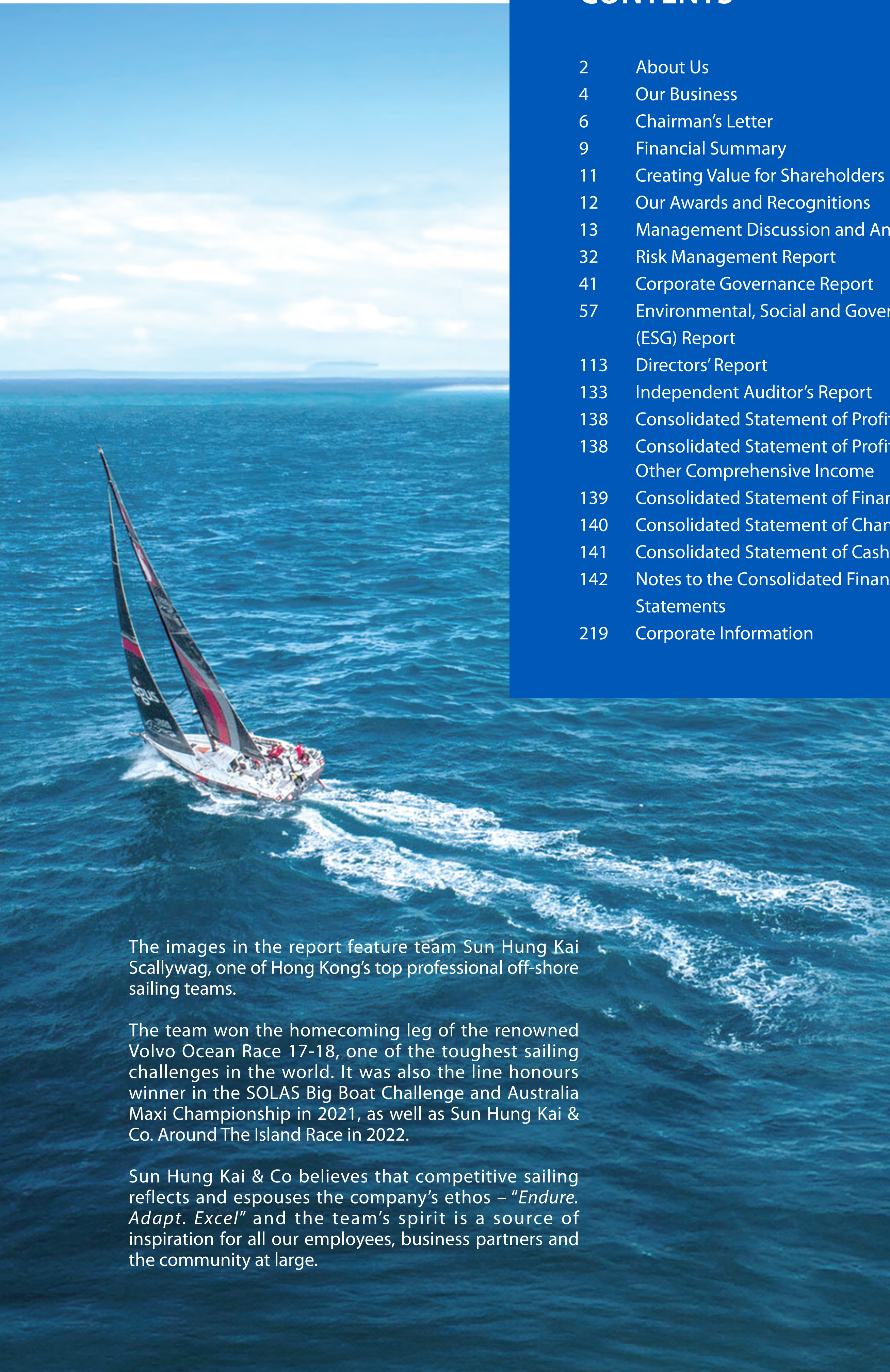
新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

Stock Code: 0086

2023 ANNUAL REPORT



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

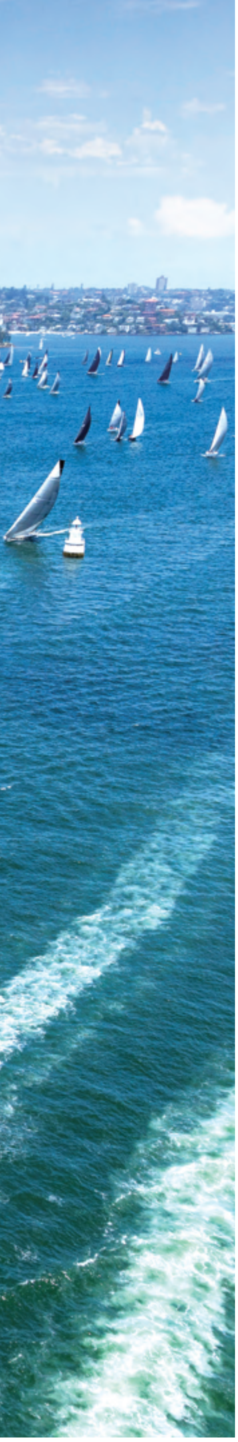
The team won the homecoming leg of the renowned Volvo Ocean Race 17-18, one of the toughest sailing challenges in the world. It was also the line honours winner in the SOLAS Big Boat Challenge and Australia Maxi Championship in 2021, as well as Sun Hung Kai & Co. Around The Island Race in 2022.

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.

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 the leading Consumer Finance firm, United Asia Finance Limited.



OUR JOURNEY OF TRANSFORMATION

55 Years of Excellence

in Financial Markets

HK$41 billion* total assets

Committed to generating long-term capital growth for shareholders

*as at 31 December 2023

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 Sun Hung Kai Capital Partners in 2021
- Obtained full Type 1, 4, 9 SFC licenses
- Launched the multi-family office platform Family Office Solutions in 2022
- Driving SHK & Co.'s transformation into a leading alternative investment platform

OUR BUSINESS

Since our foundation 55 years 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 Credit (previously Financing), Investment Management and Funds Management businesses. Our Credit business provides the Group with strong cash flow and stable returns while our Investment Management business brings solid long-term risk-adjusted returns 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, adding additional revenue streams to the Group and further diversifying our products and strategies.

Credit Business (Previously Financing Business)

This segment consists of a diversified loan portfolio covering Consumer Finance loans and Mortgage loans. Our Credit business provides us with steady returns that are largely uncorrelated to capital markets, which are highly complementary to our Investment Management and Funds Management businesses. The Credit 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 unsecured loans in Hong Kong with its 30 years' root in the market and has recently launched its new product SIM credit card serving customers who seek on-demand card with speedy response. In the Mainland it holds an internet loan licence and offline money lending licences in major cities across the nation.

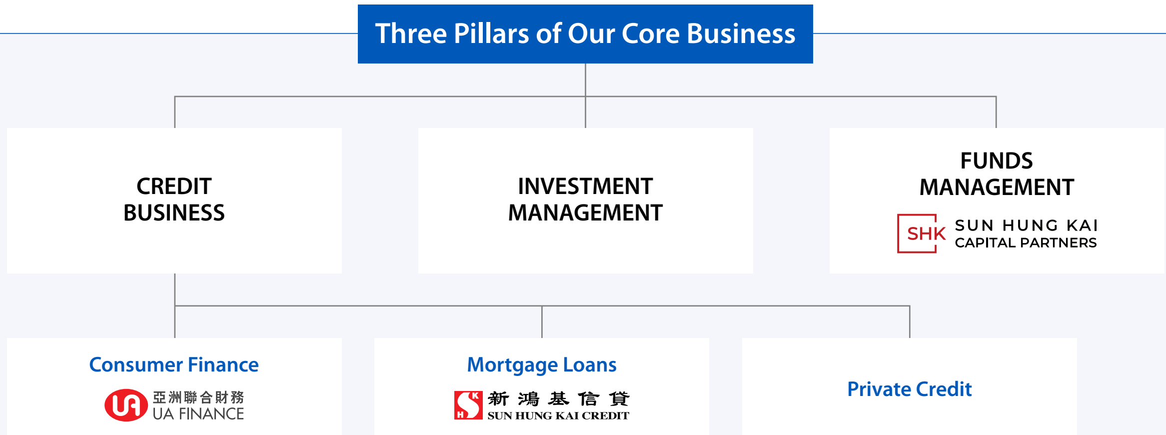
Mortgage Loans

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

Building upon the Group's credibility and expertise, 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 the Hong Kong market.

Private Credit

With the strategic capital reallocation to MCIP, an APAC real estate loan fund managed by our Funds Management arm, we continued to wind down the segment's term loans and regrouped the residual loan portfolio to Special Situations under Investment Management.



