and other qualities. More information can be found in our Corporate Governance Report in our Annual Report.

Policy Commitments

The Board acts as the approver of our policy commitments across the Group. Our policy commitments are communicated to our employees, business partners and other relevant parties in the form of emails, correspondences, employee orientation, townhall and contract signing, to the extent relevant/ applicable. Relevant policies are further saved in our intranet for internal reference but are not publicly disclosed due to confidentiality.

Whistleblowing Policy

The Group has a whistle-blowing policy for reporting misconduct or irregularities to the Executive Committee or Audit Committee. Employees or outsiders can report grievances, including non-compliance with internal policies, incorrect financial reporting, or unlawful practices. Compliant whistle blower reports will be investigated and instructions for rectification will be given by the Executive Committee or the Audit Committee, as applicable. The investigation report will be reported to the Board.

Conflicts of Interest

The Group Code of Conduct requires all employees to act in the Company's best interest and avoid conflicts of interest. This includes, but is not limited to, circumstances in which:

i. the Employee's connected person is employed by the Company;
ii. the Employee's connected person is employed by a competing business; or
iii. the Employee or his or her connected person has an economic interest in a client, supplier or competitor of the Company, such as the holding of shares.

While employed by the Company, employees should not engage in any activities for another company without prior written authorisation. Employees must declare non-group interests annually and disclose potential conflicts to the management for guidance.

Compliance with Laws and Regulations

The Group complies with all applicable laws and regulations in the respective jurisdictions of the businesses and operations.

Anti-Corruption

The Group has ethical standards of conduct outlined in the Code of Conduct, including prohibiting bribery, fraud, and money laundering. An anti-bribery policy was implemented in 2022 in accordance with the updated Corporate Governance Code of the Listing Rules and mandatory training was provided to all employees. The Group complies with all anti-corruption laws and regulations, including the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong), and regularly increases employee awareness and knowledge of business ethics. 100% of SHK Credit and UAF employees in Hong Kong received anti-bribery training from the Independent Commission Against Corruption (ICAC). 205 UAF employees and over 96% of employees in SHK & Co. attended the training.

Anti-Money Laundering

As a diversified financial institution, we are dedicated to upholding anti-money laundering and counter terrorism financing laws and regulations. All Group operations, including SHK Credit and UAF, have dedicated Anti-Money Laundering ("AML") and Counter-Terrorist Financing ("CTF") Policy (collectively referred to as "Group AML Policies") in place with due diligence requirements, risk assessment, and document verification procedures. We assess and report suspicious activities and have implemented monitoring protocols for loan applications and subsequent transactions. All employees received mandatory training on anti-money laundering and terrorism financing. UAF employees also received compliance training on financial crimes, fraud awareness, and sanctions. Additional information on the Group's adherence to laws and regulations can be found in the "Laws and Regulations" section of this Report.

Market Presence

The Group is committed to provide our employees with competitive salary packages that are well above the minimum wage requirements in our respective jurisdictions. We also target to hire a majority of individuals from the local community to form our senior management in order to better understand the needs of our local community.

Business Integrity and Ethics

Intellectual Property

The Employee Culture Guide and Handbook, which is reviewed annually, outlines the standards for respecting the intellectual property rights of our clients and other third parties, including but not limited to trademarks, patents, and copyrights. Employees are forbidden from using our intellectual property for personal gain or allowing third parties to use it, without copyright owners' consent. Before using any name, slogan, mark for any product, programme, or service, permission must be obtained in order to avoid potential infringement. The Information Technology Department regularly checks employees' laptops to make sure only legitimate software is loaded. All of our employees are expected to safeguard the Group's other exclusive intellectual properties as well as trade secrets. The Group has 72 (2021: 46) trademark registrations in Hong Kong and Mainland China, and 57 trademarks overseas as of the end of this Reporting Period.

Human Rights

The Group is dedicated to upholding fundamental human rights and taking a zero-tolerance stance against using forced or child labour in any capacity. All employees are subject to background checks as a preventative measure, and during the hiring process, they must all present legitimate personal identification credentials for verification. In the odd event that fraudulent information is found, the Group will take appropriate action by carefully adhering to all applicable laws and regulations. There were no substantial violations of applicable laws or regulations relating to labour standards or human rights such as child labour or forced labour during the Reporting Period. Our suppliers are also committed to follow the Supplier Code of Conduct (SCoC) which includes prohibition of child labour and forced labour.

Additionally, the Group's operations and suppliers are not exposed to significant risks for incidents of child labour, young workers who are exposed to hazardous work or forced labour.

Supplier Management and Procurement Practices

All preferred/key suppliers, including contractors and subcontractors, must follow the SCoC and complete the Supplier Due Diligence (SDD) Form with an annual spend over HK$5,000,000. Anti-corruption requirements are communicated with suppliers through the SCoC and SDD. The Group collaborates with various suppliers and chooses them based on cost, reputation, and value-added services. Suppliers are periodically evaluated and we worked with 695 of them during the Reporting Period including but not limited to those from Hong Kong, Mainland China, Singapore, United Kingdom and the United States. The loan business is supported by external debt collecting agencies who must submit certifications and are required to follow the Authorised Agents Manual. Authorised Agents are evaluated based on factors such as data management and service effectiveness. Customer and public feedback surveys are conducted to respect their opinions on service quality.

Our People

At SHK & Co., we value our people as our greatest asset and as such we put our people at one of our highest priorities. Recognising the importance of being an employer that upholds equality, appreciates diversity and empowers talents, we have embedded policies and initiatives within our operations to create an inclusive and agile workplace for our employees. We are also committed to providing appropriate training and development opportunities to set a stage for employees to explore further interests.

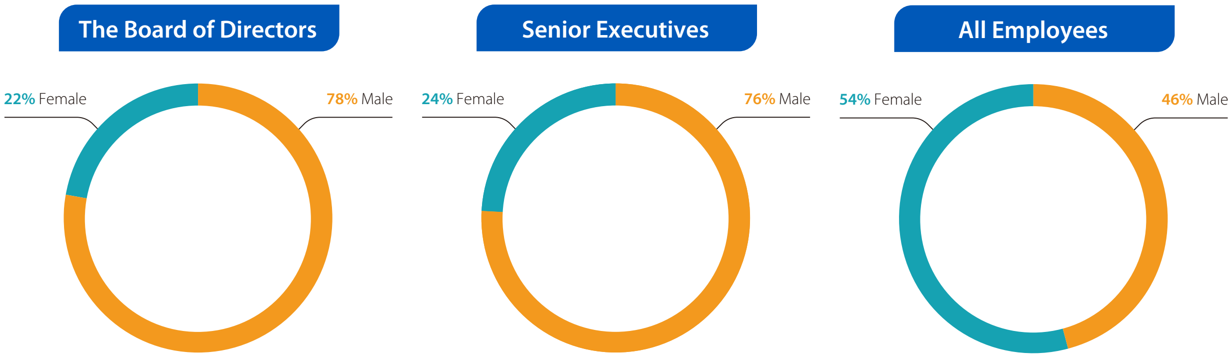
The Employee Culture Guide and Handbook is an overarching guideline for the management of our People & Culture department. The Handbook is regularly reviewed by the People & Culture department according to changes in Company policy or any legal requirements, and it consists of sections on conditions of employment, recruitment and promotion, working conditions, benefits and remuneration, code of conduct, as well as training and development.

Diversity and Equal Opportunities

We are an equal opportunity employer who hire based on candidates' capabilities without discrimination. We believe that diverse backgrounds bring in a range of ideas and experiences for mutual learning among employees. The Group applies diversity and equal opportunity in the workplace and recruitment processes and signed The Racial Diversity and Inclusion Charter for Employers initiated by the Equal Opportunities Commission in 2022. The Anti-Discrimination Policy is approved by the Board and the Group does not tolerate any form of discrimination, including but not limited to gender, age, race, etc.

As of 31 December 2022, the Group employed 1,608 (2021: 1,738) employees.

Gender Diversity



Recognising and Rewarding Talents

We actively listen to the opinions of our talents to ensure that they feel valued and cared for. The trust between the Group and our employees originates from being interdependent in functions. Through building mutual trust and actively listening to the opinions of our employees, we could better understand the strengths of our employees and provide a platform for our employees to unleash their full potential.

We also recognise the importance of rewarding our talents as a way to show appreciation and ensure that our employees feel valued for their work. The salaries of our employees are reviewed annually to ensure that they remain competitive, and we offer a range of employee benefits and remuneration packages to safeguard the wellbeing and enhance the development of our employees. For example, we offer a comprehensive package of benefits including unlimited paid leave, insurance and health care benefits coverage, parental leave, retirement provision and stock ownership and for employees at our SHK & Co. and SHK Credit's Hong Kong office. Top up MPF employer contributions are also provided to SHK & Co.'s employees. At UAF, employees of the Hong Kong office also enjoy recreation leave, birthday leave and family-friendly leave on top of life insurance and health care benefits.

Unlimited Paid Annual Leave Policy

We believe that high performance individuals should be rewarded for their valuable work. Performance shall not be measured according to the time spent on work, but instead the value-added during the process and final product.

- Allow employees to strive a good work-life balance in a flexible way
- Built on the trust and appreciation we have for our employees
- Creates positive impact of upholding employee wellbeing and enhancing work efficiency

"Our flexible working policy is based on the mutual trust between the company and employees. We trust our employees to be responsible and professional in their role to take leave for personal needs and work-life balance because they know that the company places trust in them." – **Ms. Samantha Che, Head of People & Culture of SHK & Co.**

Cultivating Young Talents

We value the innovative and creative ideas that young talents could bring us, and at the same time we are dedicated to expanding their capacity and exposure while working with us. As such, SHK & Co. partnered with HKSI to provide on-the-job training opportunities in our alternative investment business. UAF has also been running a Graduate Trainee Programme since 2014 to provide opportunities for graduates from local universities who are interested in the consumer finance industry to acquire the necessary background knowledge of the industry and gain hands-on experience working with our experienced talents.

Employee Health, Wellness and Safety

We are committed to providing a healthy, safe and suitable working environment for all our employees. As such, we follow government regulations and guidelines related to occupational health and safety ("OHS") to guarantee that we provide a decent place for employees to execute their full potential. Under the challenges of COVID-19, we have become more vigilant of the risks at the workplace, and thus we responded according to the latest government guidelines swiftly with relevant measures in place to safeguard the health and wellbeing of our employees.

Occupational Health and Safety

We closely follow the Labour Department's guidelines of "A Guide on Employer Safety Policy" and "Occupational Safety and Health Ordinance" as use such documents as a framework for ensuring occupational health and safety at our workplace. It also covers how we could identify OHS risks in general office settings.

Our People & Culture Department has dedicated employees who closely monitor OHS in our offices. Our administrative employees conduct monthly site walks to inspect office facilities to ensure all facilities are safe and in a good working condition, minimising any potential adverse health and safety impacts that are related to our daily operations. Employees could also report to our site walk inspectors if he/she identifies a potential OHS risk. Air purifiers are also used at the workplace to remove contaminants and to improve overall air quality at office buildings.

Ensuring Safety from Fire Hazards

- Annual inspection of the fire system, fire extinguishers and emergency exit plans
- Fire safety online seminar organised by the Building Management Office
- Annual fire drills
- Team fire marshalls
- Awareness communication to all employees on fire exit, escape path and evacuation process
- Clear signage of escape maps in visible locations

Our exposure to high-risk occupational hazards is rather low in normal daily operations due to our business nature. We make clear records of all workplace related accidents, and as reported by our People & Culture department, 1 (2021: 1) case of workplace related accidents from out of office hours was reported, resulting in 43 (2021: 0) lost days during the Reporting Period. In addition, no work fatalities were reported for the past three years.

Wellness Promotion

In terms of wellness promotion, we have held over 5 major activities at SHK & Co., including a Health Talk about Anti-aging, a HIIT Workout Event, a Steps Challenge activity, monthly Friday at Five employee gathering events and Hearty Green Food Box Deliveries on World Earth Day. Our Steps Challenge aims at helping our employees to keep up with the habit of walking at least 10,000 steps a day to reduce the risk of cardiovascular disease, improve physical endurance and help reduce carbon emissions.

"The company should listen to the needs of its employees, enhance communication and provide a better work environment for its employees with the aim to bring about a sense of belonging." – **Ms. Alison Yeung, Vice President of Corporate Communications of SHK & Co.**

Promoting Physical and Mental Health – 7 Wellness Programmes at UAF:

- Positive Psychology Workshop
- Abandon Meat – Become a Part-Time Vegetarian
- Office Tea Menu – Chinese Practitioner on Making Health Tea
- Fighting Pneumonia – Relieving Symptoms and Post-illness Conditioning
- Healthy Approaches to Keep Fit
- Traditional Chinese Medicine Beauty and Wellness
- The Way to Quality Sleep

Managing COVID-19

In 2022, we have continued to safeguard the health and wellbeing of our employees under the COVID-19 pandemic. On top of maintaining communication with our employees on protection and preventive measures, guidelines and notices, we have also implemented a set of hygiene and sanitation measures in offices to control the spread of disease. Other than allowing flexible work from home arrangements for units wherever feasible to reduce face to face contact, UAF and SHK Credit branches are also well-equipped with protection measures such as hand sanitisers and COVID-19 control signs to ensure safe for both our employees and customers.

Our Disaster Recovery Plan (DRP):

Our DRP has been updated in 2022 to ensure business process continuity and resilience in the face of unplanned incidents such as natural disasters, power outages, cyber-attacks, and other disruptive events. The DRP outlines detailed instructions for response and escalation procedures and defines Recovery Point Objective (RPO) and Recovery Time Objective (RTO) for various systems.

Completed in 2022	To be Completed in 2023
1. Update DRP document • Identify Critical Operations • Evaluate Disaster Scenarios • Communication and Escalation Plan • Data Backup and Recovery Plan 2. Drill test to validate the DRP • Prepare resilience site using Microsoft Azure Virtual Desktop (AVD) • Update drill test plan based on actual operation and different level of disaster scenarios • Involved member from different teams to complete the drill test with result and passing rate recorded 3. Split operations • Split business and operation departments from one operating location into two separate sites	1. Annual review of DRP 2. Another round of drill test as annual activities 3. Alternate sites testing

Business continuity plans have also been developed across the Group to keep up with changing pandemic requirements and restrictions while maintaining services for our customers. This ensures that we could deliver our services with minimised business disruptions and speedy responses in face of sudden changes under the pandemic. For example, a decision tree acts as a checklist and guideline for a range of scenarios where employees could follow and determine whether to remain normal operations.

Development and Training

Continuous learning is the key to improvements and sustainable development. We highly value the process of learning as a vital component to remain competitive, while keeping up with the latest global trends and the ability to integrate personal skills acts as a resilience tool for our employees.

Training topics provided across the Group include but are not limited to:

- Valuation approach
- ESG training
- Financial markets
- Health insurance
- Legal documentation knowledge
- Customer service
- Insights discovery
- Design thinking
- Taxation
- Fraud awareness
- Information security awareness
- Loan systems
- Compliance (including anti-bribery, anti-money laundering and counter-terrorist financing)

At SHK & Co., we hold orientation training for all new joiners to help them understand our core business values, areas of operations, company culture, employee benefits, and most importantly, to familiarise themselves at the new working environment. In particular, we have held an ESG training for our Board, covering topics on background of ESG, ESG ratings and compliance with laws/regulations. Furthermore, to demonstrate our commitment in encouraging mutual learning, we rolled out a new Learning & Development Policy to encourage personal development, held "Lunch at work" events to create a platform between employees to communicate and exchange experiences, as well as to learn about ideas from different business functions.

UAF is also committed to encourage the development of its employees, and thereby offers an advanced learning allowance for all general employees and superior employees that is renewed yearly.

We also regularly appraise the performance of our employees to recognise the value of their work, help identify areas of personal development and build their capacity to brace for future challenges. Not only does this help us clearly understand the unique skills of our employees and improve our operational performance, but it also enhances the satisfaction of our employees.

Further details on training, performance reviews and other employment aspects of the Group are summarised in the Performance Data Table in this Report.

Our Investors and Customers

SHK & Co. has been at the forefront of addressing emerging investors and customer's needs, with our solid foundation in the financial industry. As a reliable and compassionate professional corporation, we are dedicated to providing prime services and cultivating excellent relationships with our investors and customers. Thus, we endeavour to safeguard our operational functions, consistently improve our engagement strategy, and spot growth prospects in order to maintain the quality of our services.

Financial Protection and Inclusion

UAF is committed to safeguarding its customers' financial protection and inclusivity. As a founding member and executive committee member of the HKSAR Licensed Money Lenders Association ("LMLA"), UAF played a role in drafting the Code of Money Lending Practice, a thorough framework of market practices and standards in the lending industry. The Code covers important topics such as customer relationships, anti-money laundering, credit evaluation, debt collection and recovery, and data privacy. By adhering to the Code, UAF aims to increase customer confidence and foster a fair corporate culture in the financial industry.

In addition to its involvement in the LMLA, UAF is also a prominent contributor to the lending industry and a member of several projects run by the Hong Kong Association of Banks (HKAB), including a special task force for the Multiple Credit Reference Agency and a task force for Alternative Payment Solutions ("APS") for property transactions.

Furthermore, UAF strives to better serve its customers' changing needs and promote financial stability in the community. UAF provided financial assistance during the COVID-19 pandemic through the Interbank Debt Relief Plan, which aimed to ease the financial struggles of borrowers by providing debt relief plans, and has also launched a personal loan service to customers to improve financial accessibility.

Meanwhile, SHK Credit has a mortgage scheme that allows customers to obtain mortgage loan approval within 24 hours.

Sustainable Investment

SHK & Co. is committed to sustainable investing and supporting businesses that positively impact society while providing returns for investors. We have invested in various next-generation technology projects such as 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 focuses 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%.

We also educate investors on sustainable investing trends and help them identify investment opportunities and risks. As a socially conscious company, we are developing our responsible investing strategy to integrate ESG concerns into decision-making and mobilise capital sustainably.

Customer Service

We aim to provide exceptional service by understanding our customers' needs and exceeding their expectations. UAF performs customer satisfaction surveys to measure its service and quality, and has a dedicated support hotline to improve the customer experience. Its Customer Service Department ("CSD") is trained to handle situations professionally, sensibly, and quickly.

UAF Customer Satisfaction Survey

3,194 respondents

~189% increase in responses vs 2021

98.68% positive response rate

For managing customer complaints, we have standardised procedures and remedies that are overseen by the CSD. Upon receiving a complaint, the employee will investigate and take corrective action if necessary. During the Reporting Period, we recorded a total of 1 complaint about products/service and 6 debt collection complaints. Every complaint case has been inspected and resolved by the CSD and Debt Collection Unit assiduously and meticulously.

Data Privacy and Confidentiality

Data Protection

The Group adheres to relevant laws and regulations, such as the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) and the Code of Practice on Consumer Credit Data, when gathering personal information from customers. The confidentiality and privacy of client data is a top priority, and the Group's Information Security Policy outlines the responsible management of data. The Group uses encryption technology and obtains formal consent for data usage to protect personal information, and has strict standards in place to prevent unauthorised access and use of data.

Apart from that, the Group provides information security training to employees to protect against cyber security threats. The Information Classification Policy ensures that sensitive information is managed properly, and the use and monitoring of portable storage devices is guided by specific guidelines. Information security training covers current concerns and control measures to prevent security issues.

IT Resilience

The Group invests in its infrastructure and cyber security to address the increasing IT risks. They have a secure information system with backup features and located offsite at managed data centres. The cyber security is strengthened through external audit and benchmarking against the industry standard of National Institute of Standards and Technology ("NIST") Cybersecurity Framework. In addition, UAF has an Information Security Management System ("ISMS") in compliance with ISO 27001 to secure information and reduce risks. The Information Security Policy, which is a component of the ISMS, sets minimum standards for employees to follow. The ISMS is made more effective through employee adherence to security requirements.

Responsible Marketing

UAF and SHK Credit use responsible marketing practices and adhere to the Trade Description Ordinance and Guidelines on Additional Licensing Conditions of Money Lenders Licence to provide accurate information to investors and customers. Risk warnings are included in promotional materials and a hotline is provided for reporting illegal publicity. The information is presented clearly and consistently to ensure comprehension. False or misleading information is prohibited, and advisory documents are available on the website for customers' perusal.

Anti-Money Lending Scam Guidance Documents

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

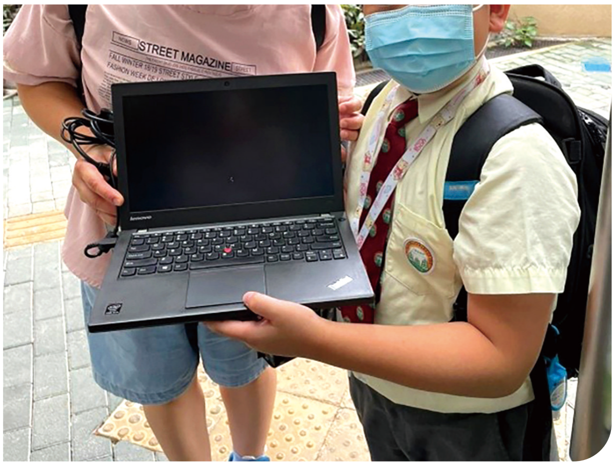
Our Community

SHK & Co. utilises its resources and capabilities to help the communities becoming more resilient and have more secure livelihoods. Our Sustainability Policy outlines our strategies in creating a diverse and fair society and investing in our communities in alignment with the UNSDGs. The Sun Hung Kai & Co. Foundation (the "Foundation") was established as a significant platform for the Group, business partners, and collaborators to support and enhance our underserved communities. Programmes that aid economically underprivileged families, nurture future leaders, and enable young people to thrive through athletics are some of the activities we support. After being restricted by social distance last year, we have stepped up our community initiatives this year. The Group has given more than HK$50 million to ESG initiatives through the Foundation since its founding in 2015, and UAF has given more than HK$8.1 million since 2020 to advance community wellness.

Enhancing Education for Underprivileged Students

Together, SHK & Co. and Crossroads Foundation have been promoting and supporting the communities since 2021. The Computer Refurbishment Programme, which gives used computers to underprivileged students and families so that they have access to e-learning during the COVID-19 pandemic measures, is one project in which both have been involved. A total of 600 computers – 240 desktops and 360 laptops – have been distributed throughout the project. To support underprivileged families, an additional 41 agencies received computers from the Computer Refurbishment Programme as well, including but not limited to: Against Child Abuse, Caritas Project Hyacinth, Eden Ministry Ltd, Social Welfare Department – Family and Child Protective Services Unit, Grassroots Future, Holy Trinity Lutheran Church, HK Family Welfare Society, Lok Sin Tong, New Life Psychiatric Rehabilitation Association, Po Leung Kuk, and Social Welfare Department.

"The Computer Refurbishment Programme has not only allowed the Company to reach out and support the unprivileged population of Hong Kong, but also maximise the use of each computer. This programme reduces carbon footprint whilst encouraging responsible technology refurbishment and reuse. This sustainable approach not only reduces CO_2 into the atmosphere and waste to landfills, but also reduces demand for new equipment." – **Mr. Brendan McGraw, Group Chief Financial Officer of SHK & Co.**



Bolstering Growth through Sailing

The Sun Hung Kai Scallywag Foundation established in 2019, together with Sailability Hong Kong, has continued to support 1,463 sailors over 203 days until 2022. During the process, we hope to help our young sailors improve their endurance, adaptability, communication skills, self-esteem, confidence, and mental wellness through our activities. We also place a focus on particularly providing opportunities for underprivileged youth, such as sailors from low-income families and ethnic communities to experience freedom and inclusivity.

The Sun Hung Kai Scallywag Foundation has continued to organise various sailing camps for the general public from 2021 to 2022 during the school breaks as part of its "One-for-One Charitable Scheme", where the proceeds of funding raised by a participant is used to support the underprivileged youth in sailing. In this scheme, participants could learn to give back to the community and help those in need.

We have partnered with the Royal Hong Kong Yacht Club for two consecutive years to title sponsor the "Sun Hung Kai & Co. Around the Island Race". We have also provided support to Hebe Haven Yacht Club's Open Dinghy Regatta since 2020 in effort to further encourage youths to take up sailing and help bring the sailing community in Hong Kong together.

Caring for the Elderlies and Homeless

In partnership with ImpactHK, employees from SHK & Co. and SHK Credit, as well as SHK & Co.'s fund partner ActusRayPartners, organised a "Kindness Walk" in the Tai Kok Tsui neighbourhood to provide the area's homeless residents with rice dumplings and other essentials (light meals, water, and Covid-relief items). The rice dumplings that were given out to the homeless community were bought from Ki Lung Restaurant, a civic-minded local eatery that has been giving out free meals to the elderly and homeless people on the streets for the past 20 years.