Investment Management

In 2015, the Company established Investment Management division which leverages the Group's expertise and global network to seek investment opportunities with strong risk-adjusted returns. Our investment portfolio covers a wide spectrum including Public Markets, Alternatives and Real Estate. The Investment Management segment has become a key excess return contributor to the Group over the mid to long term.

Public Markets

The Company manages a diverse portfolio of Corporate Holdings, which is an internally managed public equity strategy, and a Strategic Holdings portfolio.

Alternatives

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 private equity funds and hedge funds who are selected on performance, strategic fit, as well as access to markets and sectors. We are also increasing our focus on Special Situations aiming to capture the opportunities arising from market dislocations leveraging on our financial strength to create attractive returns with robust defensive characteristics.

Real Estate

Real Estate is a core strength of the broader group and an area where we currently adopt a cautious approach towards expanding our portfolio in view of the prevailing market conditions. The Company has focused on opportunities with strong downside protection and the portfolio comprises investments in transparent and developed economies across Asia-Pacific and Europe. 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 Credit 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 the 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. We also launched multi-family office platform, Family Office Solutions in Q4 2022 to provide customised alternative investment solutions that seek to create long-term value for a limited number of private clients, family offices and institutions. Going forward, we expect Funds Management to be a driver for additional revenue streams and for the Group's transformation into a leading alternative investment platform collaborating with the Investment Management division.

CHAIRMAN'S LETTER

Dear Shareholders,

This past year was marked by a distinct divergence between the market performance, inflation expectations and interest rate environments in China and the United States. Against this complex macroeconomic backdrop, SHK & Co. focused on consolidating our market standing within the Hong Kong consumer finance industry and reweighting our diversified investment portfolio in order to drive growth and continue to build out our alternative investment platform.

Throughout the year, we continued to bolster liquidity across each business segment. We took steps to manage our loan books and build out our organizational structure and skillsets. Our Consumer Finance arm successfully launched its SIM (Simple Instant Money) credit card while our Investment Management division made substantial progress in narrowing its losses as valuations stabilised. In addition, we are pleased to report that our Funds Management business achieved breakeven, a significant milestone in our funds management initiatives as we further built out the assets under management from external investors.

Despite a challenging fundraising environment, our Funds Management initiatives demonstrated resilience and closed the year with assets under management in our funds and our fund partners ("AUM") reaching almost US$1 billion. Third-party assets exceeded US$600 million, with a net inflow of over US$150 million during the year. Our Family Office Solutions ("FOS"), the multi-family office platform, made encouraging progress as we leverage on the wider relationships of the Group to link up with family offices and high-net-worth individuals ("HNWIs") with similar investment approach and horizons, capitalising on our access to our wide-ranging credit, public and private opportunities that we have built up in our 55-year operating history.

Financial Highlights, Capital Management and Dividends

In 2023, loss attributable to owners of the Company was HK$471.4 million, including a one-time write-down of HK$158.9 million related to our interest in a joint venture ("JV") which engages in auto leasing business in Mainland China. The significant improvement when compared to the previous year's loss of HK$1,534.8 million was mainly due to less mark-to-market losses in the Investment Management division. Basic loss per share was HK24.1 cents (2022: HK78.2 cents). Elevated interest rates continued to weigh on global markets, leading to financial dislocations and volatility across various asset classes. In the Greater China region, the slower-than-expected post-COVID recovery and downward pressure on property values dampened consumer sentiment and borrowing demand. Book value per share was HK$10.8 (2022: HK$11.4). Return on equity and return on assets were -2.2% and -0.5%, respectively (2022: -6.5% and -2.6%, respectively).

In light of the higher interest rates, we continued to prioritise capital efficiency by cautiously deploying capital and proactively reducing leverage. Over the course of 2023, we opportunistically continued to repurchase our Medium-Term Notes ("MTN") at an aggregate principal amount of US$59.5 million, making the total MTN repurchase since 2022 amounted to US$119.3 million. We also bought back 2.2 million shares at a total net consideration of HK$5.9 million during the year. We plan to continue repurchasing our shares in the ordinary course of business, as we had in previous years.

Given the strong liquidity, reduced gearing and stable revenue, we maintained our dividend and share buyback policy in 2023, and have returned HK$13.9 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 2023 (2022: HK26 cents per share).

Business Update

In 2023, our Credit business (previously Financing business) produced stable cashflow despite the weaker-than-expected economic recovery in particular in Mainland China. In Hong Kong, our Consumer Finance business maintained its market leading position and the gross loan balance reached an all-time high in UAF's history. We were particularly pleased with the successful launch of SIM credit card, our new credit card product for the Hong Kong market. Total card issuance came in ahead of expectations, providing a strong start for the new product line. In Mainland China we decided to scale down unsecured loans and focused on secured lending in line with our disciplined risk management practices, which contributed to the decrease in the segment's operating costs and net impairment losses. Mainly impacted by the substantial increase in Hong Kong Inter-bank Offered Rate ("HIBOR"), Consumer Finance contributed pre-tax profit of HK$979.5 million in 2023, compared to HK$1,197.1 million in 2022.

Mortgage Loans made a pre-tax contribution of HK$65.7 million in 2023 (2022: HK$122.3 million), which was an extremely difficult year for the Hong Kong property market. We continued to exercise prudence given the ongoing downward pressure on property values in the city, which led to a reduction in our loan book at the end of the year.

We continued to wind down the term loan portfolio under Private Credit with our strategic capital reallocation to MCIP, an APAC real estate loan fund managed by our Funds Management division. The shift is in line with our strategy of developing a leading alternative investment platform. On LSS Leasing, which engages in auto leasing business in Mainland China, we decided to fully write down our interest in this JV in light of the challenges it has been facing during the COVID lockdowns and post COVID.

The Investment Management business recorded a pre-tax loss of HK$1,291.3 million, after allocating cost of capital charge of HK$739.7 million. We significantly narrowed our losses in the Alternatives portfolio, as a result of improved performance of Private Equity and Hedge Funds as the market volatility waned. Special Situations, a new segment we separately report, delivered a strong gain of 19.3%. Our Public Markets portfolio took largely unrealised losses mainly due to the strategic positions that were impacted by the Chinese market performance. The Real Estate portfolio recorded a gain of 3.3% driven by the recovery in our hospitality investments in Europe, offsetting the weakness in Hong Kong. Operationally, we continued to upgrade our infrastructure and have successfully deployed a new portfolio management system to enhance data analytics and portfolio reporting.

Sun Hung Kai Capital Partners ("SHKCP"), our Funds Management business, continued to gain momentum with its fee income increasing 24.3% year-on-year thanks to the quality of the strategies onboarded. We have been focusing on diversifying and optimising our strategies, and we saw an addition of nearly US$100 million in AUM in the second half of 2023. With our continued seeding support, ActusRayPartners, our Fund Partnership that employs a differentiated investment process and generates returns uncorrelated to the broader market, launched its second fund focusing on Asia-Pacific including Japan in 2023. We also continued to build out FOS, helping HNWIs and family offices gain exposure to curated alternative portfolios. During the year, we further expanded our wholesale network, particularly through more collaboration with private banks.

People and Community

We value our people and are committed to fostering a flexible, diverse, inclusive, and open culture to attract and retain talent. In 2023, we remained steadfast in promoting effective communication and seamless collaboration among teams. This was particularly reflected in the design of our new office, which we moved into in the third quarter. In addition, we continued to invest in growth and development of our employees by organising comprehensive training programs and interactive workshops.

We substantially strengthened our commitment to ESG principles in 2023. The Board elevated the ESG Working Committee, previously a sub-committee under the Risk Management Committee, to a board-level ESG Committee. This new high-level body will steer the Company's ESG efforts and ensure that they are reflected in every aspect of our business strategy and operations.

During the year, mandatory ESG training was conducted for all staff members of the Group aiming to ensure that each employee understands the importance of ESG, the Group's ESG principles and priorities, as well as the targets that the Group is pursuing in this area. Senior management and business teams received an additional training geared towards key ESG topics in the financial industry, including the integration of ESG considerations into investment decisions and the latest developments in green and sustainable finance.

Volunteer activities continued to play a key role in our environmental protection efforts during the year. The Group's staff carried out a number of green projects, including sorting recycled plastics with elderly workers, conducting sustainable energy workshops with special educational needs children, and participating in Hong Kong coastal clean-up efforts in remote areas.

We also launched a paper reduction campaign across the Group encouraging our employees to reduce paper usage by comparing print counts with the previous year. Our efforts have resulted in the improvement of SHK & Co.'s Sustainalytics ESG Risk Rating from 29.2 in 2022 to 24.5 in 2023. This upgrade reflects important external validation of the Company's progress in enhancing its ESG standards.