"I am grateful to have the opportunity today to participate in this Kindness Walk. Life is difficult for the homeless especially with the Covid-19 pandemic. Some of them have been unemployed for months and struggles daily for necessities such as food and water. For some, it's their first time to sleep on the streets. At the height of the pandemic, publicly accessible bathrooms were closed, services by some meal providers and sleeping areas were suspended which affected them particularly. We hope the Kindness Walk will bring the homeless some warmth and the wider society can understand the hardship of the homeless community and lend a hand to people in need." – **Ms. Phoebe Yuen, Group Head of Legal & Compliance at SHK & Co.**

Nurturing Future Leaders

We believe that one of the finest ways to nurture future leaders who want to make the world a better place is via education, and we are enthusiastic supporters of organisations that provide fair access to quality education and lifelong opportunities. As one of the founding sponsors of the Dalton School of Hong Kong, a non-profit dual-language and multicultural primary school that aims to foster learners and thinkers with a global perspective, we aspire to promote opportunities for youth in Hong Kong to receive high-quality education.

The Sun Hung Kai & Co. Foundation Fellowship Fund has been a major sponsor of Harvard Business School's need-blind admission programme since 2018. This initiative supports outstanding MBA students in achieving their aspirations and improving their lives by making prestigious education more accessible to young talents.

"Thank you so much Sun Hung Kai & Co. Foundation Fellowship Fund for making my HBS experience possible, and for making higher education accessible to other young talents in the Greater China and Southeast Asia region. Your generosity truly embodies the school's spirit of paying it forward and inspires me to do the same in the future." – **Phuong Nguyen, HBS MBA 2024**

Supporting Family Bonding

In November 2022, the employees of UAF took part in the Community Chest New Territories Walk for Millions 2022 – Cross Bay Link Tseung Kwan O to support 24 member agencies in providing "Family and Child Welfare Services". 45 volunteers participated in this 6km route with the aim to support agencies in maintaining and strengthening family bonding, encouraging mutual support relationship among family members, helping them prevent and cope with individual or family problems, as well as providing services for their unmet needs.

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:

SHK & Co.

Position	Institution
Committee Member	Chamber of Hong Kong Listed Companies
Task Force on Climate-Related Financial Disclosures (TCFD) Supporter	The Financial Stability Board

UAF

Position	Institution
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
Director	HK and Macau Taiwanese Charity Fund Limited
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
Member	Advisory Board, College of Management, National Chung Cheng University, Taiwan
Director	Shenzhen Microfinance Industry Association
Director	Liaoning Microcredit Company Association
Member	Chongqing Microcredit Association

UAF

Position	Institution
Member	Chongqing Association of Enterprises with Foreign Investment
Executive Director	Tianjin Association of Microcredit
Member	Sichuan Association of Microcredit
Member	Chengdu Microfinance Association
Member	Beijing Microfinance Industry Association
Vice Chairman	Yunnan Province Microcredit Association
Director	Dalian Municipal Association of Local Financial Institutions
Member	Wuhan Association of Microfinance
Member	Hubei Microcredit Company Association
Member	Shanghai Association of Microcredit
Member	The Chamber of Commerce of Beicai Town, Pudong, Shanghai
Director	Heilongjiang Microcredit Company Association
Director	Nanning Microcredit Industry Association
Director	Guangxi Microcredit Company Association
Member	Qingdao Microcredit Cooperation Development Association
Member	Shandong Microcredit Association
Member	Jinan Folk Financing and Microcredit Association
Member	Shenzhen Internet Finance Association

Our Environment

We acknowledge the importance of our role in defending the environment as well as level of commitment required to induce behavioural change.

During the Reporting Period, there were no cases of non-compliance in relation to environmental practices that have a significant impact on the Group.

Our Policies Dedicated to Upholding Environmental Sustainability:

- Sustainability Policy
- Green Office Guidelines
- Group Procurement Policy
    - Supplier Code of Conduct
    - Supplier Due Diligence Form
    - Sustainable Procurement
- Climate Change Policy

Connecting with Nature

Volunteers from SHK & Co., UAF and SHK Credit participated in the "Tree Partner Programme" organised by the World Green Organisation in August 2022. The activity involves hiking and tree planting at Tai Lam Country Park, and the Group is committed to demonstrate our efforts in raising the awareness of climate issues across our employees to the broader society.

Green Eating Habits

SHK & Co. collaborated with Green Monday as our "EARTH MONTH PARTNER" to encourage green eating habits and sustainable lifestyle. A customised "Green Common Hearty Food Box" was curated to be delivered to every employee's home.

Sustainable Consumption

The Group has maintained its efforts to ensure resources such as paper, electricity and water were consumed sustainably while reducing the amount of waste generated. We make an effort to procure office supplies and furnishings from vendors who have received relevant local and international environmental certification requirements in order to promote green products. Additionally, we have been purchasing Forest Stewardship Council ("FSC") paper whenever possible for the past few years.

Digitised Operations

Paper Consumption **~3.4%** compared to 2021 levels

We have been gradually transitioning towards digitised operations as our paper has remained a key resource consumed in our operations. The Group adopts a two-pronged approach: control at source and adopt digitisation technologies.

While paper usage may not currently be avoided entirely, our newly published Group Procurement Policy controls our source of paper by prioritising the purchase of environmentally friendly paper such as 100% recycled paper and sustainably sourced FSC certified paper to minimise its upstream impact. FSC paper has especially been applied to annual reports and business cards. Printers across various departments at SHK & Co. head office have been centralised and reduced in number to minimise the urge to print at will. Printers have also been defaulted to duplex printing to maximise the use of paper.

Major Digitised Initiatives:

- Digital business cards
- Electronic correspondences and circulation of materials
- Digital employee self-service platform for administrative paperwork
- Digital management process
- Online learning management system
- Electronic platforms as marketing channels
- Use of digital media firms
- Digital loan application services

Since the launch of UAF's "YES UA" app in 2020, customers can make loan originations through the app, which has given customers a more streamlined paper-free loan application and identity verification process, thus reducing carbon footprint from paper consumption.

Energy Conservation

Electricity Usage **~8.7%** compared to 2021 levels

Petrol Usage **~29.4%** compared to 2021 levels

The Group's most significant source of our operational carbon footprint comes from energy consumption, more specifically petrol for the company cars and electricity for powering the UAF offices and branches in both Hong Kong and Mainland China. Therefore, we strive to conserve energy through energy efficient installations, retrofitting or replacements, and advocating energy saving practices in the workplace.

We have set a target to reduce absolute electricity usage by 15% compared to FY19 baseline by 2025. As such, we have implemented light zones through centralised control panels and encouraged increased utilisation of the power-saving functions of the computer screens in our head office to enhance energy efficiency. On top of these measures, our head office happens to be situated in a Final-Platinum-certified building under Hong Kong's BEAM Plus Existing Buildings Certification (Commercial Building), which indicates that the building experiences excellent energy performance.

Energy Saving Measures at UAF:

Charter on External Lighting 戶外燈光約章

- Use of only LED, T5 or compact fluorescent lamps, refrigerating appliances, and servers that come with energy labels (i.e. EMSD's Grade 1 and 2 or equivalent)
- Affix on/off switch stickers on lighting control panel
- Lights switched off when not in use or after office hours
- Regular maintenance of electrical appliances such as lamps, computers, water dispensers, fridges and fans to ensure optimal efficiency
- Prioritise multi-functional devices that incorporate printing, scanning, photocopy and fax
- Switching off external lighting for decorative, promotional, and advertising billboards and signages after midnight
- Light control zones and installation of motion-sensing light bulbs and LED light bulbs

Water Efficiency

Water Usage

~42.5%

compared to 2021 levels

Apart from energy, clean freshwater is another valuable resource vital to our health and survival. We did not encounter any issues in sourcing water during the Reporting Period as the water consumed at our Hong Kong office comes from the municipal water supply. While we do not have any water-intensive operations, we have remained committed to our water conservation efforts and targets to reduce water usage.

Our water supply is maintained and inspected regularly to identify leakages early on so that we can respond quickly to contain and minimise the amount of water leaked. Other sources of water consumption include the water dispensers and water for plant irrigation. We have also prepared display signs in the pantries and washrooms for reminding our employees the importance of saving water and some water-saving techniques.

Waste Management

The Group's waste management approach starts with responsible consumption of resources, followed by exhausting reusing and recycling efforts before disposing them. Our most common office waste includes paper, cardboard, office furniture, computers, other electrical and electronic equipment, batteries, toner and ink cartridges as well as general waste. In order to facilitate our recycling efforts, designated recycling bins and collection areas have been provided in each office with clear signages indicating the respective recyclables, especially for confidential documents.

At the head office, we strive to maximise the lifespan of the office furniture, computers and other electrical and electronic equipment with regular maintenance and repairs until they breakdown completely. We would then donate them to specified organisations for upcycling or recycle them through recyclers authorised by the Environmental Protection Department.

In the future, we plan to provide additional waste collection points at the UAF offices to step up our recycling effort. We also keep careful monthly records of our disposed waste to monitor our waste management performance. We also ensure that both recyclable and non-recyclable wastes are collected and handled by licensed contractors.

Carbon Reduction

Recognising how greenhouse gases (GHG) are closely tied to climate change, the Group has been recording and monitoring our carbon footprint[3] involving our usage of electricity, petrol for company cars and business travel by air.

Major Carbon Reduction Initiatives:

- Use of online collaboration platforms to minimise business travels
- Conduct regular inspections and maintenance work for company cars to ensure optimal fuel efficiency
- Collaborate with green organisations to advocate a low-carbon lifestyle

Climate Change

In recent years, we have experienced increasingly more severe climate events, most notably Typhoon Mangkhut back in 2018, which brought about serious damages to infrastructures and vegetations. It serves as a reminder of the far-reaching extent that climate change poses to our lives and economy. As a result, the Group is committed to reducing our carbon footprint and building up climate resilience across our operations.

As governments, regulators and corporations around the world have become increasingly aware of the climate challenges, the Group has been compelled to improve our climate disclosures in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Task Force on Climate-Related Financial Disclosures (TCFD)

The Financial Stability Board ("FSB") created the TCFD to improve the reporting of climate-related financial information, including climate-related risks and opportunities. It provides a set of recommendations on the types of information that companies should disclose to support investors, lenders and insurance underwriters in appropriately assessing and pricing risks related to climate change.

The Group is aware of how crucial climate change, along with its risks and opportunities, is to our position in the financial services industry. The most common physical threats are those related to climate change with increases in the frequency of extreme weather occurrences. On the other hand, transition risks are associated with pressures in policy and market changes in response to the quick move to a lower-carbon economy and climate change mitigation.

As a TCFD Supporter, we have conducted a climate risk assessment for both physical and transition risks and opportunities in 2022 to better understand the potential financial impact of climate change to our business operations.

TCFD | TASK FORCE ON CLIMATE–RELATED FINANCIAL DISCLOSURES

[3] Further details related to our carbon emissions can be found under the "Performance Data Table" of this Report.

Governance	Strategy	Risk Management	Metrics and Targets
The Group's governance around climate-related risks and opportunities	Actual and potential impacts of climate-related risks and opportunities on the Group's businesses, strategy, and financial planning	The Group's identification, assessment and management of climate-related risks	The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Governance

The Group has also implemented a Climate Change Policy in 2022 to demonstrate the Group's commitments and measures to reduce and manage climate risks.

Our sustainability governance structure is formulated with a top-down integration of sustainability factors, climate threats, and economic prospects, enabling efficient management and oversight by the Board.

Detailed information on the Group's sustainability governance can be found under "Our Sustainability Commitment" section of this Report.

Strategy

Our Board is keen to identify climate-related physical and transition risks as we are aware of the hazards and possibilities that climate change poses to our Company. This process is crucial to assist us in designing future mitigation and resilience strategies.

Our Climate Change Policy sets out our commitments and strategies in the aspects of corporate sustainability, climate resilient investments, stakeholder engagement and transparency and disclosure that should be followed across the Group. Over the past few years, SHK & Co. has also invested in a large number of initiatives utilising next-generation technologies as detailed in the "Sustainable Investment" section of this Report.

We have worked with an external ESG consultant to provide ESG training to the Board and facilitated communication on climate change and its related impacts and issues to better understand potential risks that the Group is facing. This helped the Group to acquire a more comprehensive understanding of TCFD concepts as well as the current challenges of climate change. The consultant provided a list of potential climate risks following extensive discussions, and the climate risks were prioritised in order of business importance to reveal the most significant climate-related risks in our business operations.

The following table provides a summary of the most material risks to the Group:

Type	Climate-related Risks	Potential Impacts in the Future
Policy	Future implementation of carbon pricing or emissions reduction policies Stricter local (e.g. HKEX, SFC) and global laws and requirements	– Asset depreciation or climate-related asset stranding of investment projects affecting investment returns – Increased operating expenses (e.g. carbon taxes and allowances, consultancy fees, higher compliance costs and increased insurance premiums) – Company is at risk of being investigated or fined if deemed non-compliant to relevant laws and regulations
Technology	Transition to low-carbon technologies	– Increase in technological upgrade expenditures, such as adoption of green and low-carbon office equipment and use of renewable energy – Decrease in value of fixed assets

Market	Changes in investor preferences to greener investments	– Shift in investor preferences may result in a decrease in revenue due to inability to offer green investments – Material cost: cost to adopt/ deploy new practices and processes – Existing non-ESG portfolios will depreciate
	Increased public expectations on disclosure	– Company needs to put more resources into analysing investment projects and disclosing data
Reputation	Investor concerns in climate change and sustainability	– Decrease in investments: customers will divest from the Company due to inability of meeting investor's values and criteria in disclosing climate change-related information

Risk Management

Having identified a range of potential physical and transition risks, we have located the most relevant and important risks to our businesses, assessed their potential financial impact, and designed mitigation measures to manage these risks. Our Risk Management Committee takes responsibility for identifying, assessing and managing ESG-related risks according to the Group's risk appetite, ERM Framework and resiliency.

Summary of Potential Mitigation Measures:

- Set targets to reduce electricity consumption and regularly monitor and review progress
- Gradually replace less efficient equipment with more energy efficient ones
- Perform investment portfolio screening and set targets to ensure a portion of our investment portfolio considers ESG aspects
- Ensure compliance with all applicable legal requirements and regulatory frameworks
- Make reference to international publications and standards (e.g. GRI) in reporting processes
- Provide regular compliance training and updates to employees
- Support technological innovation to improve the sustainability of investments
- Provide ESG-related trainings to investment teams
- Publicly disclose carbon footprints, carbon reduction initiatives and status annually
- Build reputation from joining associations or global initiatives (e.g. TCFD Supporter) and collaborate with green organisations (e.g. WGO) to advocate for climate change initiatives (e.g. tree planting)

Detailed information on the Group's management of climate-related risks can found under "Our Business and Governance" section of this Report.

Metrics and Targets

We have existing environmental targets in the aspects of greenhouse gases, waste, electricity and water established in 2021, and we are actively working towards these targets along with close progress tracking annually. Further details of these targets can be found in the "Our Sustainability Commitment" section of this Report.

We will continue to assess the effects of climate change and gradually incorporate the analysis and assessment of climate change risks into our processes for making investment decisions, using our Climate Change Policy and Environmental Risk Management Policy for risk analysis.

Further data on our statistics related to the environment and emissions can be found in the "Our Environment" and "Performance Data Table" sections of this Report.

Laws and Regulations

During the Reporting Period, 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)*
- Trade Descriptions Ordinance *(Cap. 362 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)*
- Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Ordinance 2022
- 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*
  - *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)*
  - *Notice on the Special Rectification Work for the P2P Network Lending Risks (Online Loan Rectification Letter [2017] No. 57)*

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)*

Performance Data Table

Key Performance Indicators	Unit	2022			
Environmental		**SHK & Co.**	**UAF**	**SHK Credit**	**Total**
Air[4] and GHG Emissions					
Nitrogen Oxides Emissions	kg	5.29	3.62	N/A	**8.91**
Sulphur Oxides Emissions	kg	0.22	0.15	N/A	**0.37**
Particulate Matter Emissions	kg	0.39	0.27	N/A	**0.66**
GHG Emissions — Scope 1[5]	tCO_2-e	52.51	776.62	N/A	**829.14**
GHG Emissions — Scope 2[6]	tCO_2-e	81.43	1,775.27	33.99	**1,890.70**
GHG Emissions — Scope 3[7]	tCO_2-e	4.75	1.47	0.0026	**6.22**
Total GHG Emissions (Scope 1 - 3)	tCO_2-e	138.69	2,553.36	34.00	**2,726.05**
GHG Emission Intensity by Revenue	tCO_2-e/ HK$' Million	0.09	0.73	0.18	**0.52**
GHG Emission Intensity per Employee	tCO_2-e/person	1.82	1.70	1.13	**1.70**
Energy Use					
Petrol Usage	Litre	15,072.68	10,274.03	N/A	**25,346.71**
Electricity Usage	kWh	114,689.00	2,757,298.94	47,877.00	**2,919,864.94**
Total Energy Usage[8]	MJ	928,366.06	10,277,648.01	172,357.20	**11,378,371.27**
Energy Intensity by Revenue	MJ/HK$' Million	585.16	2,937.06	934.03	**2,158.94**
Energy Intensity per Employee	MJ/person	12,215.34	6,842.64	5,745.24	**7,076.10**
Water Use					
Water Usage[9]	m^3	0.18	2,847.95	5.71	**2,853.84**
Water Intensity by Revenue	m^3/HK$' Million	0.00012	0.81	0.031	**0.54**
Water Intensity per Employee	m^3/person	0.0024	1.90	0.19	**1.77**
Waste[10]					
Paper Consumed[11]	kg	897.48	72,530.68	707.49	**74,135.65**
Paper Consumed[11]	sheet	179,496	14,506,136	141,498	**14,827,130**
Paper Recycled	kg	980.00	10,513.54	450.00	**11,943.54**
Paper Intensity per Employee	sheet/person	2,361.79	9,657.88	4,716.60	**9,220.85**
Paper Intensity per Customer	sheet/person	N/A	80.37	196.53	**81.82**
Toner Cartridge	piece	0	190	0	**190**
Fluorescent Tubes, Light Bulbs	piece	19	341	22	**382**
Battery	kg	0.00	0.67	0.00	**0.67**
Computer	piece	0	370	0	**370**
Monitor/Screen	piece	0	360	0	**360**
Printers, Scanners, Fax Machines, Shredders	piece	0	62	0	**62**

4 Calculation of air emissions is based on How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs published by the Stock Exchange.

5 Includes emissions from consumption/disposal of fire extinguishers, refrigerant loss and direct combustion of vehicular fuels. GHG emission factors are adopted from the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong issued by the EPD and EMSD in 2010.

6 GHG emission factors are adopted from the Hongkong Electric Company, Limited 's Sustainability Report 2021 and the National Baseline Grid Emission Factor in China 2022 issued by the Ministry of Ecology and Environment of the PRC.

7 Includes indirect emissions from air travel by employees and electricity used for freshwater processing and sewage treatment. GHG emissions from air travel are calculated by International Civil Aviation Organization Carbon Emissions Calculator. Electricity consumption rates for freshwater processing and sewage treatment are obtained from the 2021 operation data published by WSD and DSD respectively.

8 Energy conversion factors are adopted from the UK Government Greenhouse Gas Reporting: Conversion Factors 2022.

9 Includes water usage as recorded from the water bills (except SHK & Co. and SHK Credit as their water supply is managed by the building/property management), bottled water and barreled water consumption.

10 Excludes waste handled/recycled by building/property management and its contractors.

11 Limited to usage from office and branch's daily operations.

Key Performance Indicators	Unit	2022			
Social		SHK & Co.	UAF	SHK Credit	Total
Employees[12]					
Total Number of Employees	person	76	1,502	30	1,608
Employees by Gender					
Male	person	39	690	17	746
Female	person	37	812	13	862
Employees by Age					
≤30 Years Old	person	2	256	1	259
31–40 Years Old	person	30	799	14	843
41–50 Years Old	person	28	337	11	376
>50 Years Old	person	16	110	4	130
Employees by Employment Category					
Senior Management[13]	person	4	6	0	10
Senior Executives[14]	person	16	17	0	33
Middle Management	person	21	226	7	254
General Staff	person	35	1,253	23	1,311
Employees by Geographical Location					
Hong Kong	person	68	672	30	770
Mainland China	person	1	830	0	831
Overseas	person	7	0	0	7
Permanent Employees by Gender					
Male	person	39	680	17	736
Female	person	37	797	13	847
Temporary Employees by Gender					
Male	person	0	10	0	10
Female	person	0	15	0	15
Non-guaranteed Hours Employees by Gender					
Male	person	0	10	0	10
Female	person	0	15	0	15
Full-time Employees by Gender[15]					
Male	person	39	690	17	746
Female	person	37	812	13	862
Workers who are not Employees[16]					
Contractor	person	4	8	0	12
Self-employed	person	1	0	0	1
Intern	person	0	19	0	19

12 Employee data are reported in headcount at the end of the Reporting Period.
13 Equivalent to "Executive Management" in ESG Report 2021.
14 Equivalent to "Senior Management" in ESG Report 2021.
15 We did not hire any part-time employees during the Reporting Period.
16 Contractual relationships for workers who are not employees are direct contracts and third-party contract for workers who perform clerical work, IT support and pantry assistance.

Key Performance Indicators	Unit	2022			
Social		**SHK & Co.**	**UAF**	**SHK Credit**	**Total**
		Total Number of New Employee Hires			
Total Number of New Employee Hires	person	18	439	14	**471**
		Rate of New Employee Hires by Gender			
Male	%	30.77%	34.93%	17.65%	**34.32%**
Female	%	16.22%	24.38%	30.77%	**24.13%**
		Rate of New Employee Hires by Age			
≤30 Years Old	%	200.00%[17]	55.08%	100.00%	**56.37%**
31–40 Years Old	%	23.33%	26.03%	14.29%	**25.74%**
41–50 Years Old	%	25.00%	18.69%	27.27%	**19.41%**
>50 Years Old	%	0.00%	24.55%	25.00%	**21.54%**
		Rate of New Employee Hires by Geographical Region			
Hong Kong	%	50.00%	39.58%	46.67%	**40.78%**
Mainland China	%	0.00%	20.84%	N/A	**20.82%**
Overseas	%	28.57%	N/A	N/A	**28.57%**
		Total Number of Employee Turnover			
Total Number of Employee Turnover	person	23	562	8	**593**
		Turnover Rate[18]			
Total Turnover Rate	%	30.26%	37.42%	26.67%	**36.88%**
		Turnover Rate by Gender			
Male	%	43.59%	40.14%	29.41%	**40.08%**
Female	%	16.22%	35.10%	30.77%	**34.11%**
		Turnover Rate by Age			
≤30 Years Old	%	200.00%[19]	54.30%	100.00%	**55.60%**
31–40 Years Old	%	23.33%	39.42%	7.14%	**38.32%**
41–50 Years Old	%	32.14%	22.26%	27.27%	**23.14%**
>50 Years Old	%	18.75%	30.00%	75.00%	**30.00%**
		Turnover Rate by Geographical Region			
Hong Kong	%	29.41%	30.21%	26.67%	**30.00%**
Mainland China	%	0.00%	43.25%	N/A	**43.20%**
Overseas	%	42.86%	N/A	N/A	**42.86%**

[17] The rate of new employee hires is above 100% as the number of new employee hires at ≤30 years old during the year exceeded the total number of employees at ≤30 years old employed at the end of the Reporting Period.

[18] Number of permanent employees who left during the year divided by the total number of employees employed by the Group at the end of the Reporting Period.

[19] The turnover rate is above 100% as the number of employees at ≤30 years old who left during the year exceeded the total number of employees at ≤30 years old employed at the end of the Reporting Period.

Key Performance Indicators	Unit	2022				
Social		SHK & Co.	UAF	SHK Credit		Total
		Parental Leave				
Total Number of Employees that were Entitled to Parental Leave	Male	39	59	17		**115**
	Female	37	102	13		**152**
Total Number of Employees that Took Parental Leave	Male	1	35	0		**36**
	Female	0	77	0		**77**
Total Number of Employees that Returned to Work in the Reporting Period after Parental Leave Ended	Male	1	33	0		**34**
	Female	0	68	0		**68**
Total Number of Employees that Returned to Work in 2021 after Parental Leave Ended	Male	1	6	0		**7**
	Female	0	11	1		**12**
Total Number of Employees that Returned to Work after Parental Leave ended that were still Employed 12 months after their Return to Work	Male	1	5	0		**6**
	Female	0	4	1		**5**
Return to Work Rate[20]	Male (%)	100%	94%	N/A		**94%**
	Female (%)	N/A	88%	N/A		**88%**
Retention Rate[21]	Male (%)	100%	83%	N/A		**86%**
	Female (%)	N/A	36%	100%		**42%**
		Percentage of Employees Trained				
Total Percentage of Employees Trained	%	100.00%	100.00%	100.00%		**100.00%**
		Percentage of Employees Trained by Gender[22]				
Male	%	51.32%	46.95%	56.67%	**47.31%**	**100%**
Female	%	48.68%	53.05%	43.33%	**52.69%**	
		Percentage of Employees Trained by Employment Category[22]				
Senior Management	%	5.26%	0.25%	N/A	**0.46%**	**100%**
Senior Executives	%	21.05%	0.68%	N/A	**1.56%**	
Middle Management	%	27.63%	14.65%	23.33%	**15.37%**	
General Staff	%	46.05%	84.43%	76.67%	**82.61%**	
		Average Training Hours				
Total Average Training Hours	hrs/person	5.21	12.95	3.47		**12.41**
		Average Training Hours by Gender				
Male	hrs/person	5.38	15.33	3.44		**14.53**
Female	hrs/person	5.03	10.94	3.50		**10.57**

20 Total number of employees who returned to work after parental leave divided by the total number of employees due to return to work after taking parental leave x 100%.

21 Total number of employees retained 12 months after returning to work following a period of parental leave divided by the total number of employees returning from parental leave in the prior reporting period x 100%.

22 The methodology used for calculating percentages of employees trained by gender and by employment category have been changed this year in alignment to How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs published by the Stock Exchange. It is calculated by the number of persons trained in the specific category divided by the total number of employees trained.

Key Performance Indicators	Unit	2022			
Social		**SHK & Co.**	**UAF**	**SHK Credit**	**Total**
		Average Training Hours by Employment Category			
Senior Management	hrs/person	5.63	8.75	N/A	**7.50**
Senior Executives	hrs/person	6.69	1.12	N/A	**3.82**
Middle Management	hrs/person	5.33	18.70	4.79	**17.21**
General Staff	hrs/person	4.41	12.10	3.07	**11.74**
		Total Training Hours by Topic			
Orientation	hrs	18.00	2,593.00	7.00	**2,618.00**
Anti-Corruption	hrs	89.50	1,141.00	45.00	**1,275.50**
Compliance	hrs	76.00	1,571.00	30.00	**1,677.00**
		Percentage of employee receiving regular performance review			
Review Rate	%	100.00%	91.61%	100.00%	**92.16%**
		Percentage of employee receiving regular performance review by Gender			
Male	%	100.00%	88.84%	100.00%	**89.68%**
Female	%	100.00%	93.97%	100.00%	**94.32%**
		Percentage of employee receiving regular performance review by Employment Category			
Senior Management	%	100.00%	100.00%	N/A	**100.00%**
Senior Executives	%	100.00%	100.00%	N/A	**100.00%**
Middle Management	%	100.00%	94.69%	100.00%	**95.28%**
General Staff	%	100.00%	90.90%	100.00%	**91.30%**
		Work-Related Injuries[23]			
Number of Injuries	number	0	1[24]	0	**1**
Work-Related Injury Rate[25]	per 1,000 employees	0	0.00000067	0	**0.00000062**
Number of High-consequence Injuries (excluding fatalities)	number	0	0	0	**0**
High-consequence injury rate	per 1,000 employees	0	0	0	**0**
Lost Days Due to Work-Related Injury	number of days	0	43	0	**43**
Number of Fatalities	number	0	0	0	**0**
Fatality Rate	per 1,000 employees	0	0	0	**0**
		Suppliers by Geographical Region			
Hong Kong	number	17	203	131	**351**
Mainland China	number	0	332	0	**332**
Overseas	number	0	12	0	**12**

23 The reported cases of work-related injuries covered external workers. There were no cases of work-related ill health that the Group is aware of during the Reporting Period.

24 This incident is not a high-consequence injury. The nature of injury was fall.

25 Injury rates are not calculated based on working hours as required by GRI as working hours are standardised in most cases for financial services without shifts.

Key Performance Indicators	Unit	2022			
Social		SHK & Co.	UAF	SHK Credit	Total
Annual Total Compensation Ratio					
Ratio of the annual total compensation for the organisation's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual)		5.61:1	31.85:1	3.43:1	N/A
Complaints					
Products and service complaints	number	0	1	0	1
Debt collection complaints	number	0	6	0	6

GRI Content Index

SHK & Co.'s ESG Report 2022 is prepared in accordance with the latest GRI Standards 2021. The following table provides with either cross-references of the relevant chapters or explanation.

GRI Standard	Disclosure	Relevant Chapter or Explanation	Page no.
GRI 2: General Disclosures 2021			
GRI 2: General Disclosures 2021	2-1 Organisational details	About This Report Annual Report 2022 – About Us Annual Report 2022 – Our Business	P.50 P.3 P.4-5
	2-2 Entities included in the organisation's sustainability reporting	About this Report Annual Report 2022 – Notes to the Consolidated Financial Statements	P.50 P.130-206
	2-3 Reporting Period, frequency and contact point	About this Report	P.50
	2-4 Restatements of information	There were no restatements of information in this Report.	
	2-5 External assurance	About this Report Annual Report 2022 – Corporate Governance Report (Audit Committee) Annual Report 2022 – Corporate Governance Report (Accountability and Audit) Annual Report 2022 – Independent Auditor's Report This Report was not externally assured.	P.50 P.42-43 P.47 P.121-125
	2-6 Activities, value chain and other business relationships	Our Business and Governance Our Investors and Customers Our Community Annual Report 2022 – Our Business	P.60-62 P.67-69 P.70-74 P.4-5
	2-7 Employees	Our People Performance Data Table We did not hire any part-time employees during the Reporting Period.	P.62-67 P.82-87
	2-8 Workers who are not employees	Our People Performance Data Table	P.62-67 P.82-87
	2-9 Governance structure and composition	Our Business and Governance Performance Data Table Annual Report 2022 – Corporate Governance Report (The Board, Board Process) Company website: Our Leadership	P.60-62 P.82-87 P.35-37

GRI Standard	Disclosure	Relevant Chapter or Explanation	Page no.
	2-10 Nomination and selection of the highest governance body	Annual Report 2022 – Corporate Governance Report (Board Process, Appointment of Re-Election of Directors, Board Diversity)	P.35-37, 39-40
	2-11 Chair of the highest governance body	Annual Report 2022 – Corporate Governance Report (Roles of Chairman and Chief Executive)	P.38
	2-12 Role of the highest governance body in overseeing the management of impacts	About This Report Our Business and Governance Annual Report 2022 – Corporate Governance Report (Roles of Chairman and Chief Executive, Corporate Governance Functions, Risk Management and Internal Control)	P.50 P.60-62 P.38, 40, 45-46
	2-13 Delegation of responsibility for managing impacts	About This Report Our Sustainability Commitment Our Business and Governance Annual Report 2022 – Corporate Governance Report (Risk Management and Internal Control)	P.50 P.53-59 P.60-62 P.45-46
	2-14 Role of the highest governance body in sustainability reporting	Our Sustainability Commitment	P.53-59
	2-15 Conflicts of interest	Annual Report 2022 – Corporate Governance Report (Board Process)	P.35-37
	2-16 Communication of critical concerns	Our Business and Governance Annual Report 2022 – Corporate Governance Report (Communication with Shareholders and Shareholders' Communication Policy) There were no incidences of critical concerns during the Reporting Period.	P.60-62 P.48
	2-17 Collective knowledge of the highest governance body	Our People Annual Report 2022 – Corporate Governance Report (Directors' Continuous Professional Development)	P.62-67 P.38
	2-18 Evaluation of the performance of the highest governance body	Annual Report 2022 – Corporate Governance Report (Remuneration Committee)	P.41-42
	2-19 Remuneration policies	Annual Report 2022 – Corporate Governance Report (Remuneration Committee)	P.41-42

GRI Standard	Disclosure	Relevant Chapter or Explanation	Page no.
	2-20 Process to determine remuneration	Annual Report 2022 – Corporate Governance Report (Remuneration Committee)	P.41-42
	2-21 Annual total compensation ratio	Performance Data Table Due to confidentiality reasons, we are unable to report the ratio of the percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees.	P.82-87
	2-22 Statement on sustainable development strategy	Our Sustainability Commitment	P.53-59
	2-23 Policy commitments	Our Sustainability Commitment Our Business and Governance Annual Report 2022 – Corporate Governance Report (Risk Management and Internal Control)	P.53-59 P.60-62 P.45-46
	2-24 Embedding policy commitments	Our Business and Governance Annual Report 2022 – Corporate Governance Report (Corporate Governance Functions, Risk Management and Internal Control	P.60-62 P.40, 45-46
	2-25 Processes to remediate negative impacts	Our Business and Governance Annual Report 2022 – Corporate Governance Report (Risk Management and Internal Control) Annual Report 2022 – Risk Management Report	P.60-62 P.45-46 P.29-34
	2-26 Mechanisms for seeking advice and raising concerns	Our Business and Governance	P.60-62
	2-27 Compliance with laws and regulations	Our Business and Governance Laws and Regulations There were no significant instances of non-compliance with laws and regulations during the Reporting Period, thus there were no fines nor non-monetary sanctions incurred during the Reporting Period.	P.60-62 P.81
	2-28 Membership associations	Membership and Associations	P.73-74
	2-29 Approach to stakeholder engagement	Our Sustainability Commitment	P.53-59
	2-30 Collective bargaining agreements	No current employees are covered by collective bargaining agreements.	

GRI Standard	Disclosure	Relevant Chapter or Explanation	Page no.
GRI 201: Economic Performance 2016			
GRI 3: Material Topics 2021	3-3 Management of material topics	About This Report Our Sustainability Commitment Our Business and Governance Annual Report 2022 – Notes to the Consolidated Financial Statements	P.50 P.53-59 P.60-62 P.130-206
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Our Business and Governance Performance Data Table Annual Report 2022 – Consolidated Statements and Notes to the Consolidated Financial Statements	P.60-62 P.82-87 P.126-206
	201-2 Financial implications and other risks and opportunities due to climate change	Our Business and Governance Our Investors and Customers Our Environment	P.60-62 P.67-69 P.75-80
	201-3 Defined benefit plan obligations and other retirement plans	Our People Annual Report 2022 – Consolidated Statements and Notes to the Consolidated Financial Statements In accordance with the requirements of the MPF System, employees and employers are both required to make mandatory contributions of 5% of the employee's relevant income into the employee's MPF account, subject to the minimum and maximum relevant income levels. Employees in Mainland China are covered by their local Social Insurance System. The percentage contributions cannot be reported due to confidentiality reasons. Due to confidentiality, we are unable to provide the estimated value of the liabilities of defined benefit plans.	P.62-67 P.126-206
	201-4 Financial assistance received from government	Annual Report 2022 – Consolidated Statements and Notes to the Consolidated Financial Statements	P.126-206
GRI 205: Anti-corruption 2016			
GRI 3: Material Topics 2021	3-3 Management of material topics	About This Report Our Sustainability Commitment Our Business and Governance	P.50 P.53-59 P.60-62
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Our Business and Governance	P.60-62
	205-2 Communication and training about anti-corruption policies and procedures.	Our Business and Governance Our People	P.60-62 P.63-67
	205-3 Confirmed incidents of corruption and actions taken	There were no incidents of corruption during the Reporting Period.	

GRI Standard	Disclosure	Relevant Chapter or Explanation	Page no.
GRI 401: Employment 2016			
GRI 3: Material Topics 2021	3-3 Management of material topics	About This Report Our Sustainability Commitment	P.50 P.53-59
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Performance Data Table	P.82-87
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Our People Disability and invalidity coverage is not provided as none of the employees is eligible during the Reporting Period.	P.62-67
	401-3 Parental leave	Performance Data Table	P.82-87
GRI 403: Occupational Health and Safety 2018			
GRI 3: Material Topics 2021	3-3 Management of material topics	About This Report Our Sustainability Commitment Our People	P.50 P.53-59 P.62-67
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Our People	P.62-67
	403-2 Hazard identification, risk assessment, and incident investigation	Our People	P.62-67
	403-3 Occupational health services	Our People	P.62-67
	403-4 Worker participation, consultation, and communication on occupational health and safety	Our People	P.62-67
	403-5 Worker training on occupational health and safety	Our People Due to our business nature and office setting, our exposure to work-related hazards is low, hence no dedicated training is arranged.	P.62-67
	403-6 Promotion of worker health	Our People Workers who are not employees of the Group are facilitated by their employers for access to the relevant healthcare services, hence no duplication is made by the Group.	P.62-67
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Our People	P.62-67
	403-8 Workers covered by an occupational health and safety management system	Our People All employees and external workers are covered by the OHS management system in circumstances where such system is present.	P.62-67
	403-9 Work-related injuries	Performance Data Table	P.82-87
	403-10 Work-related ill health	Performance Data Table	P.82-87

GRI Standard	Disclosure	Relevant Chapter or Explanation	Page no.
GRI 408: Child Labour 2016			
GRI 3: Material Topics 2021	3-3 Management of material topics	About This Report Our Sustainability Commitment Our Business and Governance	P.50 P.53-59 P.60-62
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Our Business and Governance None of our operations nor suppliers are at significant risk for incidents of child labour.	P.60-62
GRI 409: Forced or Compulsory Labour 2016			
GRI 3: Material Topics 2021	3-3 Management of material topics	About This Report Our Sustainability Commitment Our Business and Governance	P.50 P.53-59 P.60-62
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Our Business and Governance None of our operations nor suppliers are at significant risk for incidents of forced or compulsory labour.	P.60-62
GRI 418: Customer Privacy 2016			
GRI 3: Material Topics 2021	3-3 Management of material topics	About This Report Our Sustainability Commitment Our Business and Governance Our Investors and Customers	P.50 P.53-59 P.60-62 P.67-69
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Our Investors and Customers There were no substantiated complaints identified in relation to customer privacy during the Reporting Period.	P.67-69

Stock Exchange ESG Reporting Guide Content Index

Our ESG Report 2022 is also prepared in accordance with the ESG Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange. The following table provides cross-references of the relevant chapters or explanation.

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.	Our Sustainability Commitment
	Reporting Principles	
	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: Materiality, Quantitative, Balance and Consistency.	About This Report
	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.	Our Environment Laws and Regulations There are no laws and regulations that have a significant impact to the Group relating to GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
KPI A1.1	The types of emissions and respective emissions data.	Our Environment 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).	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).	Performance Data Table 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).	Performance Data Table General waste is not reported as such waste is handled by building/property management and such data could not be provided to the Group for record.
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Our Sustainability Commitment Our Environment
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.	Our Sustainability Commitment Our Environment

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.	Our Environment
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh 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).	Our Environment Performance Data Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance Data Table
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Our Sustainability Commitment Our Environment
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.	Our Environment
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging material is not applicable to the nature of our operations as a financial service company.
	Aspect A3: The Environment and Natural Resources	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment
	Aspect A4: Climate Change	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Our Environment
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Our Environment

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.	Our People Laws and Regulations
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Our People Performance Data Table Annual Report 2022 – Corporate Governance Report
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.	Our People Laws and Regulations
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	There were no incidents of work-related fatalities in the past three years including the reporting year.
KPI B2.2	Lost days due to work injury	Our People Performance Data Table
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Our People
	Aspect B3: Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Performance Data Table
KPI B3.2	The average training hours completed per employee by gender and employee category.	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 issuer relating to preventing child and forced labour.	Our Business and Governance Laws and Regulations
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our Business and Governance
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our Business and Governance
	Operating Practices	
	Aspect B5: Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Business and Governance
KPI B5.1	Number of suppliers by geographical region.	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.	Our Business and Governance
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Our Business and Governance
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Our Environment

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
	Aspect B6: Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Investors and Customers Laws and Regulations Due to the nature of our operations as a financial service company, there are no laws and regulations that have a significant impact on the Group relating to health and safety. There were no reported incidents of non-compliance concerning privacy matters and advertising during the Reporting Period.
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.	Our Investors and Customers Performance Data Table
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Business and Governance
KPI B6.4	Description of quality assurance process and recall procedures.	Our Investors and Customers
KPI B6.5	Description of consumer data protection and privacy policies, how they are and monitored.	Our Investors and Customers
	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.	Our Business and Governance 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.	There were no concluded legal cases regarding corrupt practices during the Reporting Period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Our Business and Governance
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Our Business and Governance

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
	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.	Our Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Community

The board of directors of the Company (the "Board") are pleased to present the 2022 annual report ("Annual Report") and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2022.

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 2022 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 2022 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 2022. The Directors has declared a second interim dividend of HK14 cents (2021: second interim dividend of HK14 cents and special dividend of HK4 cents) per share for the year ended 31 December 2022 to the shareholders whose names appear on the register of members of the Company on 26 April 2023, making a total dividend for the year 2022 of HK26 cents per share. Dividend warrants of the second interim dividend are expected to be despatched on 10 May 2023.

Investment Properties

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

Property and Equipment

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

Charitable Donations

The total donations made by the Group for charitable purposes during the year amounted to approximately HK$6.7 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 2022:

– US$350,000,000 5.75% Guaranteed Notes due November 2024 (the "2024 Notes") issued by 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) under the US$3,000,000,000 Guaranteed Medium Term Note Programme (the "MTN Programme"). The 2024 Notes were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in November 2019 (stock code: 40065). As at 31 December 2022, US$330,500,000 in the principal amount of the 2024 Notes were outstanding.

– US$450,000,000 5.00% Guaranteed Notes due September 2026 (the "2026 Notes") issued by SHK BVI under the MTN Programme, of which US$75,000,000 in the principal amount were issued on 2 March 2022 for general corporate purposes and refinancing of existing indebtedness. The 2026 Notes were listed on the Stock Exchange in September 2021 as to US$375,000,000 and in March 2022 as to US$75,000,000 (stock code: 40831). As at 31 December 2022, US$421,250,000 in the principal amount of the 2026 Notes were outstanding.

For further details of the abovementioned issued Guaranteed Notes, 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 2022 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 Director

Peter Anthony Curry

Independent Non-Executive Directors ("INEDs")

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

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

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

Profiles of Directors and Senior Management

Executive Directors

Lee Seng Huang, aged 48, 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, a company previously listed on the Australian Securities Exchange. 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 also holds directorships in certain subsidiaries of the Company.

Simon Chow Wing Charn, aged 68, 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 70, 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 51, 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), decentralised 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. He 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, a member of the Fintech Advisory Group of the Securities and Futures Commission, and also serves on the Innovation and Technology Advisory Committee of the Hong Kong Trade Development Council, the Transport Policy Committee of the Chartered Institute of Logistics & Transport, the Development Fund Committee of the Hong Kong Council of Social Service, the 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. Mr. Au Yang is also a lecturer at the Hong Kong Academy of Politics and Public Policy.

Prior to joining Animoca Brands, Mr. Au Yang was the managing director and head of GLG International (Gerson Lehrman Group) ("GLG"), a technology-enabled expert insight platform where he ran and grew its business spanning Europe, Middle East, Africa and 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, he was an associate partner at McKinsey & Company. Before that, Mr. Au Yang worked 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 57, 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 79, 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 41, 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 Chief Executive Officer of Tamarind Global, 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, JP, aged 62, 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 55, 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 chairman 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 was previously an independent non-executive director of Floatel International Limited, a company headquartered in Norway which owns and operates a fleet of offshore accommodation vessels, and was a non-executive director of Skylight Financial Solutions Pty Limited, an Australian company engaging in the business of provision of financial solutions services. Mr. Porritt is also a director of Asia Society Australia, which is a business and policy think-tank and membership organization dedicated to Asia, and a director of Dalton School Hong Kong Foundation. 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, a director and company secretary of The Aurora Group – A Ruby Foundation Limited, an Australian registered charity supporting LGBTIQ+ community, and a director of Aurora Newco Limited which is connected with the Aurora Group – A Ruby Foundation Limited.

Senior Management

Brendan James McGraw

Group Chief Financial Officer

Mr. McGraw, aged 50, 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.

Lindsay Megan Wright

Chief Executive Officer, Funds Management

Ms. Wright, aged 57, 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 2022, 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 Directors	Capacity	Number of Shares	Approximate % of the total number of issued Shares
Lee Seng Huang	Interests of controlled corporation *(Note 1)*	1,442,182,575 *(Note 2)*	73.30%
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 74.99% 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 corporations	Capacity	Number of shares	Approximate % of the total number of the relevant shares
Lee Seng Huang *(Note 1)*	AGL	Trustee *(Note 2)*	2,634,646,760	74.98%
	Tian An China Investments Company Limited ("TACI")	Interests of controlled corporation *(Note 3)*	758,580,096	51.74%
	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 2 February 2023.
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 represented long positions. As at 31 December 2022, 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 2022, 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").

Share Award Scheme

Summary of the terms of the Share Award Scheme

By a resolution of the Board on 18 December 2007 (the "Adoption Date"), the Company has approved the establishment of the SHK Employee Ownership Scheme, being a share award scheme (the "Share Award Scheme").

Upon the adoption of the Share Award Scheme, the Company appointed an independent third-party trustee (the "Trustee") for the administration of the Share Award Scheme pursuant to the Rules relating to the SHK Employee Ownership Scheme.

Pursuant to the Share Award Scheme, the shares of the Company to be awarded under the Share Award Scheme (the "Awarded Shares") will be satisfied by existing shares to be acquired by the Trustee on or off the market.

Purpose

The purpose of the Share Award Scheme is to (a) recognise the contributions by the Selected Grantees (as described below) and to provide the Selected Grantees with incentives in order to retain them for the continual operation and development of the Group; and (b) attract suitable personnel for further development of the Group.

Who may join the Share Award Scheme

The Share Award Scheme Committee of the Board (the "Scheme Committee") may from time to time, at its absolute discretion, select (subject to the acceptance of the terms and conditions of the Share Award Scheme) any full-time employees or directors of the Group for participation in the Share Award Scheme (each a "Selected Grantee"), provided that any such employee or director who is resident in a place where the award and/or vesting and transfer of the shares of the Company pursuant to the terms of the Share Award Scheme is not permitted under the laws and regulations thereof, or, in the view of the Board, the Scheme Committee or the Trustee (as the case may be), is not in compliance with applicable laws and regulations in such place making it necessary or expedient to exclude such employee or director shall be excluded from participation in the Share Award Scheme (each an "Excluded Person").

In determining the basis of offering the Awarded Shares to a Selected Grantee, the Scheme Committee shall take into account including, without limitations, the general financial condition of the Group, the rank, years of service and overall performance of such Selected Grantee, and/or such factors as the Scheme Committee may at its discretion consider appropriate.

Maximum number of shares that may be awarded

The total number of Awarded Shares shall not exceed 83,989,452 shares, being 5% and 4.27% of the entire issued share capital of the Company as at the Adoption Date and as at the date hereof respectively.

Maximum entitlement of each Selected Grantee

The maximum number of Awarded Shares that may be awarded to each Selected Grantee under the Share Award Scheme shall not exceed 1% of the entire issued share capital of the Company as at the Adoption Date.

Period within which a Selected Grantee may accept offer of Awarded Shares

The offer of the grant of Awarded Shares shall remain open for acceptance by a Selected Grantee until the expiry of 15 business days (unless such longer period is otherwise specified by the Scheme Committee) following the date of the offer. An offer cannot be accepted by a person who ceases to be an employee or directors of any member of the Group or who becomes an Excluded Person before acceptance of the Awarded Shares is received by the Scheme Committee.

To the extent that such offer is not accepted within the time limit, the relevant Awarded Shares shall be deemed to have been irrevocably declined and lapse automatically.

Vesting period of the Awarded Shares

The Awarded Shares shall vest in each Selected Grantee on a date as determined by the Scheme Committee or on a date on which the relevant vesting conditions as imposed by the Scheme Committee are fulfilled (the "Vesting Date").

In respect of a Selected Grantee who dies or retires by agreement (i.e. where the Selected Grantee has reached the age of retirement from time to time determined by the Group) with a member of the Group at any time prior to or on the Vesting Date, all the Awarded Shares to which the Selected Grantee is entitled shall be deemed to be vested on the day immediately prior to his death (in which event, such Awarded Shares shall vest in the person(s) designated in writing to the Scheme Committee by the deceased Selected Grantee before his death or, in the absence of such designation, to such person(s) as the Scheme Committee may in its discretion determine) or the day of his retirement with the relevant member of the Group.

If there occurs an event of change in control (as specified in the Hong Kong Codes on Takeovers and Mergers and Share Repurchases from time to time) of the Company, whether by way of offer, merger, scheme of arrangement or otherwise, all the Awarded Shares shall immediately vest on the date when such change of control event becomes or is declared unconditional and such date (or the date upon which the Trustee received written notification from the Company in relation to such change of control) shall be deemed to be the Vesting Date.

Upon termination of the Share Award Scheme, all the Awarded Shares shall be vested and such termination date shall be deemed to be the Vesting Date for all purposes.