Outlook

As we begin 2024, we expect interest rates will remain elevated and dislocations will continue as the full brunt of increased financing costs is felt by businesses across the globe. The regional economic recovery remains uncertain amidst overarching geopolitical tensions and the ongoing rebalancing of the Chinese economy away from the real estate sector. These continued headwinds give us cause to remain cautious. Our Credit segment will remain vigilant while streamlining our business efficiency by upgrading service platforms and digitising our operations. Across our Investment Management and Funds Management businesses, we will maintain a conservative approach while focusing on capital efficiency. We will continue to invest in upgrading our risk management framework, technology backbone and most importantly our talent pool. The two business divisions will continue to collaborate in leading the Group's transformation into a leading alternative investment platform.

As always, I thank stakeholders for their trust and support as we continue to navigate the new investment landscape and position ourselves for sustained long-term success.

Lee Seng Huang
Group Executive Chairman

Hong Kong, 21 March 2024

Funding Structure

Total Borrowings

HK$14,905.1m

-4.8%

Bank and Other Borrowings

HK$9,041.9m

+0.6%

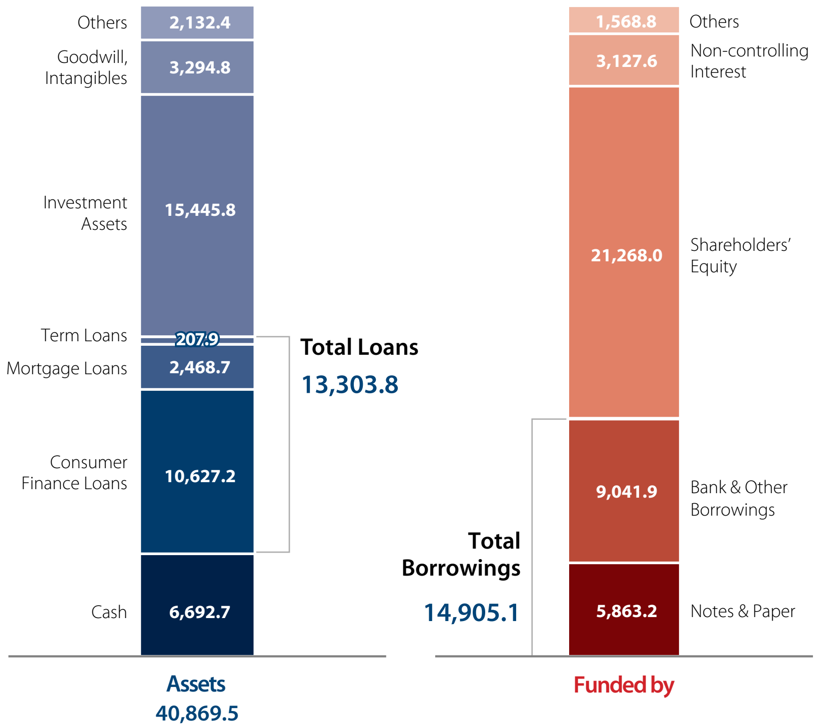
Notes and Paper

HK$5,863.2m

-12.0%

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.



Pre-tax profit turnaround

HK$76.6m

Total cash +13.7%

HK$6,692.7m

Attributable loss -69.3%

HK$471.4m

Net gearing ratio from 43.7% to

38.6%

Revenue -3.4%

HK$3,916.6m

Total assets -4.8%

HK$40,869.5m

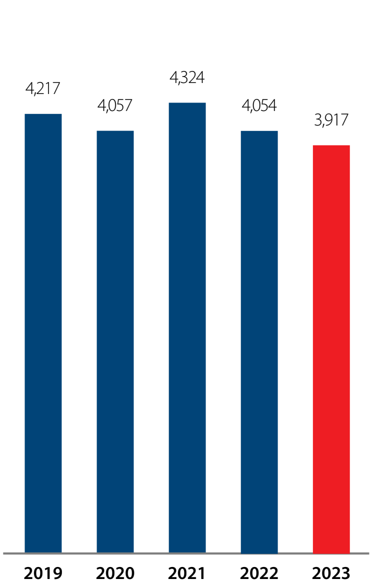
DPS consistent

HK26.0c

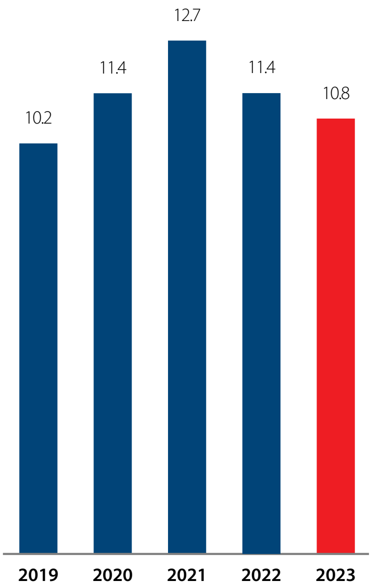
BVPS -5.3%

HK$10.8

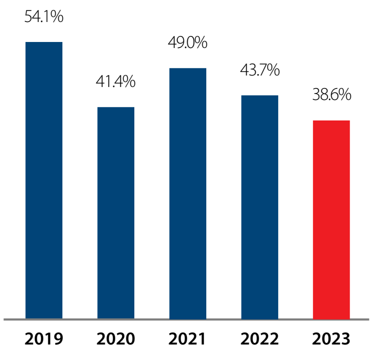
Revenue (HK$m)



Book Value per Share (HK$)



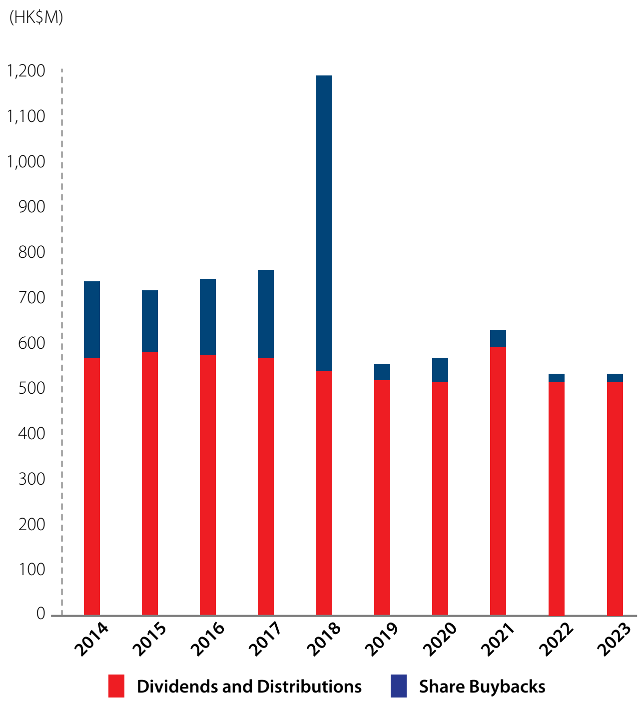
Net Gearing Ratio



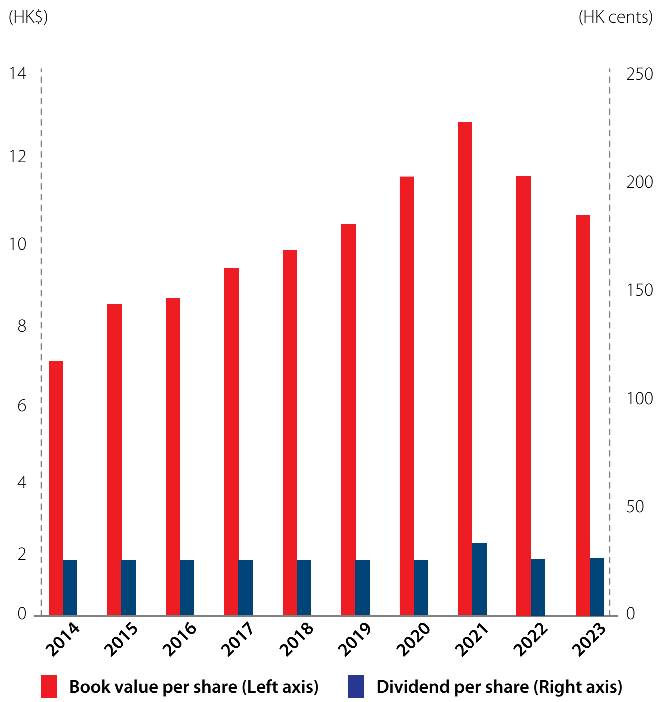
CREATING VALUE FOR SHAREHOLDERS

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$13.9 billion to shareholders in the form of dividends and share buybacks.

Track Record of Capital Return



Value Growth



Five-Year Financial Summary

Results for the year ended 31 Dec (HK$ Million)	2019	2020	2021	2022	**2023**	23/22 % change
Revenue	4,216.8	4,056.6	4,324.0	4,054.1	**3,916.6**	-3.4%
Profit/(loss) attributable to owners of the Company	2,085.2	2,547.7	2,813.7	(1,534.8)	**(471.4)**	-69.3%
Balance Sheet data as at 31 Dec (HK$ Million)						
Total assets	42,561.6	44,083.2	48,790.1	42,914.7	**40,869.5**	-4.8%
Total liabilities	18,985.0	18,130.9	20,250.9	17,358.6	**16,473.9**	-5.1%
Shareholders' equity	20,381.7	22,625.2	25,075.2	22,358.1	**21,268.0**	-4.9%
Share Data						
Basic EPS (HK cents)	104.4	128.3	142.7	(78.2)	**(24.1)**	-69.2%
Diluted EPS (HK cents)	104.2	128.0	142.5	(78.1)	**(24.0)**	-69.3%
DPS (HK cents)	26.0	26.0	30.0	26.0	**26.0**	–
BVPS (HK$)	10.2	11.4	12.7	11.4	**10.8**	-5.3%
Total number of shares at year end (Million)	1,998.8	1,982.3	1,973.3	1,967.4	**1,965.2**	-0.1%

OUR AWARDS AND RECOGNITIONS

2018-2023	**Listed Company Awards of Excellence**	Hong Kong Economic Journal
2018-2023	**Listed Enterprises of the Year**	Bloomberg Businessweek/Chinese Edition
2023	**Listed Enterprises – Best Corporate Governance**	Bloomberg Businessweek/Chinese Edition
2023	**Asian Excellence Awards – Asia's Best CFO**	Corporate Governance Asia
2023	**Asian Excellence Awards – Best Investor Relations Company**	Corporate Governance Asia
2023	**Asian Excellence Awards – Best Corporate Communications**	Corporate Governance Asia
2023	**Asia's Top 15 In-House Teams**	Asian Legal Business
2013-2018, 2020, 2022-2023 2019, 2021	**Gold Award of Corporate ESG Awards** **Titanium Award of Corporate ESG Awards**	The Asset
2021-2023	**Green Office Awards Labelling Scheme – Green Office and Eco-Healthy Workplace**	World Green Organisation
2014-2023	**Good MPF Employer**	Mandatory Provident Fund Schemes Authority
2016-2023	**Caring Company**	The Hong Kong Council of Social Service
2021-2023	**Happy Company Award**	Happy Index Foundation and Hong Kong Productivity Council
2022-2023	**Partner Employer Award**	Hong Kong General Chamber of Small and Medium Businesses

Financial Highlights

	Year Ended		
(HK$ Million)	**2023**	2022	Change
Revenue	**3,916.6**	4,054.1	-3.4%
Pre-tax profit/(loss)	**76.6**	(892.3)	N/A
Loss attributable to owners of the Company	**(471.4)**	(1,534.8)	-69.3%
Basic loss per share *(HK cents)*	**(24.1)**	(78.2)	-69.2%
Second interim dividend *(HK cents)*	**14.0**	14.0	–
Book value per share *(HK$)*	**10.8**	11.4	-5.3%

In 2023, the global macro environment continued to pose challenges with interest rates increasing steeply and remaining at elevated levels, driving financial dislocations and increased volatility across various asset classes. In addition, the regional post-COVID economic recovery fell short of expectations, generating further headwinds.

Against this challenging backdrop, we navigated with caution, placing an emphasis on capital efficiency, streamlining our business processes and investing in our infrastructure. Throughout the year, we maintained a strong balance sheet with ample liquidity, which allows us to capitalise on opportunities as they present themselves. We continued to progress in our transformative journey towards becoming a leading alternative investment platform by building out our Funds Management platform.

Pre-tax profit was HK$76.6 million (2022: loss of HK$892.3 million) including a one-time write-down of HK$158.9 million related to our interest in a JV which engages in auto leasing business in Mainland China. The year-on-year improvement was primarily due to the decrease in unrealised loss on our investment assets as valuations stabilised in overseas markets.

After taxation and non-controlling interest, loss attributable to the owners of the Company was HK$471.4 million (2022: HK$1,534.8 million). Basic loss per share was HK24.1 cents (2022: HK78.2 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 2023, the same as the previous year. During the year, the Company repurchased 2.2 million shares for a total net consideration of HK$5.9 million. In addition, the Company also repurchased MTN totalling US$59.5 million in 2023, reflecting our proactive approach to optimising capital efficiency. Consequently, net gearing ratio decreased substantially to 38.6% from 43.7% a year ago.

As at 31 December 2023, the Group's book value per share was HK$10.8 (2022: HK$11.4).

Results Analysis

The Group's revenue in 2023 remained relatively stable at HK$3,916.6 million (2022: HK$4,054.1 million) despite the challenging business environment. The revenue mainly consisted of interest income from the Credit business (previously Financing business) of HK$3,462.4 million for the year.

The Credit business contributed a pre-tax profit of HK$886.3 million for the year (2022: HK$1,295.9 million, re-presented), primarily attributable to the Group's deliberate decision to scale down the unsecured loan business of Consumer Finance in Mainland China and the significant rise in HIBOR, which exerted pressure on our cost of funds. In addition, elevated interest rates also adversely impacted the performance of our Mortgage Loans business. During the year, in light of LSS Leasing's challenges during the COVID lockdowns and post COVID, we decided to fully write down our interest in this JV as we sharpen our business breadth and focus.

Investment Management recorded a pre-tax loss of HK$1,291.3 million (2022: HK$2,425.0 million, re-presented), after the cost of capital charges of HK$739.7 million. The year-on-year improvement was mainly driven by the decrease in unrealised loss on Alternatives and Real Estate from HK$1,859.2 million to HK$134.4 million, which was partially offset by the realised loss on Alternatives and Real Estate of HK$190.0 million as we adjusted our hedging strategies and rebalanced certain portfolios as part of our de-risking efforts.

Funds Management delivered a pre-tax profit of HK$16.8 million in 2023 (2022: loss of HK$22.9 million), primarily benefiting from the sale of revenue share rights in East Point Asset Management ("East Point") to Regal Partners, and the reduction in mark-to-market loss on carried interest distribution in kind we received from a fund partnership. The increase in fee income compared to 2022 also contributed to the improvement in the new business' results.

Group Management and Support ("GMS") recorded a pre-tax profit of HK$464.8 million in 2023 (2022: HK$259.7 million), mainly attributable to the increased interest income generated by assets held for liquidity purposes.

Operating costs for the year were HK$1,467.8 million (2022: HK$1,563.3 million), down 6.1% year-on-year, mainly reflecting our cost rationalisation efforts as well as the decrease in variable costs associated with our de-risking activities.

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)	**2023**	2022^	Change	**Dec 2023**	Dec 2022^
CREDIT BUSINESS					
Consumer Finance	**979.5**	1,197.1	-18.2%	**18,062.9**	18,156.9
Mortgage Loans	**65.7**	122.3	-46.3%	**2,674.6**	3,283.4
Private Credit	**(158.9)**	(23.5)	576.2%	**–**	161.3
Sub-total	**886.3**	1,295.9	-31.6%	**20,737.5**	21,601.6
INVESTMENT MANAGEMENT	**(1,291.3)**	(2,425.0)	-46.8%	**16,257.4**	17,904.6
FUNDS MANAGEMENT	**16.8**	(22.9)	N/A	**24.9**	14.3
GMS	**464.8**	259.7	79.0%	**3,849.7**	3,394.2
Total	**76.6**	(892.3)	N/A	**40,869.5**	42,914.7

^ Re-presented as term loans of Private Credit were regrouped to Special Situations under Investment Management

Credit Business

In 2023, we renamed the Financing business to Credit business in order to better reflect the products and services of this segment. The Group's Credit business principally operates in the Greater China region, where it is subject to the impacts of local economic conditions, regulatory dynamics and interest rate movements.

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 engages in offering unsecured loans to individuals and small to medium-sized business owners in Hong Kong and Mainland China. 2023 marked the 30th anniversary of UAF in Hong Kong, where it has grown from a small retail outlet located in Mong Kok to the prominent leader in the unsecured lending market. Since 2017, UAF has consistently ranked first among all money lenders and as 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)	**2023**	2022	Change
Revenue	**3,231.8**	3,499.3	-7.6%
Return on loans (% average gross loan balance)[1]	**28.3%**	28.8%	
Operating costs	**(1,076.0)**	(1,229.2)	-12.5%
Cost to income (% revenue)	**33.3%**	35.1%	
Finance costs	**(504.7)**	(347.3)	45.3%
Net impairment losses	**(675.7)**	(702.3)	-3.8%
Other gains	**18.2**	28.5	-36.1%
Other losses	**(5.6)**	(9.2)	-39.1%
Exchange loss	**(8.5)**	(42.7)	-80.1%
Pre-tax contribution	**979.5**	1,197.1	-18.2%
Loan Book:			
Net loan balance	**10,627.2**	11,025.9	-3.6%
Gross loan balance[2]	**11,197.0**	11,630.3	-3.7%

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

In 2023, we remained prudent in new loan underwriting, particularly in Mainland China. Compared to 2022, the year-end net and gross loan balance decreased by 3.6% to HK$10,627.2 million and 3.7% to HK$11,197.0 million, respectively, while revenue for 2023 decreased by 7.6%.