Amount payable on acceptance of the Awarded Shares and basis for determination thereof

Pursuant to the Share Award Scheme, the Scheme Committee shall cause to be paid the Reference Amount (as defined below) from the Company's resources into a trust account or to the Trustee to be held on trust for the relevant Selected Grantee for the acquisition of the Awarded Shares as soon as practicable after the date of final approval by the Scheme Committee of the total number of Awarded Shares to be awarded to the relevant Selected Grantee on a single occasion pursuant to the Share Award Scheme (the "Reference Date").

In respect of each Selected Grantee, the Reference Amount is the sum of (i) the closing price of the shares of the Company as quoted on the Stock Exchange as at the Reference Date multiplied by the number of Awarded Shares to be awarded to the Selected Grantee and (ii) the related purchase expenses (including for the time being, the brokerage fee, stamp duty, transaction levy imposed by the Securities and Futures Commission, Stock Exchange trading fee) and such other necessary expenses required for the completion of the acquisition of the Awarded Shares.

The Trustee shall, within 20 business days of receiving the Reference Amount, apply the Reference Amount towards the acquisition of the Awarded Shares at such price within the specified range on the Stock Exchange at the direction of the Scheme Committee.

In the event that the Scheme Committee decides that all the Awarded Shares shall be purchased on the market at such price within the specified range as determined by the Scheme Committee and where the Reference Amount paid or caused to be paid to the Trustee is not sufficient to purchase all the Awarded Shares at such price, the Trustee shall acquire the maximum number of board lots of shares of the Company that can be acquired with that Reference Amount and seek further funds from the Scheme Committee until all the Awarded Shares are purchased in similar manner.

Any residual cash provided for a Selected Grantee which has not been applied in the acquisition in his Awarded Shares shall be applied in settlement of all reasonable fees, costs and expenses incurred by the Trustee in the administration of the Share Award Scheme trust or returned to the Company forthwith after completion of the acquisition of all the relevant Awarded Shares at the direction of the Scheme Committee.

Life of the Share Award Scheme and termination

The Scheme shall terminate on the earlier of (a) the twentieth anniversary date of the Adoption Date and (b) such date of early termination as determined by the Board provided that such early termination shall not affect any subsisting rights of any Selected Grantee under the Share Award Scheme. Assuming that there will not be an early termination, the remaining life of the Share Award Scheme is around 5 years as at 31st December 2022, being the date on which the latest financial year of the Company ended.

Neither the Selected Grantees nor the Trustee may exercise any of the voting rights in respect of any Awarded Shares that have not yet been vested.

Details of the movement of the Awarded Shares during the financial years ended 31 December 2021 and 2022 are set out in the table as follows:

		Granted during the financial year					Changed during the financial year			
Selected Grantees	Date of Grant	Closing price of the Awarded Shares immediately before the date of grant	Fair value of the Awarded Shares at the date of grant	Vesting Period	No. of Awarded Shares grant during the financial year	No. of Awarded Shares outstanding or unvested as at 31 Dec 2021	No. of Awarded Shares vested during the financial year	Weighted average closing price of the Awarded Shares immediately before the date the Awarded Shares were vested	No. of Awarded Shares cancelled or lapsed during the financial year	No. of Awarded Shares outstanding or unvested as at 31 Dec 2022
Directors Nil*										
5 highest paid individuals during the financial year (in aggregate)	20/4/2022	HK$3.7901	HK$2,865,316	20/4/2023-20/4/2025	756,000	690,000	230,000	HK$3.7901	0	1,216,000
Employees (in aggregate)	20/4/2022	HK$3.7901	HK$8,709,650	20/4/2023-20/4/2025	2,298,000	7,034,000	3,471,000	HK$3.2190	1,461,000	4,400,000
Total			**HK$11,574,966**		**3,054,000**	**7,724,000**	**3,701,000**		**1,461,000**	**5,616,000**

* There was no outstanding or unvested Awarded Share in favour of any director of the Company at the beginning of the financial year. No Awarded Share was granted to any director of the Company during the financial year. There was no outstanding or unvested Awarded Share in favour of any director of the Company at the end of the financial year.

Equity-Linked Agreements

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 Share Award Scheme, 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 2022, 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 Shareholders	Capacity	Number of Shares	Approximate % of the total number of issued Shares
AGL	Interests of controlled corporation *(Note 1)*	1,442,182,575	73.30%
Lee and Lee Trust	Interests of controlled corporation *(Note 2)*	1,442,182,575	73.30%
Lee Su Hwei	Interests of controlled corporation and interests of spouse *(Note 3)*	1,457,406,575	74.07%

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 74.99% 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. This represented interests in (i) same parcel of Shares in which the Lee and Lee Trust was deemed to have an interest; and (ii) 15,224,000 Shares held by Mr. Chen Yue Jia James, the spouse of Ms. Lee Su Hwei.

All interests stated above represented long positions. As at 31 December 2022, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 31 December 2022, 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, 2020 and 2021 of the Company, 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 2022 was HK$23.2 million, which was within the annual cap of HK$33.9 million as set for such financial year.

On 23 December 2022, the Company and AGL entered into an agreement to renew the 2020 Sharing of Management Services Agreement for a term of three years commencing from 1 January 2023 to 31 December 2025 and the relevant annual cap for each of the three financial years ending 31 December 2023, 2024 and 2025 were set at HK$33.9 million, HK$37.3 million and HK$41.0 million respectively (the "2023 Sharing of Management Services Agreement"). Details of the 2023 Sharing of Management Services Agreement were disclosed in the announcement of the Company dated 23 December 2022.

(2) Lease arrangements with AGL and its associates

2.1 2021 Master Lease Agreement

As disclosed in the announcement of the Company dated 1 December 2020 and the annual reports for 2020 and 2021 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 indirectly owned as to 50% by 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 and provide the relevant annual caps for each of the financial years during the term of the 2021 Master Lease Agreement. 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 Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong 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.

On 31 March 2022, a supplemental agreement in respect of the 2021 Master Lease Agreement (the "2021 Supplemental Master Lease Agreement") was entered into between the Company as lessee and Art View as lessor to amend the terms of the 2021 Master Lease Agreement to increase the annual caps for the years ending 31 December 2022 and 2023 thereunder. Pursuant to the 2021 Supplemental Master Lease Agreement, the annual caps for rental payments for each of the two years ending 31 December 2022 and 2023 were revised to HK$27.97 million and HK$6.85 million respectively, and the annual caps for management fees for each of the two years ending 31 December 2022 and 2023 were revised to HK$6.35 million and HK$8.15 million respectively. Save for the revision of the annual caps for the years ending 31 December 2022 and 2023, all other terms of the 2021 Master Lease Agreement shall remain unchanged.

At the time of entering into the 2021 Supplemental Master Lease Agreement, the transactions contemplated under the 2021 Master Lease Agreement as amended by the 2021 Supplemental Master Lease Agreement have been aggregated with the transactions contemplated under the Sub-tenancy Agreement (as disclosed in section 2.2 below), the License Agreement (as disclosed in section 2.3 below) and the Renewed License Agreement (as disclosed in section 2.3 below) for the Listing Rules purposes. The aggregated annual caps with respect to the transactions contemplated under the 2021 Master Lease Agreement as amended by the 2021 Supplemental Master Lease Agreement, the Sub-tenancy Agreement, the License Agreement and the Renewed License Agreement at the time are set out in section 2.3 below. Details of, among other matters, the 2021 Supplemental Master Lease Agreement and the revision of the annual caps with respect to the relevant transactions were disclosed in the announcement of the Company dated 31 March 2022.

The total value of right-of-use assets and short term rental expenses and the total amount of the management fees paid to Art View under the 2021 Master Lease Agreement as amended by the 2021 Supplemental Master Lease Agreement for the year ended 31 December 2022 were HK$18.74 million and HK$5.44 million respectively, which were within the revised annual caps of HK$27.97 million in respect of rental payments and HK$6.35 million in respect of the management fees as set for such financial year.

Subsequent to the year end, the Company as lessee and Art View as lessor entered into a 2nd supplemental agreement in respect of the 2021 Master Lease Agreement (the "2021 2nd Supplemental Master Lease Agreement") on 30 January 2023 to extend the term of the 2021 Master Lease Agreement as amended by the 2021 Supplemental Master Lease Agreement to cover the period of two years from 1 January 2024 to 31 December 2025 and provide the relevant annual caps for each of the financial years during the term. Pursuant to the 2021 2nd Supplemental Master Lease Agreement, the annual caps for rental payment for each of the two years ending 31 December 2024 and 2025 were set at approximately HK$105.43 million and HK$5.94 million respectively, and the annual caps for management fees for each of the two years ending 31 December 2024 and 2025 were set at approximately HK$8.63 million and HK$10.01 million respectively.

At the time of entering into the 2021 2nd Supplemental Master Lease Agreement, the transactions contemplated under the 2021 Master Lease Agreement as amended by the 2021 Supplemental Master Lease Agreement and the 2021 2nd Supplemental Master Lease Agreement have been aggregated with the transactions contemplated under the 2023 Master Lease Agreement (as disclosed in section 2.4 below) for the Listing Rules purposes. The aggregated annual caps with respect to the transactions contemplated under the 2021 Master Lease Agreement as amended by the 2021 Supplemental Master Lease Agreement and the 2021 2nd Supplemental Master Lease Agreement and the 2023 Master Lease Agreement are set out in section 2.4 below. Details of, among other matters, the 2021 2nd Supplemental Master Lease Agreement and the revision of the annual caps with respect to the relevant transactions were disclosed in the announcement of the Company dated 30 January 2023.

2.2 Sub-tenancy Agreement

As disclosed in the announcement of the Company dated 1 April 2021 and the annual report for 2021 of the Company, 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 which were owned by Art View. 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 Allied Kajima Building and the aggregate rent (which consists of rent and management fees) payable thereunder shall be HK$126,100 per month. 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, where such acquisition of right-of-use assets will constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules; and management fees will be recognised as expenses in the consolidated statement of profit or loss of the Group, where payment of such expenses will be regarded as a continuing connected transaction for the Company under Chapter 14A of the Listing Rules such that the Company is required to set annual caps with respect thereto. The annual caps for the management fees under the Sub-tenancy Agreement for each of the three years ending 31 December 2021, 2022 and 2023 were set at HK$184,000, HK$269,000 and HK$68,000 respectively.

At the time of entering into the Sub-tenancy Agreement, the transactions contemplated under the Sub-tenancy Agreement have 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 transactions contemplated under the 2021 Master Lease Agreement and the Sub-tenancy Agreement for each of the three years ending 31 December 2021, 2022 and 2023 were then 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 2022 was HK$244,000, which was within the annual cap of HK$269,000 as set for such financial year.

2.3 License Agreement

As disclosed in the announcement of the Company dated 30 September 2021 and the annual report for 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 United Asia Finance Centre (formerly known as China Online Centre), No. 333 Lockhart Road, Wanchai, Hong Kong to UAF for the purpose of LED display and the license fee payable by UAF to Jaffe during the term of the License Agreement shall be HK$150,000 per month.

The transaction contemplated under the License Agreement is a lease based on the definition under HKFRS 16 "Leases". The Company applies the short term lease exemption to the transaction contemplated under the License Agreement 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. The annual caps for the license fee under the License Agreement for each of the two years ending 31 December 2021 and 2022 are HK$750,000 and HK$750,000 respectively.

At the time of entering into the License Agreement, the transactions contemplated under the License Agreement have been aggregated with the transactions contemplated under the 2021 Master Lease Agreement and the Sub-tenancy Agreement for the Listing Rules purposes, the aggregated annual caps with respect to the transactions contemplated under the License Agreement, the 2021 Master Lease Agreement and the Sub-tenancy Agreement for each of the three years ending 31 December 2021, 2022 and 2023 were then revised to HK$79.51 million, HK$16.88 million and HK$12.51 million respectively.

On 31 March 2022, UAF and Jaffe entered into a renewed license agreement (the "Renewed License Agreement") to renew the License Agreement for a term of three years commencing on 1 April 2022 and expiring on 31 March 2025. Pursuant to the Renewed License Agreement, the license fee payable by UAF to Jaffe thereunder shall be HK$7.0 million per annum, and the management fees payable by UAF to Jaffe thereunder shall be HK$3,000 per month (subject to revisions).

In accordance with HKFRS 16 "Leases", the license fee under the Renewed License Agreement will be recognised as right-of-use assets on the consolidated statement of financial position of the Group, and the management fees, electricity charges and other utilities expenses payable under the Renewed License Agreement will continue to be recognised as expenses in the consolidated statement of profit or loss of the Group. The annual caps for the management fees, electricity charges and other utilities expenses payable under the Renewed License Agreement for each of the four years ending 31 December 2022, 2023, 2024 and 2025 were set at HK$939,000, HK$1,254,000, HK$1,257,000 and HK$314,000 respectively.

At the time of entering into the Renewed License Agreement, the transactions contemplated under the Renewed License Agreement have been aggregated with the transactions contemplated under the 2021 Master Lease Agreement as amended by the 2021 Supplemental Master Lease Agreement, the Sub-tenancy Agreement and the License Agreement for the Listing Rules purposes. The aggregated annual caps with respect to the transactions contemplated under the Renewed License Agreement, the 2021 Master Lease Agreement as amended by the 2021 Supplemental Master Lease Agreement, the Sub-tenancy Agreement and the License Agreement for each of the four years ending 31 December 2022, 2023, 2024 and 2025 were then revised to approximately HK$36.28 million, HK$16.33 million, HK$1.26 million and HK$314,000 respectively. Details of, among other matters, the Renewed License Agreement and the revision of the annual caps with respect to the relevant transactions were disclosed in the announcement of the Company dated 31 March 2022.

The total amount of the license fees paid to Jaffe under the License Agreement and the Renewed License Agreement for the year ended 31 December 2022 was HK$1,182,000, which was within the annual caps of HK$1,689,000 (being the aggregate amount of the annual caps of the License Agreement and the Renewed License Agreement for the year ended 31 December 2022).

2.4 2023 Master Lease Agreement

Subsequent to the year end, the Company entered into a master lease agreement (the "2023 Master Lease Agreement") with AGL on 30 January 2023 which sets out a framework of the terms on which any member of the Group may renew the Sub-tenancy Agreement and the Renewed License Agreement or enter into new leases, sub-leases and licenses with AGL and any of its subsidiaries from time to time in respect of the properties owned by them except those properties owned by the Group or Tian An China Investments Company Limited (being an indirect non-wholly owned subsidiary of AGL) or its subsidiaries from time to time as may be necessary for the future business needs of the Group during the period from 1 February 2023 to 31 December 2025 and provides the annual caps for each of the financial years during the term of the 2023 Master Lease Agreement.

In accordance with HKFRS 16 "Leases", rental payments under the 2023 Master Lease Agreement will be recognised as right-of-use assets on the consolidated statement of financial position of the Group, and management fees payable under the 2023 Master Lease Agreement will continue to be recognised as expenses in the consolidated statement of profit or loss of the Group. Pursuant to the 2023 Master Lease Agreement, the annual caps for rental payments for each of the three years ending 31 December 2023, 2024 and 2025 were set at approximately HK$22.52 million, HK$8.46 million and HK$9.89 million respectively, and the annual caps for management fees for each of the three years ending 31 December 2023, 2024 and 2025 were set at approximately HK$2.59 million, HK$3.59 million and HK$3.83 million respectively.

At the time of entering into the 2023 Master Lease Agreement, the transactions contemplated under the 2023 Master Lease Agreement (including the transactions contemplated under the Sub-tenancy Agreement and the Renewed License Agreement) have been aggregated with the transactions contemplated under 2021 Master Lease Agreement as amended by the 2021 Supplemental Master Lease Agreement and the 2021 2nd Supplemental Master Lease Agreement for the Listing Rules purposes. The aggregated annual caps with respect to the transactions contemplated under the 2023 Master Lease Agreement and the 2021 Master Lease Agreement as amended by the 2021 Supplemental Master Lease Agreement and the 2021 2nd Supplemental Master Lease Agreement for each of the three years ending 31 December 2023, 2024 and 2025 were then revised to HK$40.11 million, HK$126.10 million and HK$29.66 million respectively. Details of, among other matters, the 2023 Master Lease Agreement and the revision of the annual caps with respect to the relevant transactions were disclosed in the Company's announcement dated 30 January 2023.

(3) Discretionary Investment Management Agreement

As disclosed in the announcement of the Company dated 19 October 2022, Mr. Lee Seng Huang ("Mr. Lee") and Sun Hung Kai Capital Partners Limited ("SHKCP", an indirect wholly-owned subsidiary of the Company) entered into a discretionary investment management agreement (the "Discretionary Investment Management Agreement") on 19 October 2022, whereby Mr. Lee agreed to appoint SHKCP as the manager to provide discretionary investment management services in respect of a portfolio of assets of Mr. Lee held in a segregated account maintained with SHKCP (the "Portfolio") for a term of three years commencing from the date of the Discretionary Investment Management Agreement, and SHKCP is entitled to receive a prescribed management fee and a performance fee (the "Fees") payable by Mr. Lee.

The annual caps for the daily balance of the Portfolio under the Discretionary Investment Management Agreement for the period from 19 October 2022 to 31 December 2022, each of the financial years ending 31 December 2023 and 31 December 2024 and the period from 1 January 2025 to 18 October 2025 were set at approximately HK$215.88 million, being the maximum daily balance of the amount invested by Mr. Lee (including any accrued investment returns and cash holdings) in the Portfolio. The annual caps for the Fees to be received by SHKCP under the Discretionary Investment Management Agreement for each of the financial years ending 31 December 2022, 2023, 2024 and 2025 were set at HK$5 million, HK$20 million, HK$20 million and HK$15 million respectively.

The maximum amount of daily balance of the Portfolio invested by Mr. Lee under the Discretionary Investment Management Agreement for the period from 19 October 2022 to 31 December 2022 was HK$121.1 million and the Fees received by SHKCP for the financial year ended 31 December 2022 was HK$0.07 million, which were within the annual caps of HK$215.88 million and HK$5 million 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 Mr. Lee is an executive director of the Company, and also one of the trustees of the Lee and Lee Trust, being a discretionary trust which, together with Mr. Lee Seng Hui's personal interests, controlled approximately 74.99% interest in the total number of shares in issue of AGL, which was then indirectly interested in an aggregate of approximately 73.24% of the total number of shares in issue of the Company. Mr. Lee 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 2023 Sharing of Management Services Agreement, the 2021 Master Lease Agreement, the 2021 Supplemental Master Lease Agreement, the 2021 2nd Supplemental Master Lease Agreement, the Sub-tenancy Agreement, the License Agreement, the Renewed License Agreement, the 2023 Master Lease Agreement and the Discretionary Investment Management 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 2022 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 Continuing Connected Transactions for the year ended 31 December 2022, save for the 2020 Sharing of Management Services Agreement was not considered to be conducted in the ordinary and usual course of business of the Group, they confirmed that such transactions 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 for the year ended 31 December 2022 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 sections headed "Directors' Interests" and "Continuing Connected Transactions", 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 and the 2023 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) term of appointment were renewed from 1 January 2023 and shall continue until terminated by either party by giving to the other not less than one month's prior notice in writing, and 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"), TACI and 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 2022, the Company repurchased a total of 5,930,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$18,270,110. 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	185,000	4.20	4.13	772,600
February	–	–	–	–
March	–	–	–	–
April	263,000	3.89	3.60	974,840
May	189,000	3.70	3.61	692,230
June	192,000	3.66	3.58	695,590
July	–	–	–	–
August	200,000	3.55	3.50	706,720
September	1,592,000	3.50	2.79	4,958,870
October	2,804,000	3.00	2.67	8,050,940
November	270,000	2.79	2.68	735,470
December	235,000	2.94	2.88	682,850
	5,930,000			18,270,110

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

2022 Notes

During the year ended 31 December 2022, the Group has repurchased an aggregate principal amount of US$10,320,000 of the US$550,000,000 4.65% guaranteed notes due September 2022 ("2022 Notes") issued by SHK BVI under the MTN Programme and were listed on the Stock Exchange (stock code: 5267). The repurchased 2022 Notes were cancelled respectively.

On 8 September 2022, the Group has fully redeemed the outstanding 2022 Notes (of which US$433,769,000 were outstanding) upon its maturity at its principal amount together with interest. The redeemed 2022 Notes were cancelled subsequently and the 2022 Notes were delisted from the Stock Exchange on 8 September 2022.

2024 Notes and 2026 Notes

During the year ended 31 December 2022, the Group has repurchased an aggregate principal amount of US$20,450,000 of the 2024 Notes and an aggregate principal amount of US$28,950,000 of the 2026 Notes. Among which, US$19,500,000 of the repurchased 2024 Notes and US$28,750,000 of the repurchased 2026 Notes were cancelled during the year, the remaining repurchased 2024 Notes and 2026 Notes were cancelled subsequent to the year end.

For more details 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 2022.

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, 16 March 2023

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 126 to 206, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of certain financial assets classified as level 3 under fair value hierarchy We identified the valuation of certain financial assets classified as level 3 under the fair value hierarchy ("Level 3 financial assets") as a key audit matter due to the subjectivity of the judgments and estimates made by management, in particular, judgments arising from the involvement of significant unobservable inputs in their valuations given the lack of availability of observable market-based data. At 31 December 2022, HK$1,942.0 million of the Group's total financial assets carried at fair value classified as level 3 under fair value hierarchy (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$1,933.5 million), out of a total of HK$9,280.8 million, were estimated at fair values derived from valuation techniques that include unobservable inputs with significant management judgements and estimation uncertainty. These financial assets include unlisted preferred shares issued by unlisted companies, unlisted overseas equity securities with a put right, unlisted notes, unlisted ordinary shares issued by unlisted companies, unlisted overseas investment funds and other investments at fair value with carrying amounts at 31 December 2022 of HK$465.0 million, HK$398.3 million, HK$177.8 million, HK$55.6 million, HK$327.6 million and HK$517.7 million, respectively.	Our procedures in relation to the valuation of these Level 3 financial assets included: – Obtaining an understanding of the approach taken by management to determine the fair value of these Level 3 financial assets; – Assessing the design and implementation of key controls in place in relation to the valuation of these Level 3 financial assets; – Discussing with management and the external specialist engaged by the Group, if any, on valuation of these investments, on a sample basis, and: • Evaluating the appropriateness of the valuation methodologies and techniques used by management; • Assessing the reasonableness and relevance of key assumptions and inputs used by independently checking to relevant external data, or by evaluating the rationale of management's judgements involved based on our industry knowledge, or by performing sensitivity analysis with reference to available market information, as appropriate; and • Checking the mathematical accuracy of the fair value measurements; – Assessing the competence, capabilities and objectivity of the external specialist engaged by the Group; and – Assessing the adequacy of the Group's fair value disclosures including the valuation techniques, fair value hierarchy and other related disclosures in note 27 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to consumer finance customers and term loans (loss allowance for expected credit losses ("ECL"))	
We identified the ECL of loans and advances to consumer finance customers and term loans as a key audit matter due to the subjectivity of the management judgments and estimation uncertainty. As disclosed in notes 30, 32 and 48 to the consolidated financial statements, the Group has loans and advances to consumer finance customers of HK$11,025.9 million, after recognising an impairment allowance of HK$604.4 million and term loans of HK$337.5 million, after recognising an impairment allowance of HK$782.7 million, as at 31 December 2022. 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.	Our procedures in relation to the impairment of loans and advances to consumer finance customers and term loans included: – Obtaining an understanding of the approach applied by management in the determination of ECL, and assessed against the requirements of HKFRS 9, including model set up and selection and application of assumptions and key inputs into the ECL model; – Assessing the design and implementation of key 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 to consumer finance customers which are collectively assessed, with the assistance of our internal credit risk and other 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; and – 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 shared characteristics, probabilities of default, loss given default and forward-looking information, as well as validating the calculation and report logics of system-generated reports.

Key audit matter	How our audit addressed the key audit matter
	For term loans and loans to consumer finance customers which are individually assessed, with the assistance of our internal credit risk specialists where appropriate: – 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; – Evaluating the appropriateness of inputs and assumptions applied in the determination of ECL, including staging classification, loss given default, exposure at default and forward-looking factors; – Assessing the independence, competence and objectivity of the external specialist engaged by management to assist in determination of ECL; and – In respect of these loans where fair value estimates of collateral and credit enhancement is a significant input to the determination of ECL, performing procedures to assess the existence and legal rights to such collateral or credit enhancement and challenge assumptions made by management and the external specialist engaged by the Group in relation to the estimation of the amount and timing of future cash flows from the relevant collateral or credit enhancement, together with the discount rates and periods used to support the computation of impairment allowances.