At the beginning of 2023, UAF executed its plan to scale down its unsecured personal loan business and focus on secured lending in the Mainland market in response to the challenging operating environment. This strategic shift contributed significant overall cost savings, resulting in a 12.5% drop in operating costs year-over-year. Our finance costs, a predominant portion of which were HIBOR based, increased by 45.3% year-over-year to HK$504.7 million in tandem with the substantial increase in the HIBOR benchmark. In preparation for tight liquidity conditions in the market, UAF secured sufficient banking facilities in advance to meet its financing requirements and prepare for certain unfavourable contingencies. Net impairment losses decreased by 3.8% year-over-year to HK$675.7 million, mainly due to smaller exposure to unsecured loans in Mainland China. Exchange loss narrowed by 80.1% year-on-year to HK$8.5 million, primarily attributable to a lower Renminbi ("RMB") exposure we held in Hong Kong as well as the smaller RMB depreciation against Hong Kong Dollar ("HKD") during the year.

As a result, pre-tax contribution to the Group in 2023 amounted to HK$979.5 million, a decrease of 18.2% from the prior year.

Net Impairment Losses on Financial Instruments

(HK$ Million)	**2023**	2022
Amounts written off[1]	**(944.6)**	(938.3)
Recoveries[2]	**235.2**	224.9
Charge off	**(709.4)**	(713.4)
As % of average gross loan balance	**6.2%**	5.9%
Written back of impairment allowance[3]	**33.7**	11.1
Net impairment losses	**(675.7)**	(702.3)
As % of average gross loan balance	**5.9%**	5.8%
Impairment allowance at year end	**569.8**	604.4
As % of gross loan balance at year end	**5.1%**	5.2%

1 The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has entered 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 2023**	**Note**	31 Dec 2022	Note
Less than 31	**707.9**	***6.7%***	705.0	*6.4%*
31-60	**159.1**	***1.5%***	127.5	*1.2%*
61-90	**22.2**	***0.2%***	66.0	*0.6%*
91-180	**58.6**	***0.5%***	2.7	*0.0%*
Over 180	**61.6**	***0.6%***	67.6	*0.6%*
Total	**1,009.4**	***9.5%***	968.8	*8.8%*

Note: amount as a percentage of net loan balance

Hong Kong Business

Key Operating Data	**2023**	2022	Change
Number of branches	**48**	49	
Loan data:			
Gross loan balance *(HK$ Million)*	**9,123.7**	8,743.1	4.4%
Loan originated for the year *(HK$ Million)*	**12,345.3**	11,968.6	3.1%
Number of loans originated	**202,244**	165,245	22.4%
Average gross balance per loan *(HK$)*	**48,196**	60,885	-20.8%
Ratios for the year:			
Total return on loans[1]	**30.4%**	30.4%	
Charge-off ratio[2]	**6.0%**	5.1%	
Net impairment losses ratio[3]	**6.5%**	5.0%	
Impairment allowance ratio[4]	**5.3%**	5.0%	

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

Loan originated for 2023 grew by 3.1% year-on-year, driving gross loan balance at year-end to HK$9,123.7 million, an all-time peak in UAF's history. With the removal of COVID restrictions in Hong Kong earlier in the year, inbound tourism and private consumption gradually recovered, driving the growth of demand for UAF's loan products. However, local economic conditions remained subdued with elevated interest rates and a decline in economic activities, eroding customers' credit risk profile. Against this backdrop, UAF enhanced credit risk assessment and loan collection efforts, and maintained the charge-off ratio for the year at 6.0%.

Effective from 30 December 2022, the interest rate limit under the Money Lenders Ordinance was lowered from 48% to 36% per annum. The impact on our loan return in 2023 was marginal as we had proactively adjusted our loan portfolios and pricing prior to the changes.

In December 2022, UAF successfully completed the development of our "SIM" credit card, an abbreviation of "Simple Instant Money". The brand identity was designed to appeal to customers seeking on-demand credit with speedy response and approval. With 30 years of experience in the consumer finance market, UAF is well equipped to satisfy customers' demand with responsive and accessible customer service. SIM card was rolled out in successive phases in 2023, and its performance exceeded our budgeted expectations. Although the credit card market is fiercely competitive, we are cautiously confident that this new business line can leverage UAF's management expertise to become another growth driver complementing our established personal loan business.

Market competition remains intense as credit providers strive for higher market share. Adapting to the changing competitive landscape and evolving customer behaviour, we continually shift our marketing and advertising expenditure on various on-line and off-line channels to ensure marketing efficiency.

UAF continued to invest in digital solutions to provide first-rate services. We strengthened overall system security in keeping with top industry standards and enhanced our on-line capabilities to improve customer experience. Customer interest generated from UAF's various on-line platforms has been steadily increasing as evidenced by a double-digit growth year-on-year in the number of new accounts created through online platforms.

Mainland China Business

Key Operating Data	2023	2022	Change
Number of branches	**16**	17	
Loan data:			
Gross loan balance *(HK$ Million)*	**2,073.3**	2,887.2	-28.2%
Loan originated for the year *(HK$ Million)*	**2,702.2**	4,168.0	-35.2%
Number of loans originated	**15,365**	38,515	-60.1%
Average gross balance per loan *(RMB)*	**107,045**	69,908	53.1%
Ratios for the year:			
Total return on loans[1]	**20.7%**	24.4%	
Charge-off ratio[2]	**7.1%**	7.8%	
Net impairment losses ratio[3]	**3.7%**	7.8%	
Impairment allowance ratio[4]	**4.0%**	5.8%	

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

In Mainland China, our strategic shift in focus from unsecured loans to secured lending resulted in a significant reduction of impairment charges during the year. Credit risk was well-managed as secured lending generated more stable returns and loan repayments were backed by adequate collaterals. In addition, the cost rationalisation program we implemented in light of subdued business activities helped to streamline our cost structure and protect profitability. We believe our strategy for the Mainland market will make the segment more resilient and position it to benefit from further economic recovery.

Mortgage Loans

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

Segment Annual Results

	Year ended 31 December		
(HK$ Million)	**2023**	2022	Change
Revenue	**286.9**	285.1	0.6%
Return on loans (% average gross loan balance)	**10.1%**	8.6%	
Operating costs	**(58.1)**	(71.0)	-18.2%
Cost to income (% revenue)	**20.3%**	24.9%	
Finance costs	**(105.6)**	(100.9)	4.7%
Net (charge)/reversal on impairment losses	**(57.5)**	9.1	N/A
Pre-tax contribution	**65.7**	122.3	-46.3%
Loan Book:			
Net loan balance	**2,468.7**	3,063.9	-19.4%
Gross loan balance^	**2,569.1**	3,107.5	-17.3%

^ Before impairment allowance

The gross loan balance as at 31 December 2023 was HK$2,569.1 million (31 December 2022: HK$3,107.5 million). First mortgage loans accounted for over 90% of the portfolio. Despite the downward pressure on Hong Kong property prices, our loan-to-value ratio remained at a conservative level of 72.7%.

Revenue for 2023 was HK$286.9 million, up 0.6% compared to 2022. Return on loans increased by 150 basis points year-on-year to 10.1% reflecting the higher interest rates, which partially offset the impact of rising financing costs. Operating costs was down by 18.2% year-on-year to HK$58.1 million, mainly reflecting lower loan origination related expenses and less marketing expenditure as we decided to postpone certain marketing activities considering the unfavourable market conditions. As a result, cost-to-income ratio improved to 20.3%.

Finance costs amounted to HK$105.6 million, increasing 4.7% year-on-year, primarily driven by elevated interest rates, partially offset by a reduced utilisation of bank facilities. Net impairment losses were HK$57.5 million in 2023, primarily driven by the larger provisions we took in light of the weakening property market. Consequently, SHK Credit contributed a pre-tax profit of HK$65.7 million for the year, compared to HK$122.3 million for 2022.

Private Credit

With the strategic capital reallocation to MCIP in 2021, which is an APAC real estate loan fund managed by our Funds Management arm, we continued to wind down this portfolio. This resulted in the regrouping of the residual term loans to Special Situations of our Investment Management business. The strategic move aligns with our overall investment strategy and will enable us to optimise our resources and focus on areas that offer the greatest potential for value creation.

Remaining in this segment is the Group's interest in LSS Leasing ("LSS"), a JV engaging in Business-to-Business (B2B) and Business to-Customer (B2C) auto leasing business in Mainland China. In 2023, LSS struggled to recover from the COVID lockdowns and the unbalanced post-COVID economic recovery, and after careful evaluation and consideration, we decided to write off our interest in this JV in order to reduce our breadth of business and increase our focus.

Segment Annual Results

	Year ended 31 December		
(HK$ Million)	**2023**	2022^	Change
Revenue	–	–	–
Return on loans	–	–	
Operating costs	–	–	–
Cost to income (% Revenue)	–	–	
Finance costs	–	–	–
Net impairment losses	–	–	–
Net gain on financial assets and liabilities	–	–	–
Others	**(158.9)**	(23.5)	576.2%
Pre-tax contribution	**(158.9)**	(23.5)	576.2%
Loan Book:			
Net loan balance	–	–	–
Gross loan balance	–	–	–
Other investments:			
Listed shares and others	–	–	–
Interest in joint venture	–	161.3	N/A
	–	161.3	N/A

^ Re-presented as term loans of Private Credit were regrouped to Special Situations under Investment Management

Investment Management

The Investment Management division leverages the Group's expertise and global networks to seek attractive risk-adjusted returns.

The division's pre-tax loss for 2023 was HK$1,291.3 million, representing a year-on-year improvement of 46.8%, primarily driven by the decline in unrealised loss on Alternatives and Real Estate from HK$1,859.2 million for 2022 to HK$134.4 million. Alternatives and Real Estate recorded a realised loss of HK$190.0 million, as we adjusted our hedging strategy and rebalanced our portfolio towards more conservative exposure. Net loss on Public Markets narrowed by 36.9% to HK$142.1 million compared to 2022. The loss was mainly attributed to the mark-to-market adjustments on certain long-term strategic positions with Chinese exposure as a result of weak market sentiment, although the portfolio companies' fundamentals remained robust.

Including cost of capital charges of HK$739.7 million, operating costs for the division in 2023 were HK$959.3 million, increasing 15.9% year-on-year. The increase was primarily driven by performance-related expenses.

In the four years from 2020 to 2023, the cumulative realised gain on Alternatives and Real Estate was HK$5,161.5 million, and the four-year total return of the Investment Management segment was 18.6%.

Analysis of Pre-tax Contribution by Nature

(HK$ Million)	2023	2022^	Change
Realised (loss)/gain on Alternatives and Real Estate	**(190.0)**	400.8	N/A
Unrealised loss on Alternatives and Real Estate	**(134.4)**	(1,859.2)	-92.8%
Net loss on Public Markets	**(142.1)**	(225.3)	-36.9%
Interest income	**124.6**	131.0	-4.9%
Dividends received	**51.4**	39.5	30.1%
Rental income	**22.5**	25.9	-13.1%
Fees received	**–**	1.9	N/A
Net impairment losses on financial assets	**(30.1)**	(64.5)	-53.3%
Net exchange gain/(loss)	**5.8**	(9.0)	N/A
Share of results of associates & joint venture	**22.6**	(4.2)	N/A
Loss from revaluation on investment properties	**(64.9)**	(32.7)	98.5%
Others	**2.6**	(1.3)	N/A
Total losses	**(332.0)**	(1,597.1)	-79.2%
Operating costs	**(959.3)**	(827.9)	15.9%
Pre-tax contribution	**(1,291.3)**	(2,425.0)	-46.8%

^ Re-presented as term loans of Private Credit were regrouped to Special Situations under Investment Management.

The overall annual return of Investment Management for 2023 improved by 5.9 percentage points year-on-year to -2.0% amid the mixed performance of global equity markets, as US markets recorded strong gains with outsized contribution from several large tech companies, while Hong Kong market experienced a double-digit loss amid investors' concerns about China's economic recovery. Public Markets closed the year with a return of -4.6% and Alternatives lost 2.5%. Real Estate gained 3.3% primarily driven by the solid performance of our hospitality investment in the European Union ("EU").

Operationally, we made significant strides in enhancing our technology infrastructure, optimising business processes, expanding our team, and strengthening our risk management framework. Additionally, our Investment Management team actively collaborated with the Funds Management division, fostering a culture of teamwork and driving the Group towards its vision of establishing a leading alternative investment platform.

Segment Assets Breakdown and Annual Return

(HK$ Million)	2023 Year End Value	2023 Average Value	2023 Gain/(Loss)	2023 Annual Return	Return track record 2022^	Return track record 2021^
Public Markets	**2,237.1**	**2,293.7**	**(105.0)**	**-4.6%**	-6.1%	11.0%
Alternatives	**11,606.8**	**12,019.0**	**(304.3)**	**-2.5%**	-9.3%	15.7%
Real Estate	**2,413.5**	**2,325.1**	**77.3**	**3.3%**	-1.5%	3.6%
Total	**16,257.4**	**16,637.8**	**(332.0)**	**-2.0%**	-7.9%	13.5%

^ Re-presented

Public Markets

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

Breakdown of Public Markets Portfolio as at 31 December 2023

(HK$ Million)	2023 Year End Value	2023 Average Value	2023 Gain/ (Loss)	2023 Annual Return[1]	2022 Year End Value	2022 Average Value	2022 Gain/ (Loss)	2022 Annual Return[1]
Corporate Holdings	**2,070.2**	**2,105.9**	**(105.0)**	**-5.0%**	2,098.7	2,204.8	(163.1)	-7.4%
Strategic Holdings[2]	**166.9**	**187.8**	**–**	**N/A**	211.6	207.3	–	N/A
Credit[3]	**–**	**–**	**–**	**–**	–	447.9	(11.8)	-2.6%
Total	**2,237.1**	**2,293.7**	**(105.0)**	**-4.6%**	2,310.3	2,860.0	(174.9)	-6.1%

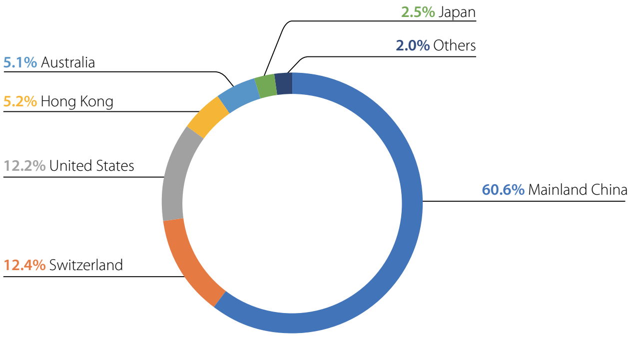
1 Gain (Loss) before costs of capital charge/average fair market value for the year.
2 At FVTOCI.
3 The Public Credit strategy was wound down in 2022 for the launch of a partnership fund on the Group's Funds Management platform.

Corporate Holdings

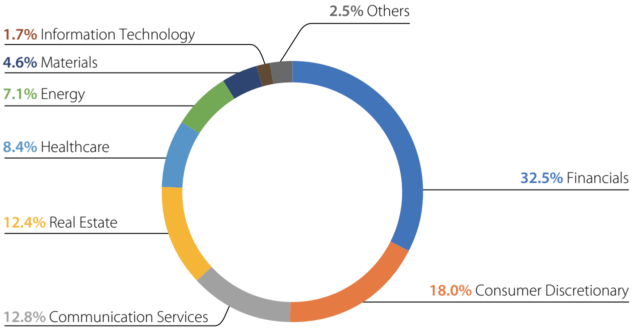
The Corporate Holdings segment mainly manages a mix of long-term and shorter-term equity positions. Derivatives and hedging are used both to manage risks and enhance returns. During 2023, we further strengthened our investment and portfolio management capabilities, striving to achieve sustainable risk-adjusted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

Corporate Holdings recorded a loss of 5.0% for 2023. The main driver of losses in this segment was related to our long-term strategic positions in listed companies with exposure to China, where sentiment has been very weak with international investors' concerns over property related risks and geopolitical tensions. A portion of the losses we experienced also stemmed from our hedging positions on the back of US equity markets recovery in 2023, which was partly offset by gains on the underlying investments, particularly in the Communication Services sector. In addition, our holdings in the Energy and Shipping sectors as well as Consumer sector in the Japanese market also contributed gains to this segment.