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 Ha, Hong Yiu Vico.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

(HK$ Million)	Notes	**2022**	2021
Interest income		**3,932.0**	4,133.4
Other revenue	5	**122.1**	190.6
Other gains	7	**99.5**	111.8
Total income		**4,153.6**	4,435.8
Brokerage and commission expenses		**(160.1)**	(124.1)
Advertising and promotion expenses		**(134.3)**	(127.6)
Direct costs and operating expenses		**(109.3)**	(119.8)
Administrative expenses	11	**(1,159.6)**	(1,323.9)
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	12	**(1,643.8)**	2,616.2
Net exchange loss		**(101.4)**	(66.2)
Net impairment losses on financial assets	13	**(757.8)**	(714.6)
Finance costs	14	**(914.2)**	(716.2)
Other losses	11	**(37.7)**	(24.9)
		(864.6)	3,834.7
Share of results of associates		**(11.0)**	0.3
Share of results of joint ventures		**(16.7)**	(61.8)
(Loss) profit before taxation	11	**(892.3)**	3,773.2
Taxation	15	**(284.6)**	(474.1)
(Loss) profit for the year		**(1,176.9)**	3,299.1
(Loss) profit attributable to:			
– Owners of the Company		**(1,534.8)**	2,813.7
– Non-controlling interests	24	**357.9**	485.4
		(1,176.9)	3,299.1
(Loss) earnings per share	17		
– Basic (HK cents)		**(78.2)**	142.7
– Diluted (HK cents)		**(78.1)**	142.5

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(HK$ Million)	**2022**	2021
(Loss) profit for the year	**(1,176.9)**	3,299.1
Other comprehensive (expenses) income:		
Items that will not be reclassified to profit or loss		
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income, net of tax	**(221.5)**	66.3
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translating foreign operations	**(507.5)**	228.0
Reclassification adjustment to profit or loss on liquidation of subsidiaries	**11.6**	–
Share of other comprehensive expenses of associates	**(14.3)**	(10.4)
Share of other comprehensive (expenses) income of joint ventures	**(39.7)**	7.3
	(549.9)	224.9
Other comprehensive (expenses) income for the year, net of tax	**(771.4)**	291.2
Total comprehensive (expenses) income for the year	**(1,948.3)**	3,590.3
Total comprehensive (expenses) income attributable to:		
– Owners of the Company	**(2,104.0)**	3,021.3
– Non-controlling interests	**155.7**	569.0
	(1,948.3)	3,590.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(HK$ Million)	Notes	31/12/2022	31/12/2021
Non-current Assets			
Investment properties	18	**1,217.1**	1,255.5
Property and equipment	19	**471.2**	492.8
Right-of-use assets	20	**323.1**	364.2
Intangible assets	21	**911.6**	912.8
Goodwill	22	**2,384.0**	2,384.0
Interest in associates	25	**176.6**	202.1
Interest in joint ventures	26	**355.4**	411.8
Financial assets at fair value through other comprehensive income	27	**246.1**	186.6
Financial assets at fair value through profit or loss	27	**10,323.2**	11,843.7
Deferred tax assets	28	**453.4**	567.1
Amounts due from associates	29	**239.1**	263.5
Loans and advances to consumer finance customers	30	**3,797.3**	3,805.9
Mortgage loans	31	**1,273.0**	2,163.7
Term loans	32	**42.7**	40.6
Prepayments, deposits and other receivables	33	**45.0**	49.1
		22,258.8	24,943.4
Current Assets			
Financial assets at fair value through profit or loss	27	**4,115.1**	6,676.4
Receivable from reverse repurchase agreements	37	**–**	169.3
Taxation recoverable		**16.8**	3.3
Amounts due from associates	29	**2.6**	1.9
Loans and advances to consumer finance customers	30	**7,228.6**	8,243.8
Mortgage loans	31	**1,790.9**	1,297.6
Term loans	32	**294.8**	737.6
Prepayments, deposits and other receivables	33	**197.5**	373.2
Amounts due from brokers		**1,125.7**	342.8
Amount due from a holding company	38	**–**	0.1
Short-term pledged bank deposits and bank balances	34	**–**	50.0
Bank deposits	34	**156.5**	86.0
Cash and cash equivalents	34	**5,727.4**	5,864.7
		20,655.9	23,846.7

(HK$ Million)	Notes	31/12/2022	31/12/2021
Current Liabilities			
Financial liabilities at fair value through profit or loss	27	**407.4**	433.9
Bank and other borrowings	35	**5,510.0**	6,334.3
Creditors and accruals	36	**464.7**	811.1
Amount due to brokers		**79.6**	–
Amount due to a holding company	38	**1.8**	–
Provisions	39	**48.8**	37.8
Taxation payable		**93.5**	136.3
Other liabilities	40	**38.7**	32.2
Lease liabilities	41	**118.6**	100.3
Notes/paper payable	42	**86.8**	4,313.9
		6,849.9	12,199.8
Net Current Assets		**13,806.0**	11,646.9
Total Assets less Current Liabilities		**36,064.8**	36,590.3
Capital and Reserves			
Share capital	43	**8,752.3**	8,752.3
Reserves		**13,605.8**	16,322.9
Equity attributable to owners of the Company		**22,358.1**	25,075.2
Non-controlling interests	24	**3,198.0**	3,464.0
Total Equity		**25,556.1**	28,539.2
Non-current Liabilities			
Financial liabilities at fair value through profit or loss	27	**99.6**	–
Deferred tax liabilities	28	**134.6**	138.5
Bank and other borrowings	35	**3,475.2**	2,004.3
Provisions	39	**0.5**	0.5
Other liabilities	40	**13.2**	19.2
Lease liabilities	41	**207.6**	258.1
Notes/paper payable	42	**6,578.0**	5,630.5
		10,508.7	8,051.1
		36,064.8	36,590.3

The consolidated financial statements on pages 126 to 206 were approved and authorised for issue by the Board of Directors on 16 March 2023 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 2022

	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 2022	**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**
(Loss) profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,534.8)**	**(1,534.8)**	**357.9**	**(1,176.9)**
Other comprehensive expenses for the year (Note 44)	**–**	**–**	**–**	**(349.2)**	**(220.0)**	**–**	**–**	**(569.2)**	**(202.2)**	**(771.4)**
Total comprehensive (expenses) income for the year	**–**	**–**	**–**	**(349.2)**	**(220.0)**	**–**	**(1,534.8)**	**(2,104.0)**	**155.7**	**(1,948.3)**
Recognition of equity-settled share-based payments	**–**	**–**	**11.9**	**–**	**–**	**–**	**–**	**11.9**	**–**	**11.9**
Purchase of shares for the SHK Employee Ownership Scheme	**–**	**(4.1)**	**–**	**–**	**–**	**–**	**–**	**(4.1)**	**–**	**(4.1)**
Vesting of shares of the SHK Employee Ownership Scheme	**–**	**14.3**	**(14.3)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Interim dividends paid (Note 16)	**–**	**–**	**–**	**–**	**–**	**–**	**(512.9)**	**(512.9)**	**–**	**(512.9)**
Special dividend paid (Note 16)	**–**	**–**	**–**	**–**	**–**	**–**	**(78.9)**	**(78.9)**	**–**	**(78.9)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(421.7)**	**(421.7)**
Shares repurchased and cancelled	**–**	**–**	**–**	**–**	**–**	**–**	**(18.3)**	**(18.3)**	**–**	**(18.3)**
Transfer retained earnings to capital reserves	**–**	**–**	**–**	**–**	**–**	**3.5**	**(3.5)**	**–**	**–**	**–**
Disposal of investments in equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**1.0**	**–**	**(1.0)**	**–**	**–**	**–**
Acquisition of additional interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(10.8)**	**(10.8)**	**–**	**(10.8)**
At 31 December 2022	**8,752.3**	**(36.5)**	**14.1**	**(327.0)**	**29.9**	**104.2**	**13,821.1**	**22,358.1**	**3,198.0**	**25,556.1**

	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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(HK$ Million)	2022	2021
Operating activities		
(Loss) profit for the year	**(1,176.9)**	3,299.1
Adjustments for:		
– Share of results of associates	**11.0**	(0.3)
– Share of results of joint ventures	**16.7**	61.8
– Taxation	**284.6**	474.1
– Dividend income	**(41.9)**	(25.6)
– Interest income	**(3,932.0)**	(4,133.4)
– Decrease in fair value of investment properties	**34.3**	22.7
– Expenses recognised for the SHK Employee Ownership Scheme	**11.9**	15.5
– Amortisation of intangible assets	**3.1**	3.2
– Depreciation of property and equipment	**45.0**	38.3
– Depreciation of right-of-use assets	**130.7**	110.0
– Net loss on disposal/write-off of equipment	**0.6**	0.5
– Net loss on disposal of intangible assets	**1.5**	–
– Net impairment losses on financial assets	**982.7**	958.1
– Interest expenses	**867.3**	685.2
– Interest of lease liabilities	**14.3**	12.9
– Changes in net assets attributable to other holders of consolidated structured entities	**(2.8)**	–
– Gain on disposal of investments	**–**	(61.4)
– Net loss (gain) on financial assets and liabilities at fair value through profit or loss	**1,643.8**	(2,616.2)
– Gain on repurchase of notes	**(46.3)**	–
– Exchange differences	**102.7**	69.4
Operating cash flows before movements in working capital	**(1,049.7)**	(1,086.1)
Change in financial assets at fair value through profit or loss	**2,186.0**	(1,851.6)
Change in amounts due from associates	**19.4**	(1.6)
Change in loans and advances to consumer finance customers	**(200.9)**	(2,104.0)
Change in mortgage loans	**406.5**	(438.3)
Change in term loans	**370.7**	748.0
Change in prepayments, deposits and other receivables	**185.2**	(82.7)
Change in amounts due from brokers	**(782.9)**	11.4
Change in receivable from reverse repurchase agreement	**169.3**	(169.3)
Change in financial liabilities at fair value through profit or loss	**73.1**	261.1
Change in creditors and accruals	**(340.1)**	100.7
Change in amount due to brokers	**79.6**	–
Change in amount due from a holding company	**0.1**	(0.1)
Change in amount due to a holding company	**1.8**	(4.7)
Change in provisions	**–**	(4.0)
Cash from (used in) operations	**1,118.1**	(4,621.2)
Dividends received from equity investments	**41.9**	25.6
Interest received	**3,927.2**	4,099.6
Interest paid	**(834.6)**	(685.9)
Taxation paid	**(267.1)**	(241.1)
Net cash from (used in) operating activities	**3,985.5**	(1,423.0)

(HK$ Million)	2022	2021
Investing activities		
Purchase of property and equipment	**(49.7)**	(63.0)
Proceeds of disposal of equipment	**0.3**	0.3
Deposit paid for purchase of property and equipment	**(8.3)**	–
Refund of deposits of right-of-use assets	**–**	3.3
Prepaid rental for right-of-use assets	**(3.5)**	(0.6)
Purchase of intangible assets	**(8.7)**	(10.9)
Proceeds of disposal of intangible assets	**3.8**	–
Dividends received from associates	**0.2**	0.1
Purchase of long-term financial assets at fair value through profit or loss	**(2,332.0)**	(5,994.6)
Proceeds on disposal of long-term financial assets at fair value through profit or loss	**2,304.8**	5,589.8
Proceeds from disposal of financial assets at fair value through other comprehensive income	**–**	0.7
Placement of fixed deposits with banks	**(78.1)**	(134.3)
Withdrawal of fixed deposits with banks	**50.0**	12.6
Net cash used in investing activities	**(121.2)**	(596.6)
Financing activities		
Bank and other borrowings repaid	**(15,320.6)**	(19,546.7)
Bank and other borrowings raised	**16,004.7**	19,403.9
Payment of loan arrangement fees	**(87.0)**	(42.1)
Proceeds from issue of notes/paper	**797.2**	3,704.6
Redemption of notes/paper	**(420.8)**	–
Repayment of notes/paper	**(3,592.5)**	(1,930.5)
Purchase of shares for the SHK Employee Ownership Scheme	**(4.1)**	(35.9)
Lease payments	**(117.0)**	(102.6)
Shares repurchased and cancelled	**(18.3)**	(38.0)
Dividends paid	**(591.8)**	(515.0)
Dividends to non-controlling interests	**(421.7)**	(354.7)
Payment for shares buyback of non-controlling interests	**–**	(39.8)
Contribution from third-party interests in consolidated structured entities	**10.6**	51.4
Distribution to third-party interests in consolidated structured entities	**(8.6)**	–
Acquisition of additional interests in a subsidiary	**(10.9)**	–
Net cash (used in) from financing activities	**(3,780.8)**	554.6
Net change in cash and cash equivalents	**83.5**	(1,465.0)
Cash and cash equivalents at 1 January	**5,864.7**	7,245.6
Effect of foreign exchange rate changes	**(220.8)**	84.1
Cash and cash equivalents at the end of the year (Note 34)	**5,727.4**	5,864.7

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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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.

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will not have a material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") *(Continued)*

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

As at 31 December 2022, the Group's right to defer settlement for bank loans of HK$3,413.1 million are subject to compliance with certain financial ratios within 12 months from the reporting date. Such bank loans were classified as non-current as the Group met such ratios at 31 December 2022. Upon the application of the 2022 Amendments, such borrowings will still be classified as non-current as the covenants which the Group is required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting date and such borrowing will still be classified as non-current.

Except as described above, the application of the 2020 and 2022 Amendments will not affect the classification of the Group's other liabilities as at 31 December 2022.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

(c) Business combinations or asset acquisitions

Asset acquisitions

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

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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.

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

(d) Goodwill

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

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

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

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

(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.

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

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

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.

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 including costs of testing whether the related assets is functioning properly, 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.

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

(g) Property and equipment *(Continued)*

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.

(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.

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

(h) Leases *(Continued)*

The Group as a lessee *(Continued)*

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.

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.

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

(h) Leases *(Continued)*

The Group as a lessor *(Continued)*

Lease modification (Continued)

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

(i) Intangible assets

(i) Club memberships

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

(ii) Computer software

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

(iii) Intangible assets acquired in a business combination

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

(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 deposits 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, amounts due from associates and receivable from reverse repurchase agreements) 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.

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.

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

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

(j) Financial instruments *(Continued)*

(ii) Definition of default

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

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

- probable bankruptcy entered by the debtors; and
- death of the debtors; and
- disappearance of active market of the collateral or repossessed properties.

(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.

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

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

(j) Financial instruments *(Continued)*

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

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

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

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

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

Except for loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of term loans, deposits 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 presented on the consolidated statement of financial position include: (a) cash, which comprises cash on hand, bank balances and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and (b) cash equivalents, which comprises of short-term time deposits (generally with original maturity of three months or less) that are readily convertible to a known amount of cash and which are subject to an insignificant risk changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. 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. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position. 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, creditors, amount due to brokers, 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) 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.

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

(l) Financial liabilities *(Continued)*

Classification as debt or equity *(Continued)*

(v) 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.

(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.

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

(p) Provisions and contingent liabilities *(Continued)*

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.

(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.

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

(r) Taxation *(Continued)*

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. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

(s) Foreign currencies *(Continued)*

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

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

(t) Borrowing costs

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

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

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

(u) Government grants

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

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

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

(v) Employee benefits

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

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

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

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

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.

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

(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 prolonged COVID-19 pandemic and the highly contagious Omicron variant ("the Pandemic") are 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 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. As a result, our accounting estimates and assumptions may change over time in response to the way in which market conditions develop. In addition, actual results could differ significantly from those estimates and assumptions.

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

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.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

(Continued)

Determination of consolidation of funds invested in through the Funds Management business

The Group operates the funds management business and 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. The Group has decision-making authority and power over the relevant activities of the fund because the Group, acting as the fund manager, can decide which investments the fund should acquire or dispose of. All facts and circumstances are taken into consideration in the assessment of whether the Group, as an investor, controls the investment funds. The principle of control sets out the following three elements of control: (a) power over the investment funds; (b) exposure, or rights, to variable returns from involvement with the investment funds; and (c) the ability to use power over the investment funds to affect the amount of the investor's returns. The Group's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent. For these investment funds, the Group assesses whether (i) there are any other holders in these investment funds which have practical ability to remove the Group, and prevent the Group to direct the relevant activities of the investment funds; and (ii) the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds.

As at 31 December 2022, the directors of the Company concluded that the Group had control over two (2021: two) of the investments funds and acted as agent for the remaining investment funds.

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 2022, 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 2022 of HK$520.6 million, HK$398.3 million and HK$7,666.4 million, respectively are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing uncertainties in the macroeconomic environment 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

The ECL for term loans is assessed individually and mortgage loans is assessed collectively. 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.

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, 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)	2022	2021
Service and commission income	**30.2**	85.6
Dividends from listed investments	**35.2**	19.2
Dividends from unlisted investments	**6.7**	6.4
Gross rental income from investment properties	**26.6**	31.0
Revenue sharing from funds	**14.9**	37.5
Referral fee	**1.2**	8.5
Management fee income	**7.3**	2.4
	122.1	190.6

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) Funds Management: provision of fund management service.
(f) Group Management and Support: provision of liquidity, supervisory and administrative functions to all business segments.

"Funds Management" was previously presented within the "Investment Management" segment and is currently separately shown as an operating 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 2022. The comparative figures for the business segments were re-presented to conform with current year's presentation.

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

6. Segment Information *(Continued)*

(HK$ Million)	Financing Business: Consumer Finance	Financing Business: Private Credit	Financing Business: Mortgage Loans	Investment Management	Funds Management	Group Management and Support	Total
	2022						
Segment revenue	3,499.3	83.7	283.2	114.7	29.3	152.5	4,162.7
Less: inter-segment revenue	–	–	–	–	–	(108.6)	(108.6)
Segment revenue from external customers	3,499.3	83.7	283.2	114.7	29.3	43.9	4,054.1
Segment profit or loss	1,197.1	(21.2)	122.3	(2,399.6)	(22.9)	259.7	(864.6)
Share of results of associates	–	–	–	(11.0)	–	–	(11.0)
Share of results of joint ventures	–	(23.5)	–	6.8	–	–	(16.7)
Profit (loss) before taxation	1,197.1	(44.7)	122.3	(2,403.8)	(22.9)	259.7	(892.3)
Included in segment profit or loss:							
Interest income	3,466.7	82.9	283.2	48.1	0.1	51.0	3,932.0
Other gains	28.5	–	1.9	4.2	5.5	59.4	99.5
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	–	6.7	–	(1,690.4)	(18.8)	58.7	(1,643.8)
Net exchange (loss) gain	(42.7)	–	–	(9.0)	0.5	(50.2)	(101.4)
Net (impairment losses) reversal of impairment losses on financial assets	(702.3)	(70.3)	9.1	5.7	–	–	(757.8)
Other losses	(2.2)	–	–	(35.5)	–	–	(37.7)
Amortisation and depreciation	(122.3)	(0.1)	(5.5)	(0.2)	(0.3)	(50.4)	(178.8)
Finance costs	(347.3)	(35.7)	(100.9)	(1.5)	(0.1)	(512.3)	(997.8)
Less: inter-segment finance costs	–	35.7	47.9	–	–	–	83.6
Finance costs to external suppliers	(347.3)	–	(53.0)	(1.5)	(0.1)	(512.3)	(914.2)
Cost of capital (charges) income *	–	–	–	(739.7)	–	739.7	–

* 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.

6. Segment Information *(Continued)*

(HK$ Million)	Consumer Finance	Private Credit	Mortgage Loans	Investment Management**	Funds Management**	Group Management and Support	Total
	2021						
	Financing Business						
Segment revenue	3,526.2	261.2	305.6	137.8	50.8	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	137.8	50.8	42.4	4,324.0
Segment profit or loss	1,665.4	55.1	120.0	1,929.3	16.6	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	1,917.8	16.6	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.

** The comparative figures for Investment Management and Funds Management segments were re-presented to align with the changes to segment reporting adopted in the 2022 annual report.

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

(HK$ Million)	**2022**	2021
Revenue from external customers by location of operations		
– Hong Kong	**3,222.9**	3,410.3
– PRC	**831.2**	913.7
	4,054.1	4,324.0

(HK$ Million)	**31/12/2022**	31/12/2021
Non-current assets other than interests in associates and joint ventures, financial assets and deferred tax assets by location of assets		
– Hong Kong	**4,858.2**	4,935.4
– PRC	**448.8**	473.9
	5,307.0	5,409.3

7. Other Gains

(HK$ Million)	**2022**	2021
Gain on disposal of investments	**–**	61.4
Gain on repurchase of notes	**46.3**	–
Change in net assets attributable to other holders of consolidated structured entities	**4.1**	1.1
Government grants on Employment Support Scheme	**16.7**	–
Miscellaneous income	**32.4**	49.3
	99.5	111.8

8. Emoluments of Directors and Senior Employees

(a) Directors

	2022				
(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)	–	15.38	0.50 [2]	0.39	16.27
Simon Chow Wing Charn[1]	–	3.00	0.50 [3]	–	3.50
Non-Executive Directors					
Peter Anthony Curry	0.31	–	–	–	0.31
Independent Non-Executive Directors					
Evan Au Yang Chi Chun	0.31	–	–	–	0.31
David Craig Bartlett	0.31	–	–	–	0.31
Alan Stephen Jones	0.40	–	–	–	0.40
Vivian Alexa Kao	0.31	–	–	–	0.31
Jacqueline Alee Leung	0.31	–	–	–	0.31
Wayne Robert Porritt	0.31	–	–	–	0.31
	2.26	18.38	1.00	0.39	22.03

1 No shares vested during 2022 (2021: Nil).

2 The amount represents an actual cash bonus of HK$0.50 million for the year 2022 (2021: HK$60.00 million).

3 The amount represents a cash bonus for the year 2022 of HK$0.50 million (2021: HK$4.50 million).

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.

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

(a) Directors *(Continued)*

	2021				
(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)	0.01	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.

2 The amount represents an actual cash bonus of HK$60.00 million for the year 2021.

3 The amount represents a cash bonus for the year 2021 of HK$4.50 million.

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.

(b) Highest paid individuals

The five highest paid individuals of the Group include one director (2021: two directors) of the Company. The emoluments of the remaining four (2021: three) highest paid individuals are analysed below:

(HK$ Million)	2022	2021
Salaries, housing and other allowances, and benefits in kind	**20.6**	17.0
Bonuses	**19.2**	20.0
Contributions to retirement benefit scheme	**1.7**	1.6
	41.5	38.6

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

	Number of employees	
Emoluments band (HK$)	2022	2021
$4,500,001 - $5,000,000	**2**	–
$5,500,001 - $6,000,000	**–**	1
$6,500,001 - $7,000,000	**1**	–
$7,000,001 - $7,500,000	**–**	1
$25,000,001 - $25,500,000	**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:

	Number of employees	
Emoluments band (HK$)	**2022**	2021
$1,500,001 - $2,000,000	**1**	1
$2,500,001 - $3,000,000	**–**	1
$3,500,001 - $4,000,000	**–**	1
$4,500,001 - $5,000,000	**2**	–
$5,500,001 - $6,000,000	**–**	1
$25,000,001 - $25,500,000	**1**	–
$25,500,001 - $26,000,000	**–**	1

1,021,000 shares (2021: 273,000 shares) were vested and 1,353,000 shares (2021: 1,380,000 shares) were granted for our senior management during year 2022. Dividend of HK$0.4 million were paid to senior management during the year (2021: 0.1 million).

9. Information about Material Interests of Directors in Transactions, Arrangements or Contracts

Except for the transaction as disclosed in the relevant sections in the directors' report and in the consolidated financial statements, 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$56.7 million (2021: HK$62.9 million). The amount of forfeited contributions utilised in the course of the year ended 31 December 2022 was HK$0.87 million (2021: HK$1.33 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, 3.1 million shares (2021: 6.8 million shares) of the Company were awarded to Selected Grantees under the EOS. The fair value of the services rendered (by reference to the market value of awarded shares at grant dates) as consideration of the shares awarded during the year was HK$11.6 million (2021: HK$27.9 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$11.9 million (2021: HK$15.5 million).