Corporate Holdings by Geography



Corporate Holdings by Sector



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 construct a diversified portfolio encompassing Private Equity, Hedge Funds and the recent addition of Special Situations in 2023 as a strategic move to seize opportunities arising from financial dislocations. 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 2023

(HK$ Million)	2023 Year End Value	2023 Average Value	2023 Gain/(Loss)	2023 Annual Return	2022[1] Year End Value	2022[1] Average Value	2022[1] Gain/(Loss)	2022[1] Annual Return
Private Equity:								
– External funds	**4,279.2**	**4,511.1**	**(266.2)**	**-5.9%**	4,616.3	5,173.7	(887.9)	-17.2%
– Direct/ Co-Investments	**4,008.6**	**4,014.7**	**23.7**	**0.6%**	4,625.7	4,775.5	(43.1)	-0.9%
Sub-total	**8,287.8**	**8,525.8**	**(242.5)**	**-2.8%**	9,242.0	9,949.2	(931.0)	-9.4%
Hedge Funds[2]								
– Ongoing funds	**1,900.5**	**1,950.8**	**(88.5)**	**-4.5%**	2,072.0	2,962.3	(456.5)	-15.4%
– Terminated funds[3]	**696.4**	**859.4**	**(105.3)**	**-12.3%**	1,267.9	1,211.1	(139.2)	-11.5%
Sub-total	**2,596.9**	**2,810.2**	**(193.8)**	**-6.9%**	3,339.9	4,173.4	(595.7)	-14.3%
Special Situations	**722.1**	**683.0**	**132.0**	**19.3%**	670.7	855.9	137.9	16.1%
Total	**11,606.8**	**12,019.0**	**(304.3)**	**-2.5%**	13,252.6	14,978.5	(1,388.8)	-9.3%

1 Re-presented

2 Including Hedge Funds portfolio and other funds managed by Funds Management division

3 Including the funds managed by GCO Asset Management Limited ("GCO") and East Point. The fund managed by GCO was closed and fully redeemed in April 2023. The rights for receiving seeded capital fee of the fund managed by East Point was acquired by Regal Partners in February 2023, following which the capital was redeemed in February 2024.

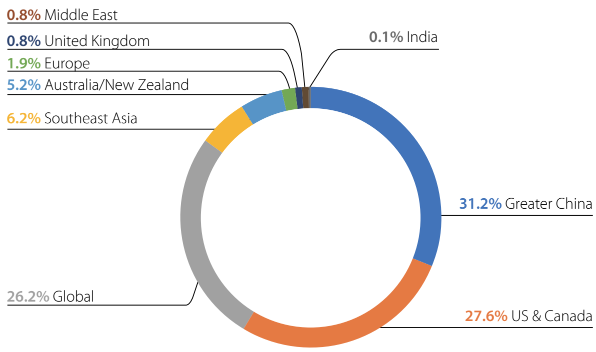
Private Equity

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 long-term by taking advantage of our proprietary deal sourcing capabilities, domain expertise and global mandate.

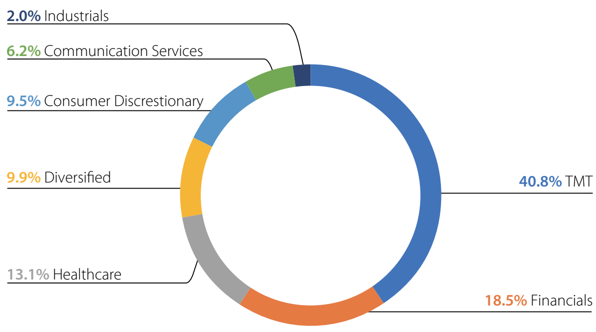
In 2023, a tough financing environment and ongoing decrease in liquidity events continued to pose challenges for the Private Equity segment. Despite the challenges, the diversification of our portfolio helped mitigate risks to some extent. In global markets, as US interest rates stabilised towards the end of 2023 and public markets recovered, our early stage and growth portfolio indirectly benefited as downward valuation pressures abated. Notably, our financial-services-focused investments continued to record exceptional growth and contributed to gains. Our portfolio with exposure to China, however, was impacted by international investors' weak sentiment and ongoing Sino-US tensions, although the underlying fundamentals of our portfolio companies remained resilient. In addition, we realised some losses on the hedging instruments earlier in 2023. The hedging tools were implemented to mitigate the private book's exposure to market volatility and the losses were partly offset by gains on some underlying investments. Consequently, the Private Equity segment recorded a return of -2.8% for the year.

We continued to receive programmatic distributions from our investments and recorded net cash inflow for the year. When evaluating new opportunities emerging from artificial intelligence, private credit, and secondaries on a global scale, we continue to adopt strict criteria regarding cash flow, valuation, and downside protection. We are also open to collaborating with third-party investors as we capitalise on the selected opportunities, which will allow us to further scale our investment capabilities and forge mutually beneficial partnerships.

Private Equity Exposure by Geography



Private Equity Exposure by Sector

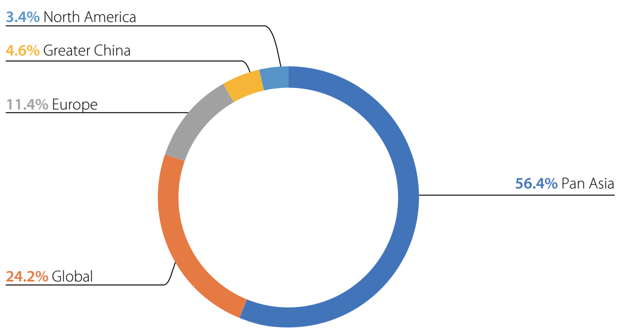


Hedge Funds

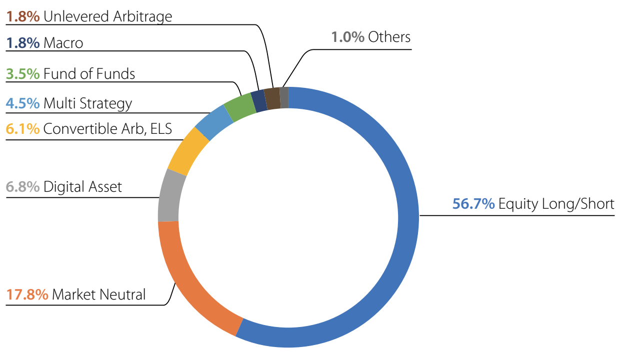
The Group's multi-manager hedge fund portfolio consists of a select group of external hedge funds that are global in scope with a bias towards the Pan-Asia region.

"Ongoing funds" consist of both long-term strategic investments as well as actively managed holdings. The actively managed holdings are dynamically adapted to the investment environment and therefore produced mid-single digit positive returns in 2023. Meanwhile long-term strategic holdings will remain static through market cycles in order to achieve their longer-term return targets, and therefore may endure higher volatility such as in a year like 2023. The hedge fund portfolio overall enters 2024 with a solid cohort of managers who we believe are well positioned to capture opportunities ahead.

Hedge Funds Exposure by Geography



Hedge Funds Exposure by Strategy



Special Situations

The Special Situations strategy focuses on leveraging unique opportunities emerging from market dislocations or specific events. Our portfolio predominantly includes investments in distressed assets and has further expanded our footprints in Western Europe, North America and Asia, adding geographical diversification to the Group. Additionally, the residual term loan portfolio from Private Credit has been integrated into this segment. Our approach to targeting distressed opportunities is designed to yield favourable returns with robust defensive characteristics.

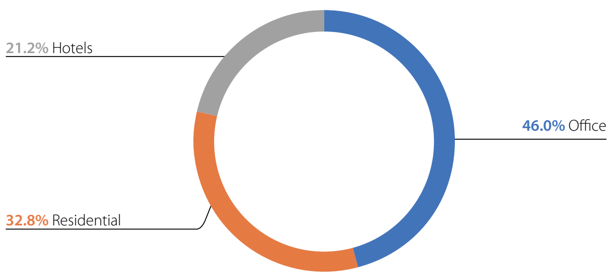
In 2023, this segment recorded a notable return of 19.3%, primarily attributed to our strategic investment in the COVID-impacted travel sector at its low point in early 2022. This investment has shown significant progress, tracking the resurgence of international travel.

Real Estate

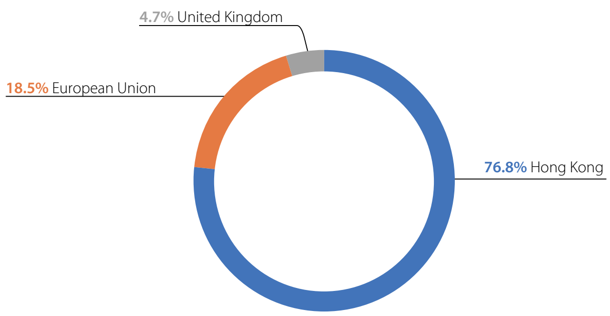
The Real Estate portfolio was valued at HK$2,413.5 million as at 31 December 2023 (31 December 2022: HK$2,341.3 million). The portfolio mainly includes the Group's interests in Hong Kong commercial real estate as well as hotels and commercial investments abroad.

The Real Estate portfolio recorded a gain of 3.3% for the year, mainly driven by the solid performance of our hospitality investment in EU, offsetting weakness in Hong Kong. We maintain a cautious stance in relation to new investments in this segment.

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. Regulated by the Securities and Futures Commission ("SFC"), SHKCP holds Type 1, 4 and 9 licences.