11. (Loss) Profit Before Taxation

(HK$ Million)	2022	2021
(Loss) profit before taxation for the year has been arrived at after (charging) crediting:		
Administrative expenses (Note a)	**(1,159.6)**	(1,323.9)
Outgoings in respect of rental-generating investment properties	**(0.5)**	(0.9)
Other losses (Note b)	**(37.7)**	(24.9)
Share of taxation of associates and joint ventures included in share of results of associates and joint ventures	**3.6**	–
(a) Analysis of administrative expenses:		
Staff costs (including Directors' emoluments)	**(557.2)**	(808.5)
Contributions to retirement benefit schemes	**(56.7)**	(62.9)
Expenses recognised for the SHK Employee Ownership Scheme	**(11.9)**	(15.5)
Total staff costs	**(625.8)**	(886.9)
Auditors' remuneration	**(5.7)**	(9.1)
Depreciation of property and equipment	**(45.0)**	(38.3)
Depreciation of right-of-use assets	**(130.7)**	(110.0)
Amortisation of intangible assets – computer software	**(3.1)**	(3.2)
Payments for short-term leases and leases of low-value assets	**(6.3)**	(4.7)
Other administrative expenses	**(343.0)**	(271.7)
	(1,159.6)	(1,323.9)
(b) Analysis of other losses:		
Net loss on disposal/write-off of equipment	**(0.6)**	(0.5)
Net loss on disposal/write-off of intangible assets	**(1.5)**	–
Change in net assets attributable to other holders of consolidated structured entities	**(1.3)**	(1.7)
Decrease in fair value of investment properties	**(34.3)**	(22.7)
	(37.7)	(24.9)

12. Net (Loss) Gain on Financial Assets and Liabilities at Fair Value Through Profit or Loss

The following is an analysis of the net (loss) gain on financial assets and liabilities at fair value through profit or loss:

(HK$ Million)	2022	2021
Net realised and unrealised (loss) gain on financial assets and liabilities		
– Held for trading	**208.9**	729.3
– At fair value through profit or loss	**(1,852.7)**	1,886.9
	(1,643.8)	2,616.2

13. Net Impairment Losses on Financial Assets

(HK$ Million)	2022	2021
Loans and advances to consumer finance customers		
– Net impairment losses	**(928.0)**	(751.0)
– Recoveries of amounts previously written off	**224.9**	243.5
	(703.1)	(507.5)
Mortgage loans		
– Net reversal (recognition) of impairment losses	**9.1**	(10.0)
	9.1	(10.0)
Term loans		
– Net impairment losses	**(69.9)**	(186.5)
	(69.9)	(186.5)
Amounts due from associates		
– Net reversal (recognition) of impairment losses	**6.9**	(10.8)
	6.9	(10.8)
Deposits and other receivables		
– Net (recognition) reversal of impairment losses	**(0.8)**	0.2
	(0.8)	0.2
	(757.8)	(714.6)

14. Finance Costs

(HK$ Million)	2022	2021
Interest on the following liabilities		
– Bank loans	**(383.6)**	(245.5)
– Notes/paper payable	**(483.7)**	(439.7)
	(867.3)	(685.2)
Other borrowing costs	**(32.6)**	(18.1)
Interest on lease liabilities	**(14.3)**	(12.9)
	(914.2)	(716.2)

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

15. Taxation

(HK$ Million)	2022	2021
Current tax		
– Hong Kong	**(217.8)**	(234.8)
– PRC	**(1.5)**	(3.2)
– Other jurisdictions	**(1.3)**	–
	(220.6)	(238.0)
Over (under) provision in prior years	**7.3**	(1.8)
	(213.3)	(239.8)
Deferred tax	**(71.3)**	(234.3)
	(284.6)	(474.1)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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% (2021: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss as follows:

(HK$ Million)	2022	2021
(Loss) profit before taxation	**(892.3)**	3,773.2
Less: Share of results of associates	**11.0**	(0.3)
Share of results of joint ventures	**16.7**	61.8
	(864.6)	3,834.7
Tax at the Hong Kong profits tax rate of 16.5% (2021: 16.5%)	**142.6**	(632.7)
Over (under) provision in prior years	**7.3**	(1.8)
Tax effect of non-taxable income	**56.5**	563.5
Tax effect of non-deductible expenses	**(123.0)**	(221.9)
Tax effect of unrecognised deductible temporary difference and tax losses	**(339.5)**	(76.2)
Reversal of estimated tax losses previously recognised (Note)	**(17.0)**	(78.2)
Countries subject to different tax rates	**(11.5)**	(26.8)
	(284.6)	(474.1)

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 (2021: immaterial).

16. Dividends

(HK$ Million)	2022	2021
The aggregate amount of dividends declared and proposed:		
– 2022 interim dividend paid of HK12 cents (2021: HK12 cents) per share	**236.7**	237.5
– 2022 second interim dividend of HK14 cents per share declared after the reporting date (2021: 2021 second interim dividend of HK14 cents per share)	**275.4**	276.3
– 2021 special dividend of HK4 cents per share declared after the reporting date	**–**	78.9
	512.1	592.7
Dividends recognised as distribution during the year:		
– 2021 second interim dividend paid of HK14 cents (2021: 2020 second interim dividend paid of HK14 cents) per share	**276.2**	277.5
– 2021 special dividend paid of HK4 cents (2021: 2020 special dividend paid of nil) per share	**78.9**	–
– 2022 interim dividend paid of HK12 cents (2021: HK12 cents) per share	**236.7**	237.5
	591.8	515.0

17. (Loss) earnings Per Share

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

(HK$ Million)	2022	2021
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
(Loss) profit for the year attributable to owners of the Company	**(1,534.8)**	2,813.7
Number of shares (in million)		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,961.9**	1,971.2
Effect of dilutive potential ordinary shares:		
– Adjustments on the SHK Employee Ownership Scheme	**2.6**	3.4
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,964.5**	1,974.6

18. Investment Properties

(HK$ Million)	Hong Kong	PRC	Total
At 1 January 2021	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**
Exchange adjustments	**–**	**(4.1)**	**(4.1)**
Change in fair value recognised in profit or loss	**(32.7)**	**(1.6)**	**(34.3)**
At 31 December 2022	**1,176.1**	**41.0**	**1,217.1**
Unrealised gains or losses for the year included in profit or loss			
– For 2022	**(32.7)**	**(1.6)**	**(34.3)**
– For 2021	(22.2)	(0.5)	(22.7)

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 (2021: 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.

18. Investment Properties *(Continued)*

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.

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**	**31/12/2022**	31/12/2021
Hong Kong	Investment approach	Term yield	**1.9% to 2.0% p.a.**	1.9% to 2.0% p.a.
		Reversionary yield	**2.0% to 2.25% p.a.**	2.0% to 2.25% p.a.
		Monthly market unit rent per gross floor area (sq. ft.)	**HK$34 to HK$50**	HK$33 to HK$52
PRC	Investment approach	Term yield	**5.0% to 5.5% p.a.**	5.0% to 5.5% p.a.
		Reversionary yield	**5.5% to 6.0% p.a.**	5.5% to 6.0% p.a.
		Monthly market unit rent per gross floor area (sq. m.)	**RMB30 to RMB75**	RMB30 to RMB76

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 2022 and 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$900.0 million (31/12/2021: HK$929.0 million) were pledged as security for the Group's banking facilities.

19. Property and Equipment

(HK$ Million)	Property	Furniture and equipment	Total
Cost			
At 1 January 2021	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**
Exchange adjustments	**(31.0)**	**(19.4)**	**(50.4)**
Additions	**–**	**49.7**	**49.7**
Disposals/write-off	**–**	**(16.5)**	**(16.5)**
At 31 December 2022	**318.1**	**600.4**	**918.5**
Accumulated depreciation and impairment			
At 1 January 2021	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**
Exchange adjustments	**(7.6)**	**(17.4)**	**(25.0)**
Depreciation provided for the year	**9.5**	**35.5**	**45.0**
Eliminated on disposals/write-off	**–**	**(15.6)**	**(15.6)**
At 31 December 2022	**82.2**	**365.1**	**447.3**
Carrying amount			
At 31 December 2022	**235.9**	**235.3**	**471.2**
At 31 December 2021	268.8	224.0	492.8

The useful lives of the properties are same as the remaining term of the leases that are ranging from 21 to 30 years (2021: 22 to 31 years). The useful lives of the furniture and equipment are ranging from 3 to 10 years (2021: 3 to 10 years).

20. Right-of-Use Assets

(HK$ Million)	Total
At 1 January 2021	323.2
Additions	150.4
Depreciation provided for the year	(110.0)
Exchange adjustments	0.6
At 31 December 2021	**364.2**
Additions	**91.0**
Depreciation provided for the year	**(130.7)**
Exchange adjustments	**(1.4)**
At 31 December 2022	**323.1**
Carrying amount at 31 December 2022	**323.1**
Carrying amount at 31 December 2021	364.2

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:

	31/12/2022	31/12/2021
Leasehold land	**44.5 years**	44.5 years
Office and retail shops	**5.9 years**	6.0 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)	**31/12/2022**	31/12/2021
Net carrying amount		
– Leasehold land	**3.6**	4.1
– Office and retail shops	**318.4**	358.5
– Equipment	**1.1**	1.6
	323.1	364.2

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

(HK$ Million)	**2022**	2021
Amount recognised in profit or loss		
– Depreciation expenses of right-of-use assets		
– Leasehold land	**0.1**	0.1
– Office and retail shops	**130.1**	109.4
– Equipment	**0.5**	0.5
– Interest expense of lease liabilities	**14.3**	12.9
– Expense relating to short-term leases and leases of low-value assets	**6.2**	4.7

During the year, additions to right-of-use assets were HK$91.0 million (2021: HK$150.4 million) and the total cash outflow for leases amounted to HK$137.5 million (2021: HK$120.2 million).

In 2021, the Group has extension options in a number of leases for outlets. 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 31/12/2022**	**Potential future lease payments not included in lease liabilities (undiscounted) 31/12/2022**	Lease liabilities recognised as at 31/12/2021	Potential future lease payments not included in lease liabilities (undiscounted) 31/12/2021
Retail shops – Hong Kong	–	–	0.8	2.0

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 (2021: Nil).

Restrictions or covenants on lease

In addition, lease liabilities of HK$326.2 million (2021: HK$358.4 million) are recognised with related right-of-use assets of HK$323.1 million (2021: HK$364.2 million) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

21. Intangible Assets

(HK$ Million)	Club memberships	Computer software	Trade mark	Customer relationship	Web domain	Crypto assets	Total
Cost							
At 1 January 2021	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**
Exchange adjustments	**–**	**(2.9)**	**–**	**–**	**–**	**–**	**(2.9)**
Additions	**–**	**3.0**	**–**	**–**	**–**	**5.7**	**8.7**
Disposals/write-off	**–**	**–**	**–**	**–**	**–**	**(5.3)**	**(5.3)**
At 31 December 2022	**19.5**	**32.4**	**875.0**	**1,154.0**	**78.0**	**9.0**	**2,167.9**
Accumulated amortisation and impairment							
At 1 January 2021	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**
Exchange adjustments	**–**	**(1.4)**	**–**	**–**	**–**	**–**	**(1.4)**
Amortisation charged for the year	**–**	**3.1**	**–**	**–**	**–**	**–**	**3.1**
At 31 December 2022	**1.0**	**16.3**	**7.0**	**1,154.0**	**78.0**	**–**	**1,256.3**
Carrying amount							
At 31 December 2022	**18.5**	**16.1**	**868.0**	**–**	**–**	**9.0**	**911.6**
At 31 December 2021	18.5	17.7	868.0	–	–	8.6	912.8

The directors of the Company consider the economic lives of the trademark held by UAF and club memberships 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 memberships, 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 relationships	5.4 years
Web domain	10 years

22. Goodwill

(HK$ Million)	31/12/2022	31/12/2021
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 2022 were allocated as follows:

	Goodwill		Trade Mark	
(HK$ Million)	**31/12/2022**	31/12/2021	**31/12/2022**	31/12/2021
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 2022 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 14% on the profit before tax from 2023 to 2027 (2021: 6.2% from 2022 to 2026), a sustainable growth rate of 2.3% beyond 2027 (2021: 2.4% beyond 2026), and a pre-tax discount rate of 19.6% (2021: 19.3%). 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 2022 are as follows:

	Profit or loss allocated to non-controlling interests		Accumulated non-controlling interests	
(HK$ Million)	**2022**	2021	**31/12/2022**	31/12/2021
UAF and its subsidiaries	**350.1**	477.6	**3,153.0**	3,426.9
Other subsidiaries having non-controlling interests	**7.8**	7.8	**45.0**	37.1
	357.9	485.4	**3,198.0**	3,464.0

The following tables provide summarised financial information of material subsidiaries that have non-controlling interests. The information is before inter-company eliminations.

	UAF and its subsidiaries	
(HK$ Million)	**31/12/2022**	31/12/2021
Current assets	**10,192.4***	11,086.1*
Non-current assets	**4,715.9#**	4,920.9#
Current liabilities	**(3,791.5)**	(5,617.1)
Non-current liabilities	**(3,446.9)**	(1,996.4)

(HK$ Million)	**2022**	2021
Dividends paid to non-controlling interests	**421.7**	354.7
Revenue	**3,496.3**	3,505.1
Profit for the year	**943.9**	1,274.9
Total comprehensive income for the year	**407.8**	1,496.2
Net change in cash and cash equivalents during the year	**329.4**	(128.1)

* Including loans and advances to consumer finance customers of HK$7,228.6 million (31/12/2021: HK$8,243.8 million)

Including loans and advances to consumer finance customers of HK$3,797.3 million (31/12/2021: HK$3,805.9 million)

24. Interests in Subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries at 31 December 2022 were as follows:

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2022	2021	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
Shek O WSC Limited	Hong Kong	HK$40,000,000	**100%**	–	Inactive
Shek O Marina Limited	Hong Kong	HK$1	**100%**	–	Inactive
Isle Sun Global Limited	British Virgin Islands	US$1	**100%**	–	Inactive
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
Creative Isle Limited	British Virgin Islands	US$1	**–**	100%	Investment holding
Dagenham Investments Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Easy Capital Investments Limited	British Virgin Islands	US$1	**63%**	63%	Investment holding
Earnest Finance Limited	British Virgin Islands	HK$100	**63%**	63%	Investment holding
First Asian Holdings Limited	Hong Kong	HK$2	**63%**	63%	Investment holding
Future Isle Limited	British Virgin Islands	US$1	**–**	100%	Investment holding
Itso Limited	Hong Kong	HK$2	**100%**	100%	Investment holding and provision of loan finance
Kennedy (Nominees) Limited	Hong Kong	HK$10,000	**100%**	100%	Provision of nominee services
Market Oasis Limited	British Virgin Islands	US$1	**100%**	100%	Inactive
MCIP CI I Limited	Cayman Islands				Investment holding
– Ordinary		US$1	**–**	–	
– Non-voting Participating Class A Shares		US$185	**30%**	30%	
– Voting Participating Class B Shares		US$1	**100%**	100%	
– Non-voting Participating Class C Shares		US$15	**–**	–	

24. Interests in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2022	2021	Principal activities
MCIP GP I Limited	Cayman Islands				General partner of investment fund
– Ordinary		US$1	**–**	–	
– Non-voting Participating Class A Shares		US$10	**60%**	60%	
– Non-voting Participating Class B Shares		US$30	**90%**	70%	
– Voting Non-Participating Class C Shares		US$1	**100%**	100%	
MCIP Octavius Limited	Cayman Islands	US$1	**93%**	93%	Investment holding
MCIP Quadratic Limited	Cayman Islands	US$1	**93%**	93%	Investment holding
MCIP Quintus Limited	Cayman Islands	US$1	**93%**	93%	Investment holding
MCIP Secundus Limited	Cayman Islands	US$2	**93%**	93%	Investment holding
MCIP Septimus Limited	Cayman Islands	US$1	**93%**	93%	Investment holding
MCIP Sixtus Limited	Cayman Islands	US$1	**93%**	93%	Investment holding
MCIP Nonus Limited	Cayman Islands	US$1	**93%**	–	Inactive
MCIP Decimus Limited	Cayman Islands	US$1	**93%**	–	Inactive
MCIP Tribus Limited	Cayman Islands				Investment holding
– Ordinary Shares		–	**–**	–	
– 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	**93%**	93%	Investment fund
Oakfame Investment Limited	Hong Kong	HK$2	**100%**	100%	Investment holding
Onspeed Investments Limited	British Virgin Islands	US$1	**–**	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
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%**	100%	
– Participating Shares		US$218,302,907.80	**97%**	99%	
SHK Latitude Alpha Master Fund	Cayman Islands				Investment fund
– Founder Shares		US$100	**100%**	100%	
– Participating Shares		US$218,145,769.39	**97%**	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

24. Interests in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2022	Proportion of ownership interest 2021	Principal activities
SHK Securities Limited	Hong Kong	HK$20	**100%**	100%	Asset holding
Silver International Development Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Star Flourish Investments Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Sun Hung Kai (Tianjin) Enterprise Management Company Limited (Formerly Sun Hung Kai (China) Investment Management Company Limited)	People's Republic of China	RMB50,000,000	**100%**	100%	Enterprise management, consultancy and marketing planning
Sun Hung Kai Capital (UK) Limited	United Kingdom	GBP1	**100%**	100%	Investment holding
Sun Hung Kai Capital Partners Limited	Hong Kong	HK$9,600,000	**100%**	100%	Fund management
Sun Hung Kai Capital Partners (BVI) Limited	British Virgin Islands	US$1	**100%**	–	Inactive
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		Nil (2021: 1,000) US$1 shares	**–**	100%	
– Participating shares		Nil (2021: 7,392.805) US$0.001 shares	**–**	100%	
– Class B6 participating shares		Nil (2021: 103,853.6259) US$0.001 shares	**–**	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
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
Innobiz Holdings Limited	British Virgin Islands	US$1	**100%**	–	Inactive
Quick Art Limited	Hong Kong	HK$3,540,000	**100%**	100%	Dormant
Astute Global Group Limited	British Virgin Islands	US$1	**100%**	–	Inactive
Coleman Global Group Limited	British Virgin Islands	US$1	**100%**	–	Inactive
Sun Hung Kai Strategic Global Opportunities Fund	Cayman Islands	US$1	**100%**	–	Inactive
SHK Capital Partners Private Access Fund SPC	Cayman Islands	US$100	**100%**	–	Investment fund
Simply Fast Holdings Limited	British Virgin Islands	US$1	**100%**	–	Inactive

24. Interests in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2022	Proportion of ownership interest 2021	Principal activities
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 (b)	People's Republic of China	RMB200,000,000	**63%**	63%	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$180,000,000	**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%	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	**63%**	63%	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
青島市城陽區亞聯財小額貸款有限公司 United Asia Finance (QingdaoChengyang) Limited (b)	People's Republic of China	RMB200,000,000	**63%**	63%	Money lending
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
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
重慶亞聯財小額貸款有限公司 United Asia Finance (Chongqing) Limited (b)	People's Republic of China	US$20,000,000	**63%**	63%	Money lending
重慶亞聯財信息諮詢有限公司 UA Financial Consultancy (Chongqing) Limited (c)	People's Republic of China	RMB1,000,000	**63%**	63%	Financial consultancy
深圳亞聯財小額貸款有限公司 United Asia Finance (Shenzhen) Limited (a)	People's Republic of China	RMB1,000,000,000	**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)企業營銷策劃有限公司 Sun Hung Kai (Tianjin) Enterprise Marketing Planning Co., Limited (Formerly 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%	Enterprise management, consultancy and marketing planning

24. Interests in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2022	2021	Principal activities
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%	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
濟南市歷下區亞聯財小額貸款有限公司 United Asia Finance (JiNanLixia) Limited (b)	People's Republic of China	RMB200,000,000	**63%**	63%	Money lending
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	Issued and paid up share capital: RMB20,000,000 Registered capital: RMB100,000,000	**63%**	63%	Financial consultancy

\# The company is non-wholly owned subsidiary 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)	31/12/2022	31/12/2021
Carrying amount of unlisted associates	177.4	202.9
Less: impairment	(0.8)	(0.8)
	176.6	202.1

Particulars of the Group's material associates at 31 December 2022 were as follows:

Name	Place of incorporation/ operation	Proportion of ownership interest		Proportion of voting rights held		Principal activities
		2022	2021	2022	2021	
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)	2022	2021
Share of (loss) profit	(11.0)	0.3
Share of other comprehensive expenses	(14.3)	(10.4)
Share of total comprehensive expenses	(25.3)	(10.1)

26. Interest in Joint Ventures

(HK$ Million)	31/12/2022	31/12/2021
Carrying amount of unlisted joint ventures	355.4	411.8
Less: impairment	–	–
	355.4	411.8

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 2022 and 2021, 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
		2022	2021	**2022**	2021	
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)	**31/12/2022**	31/12/2021	**31/12/2022**	31/12/2021
Current assets	**360.7**	1,025.6	**267.4**	361.4
Non-current assets	**156.3**	447.7	**911.4**	873.0
Current liabilities	**(78.0)**	(549.5)	**(20.8)**	(11.7)
Non-current liabilities	**(41.7)**	(418.4)	**(702.0)**	(781.6)
Non-controlling interests	**5.9**	–	**–**	–
The above amounts of assets and liabilities include the following:				
Investment properties	**–**	–	**876.8**	842.1

(HK$ Million)	**2022**	2021	**2022**	2021
Revenue	**144.1**	137.3	**–**	371.3
Loss	**(68.6)**	(74.6)	**(54.8)**	(25.3)
Total comprehensive expense	**(68.6)**	(74.6)	**(54.8)**	(25.3)

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)	**31/12/2022**	31/12/2021	**31/12/2022**	31/12/2021
Net assets of the joint venture	**403.2**	505.4	**456.0**	441.1
Carrying amount of the Group's interest in the joint venture	**161.3**	202.1	**194.1**	209.7

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 2022			
	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	26.0	–	–	26.0
– Listed equity securities outside Hong Kong	211.6	–	–	211.6
– Unlisted overseas equity securities	–	–	8.5	8.5
	237.6	–	8.5	246.1
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	421.6	–	–	421.6
– Unlisted equity securities in Hong Kong	–	0.4	–	0.4
– Unlisted equity securities outside Hong Kong	–	480.1	–	480.1
– Listed equity securities outside Hong Kong	518.1	–	–	518.1
– Over the counter derivatives	–	23.0	–	23.0
– Foreign currency contracts	–	0.5	–	0.5
– Quoted options and futures	131.4	131.2	–	262.6
– Listed warrants	3.0	–	–	3.0
– Unlisted call option for club memberships	–	–	5.2	5.2
– Bonds and notes	–	11.9	177.8	189.7
– Loans receivable	–	–	434.3	434.3
– Unlisted preferred and ordinary shares issued by unlisted companies	–	7.9	520.6	528.5
– Unlisted shares issued by an unlisted company	–	–	45.7	45.7
– Unlisted convertible bonds issued by unlisted companies	–	7.8	24.0	31.8
– Unlisted overseas equity securities with a put right	–	–	398.3	398.3
– Unlisted overseas investment funds	–	3,429.1	7,666.4	11,095.5
	1,074.1	4,091.9	9,272.3	14,438.3
Analysed for reporting purposes as:				
– Non-current assets				10,323.2
– Current assets				4,115.1
				14,438.3
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	77.6	69.8	–	147.4
– Foreign currency contracts	–	21.9	–	21.9
– Over the counter derivatives	–	22.3	–	22.3
– Short position in listed equity securities	148.7	–	–	148.7
– Listed equity securities outside Hong Kong under total return swap	0.2	–	–	0.2
– Unlisted equity securities outside Hong Kong under total return swap	–	44.6	–	44.6
Designated at fair value through profit or loss				
– Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	–	–	106.4	106.4
– Unlisted overseas investment funds under total return swap	–	–	15.5	15.5
	226.5	158.6	121.9	507.0
Analysed for reporting purposes as:				
– Non-current liabilities				99.6
– Current liabilities				407.4
				507.0

27. Financial Assets and Liabilities *(Continued)*

	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	–	76.9	–	76.9
– Quoted options and futures	35.8	–	–	35.8
– Listed 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
– Loans receivable	–	418.8	–	418.8
– Unlisted preferred and ordinary shares issued by unlisted companies	–	352.4	131.4	483.8
– Unlisted shares issued by an unlisted company	–	–	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 funds	–	–	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	–	–	55.6
– Foreign currency contracts	–	2.6	–	2.6
– Over the counter derivatives	–	8.5	192.2	200.7
– 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

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.

The following tables provide further information regarding the valuation of material financial assets under Level 3.

	At 31 December 2022				
	Valuation technique	Significant unobservable inputs	Input values	Fair value HK$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss					
Bonds and notes	Net asset value	Note 1	Note 1	177.8	Note 1
Loans receivable	Discounted cash flow	Discount rate	8.55% - 13.02%	434.3	An increase in discount rate would result in a decrease in the fair value
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	68.6%	30.6	An increase in expected volatility would result in a decrease in the fair value
	Market approach	Enterprise value to sales ratio	4.9		An increase in enterprise value to sales ratio would result in an increase in the fair value of ordinary shares.
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	83.7%	171.8	An increase in expected volatility would result in a decrease in the fair value.
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	110.1%	168.9	An increase in expected volatility would result in a decrease in the fair value.
	Market approach	Price to sales ratio	2.8		An increase in price to sales ratio would result in an increase in the fair value.
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	96.4%	78.1	An increase in expected volatility would result in a decrease in the fair value.
Unlisted preferred shares issued by an unlisted company	Net asset value	Note 1	Note 1	15.6	Note 1
Unlisted ordinary shares issued by unlisted companies	Net asset value	Note 1	Note 1	55.6	Note 1

27. Financial Assets and Liabilities *(Continued)*

	At 31 December 2022				
	Valuation technique	Significant unobservable inputs	Input values	Fair value HK$ Million	Sensitivity analysis
Financial assets at fair value through profit or loss					
Unlisted convertible bonds issued by an unlisted company	Binomial Model	Expected volatility	49.7%	24.0	An increase in expected volatility would result in an increase in the fair value.
		Discount rate	25.7%		An increase in discount rate would result in a decrease in the fair value.
Unlisted overseas equity securities with a put right	Market approach	Price to book ratio	1.3	398.3	An increase in price to book ratio would result in an increase in the fair value.
		Price to tangible book ratio	1.8		An increase in price to tangible book ratio would result in an increase in the fair value.
Unlisted overseas investment funds	Net asset value	Note 1	Note 1	7,338.8	Note 1
Unlisted overseas investment funds	Equity allocation method	Expected volatility	58.0%	10.1	An increase in expected volatility would result in a decrease in the fair value.
Unlisted overseas investment funds	Equity allocation method	Expected volatility	42.4%	62.5	An increase in expected volatility would result in a decrease in the fair value.
	Market approach	Price to sales ratio	7.4		An increase in price to sales ratio would result in an increase in the fair value.
Unlisted overseas investment funds:	Equity allocation method	Expected volatility	69.4%	16.3	An increase in expected volatility would result in a decrease in the fair value.
Unlisted overseas investment funds	Equity allocation method	Expected volatility	58.3%	104.2	An increase in expected volatility would result in a decrease in the fair value.
Unlisted overseas investment funds	Equity allocation method	Expected volatility	52.7%	1.6	An increase in expected volatility would result in a decrease in the fair value.
Unlisted overseas investment funds	Equity allocation method	Expected volatility	51.5%	7.8	An increase in expected volatility would result in a decrease in the fair value.
Unlisted overseas investment funds	Market approach	Price to sales ratio	4.0	2.4	An increase in price to sales ratio would result in an increase in the fair value.
Unlisted overseas investment funds	Equity allocation method	Expected volatility	75.7%	31.2	An increase in expected volatility would result in a decrease in the fair value
	Market approach	Enterprise value to sales ratio	1.6		An increase in enterprise value to sales ratio would result in an increase in the fair value of ordinary shares.

27. Financial Assets and Liabilities *(Continued)*

	At 31 December 2022				
	Valuation technique	**Significant unobservable inputs**	**Input values**	**Fair value HK$ Million**	**Sensitivity analysis**
Financial assets at fair value through profit or loss					
Unlisted overseas investment funds	**Market approach**	**Enterprise value to sales ratio**	**8.6**	**15.6**	**An increase in enterprise value to sales ratio would result in an increase in the fair value of ordinary shares.**
Unlisted overseas investment funds	**Market approach**	**Price to sales ratio**	**7.4**	**41.9**	**An increase in price to sales ratio would result in an increase in the fair value.**
Unlisted overseas investment funds	**Market approach**	**Price to sales ratio**	**2.3**	**31.2**	**An increase in price to sales ratio would result in an increase in the fair value.**
Unlisted overseas investment funds	**Market approach**	**Recent transaction prices**	**N/A**	**2.8**	**N/A**

	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	36.6%	26.3	An increase in expected volatility would result in an increase in the fair value.
		Discount rate	25.9%		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)*

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:

	2022							
			Recognised gains or losses					
(HK$ Million)	Balance at 1/1/2022	Transfer ^	Profit or loss	Other comprehensive income	Purchase	Disposal	Balance at 31/12/2022	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								
Bonds and notes	–	204.8	(27.0)	–	–	–	177.8	–
Loans receivable	–	346.3	(10.2)	–	288.7	(190.5)	434.3	(10.2)
Unlisted call option for club memberships	3.5	–	1.7	–	–	–	5.2	–
Unlisted preferred and ordinary shares issued by unlisted companies	131.4	352.4	27.3	–	122.0	(112.5)	520.6	26.5
Unlisted shares issued by an unlisted company	40.7	–	5.0	–	–	–	45.7	5.0
Unlisted convertible bonds issued by companies	26.3	–	(2.3)	–	–	–	24.0	(2.3)
Unlisted overseas equity securities with a put right	–	397.6	0.7	–	–	–	398.3	0.7
Unlisted overseas investment funds	9,474.6	–	(1,267.6)	–	1,008.0	(1,548.6)	7,666.4	(1,994.7)
Unlisted trust fund	61.4	–	(5.3)	–	–	(56.1)	–	–
Financial liabilities at fair value through profit or loss								
Over the counter derivatives	(192.2)	192.2	–	–	–	–	–	–
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	–	–	–	–	(106.4)	–	(106.4)	–
Unlisted overseas investment funds under total return swap	–	–	–	–	(15.5)	–	(15.5)	–

^ The investments were transferred between Level 2 and Level 3 categories 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.

27. Financial Assets and Liabilities *(Continued)*

			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.

The net losses recognised in profit or loss for the year included an unrealised losses of HK$1,975.0 million relating to level 3 financial assets at FVTPL as at 31 December 2022 (31 December 2021: HK$652.0 million) and an unrealised gains of HK$33.7 million relating to level 3 financial liabilities at FVTPL as at 31 December 2022 (31 December 2021: unrealised losses of HK$129.8 million). Fair value gains or losses on financial assets and liabilities measured at FVTPL are included in "net gain (loss) on financial assets and liabilities at fair value through profit or loss".

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)	31/12/2022	31/12/2021
Financial assets at fair value through other comprehensive income	**246.1**	186.6
	246.1	186.6
Financial assets at fair value through profit or loss		
– Investments at fair value through profit or loss	**14,438.3**	18,520.1
	14,438.3	18,520.1
Financial assets measured at amortised cost		
– Amounts due from associates (Note 29)	**241.7**	265.4
– Loans and advances to consumer finance customers (Note 30)	**11,025.9**	12,049.7
– Mortgage loans (Note 31)	**3,063.9**	3,461.3
– Term loans (Note 32)	**337.5**	778.2
– Deposits and other receivables (Note 33)	**201.2**	364.7
– Amount due from a holding company (Note 38)	**–**	0.1
– Amounts due from brokers	**1,125.7**	342.8
– Short-term pledged bank deposits and bank balances (Note 34)	**–**	50.0
– Fixed deposits with banks (Note 34)	**156.5**	86.0
– Cash and cash equivalents (Note 34)	**5,727.4**	5,864.7
	21,879.8	23,262.9
	36,564.2	41,969.6

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

(HK$ Million)	31/12/2022	31/12/2021
Financial liabilities at fair value through profit or loss		
– Held for trading	**385.1**	433.9
– Designated at fair value through profit or loss	**121.9**	–
– Other liabilities (Note 40)	**51.9**	51.4
	558.9	485.3
Financial liabilities measured at amortised cost and lease liabilities		
– Bank and other borrowings (Note 35)	**8,985.2**	8,338.6
– Creditors (Note 36)	**177.0**	317.0
– Amount due to brokers	**79.6**	–
– Amount due to a holding company (Note 38)	**1.8**	–
– Lease liabilities (Note 41)	**326.2**	358.4
– Notes/paper payable (Note 42)	**6,664.8**	9,944.4
	16,234.6	18,958.4
	16,793.5	19,443.7

Save as disclosed elsewhere, 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 liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

(HK$ Million)	At 31 December 2022					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial assets and liabilities	Gross amounts set off in the consolidated statement of financial position	Net amounts presented in consolidated statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
Type of financial assets						
Financial assets at fair value through profit or loss	**929.4**	**–**	**929.4**	**(205.3)**	**–**	**724.1**
Type of financial liabilities						
Financial liabilities at fair value through profit or loss	**205.3**	**–**	**205.3**	**(205.3)**	**–**	**–**

(HK$ Million)	At 31 December 2021					
				Related amounts not set off i n the consolidated statement of financial position		
	Gross amounts of recognised financial assets and liabilities	Gross amounts set off in the consolidated statement of financial position	Net amounts presented in consolidated statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
Type of financial assets						
Financial assets at fair value through profit or loss	1,203.3	–	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)	–	–

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 2021	(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**
Exchange adjustments	**(0.5)**	**(36.1)**	**0.8**	**4.4**	**(7.1)**	**–**	**(38.5)**
Recognised in profit or loss	**0.7**	**(65.7)**	**0.5**	**22.7**	**(29.5)**	**–**	**(71.3)**
At 31 December 2022	**(10.0)**	**407.8**	**(149.2)**	**(14.8)**	**84.8**	**0.2**	**318.8**

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)	31/12/2022	31/12/2021
Deferred tax assets	**453.4**	567.1
Deferred tax liabilities	**(134.6)**	(138.5)
	318.8	428.6

At the end of the reporting period, the Group had unrecognised tax losses of HK$1,296.5 million (31/12/2021: HK$1,142.6 million) and unrecognised deductible temporary differences of HK$225.6 million (31/12/2021: HK$147.4 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$101.0 million that will expire during 2023 to 2027 (31/12/2021: HK$107.6 million will expire during 2022 to 2026). 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$1,307.6 million at the end of the reporting period (31/12/2021: HK$1,263.3 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)	31/12/2022	31/12/2021
Amounts due from associates	**264.7**	295.3
Less: impairment allowance	**(23.0)**	(29.9)
	241.7	265.4
Analysed for reporting purposes as:		
– Non-current assets	**239.1**	263.5
– Current assets	**2.6**	1.9
	241.7	265.4

The amounts due from associates include HK$176.7 million (2021: HK$200.6 million) which is unsecured, interest bearing at 0.976% (2021: 1.180%) per annum and maturing in June 2024, remaining balance is unsecured, non-interest bearing and repayable on demand.

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)	31/12/2022	31/12/2021
Loans and advances to consumer finance customers		
– Hong Kong	**8,743.1**	8,767.3
– PRC	**2,887.2**	3,913.2
	11,630.3	12,680.5
Less: impairment allowance	**(604.4)**	(630.8)
	11,025.9	12,049.7
Analysed for reporting purposes as:		
– Non-current assets	**3,797.3**	3,805.9
– Current assets	**7,228.6**	8,243.8
	11,025.9	12,049.7

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

(Per annum)	31/12/2022	31/12/2021
Fixed rate loans receivable	**6.0% to 48.0%**	6.0% to 48.0%
Variable rate loans receivable	**P+4.0% to P+13.0%**	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 5.625% per annum at 31 December 2022 (2021: 5% per annum).

Movement of impairment allowance during the year of 2022 and 2021 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 except for loans and advances to consumer finance customers with significant balances. 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)	31/12/2022	31/12/2021
Less than 31 days past due	**705.0**	828.4
31 – 60 days	**127.5**	102.6
61 – 90 days	**66.0**	28.5
91 – 180 days	**2.7**	1.6
Over 180 days	**67.6**	70.6
	968.8	1,031.7

As at 31 December 2022, loans and advances to consumer finance customers with aggregate carrying amount of HK$968.8 million (31/12/2021: HK$1,031.7 million) are past due. Out of the past due balances, HK$70.3 million (31/12/2021: HK$72.2 million) has been past due 91 days or more and is considered to be credit-impaired. The impairment provision has taken into account the credit quality of the underlying assets, the financial strength of the borrowers as well as collateral and other credit enhancements.

The loans and advances to consumer finance customers categorised as unsecured and secured, are as follows:

At the reporting date, loans and advances to consumer finance customers consisted of HK$9,974.0 million unsecured (31/12/2021: HK$10,844.2 million) and HK$1,051.9 million secured (31/12/2021: HK$1,205.5 million). The Group has not recognised a loss allowance for loans amounting to HK$664.3 million (2021: HK$996.7 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 2022, the gross carrying amount of loans and advances to consumer finance customers amounts to HK$11,630.3 million (31/12/2021: HK$12,680.5 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 2022, net realisable value of repossessed properties held by the Group amounted to HK$2.9 million (2021: HK$3.6 million).

In respect of the secured loans and advances to customers with the carrying amount of HK$736.6 million (2021: HK$1,069.7 million), the fair value of collateral of such loans and advances can be objectively ascertained to cover the outstanding amount of loan balances based on quoted prices of collateral.

31. Mortgage Loans

(HK$ Million)	31/12/2022	31/12/2021
Mortgage loans		
– Hong Kong	**3,107.5**	3,514.4
Less: impairment allowance	**(43.6)**	(53.1)
	3,063.9	3,461.3
Analysed for reporting purposes as:		
– Non-current assets	**1,273.0**	2,163.7
– Current assets	**1,790.9**	1,297.6
	3,063.9	3,461.3

The mortgage loans bear interest rate are as follows:

(Per annum)	31/12/2022	31/12/2021
Fixed rate loans receivable	**7.5% to 20.4%**	5.8% to 20.4%
Variable rate loans receivable	**P+1.0% to P+9.4%**	P-2.3% to P+6.8%

Movement of impairment allowance during the year of 2022 and 2021 are disclosed in Note 48(b) to the consolidated financial statements.

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)	**31/12/2022**	31/12/2021
Less than 31 days past due	**207.8**	238.0
31 – 60 days	**22.6**	21.3
61 – 90 days	**–**	4.8
91 – 180 days	**0.1**	2.9
Over 180 days	**313.4**	321.5
	543.9	588.5

At the reporting date, mortgage loans with aggregate carrying amount of HK$543.9 million (31/12/2021: HK$588.5 million) are past due. Out of the past due balances, HK$313.5 million (31/12/2021: HK$324.4 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$206.8 million unsecured (31/12/2021: HK$364.4 million) and HK$2,857.1 million secured (31/12/2021: HK$3,096.9 million). The Group has not recognised a loss allowance for loans amounting to HK$2,440.3 million (2021: HK$3,056.3 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 2022, the gross carrying amount of mortgage loans amounts to HK$3,107.5 million (31/12/2021: HK$3,514.4 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$139.0 million (2021: HK$105.2 million).

In respect of secured mortgage loans to mortgage loan customers with the carrying amount of HK$2,857.1 million (2021: HK$3,096.9 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)	**31/12/2022**	31/12/2021
Secured term loans	**1,022.9**	1,489.6
Unsecured term loans	**97.3**	87.6
	1,120.2	1,577.2
Less: impairment allowance	**(782.7)**	(799.0)
	337.5	778.2
Analysed for reporting purposes as:		
– Non-current assets	**42.7**	40.6
– Current assets	**294.8**	737.6
	337.5	778.2

32. Term Loans *(Continued)*

The term loans bear interest rate are as follows:

(Per annum)	31/12/2022	31/12/2021
Fixed rate loans receivable	**6.0% to 24.0%**	8.0% to 24.0%
Variable rate loans receivable	**P to P+1.0%**	P+1.0% to 6-month HIBOR + 8.0%

Movement of impairment allowance during the year of 2022 and 2021 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 2022, the gross carrying amount of secured term loans amounts to HK$1,022.9 million (31 December 2021: HK$1,489.6 million). The Group has not recognised a loss allowance amounting to HK$1.2 million (2021: HK$360.8 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. Prepayments, Deposits and Other Receivables

(HK$ Million)	31/12/2022	31/12/2021
Deposits	**91.0**	89.5
Other receivables	**111.4**	277.1
Less: impairment allowance	**(1.2)**	(1.9)
Deposits and other receivables at amortised cost	**201.2**	364.7
Prepayments	**41.3**	57.6
	242.5	422.3
Analysed for reporting purposes as:		
– Non-current assets	**45.0**	49.1
– Current assets	**197.5**	373.2
	242.5	422.3

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

(HK$ Million)	31/12/2022	31/12/2021
Less than 31 days	**110.1**	271.8
	110.1	271.8
Deposits and other receivables without ageing	**91.1**	92.9
Deposits and other receivables at amortised cost	**201.2**	364.7

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

34. Bank Deposits, Cash and Cash Equivalents

(HK$ Million)	31/12/2022	31/12/2021
Bank balances and cash	**3,715.1**	3,999.7
Fixed deposits with banks with an original maturity within 3 months	**2,012.3**	1,865.0
Cash and cash equivalents	**5,727.4**	5,864.7
Short-term pledged bank deposits and bank balances	**–**	50.0
Fixed deposits with banks with an original maturity between 4 to 12 months	**156.5**	86.0
	5,883.9	6,000.7

No short-term pledged bank deposits are held by the Group as at 31 December 2022. As at 31 December 2021, short-term pledged bank deposits carried floating interest rate of 2-month HIBOR and represented deposits pledged to banks to secure banking facilities granted to the Group.

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)	31/12/2022	31/12/2021
Bank loans		
– Unsecured term loans	**8,691.9**	7,815.5
– Secured loans	**231.2**	461.0
Total bank borrowings	**8,923.1**	8,276.5
Other borrowings	**62.1**	62.1
	8,985.2	8,338.6
Analysed for reporting purposes as:		
– Current liabilities	**5,510.0**	6,334.3
– Non-current liabilities	**3,475.2**	2,004.3
	8,985.2	8,338.6

35. Bank and Other Borrowings *(Continued)*

At 31 December 2022, bank and other borrowings were repayable as follows:

(HK$ Million)	**31/12/2022**	31/12/2021
Bank borrowings		
– Within one year	**5,275.7**	5,634.3
– In the second year	**1,316.9**	1,105.8
– Over two years and within five years	**2,096.2**	836.4
Bank borrowings with a repayment on demand clause		
– Within one year	**234.3**	700.0
	8,923.1	8,276.5
Other borrowings		
– Over five years	**62.1**	62.1
	8,985.2	8,338.6

As at 31 December 2022, all the bank loans and other borrowings are in Hong Kong dollars except for equivalent amounts of HK$33.7 million which was denominated in Renminbi (31/12/2021: HK$467.1 million) and HK$715.4 million which was denominated in US dollar (31/12/2021: HK$189.3 million). Further details related to financial risk management of such balances are disclosed in Note 48.

36. Creditors and Accruals

(HK$ Million)	**31/12/2022**	31/12/2021
Creditors	**177.0**	317.0
Accrued staff costs and other accrued expenses	**287.7**	494.1
	464.7	811.1

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

(HK$ Million)	**31/12/2022**	31/12/2021
Less than 31 days/repayable on demand	**123.1**	290.7
31 - 60 days	**5.9**	5.5
61 - 90 days	**–**	1.5
	129.0	297.7
Accrued staff costs, other accrued expenses and creditors without ageing	**335.7**	513.4
	464.7	811.1

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 2022, the outstanding amount paid for the reverse repurchase agreements was HK$nil (2021: HK$169.3 million) 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)	**31/12/2022**	31/12/2021
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)	2022	2021
Associates and joint ventures of ultimate holding company		
Executive international business travel charge received/receivable from an associate of ultimate holding company ***	2.1	–
Rental and building management fees to an associate of ultimate holding company for short-term leases ***	–	(2.0)
Building management fees to a joint venture of ultimate holding company *	(5.4)	(3.9)
Interest expense to a joint venture of ultimate holding company on lease liabilities *** @	(1.2)	(1.6)
Interest expense to an associate of ultimate holding company ***	–	(3.7)
Holding company and its subsidiaries		
Executive international business travel charge received/receivable from fellow subsidiaries ***	2.1	–
Finance costs to fellow subsidiaries ***	(4.7)	(6.0)
Licence fee paid/payable to a fellow subsidiary *	(1.6)	(0.6)
Interest expenses to a fellow subsidiary on lease liabilities ***	(0.4)	–
Management fees paid/payable to a holding company *	(23.2)	(22.7)
Building management fees to a holding company *	(0.2)	(0.2)
Rental and building management fees to fellow subsidiaries ***	(1.7)	(0.4)
Interest expenses to a holding company on lease liabilities ***#	(3.2)	(3.5)
Other related parties		
Executive international business travel charge received/receivable from a related company ***	4.1	–
Management fee received/receivable from Group Executive Chairman under the Discretionary Investment Management Agreement *	0.1	–
Repayment of loan from a former Independent Non-Executive Director **	–	143.8
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.

@ As at 31 December 2022, the Group has lease liabilities of HK$31.5 million (2021: HK$44.3 million) to the joint venture of ultimate holding company. During the year ended 31 December 2022, the Group has recognised additions to right-of-use assets of HK$15.7 million* (2021: HK$7.4 million*) and additions to lease liabilities of HK$12.6 million (2021: HK$7.0 million) for properties with joint venture of holding company.

\# As at 31 December 2022, the Group has lease liabilities of HK$80.7 million (2021: HK$73.7 million) to a holding company. During the year ended 31 December 2022, the Group has recognised additions to right-of-use assets of HK$20.3 million* (2021: HK$2.5 million*) and additions to lease liabilities of HK$20.1 million (2021: HK$2.5 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)	2022	2021
Short-term benefits *	56.3	122.4
Post-employment benefits *	2.1	2.1
	58.4	124.5

* During the year, 1,353,000 shares were granted under the SHK Employee Ownership Scheme ("EOS") to key management personnel. In addition, 1,021,000 shares with a total amount of HK$3.4 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$0.4 million (2021: HK$0.1 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 2022 (2021: 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. The director's service agreement was expired on 9 May 2022.

At the end of the reporting period, the Group had the following material balances with related parties:

(HK$ Million)	**31/12/2022**	31/12/2021
Associates		
Amounts due from associates ^	**241.7**	265.4
Holding company and fellow subsidiaries		
Management fees (payable) receivable to a holding company *	**(1.8)**	0.1
Notes/paper payable held by fellow subsidiaries **	**(85.9)**	(77.5)

* 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 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 amount due (to) from a holding company is unsecured, non-interest bearing and repayable on demand.

39. Provisions

(HK$ Million)	Employee benefits	Loan commitments	Financial guarantee contracts	Others	Total
At 1 January 2021	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**
Additional provisions for the year	**0.2**	**7.0**	**–**	**4.0**	**11.2**
Amount written back	**(0.2)**	**–**	**–**	**–**	**(0.2)**
At 31 December 2022	**0.9**	**30.4**	**–**	**18.0**	**49.3**

39. Provisions *(Continued)*

(HK$ Million)	31/12/2022	31/12/2021
Analysed for reporting purposes as:		
– Current liabilities	**48.8**	37.8
– Non-current liabilities	**0.5**	0.5
	49.3	38.3

40. Other Liabilities

(HK$ Million)	31/12/2022	31/12/2021
Non-current		
– Third-party interests in consolidated structured entities	**13.2**	19.2
Current		
– Third-party interests in consolidated structured entities	**38.7**	32.2
	51.9	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 third-party interests in consolidated structured entities are categorised at level 2 under fair value hierarchy.

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)	31/12/2022	31/12/2021
Current liabilities	**118.6**	100.3
Non-current liabilities	**207.6**	258.1
	326.2	358.4

(HK$ Million)	31/12/2022	31/12/2021
Maturity analysis		
Not later than 1 year	**118.6**	100.3
Later than 1 year and not later than 5 years	**160.6**	202.2
Later than 5 years	**47.0**	55.9
	326.2	358.4

42. Notes/Paper Payable

(HK$ Million)	31/12/2022	31/12/2021
US dollar denominated notes (the "US$ Notes")		
– 4.65% US$ Notes maturing in September 2022 (the "2022 Notes")	**–**	3,510.6
– 5.75% US$ Notes maturing in November 2024 (the "2024 Notes")	**2,590.3**	2,742.3
– 5.00% US$ Notes maturing in September 2026 (the "2026 Notes")	**3,332.6**	2,960.6
HK dollar denominated notes/paper (the "HK$ Notes/Paper")		
– Asset backed notes maturing in April 2024	**741.9**	–
– Asset backed notes maturing in April 2022	**–**	730.9
	6,664.8	9,944.4
Analysed for reporting purposes as:		
– Current liabilities	**86.8**	4,313.9
– Non-current liabilities	**6,578.0**	5,630.5
	6,664.8	9,944.4

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 2024 Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 2024 Notes was US$329.55 million or equivalent to HK$2,573.8 million (31/12/2021: US$350.0 million or equivalent to HK$2,729.0 million) at the end of the reporting period. The fair value of the 2024 Notes based on the price quoted from pricing service at the end of the reporting period was HK$2,457.2 million (31/12/2021: HK$2,851.8 million) which was categorised as Level 2.

The 2026 Notes are listed on The Stock Exchange of Hong Kong Limited. In March 2022, the Group completed issuance of additional US$75.0 million or equivalent to HK$584.8 million of 2026 Notes. The nominal value of the 2026 Notes was US$421.05 million or equivalent to HK$3,288.4 million (31/12/2021: US$375.0 million or equivalent to HK$2,923.9 million) at the end of the reporting period. The fair value of the 2026 Notes based on the price quoted from pricing service at the end of the reporting period was HK$2,769.7 million (31/12/2021: HK$3,000.3 million) which was categorised as Level 2.

42. Notes/Paper Payable *(Continued)*

During the year ended 31 December 2022, the Group has repurchased an aggregate principal amount of US$10.32 million of the 2022 Notes, an aggregate principal amount of US$20.45 million of the 2024 Notes and an aggregate principal amount of US$28.95 million of the 2026 Notes. Among which, US$10.32 million of the repurchased 2022 Notes, US$19.5 million of the repurchased 2024 Notes and US$28.75 million of the repurchased 2026 Notes were cancelled during the year, the remaining repurchased 2024 Notes and 2026 Notes were cancelled subsequent to the year end. The 2022 Notes matured in September 2022 and the outstanding balance was fully repaid during the year ended 31 December 2022.

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 loans receivable to a special purpose vehicle ("the SPV") operated in Hong Kong. The Transaction consists of two classes – Class A and Class B. In 2022, the Group renewed the Transaction into a HK$1,611.4 million securitization financing transaction. Class B notes of HK$411.4 million was subscribed by a subsidiary of the Group.

The Group holds undivided interest in the mortgage loans receivable 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 loans receivable 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 2022	
Carrying amount of transferred assets	**1,025.0**
Carrying amount of associated liabilities	**741.9**
Net position	**283.1**
As at 31 December 2021	
Carrying amount of transferred assets	977.0
Carrying amount of associated liabilities	730.9
Net position	246.1

43. Share Capital

	Number of shares		**Share capital**	
	31/12/2022 Million Shares	31/12/2021 Million Shares	**31/12/2022 HK$ Million**	31/12/2021 HK$ Million
Issued and fully paid				
Balance brought forward	**1,973.3**	1,982.3	**8,752.3**	8,752.3
Shares cancelled after repurchase	**(5.9)**	(9.0)	**–**	–
Balance carried forward	**1,967.4**	1,973.3	**8,752.3**	8,752.3

During the year, the trustee of the EOS acquired 1.3 million shares (2021: 8.8 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$4.1 million (2021: HK$35.9 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 5.9 million shares (2021: 9.0 million shares) through purchases on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$18.3 million (2021: HK$38.0 million). Further information is disclosed in the relevant section of the Directors' Report.

44. Analysis of Other Comprehensive (Expenses) Income

(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 2022				
Fair value loss on investment in equity instrument at fair value through other comprehensive income	**–**	**(220.0)**	**(1.5)**	**(221.5)**
Reclassification adjustment to profit or loss on liquidation of subsidiaries	**7.3**	**–**	**4.3**	**11.6**
Exchange differences arising on translating foreign operations	**(302.5)**	**–**	**(205.0)**	**(507.5)**
Share of other comprehensive expenses of associates	**(14.3)**	**–**	**–**	**(14.3)**
Share of other comprehensive expenses of joint ventures	**(39.7)**	**–**	**–**	**(39.7)**
	(349.2)	**(220.0)**	**(202.2)**	**(771.4)**
For the year ended 31 December 2021				
Fair value gain (loss) on investments in equity instrument at fair value through other comprehensive income	–	67.0	(0.7)	66.3
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

45. Commitments

(a) Lease commitments

The Group as lessee:

At 31 December 2022, the Group is committed to HK$0.6 million (2021: HK$5.0 million) for short-term leases.

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

The Group as lessor:

At 31 December 2022, all of the properties held for rental purpose have committed operating leases for the next 3 years (2021: 4 years) respectively. Undiscounted lease payments receivables on leases are as follows:

(HK$ Million)	**31/12/2022**	31/12/2021
Within one year	**24.0**	21.4
In the second year	**12.5**	14.0
In the third year	**2.2**	6.0
In the fourth year	**–**	0.6
	38.7	42.0

(b) Loan commitments

(HK$ Million)	**31/12/2022**	31/12/2021
Within one year	**1,716.4**	1,623.0
In the second year	**–**	7.7
In the fifth year	**11.5**	–
After the fifth year	**–**	25.8
	1,727.9	1,656.5

(c) Other commitments

(HK$ Million)	**31/12/2022**	31/12/2021
Capital commitments for funds	**1,715.8**	2,221.5
Other capital commitments	**15.0**	0.3
	1,730.8	2,221.8

46. Contingent liabilities

The Group's financial guarantees to an independent third party, which was not recognised as financial liabilities in respect of the financial guarantee contracts in the consolidated statement of financial position was expired during 2021 and the movement is as follows:

(HK$ Million)	**2022**	2021
At 1 January	–	387.6
Expire	–	(387.6)
At 31 December	–	–

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

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 2022 and 31 December 2021.

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)	**31/12/2022**	31/12/2021
Bank and other borrowings	**8,985.2**	8,338.6
Notes/paper payable	**6,664.8**	9,944.4
	15,650.0	18,283.0
Less: bank deposits, cash and cash equivalents	**(5,883.9)**	(6,000.7)
Net debts	**9,766.1**	12,282.3
Equity attributable to owners of the Company	**22,358.1**	25,075.2
Gearing ratio	**43.7%**	49.0%

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.

48. Financial Risk Management *(Continued)*

(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.

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 2022				At 31 December 2021			
	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	**103.5**	**(98.3)**	**5.2**	**(5.2)**	276.7	(189.2)	6.0	(6.0)
Overseas Index	**2,640.9**	**(2,621.2)**	**44.0**	**(44.0)**	4,377.5	(3,594.8)	31.3	(31.3)

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 2022, assuming that market interest rates moved by ±50 basis points (31/12/2021: ±50 basis points), the loss (2021: profit) before tax for the year for the Group would have been HK$23.2 million higher or HK$27.5 million lower respectively (2021: HK$19.0 million lower or HK$29.1 million higher respectively).

48. Financial Risk Management *(Continued)*

(a) Market Risk *(Continued)*

(ii) Interest Rate Risk *(Continued)*

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 2022					
Loans and advances to consumer finance customers	**145.5**	**–**	**–**	**–**	**145.5**
Mortgage loans	**53.8**	**840.9**	**–**	**–**	**894.7**
Term loans	**–**	**–**	**27.3**	**–**	**27.3**
Amounts due from associates	**–**	**–**	**176.7**	**–**	**176.7**
Bank deposits, cash and cash equivalents	**3,275.4**	**60.1**	**–**	**–**	**3,335.5**
Loans receivable included in financial assets at fair value through profit or loss	**–**	**–**	**214.4**	**–**	**214.4**
Bank and other borrowings	**(8,795.8)**	**(165.6)**	**–**	**–**	**(8,961.4)**
Notes/paper payable	**(742.0)**	**–**	**–**	**–**	**(742.0)**
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
Loans receivable 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)

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 2022						
Loans and advances to consumer finance customers	**2,385.6**	**4,697.5**	**3,585.2**	**212.1**	**–**	**10,880.4**
Mortgage loans	**506.8**	**1,224.3**	**438.1**	**–**	**–**	**2,169.2**
Bonds and notes included in financial assets at fair value through profit or loss	**11.9**	**–**	**–**	**–**	**177.8**	**189.7**
Term loans	**239.8**	**70.4**	**–**	**–**	**–**	**310.2**
Amounts due from associates	**–**	**–**	**–**	**–**	**65.0**	**65.0**
Bank deposits, cash and cash equivalents	**2,140.6**	**78.4**	**–**	**–**	**329.4**	**2,548.4**
Loans receivable included in financial assets at fair value through profit or loss	**–**	**68.9**	**151.0**	**–**	**–**	**219.9**
Bank and other borrowings	**(37.0)**	**–**	**–**	**–**	**13.2**	**(23.8)**
Lease liabilities	**(32.1)**	**(86.5)**	**(160.6)**	**(47.0)**	**–**	**(326.2)**
Notes/paper payable	**–**	**(84.8)**	**(5,838.0)**	**–**	**–**	**(5,922.8)**
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
Loans receivable 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)

48. Financial Risk Management *(Continued)*

(a) Market Risk *(Continued)*

(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 2022, assuming that the foreign exchange rates moved ±5% (31/12/2021: ±5%) with all other variables held constant, the loss (2021: profit) before tax for the year for the Group would be HK$100.7 million lower/higher (2021: HK$137.1 million higher/lower).

(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 2022, 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$1,137.7 million at 31 December 2022 (2021: HK$1,751.6 million), and is monitored by management according to their geographical locations and industries. Generally, the Group considers that the credit risks associated with loans and advances to consumer finance customers, mortgage loans and term loans are mitigated for those 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).

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 the estimation techniques or significant assumptions during the reporting period.

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.

48. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Credit risk and impairment assessment *(Continued)*

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 2022 was HK$690.5 million (2021: HK$866.5 million) of which 54.0% (2021: 21.8%) 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 2022 was HK$1,237.9 million (2021: HK$1,299.3 million) of which 100% (2021: 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 2022 was HK$328.1 million (2021: HK$708.4 million) of which 92% (2021: 98%) was secured by collateral.

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 31/12/2022 HK$ Million	Gross carrying amount 31/12/2021 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	**11,052.7**	11,973.8
		Doubtful	Lifetime ECL (not credit impaired)	**487.9**	542.1
		Loss	Lifetime ECL (credit-impaired)	**89.7**	164.6
				11,630.3*	12,680.5*
Mortgage loans	31	Low risk/watch list	12-month ECL	**2,471.3**	2,854.1
		Doubtful	Lifetime ECL (not credit impaired)	**235.0**	296.3
		Loss	Lifetime ECL (credit-impaired)	**401.2**	364.0
				3,107.5*	3,514.4*
Term loans	32	Note 2	12-month ECL	**178.9**	315.2
		Note 2	Lifetime ECL (not credit impaired)	**–**	159.2
			Lifetime ECL (credit-impaired)	**941.3**	1,102.8
				1,120.2*	1,577.2*
Amounts due from associates	29	Low risk/watch list	12-month ECL	**247.2**	277.8
		Loss	Lifetime ECL (credit-impaired)	**17.5**	17.5
				264.7	295.3
Amounts due from brokers		Low risk/watch list	12-month ECL	**1,125.7**	342.8
Short-term pledged bank deposits and bank balances	34	Low risk/watch list	12-month ECL	**–**	50.0
Fixed deposits with banks with an original maturity between 4 to 12 months	34	Low risk/watch list	12-month ECL	**156.5**	86.0
Bank balances and deposits	34	Low risk/watch list	12-month ECL	**5,727.4**	5,864.7
Deposits and other receivables	33	Low risk/watch list	12-month ECL	**202.4**	366.6
Other items					
Loan commitments (Note 1)	45	Low risk/watch list	12-month ECL	**1,718.4**	1,647.6
		Doubtful	Lifetime ECL (not credit impaired)	**9.5**	8.9
				1,727.9	1,656.5
Financial guarantees (Note 3)	46	N/A	12-month ECL	**–**	–

* 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.

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**	**31/12/2022 HK$ Million**	Average loss rate	31/12/2021 HK$ Million
Current (not past due)	**3.5%**	**8,704.7**	3.0%	9,196.2
1 to 30 days past due	**18.7%**	**654.7**	16.0%	555.0
31 to 60 days past due	**63.2%**	**115.3**	58.7%	83.1
61 to 90 days past due	**81.2%**	**67.4**	76.7%	59.7
		9,542.1		9,894.0

Debtors with significant outstanding balances or credit-impaired debts with gross carrying amounts of HK$1,998.6 million and HK$89.6 million respectively (2021: HK$2,621.9 million and HK$164.6 million respectively) on 31 December 2022 were assessed individually for impairment loss allowances.

48. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Impairment assessment *(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 deposits 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 2021	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**
Changes due to financial instruments recognised as at 1 January 2022:				
Transfer from 12-month ECL to lifetime ECL	**(32.6)**	**32.6**	**–**	**–**
Transfer from lifetime ECL to 12-month ECL	**1.4**	**(1.4)**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(7.8)**	**–**	**7.8**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(289.7)**	**289.7**	**–**
Net remeasurement of ECL	**92.1**	**355.8**	**648.9**	**1,096.8**
Repayment and derecognition	**(517.0)**	**(109.5)**	**(80.7)**	**(707.2)**
New financial assets originated	**538.4**	**–**	**–**	**538.4**
	74.5	**(12.2)**	**865.7**	**928.0**
Movement without impact on profit or loss:				
Written off (Note)	**–**	**–**	**(938.3)**	**(938.3)**
Exchange adjustments	**(10.6)**	**(4.9)**	**(0.6)**	**(16.1)**
	(10.6)	**(4.9)**	**(938.9)**	**(954.4)**
As at 31 December 2022	**406.1**	**179.1**	**19.2**	**604.4**

Note: Amount of HK$938.3 million (2021: HK$881.7 million) that were written off during the year are still subject to enforcement activities.

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 2021	–	–	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:				
	–	–	(4.3)	(4.3)
Written off	–	–	(4.3)	(4.3)
As at 31 December 2021	**–**	**–**	**53.1**	**53.1**
Changes due to financial instruments recognised during the year:				
Net remeasurement of ECL	**–**	**–**	**23.0**	**23.0**
Repayment and derecognition	**–**	**–**	**(32.1)**	**(32.1)**
	–	**–**	**(9.1)**	**(9.1)**
Movement without impact on profit or loss:				
Written off	**–**	**–**	**(0.4)**	**(0.4)**
	–	**–**	**(0.4)**	**(0.4)**
As at 31 December 2022	**–**	**–**	**43.6**	**43.6**

Term loans

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2021	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**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to credit-impaired	**(10.6)**	**–**	**10.6**	**–**
Net remeasurement of ECL	**(18.8)**	**–**	**62.4**	**43.6**
New financial assets originated	**10.7**	**–**	**–**	**10.7**
Written off	**15.6**	**–**	**–**	**15.6**
	(3.1)	**–**	**73.0**	**69.9**
Movement without impact on profit or loss:				
Written off	**–**	**–**	**(86.2)**	**(86.2)**
	–	**–**	**(86.2)**	**(86.2)**
As at 31 December 2022	**9.5**	**–**	**773.2**	**782.7**

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 2021	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**
Changes due to financial instruments recognised during the year:				
Net remeasurement of ECL	**(5.2)**	**–**	**0.1**	**(5.1)**
Repayment and derecognition	**(1.8)**	**–**	**–**	**(1.8)**
	(7.0)	**–**	**0.1**	**(6.9)**
As at 31 December 2022	**5.6**	**–**	**17.4**	**23.0**

Loan commitments

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2021	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 loan commitments 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**
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	**3.1**	**6.2**	**–**	**9.3**
New loan commitments originated	**23.1**	**–**	**–**	**23.1**
Expiry and derecognition	**(20.5)**	**(4.9)**	**–**	**(25.4)**
As at 31 December 2022	**24.7**	**5.7**	**–**	**30.4**

48. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Deposits and other receivables

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2021	–	–	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 due to financial instruments recognised during the year:				
Repayment and derecognition	**(0.7)**	**–**	**–**	**(0.7)**
Written off	**1.5**	**–**	**–**	**1.5**
	0.8	**–**	**–**	**0.8**
Movement without impact on profit or loss:				
Written off	**(1.5)**	**–**	**–**	**(1.5)**
	(1.5)	**–**	**–**	**(1.5)**
As at 31 December 2022	**1.2**	**–**	**–**	**1.2**

Changes in the loss allowance for loans and advances to consumer finance customers, mortgage loans, term loans, amounts due from associates, loan commitments and deposits 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 2021	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**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(1,034.3)**	**1,034.3**	**–**	**–**
Transfer from lifetime ECL to 12-month ECL	**2.6**	**(2.6)**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(256.0)**	**–**	**256.0**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(693.3)**	**693.3**	**–**
New financial assets originated	**16,502.6**	**–**	**–**	**16,502.6**
Repayment and derecognition	**(15,835.2)**	**(378.2)**	**(84.1)**	**(16,297.5)**
Written off	**–**	**–**	**(938.3)**	**(938.3)**
Exchange adjustments	**(300.8)**	**(14.4)**	**(1.8)**	**(317.0)**
Gross carrying amount as at 31 December 2022	**11,052.7**	**487.9**	**89.7**	**11,630.3**

48. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

As at 31 December 2022, loans and advances to consumer finance customers with a gross carrying amount of HK$88.4 million (with an impairment allowance of HK$18.5 million recognised) (2021: HK$155.5 million) classified as lifetime ECL (credit-impaired) is covered by collateral and other credit enhancement measures.

Mortgage loans

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
Gross carrying amount as at 1 January 2021	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**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(65.7)**	**65.7**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(172.0)**	**–**	**172.0**	**–**
Transfer from lifetime ECL to 12-month ECL	**13.6**	**(13.6)**	**–**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(24.1)**	**24.1**	**–**
New financial assets originated	**1,419.6**	**–**	**–**	**1,419.6**
Repayment and derecognition	**(1,578.3)**	**(89.3)**	**(158.9)**	**(1,826.5)**
Gross carrying amount as at 31 December 2022	**2,471.3**	**235.0**	**401.2**	**3,107.5**

As at 31 December 2022, mortgage loans with a gross carrying amount of HK$401.2 million (2021: HK$364.0 million) classified as lifetime ECL (credit-impaired) is covered by collateral.

48. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Term loans

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
Gross carrying amount as at 1 January 2021	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**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to credit-impaired	**(32.5)**	**–**	**32.5**	**–**
New financial assets originated	**55.3**	**–**	**–**	**55.3**
Repayment and derecognition	**(159.1)**	**(159.2)**	**(123.4)**	**(441.7)**
Written off	**–**	**–**	**(70.6)**	**(70.6)**
Gross carrying amount as at 31 December 2022	**178.9**	**–**	**941.3**	**1,120.2**

As at 31 December 2022, term loans with a gross carrying amount of HK$941.3 million (with an impairment allowance of HK$773.2 million recognised) (2021: HK$1,102.8 million) classified as lifetime ECL (credit-impaired) is covered by collateral and other credit enhancement measures.

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 2021	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**
Changes due to financial instruments recognised during the year:				
New financial assets originated	**1.5**	**–**	**–**	**1.5**
Repayment and derecognition	**(20.9)**	**–**	**–**	**(20.9)**
Exchange adjustments	**(11.2)**	**–**	**–**	**(11.2)**
Gross carrying amount as at 31 December 2022	**247.2**	**–**	**17.5**	**264.7**

48. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Deposits 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 2021	158.7	–	197.9	356.6
Changes due to financial instruments recognised during the year:				
New financial assets originated	229.7	–	–	229.7
Repayment and derecognition	(23.8)	–	(197.9)	(221.7)
Exchange adjustments	2.0	–	–	2.0
Gross carrying amount as at 31 December 2021	**366.6**	**–**	**–**	**366.6**
Changes due to financial instruments recognised during the year:				
New financial assets originated	**21.4**	**–**	**–**	**21.4**
Repayment and derecognition	**(179.7)**	**–**	**–**	**(179.7)**
Written off	**(1.5)**	**–**	**–**	**(1.5)**
Exchange adjustments	**(4.4)**	**–**	**–**	**(4.4)**
Gross carrying amount as at 31 December 2022	**202.4**	**–**	**–**	**202.4**

(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 flows 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 2022					
Bank and other borrowings +	**4,615.3**	**1,033.7**	**3,912.5**	**62.1**	**9,623.6**
Creditors	**177.0**	**–**	**–**	**–**	**177.0**
Amount due to brokers	**79.6**	**–**	**–**	**–**	**79.6**
Amount due to a holding company	**1.8**	**–**	**–**	**–**	**1.8**
Lease liabilities	**34.8**	**95.4**	**180.9**	**49.4**	**360.5**
Notes/paper payable	**97.0**	**274.4**	**7,268.0**	**–**	**7,639.4**
Loan commitments #	**1,716.4**	**–**	**11.5**	**–**	**1,727.9**
Other liabilities	**38.7**	**–**	**–**	**13.2**	**51.9**
Total	**6,760.6**	**1,403.5**	**11,372.9**	**124.7**	**19,661.7**
At 31 December 2021					
Bank and other borrowings +	4,433.2	2,003.5	2,039.0	62.1	8,537.8
Creditors	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

+ 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.

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)	Bank and other borrowings (Note 35)	Other liabilities (Note 40)	Lease liabilities (Note 41)	Notes/ paper payable (Note 42)	Total
At 1 January 2022	**8,338.6**	**51.4**	**358.4**	**9,944.4**	**18,692.8**
Financing cash flows:					
Bank and other borrowings repaid	**(15,320.6)**	**–**	**–**	**–**	**(15,320.6)**
Bank and other borrowings raised	**16,004.7**	**–**	**–**	**–**	**16,004.7**
Proceeds from issue of notes/paper	**–**	**–**	**–**	**797.2**	**797.2**
Repayment of notes/paper	**–**	**–**	**–**	**(3,592.5)**	**(3,592.5)**
Repurchase of notes/paper	**–**	**–**	**–**	**(420.8)**	**(420.8)**
Accrued interest	**383.6**	**–**	**14.3**	**483.7**	**881.6**
Interest paid	**(287.2)**	**–**	**(14.3)**	**(533.1)**	**(834.6)**
Lease payments	**–**	**–**	**(117.0)**	**–**	**(117.0)**
New lease entered/lease modified	**–**	**–**	**85.5**	**–**	**85.5**
Contribution from third-party interests	**–**	**10.6**	**–**	**–**	**10.6**
Distribution from third-party interests	**–**	**(8.6)**	**–**	**–**	**(8.6)**
Changes in net assets attributable to other holders of consolidated structured entities	**–**	**(2.8)**	**–**	**–**	**(2.8)**
Payments of loan arrangement fee	**(87.0)**	**–**	**–**	**–**	**(87.0)**
Gain on repurchase of notes	**–**	**–**	**–**	**(46.3)**	**(46.3)**
Effect on foreign exchange rate changes	**(46.9)**	**1.3**	**(0.7)**	**32.2**	**(14.1)**
At 31 December 2022	**8,985.2**	**51.9**	**326.2**	**6,664.8**	**16,028.1**
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

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 2022, the carrying amounts of interests held by the Group from unconsolidated structured entities managed by third parties were HK$11,095.5 million (2021: 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 2022, revenue shared from investment funds managed by third parties was HK$14.9 million (2021: HK$37.5 million).

51. Statement of Financial Position of the Company

(HK$ Million)	31/12/2022	31/12/2021
Non-current Assets		
Property and equipment	**9.3**	5.4
Intangible assets	**8.4**	8.4
Right-of-use assets	**138.5**	166.5
Interests in subsidiaries	**4,013.1**	4,024.2
Interest in associates	**–**	–
Other receivable	**8.9**	8.9
Amounts due from subsidiaries	**3,245.0**	6,019.8
Amounts due from associates	**59.8**	59.8
	7,483.0	10,293.0
Current Assets		
Amounts due from subsidiaries	**10,089.2**	9,544.8
Amounts due from holding company	**–**	0.1
Other receivables	**19.3**	17.8
Taxation recoverable	**14.3**	–
Cash and cash equivalents	**408.0**	196.7
	10,530.8	9,759.4
Current Liabilities		
Amounts due to subsidiaries	**4,418.2**	6,584.9
Amount due to holding company	**1.8**	–
Creditors and accruals	**73.6**	244.2
Tax payable	**–**	11.3
Lease liabilities	**26.4**	25.2
Provisions	**–**	0.1
	4,520.0	6,865.7
Net Current Assets	**6,010.8**	2,893.7
Total Assets less Current Liabilities	**13,493.8**	13,186.7
Capital and Reserves		
Share capital	**8,731.0**	8,731.0
Reserves	**4,645.7**	4,312.1
Equity attributable to owners of the Company	**13,376.7**	13,043.1
Non-current Liabilities		
Lease liabilities	**116.9**	143.3
Provisions	**0.2**	0.3
	117.1	143.6
	13,493.8	13,186.7

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 16 March 2023 and are signed on its behalf by:

Lee Seng Huang
Director

Simon Chow Wing Charn
Director

52. Reserves of the Company

(HK$ Million)	2022	2021
Retained earnings		
Balance at 1 January	**4,312.1**	3,811.7
Profit and total comprehensive income for the year	**943.7**	1,053.4
Dividends paid	**(591.8)**	(515.0)
Shares repurchased and cancelled	**(18.3)**	(38.0)
Balance at 31 December	**4,645.7**	4,312.1

The distributable reserves of the Company at 31 December 2022 amounted to HK$4,035.6 million (31/12/2021: HK$3,701.9 million), being its net realised profits calculated under Section 291 of the Hong Kong Companies Ordinance.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Peter Anthony Curry

Independent Non-Executive Directors

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

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)*
Simon Chow Wing Charn
Evan Au Yang Chi Chun
Vivian Alexa Kao
Brendan James McGraw
Lindsay Megan Wright
Phoebe Yuen Oi Ying
Ko Man Fly

COMPANY SECRETARY

Lee Sze Wai

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Registered Public Interest Entity Auditors
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Hong Kong

BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Mizuho Bank, Ltd., Hong Kong Branch
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
Dah Sing Bank, Limited
Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
Taipei Fubon Commercial Bank Co., Ltd.
CMB Wing Lung Bank Limited
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
Ping An Bank Co., Ltd., Hong Kong Branch
Bank of Shanghai (Hong Kong) Limited
Bank Sinopac Hong Kong Branch
China Everbright Bank Co., Ltd,, Hong Kong Branch

REGISTRAR

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