The buildout of the alternative funds management platform, SHKCP, commenced in 2021, a strong startup year. We continue to build out and optimise the platform with seven Partnerships/Funds at the end of 2023.

2023 was characterised by challenging market conditions, shifting investment styles and changing client risk appetites. These factors created a challenging fundraising environment. We ended the year with a collective AUM of our funds and that of our fund partners of US$964 million, down by 1.1% from year-end 2022. The decrease was principally a result of the full redemption and closure of the fund launched by GCO and the sale of East Point revenue share rights to Regal Partners as we continued to rebalance and diversify the strategies on the platform. In the meantime, ActusRayPartners, one of our Funds Partnerships, recorded strong growth in its AUM, offsetting the decrease.

In line with market conditions, we remained cautious on capital deployment, but we continued to invest in strategies that are better suited for a volatile market environment with a proven performance record. In September 2023, we announced the launch and seeding support to ActusRayPartners Asian Alpha Fund, ActusRayPartners' second fund building on the success of its ActusRayPartners European Alpha Fund.

The quality and diversity of our funds have mitigated the downside impact from volatile markets to some degree. This was particularly evident in the market neutral strategy of ActusRayPartners, which delivered solid performance, and in our APAC private credit fund, Multiple Capital Real Estate Debt I, L.P., which maintained its disciplined approach to underwriting. Our diversified global Fund of Hedge Funds ("FoHF"), SHK Latitude Alpha Fund, generated steady returns through volatile equity and fixed income markets.

Fund Partnerships

ACTUS RAY PARTNERS DISCRETIONARY PROBABILISTIC INVESTING	Kernel.	E15VC	POINT KING CAPITAL
DESCRIPTION • Established March 2021: European Discretionary Probabilistic Investing Equity Market Neutral Strategy • Established September 2023: Asian Discretionary Probabilistic Investing Equity Market Neutral Strategy	**DESCRIPTION** • Established July 2019 • Market Neutral Crypto Strategy • Quantitative/ Directional	**DESCRIPTION** • Established January 2021 • Deep Technology Venture Strategy	**DESCRIPTION** • Partnership established September 2018^ • Consumer Early Stage/Growth Strategy

^ SHK & Co. owns a minority equity stake in Point King GP.

SHKCP Funds

SHK LATITUDE ALPHA	MCIP MULTIPLE CAPITAL INVESTMENT PARTNERS	SHK PRIVATE ACCESS
DESCRIPTION • Established July 2021 • Global Fund of Hedge Funds	**DESCRIPTION** • Established March 2021 • APAC Real Estate Loan Strategy	**DESCRIPTION** • Established March 2022 • Specific alternative investment opportunities

We continue to develop and build out our distribution footprint, working with our partners to raise third party capital and with a select group of hedge funds to distribute their funds. In Q4 2022, we entered into distribution agreements with a number of high-quality hedge funds which are well known to SHKCP. Over time, such arrangements will drive revenue growth and enhance diversification.

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

The buildout of FOS following its launch in Q4 2022 continued to develop during the year. This unit provides customised alternative investment solutions that seek to create long-term value for a limited number of private clients, family offices and institutions. It offers bespoke and discretionary portfolios of alternative investments leveraging the experienced in-house teams and the capabilities of the broader Group.

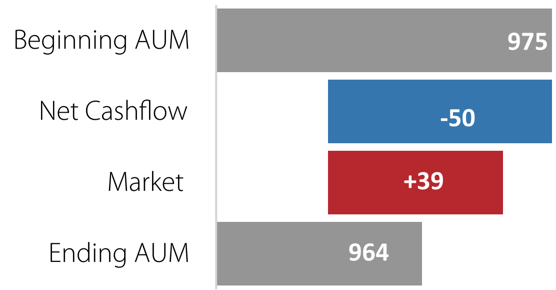
In relation to hedge funds, FOS provides private clients and institutions with bespoke advisory and discretionary portfolios. Mandates include standalone, completion strategy, or region specific and/or highly concentrated. The approach is dedicated to selecting best-in-class hedge fund managers and employing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

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

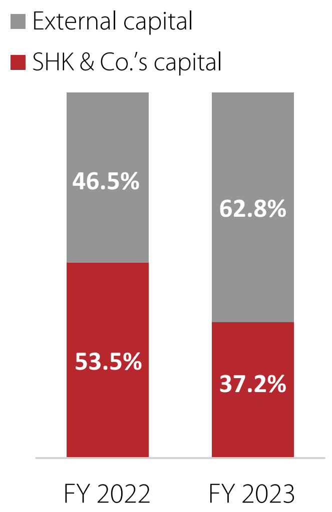
AUM^ and Segment Full Year Results

AUM at year-end 2023 was US$964 million (2022: US$975 million), reflecting a net cash outflow of US$50 million during the year, partially offset by market gains of US$39 million. The net cash outflow was principally a result of the full redemption and closure of GCO and the sale of revenue share rights in East Point, while ActusRayPartners recorded strong capital inflow, in particular with the contribution from external investors, offsetting the outflow. Of the total AUM, external capital accounted for 62.8%, increasing by 16.3 percentage points year-on-year.

AUM Movement in 2023 *(US$ 'mn)*



AUM Breakdown



^ "AUM" refers to assets under management by SHKCP and SHKCP's seeding partners.

Segment Full Year Results

The business recorded strong growth in total income for 2023, mainly benefiting from the sale of East Point revenue share rights to Regal Partners and the notable growth in fee income. Cost optimisation remains an ongoing focus, and the division saw a 26.1% reduction in operating costs versus 2022. Additionally, the improved mark-to-market performance of carried interest distribution in kind also contributed to the turnaround of the segment's financial results.

	Year ended 31 December		
(HK$ Million)	**2023**	2022	Change
Fee income	**36.3**	29.2	24.3%
Interest income	**0.9**	0.1	800.0%
Other income	**15.7**	5.5	185.5%
Total income	**52.9**	34.8	52.0%
Operating expenses	**(29.1)**	(39.4)	-26.1%
Net loss on financial assets[1]	**(6.9)**	(18.8)	-63.3%
Net exchange (loss)/gain	**(0.1)**	0.5	N/A
Pre-tax contribution	**16.8**	(22.9)	N/A

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

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

Outlook

We anticipate 2024 will remain challenging as interest rates remain elevated, coupled with the Chinese economy engaged in a structural transition. In light of this, we continue to remain cautious and prioritise capital efficiency and liquidity by being highly selective on new investments.

The operating environment for our Consumer Finance business in 2024 remains clouded by uncertainties. The interest rate environment, and therefore our cost of funding, will be influenced by the decisions made by the Fed. Additionally, the scope of the economic recovery in Hong Kong and Mainland China will directly influence our loan demand and credit risks. Despite these issues, we see significant opportunities ahead to enhance our service platforms, innovate product offerings, safeguard our capital and strengthen our foundation for future growth.

In the Mortgage Loans business, we will maintain a vigilant approach towards the local property market. Our focus will be on generating strong risk-adjusted yields by adopting stricter loan origination criteria, implementing rigorous risk management measures, and diversifying our marketing channels to enhance SHK Credit's brand awareness.

The Investment Management segment continues to play a pivotal role in the Group's strategic transformation into a leading alternative investment platform by capitalising on our global investment insight, domain expertise and proprietary deal sourcing channels. While maintaining utmost discipline in selecting new investments, we are increasing our focus on Special Situations aiming to capture the market dislocations we are increasingly seeing, leveraging on our financial strength to create attractive long-term risk adjusted returns.

The Funds Management business will continue to focus on growth, with a priority on diversification to deliver resilience, ongoing investment in quality partners, and the further expansion of our multi-family office platform FOS. A key objective is to further extend our client reach through both channel partners and FOS. We are focused on expanding our distribution efforts through greater connectivity with our partners to raise third party capital, promoting our own SHKCP Funds, selectively representing other third-party alternative managers and providing customised and fund access solutions to clients through FOS.

The Company is committed to delivering strong shareholder value over a long time horizon with sound governance and risk management. In 2024, we will continue to streamline and focus our businesses, enhance our workflows, upgrade our technology backbone and invest in our people. We will also maintain diversified funding sources and strong liquidity to provide staying power in this demanding environment and enable our future growth.

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 Credit, 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

Core Principles

- 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 2023**	31 Dec 2022	Change
Capital Structure			
Equity attributable to owners of the Company	**21,268.0**	22,358.1	-4.9%
Total cash	**6,692.7**	5,883.9	13.7%
Total borrowings[1]	**14,905.1**	15,650.0	-4.8%
Net debt[2]	**8,212.4**	9,766.1	-15.9%
Net debt to equity ratio	**38.6%**	43.7%	
Liquidity			
Interest cover[3]	**1.08**	0.02	5,300.0%
Return Ratios			
Return on assets[4]	**-0.5%**	-2.6%	
Return on equity[5]	**-2.2%**	-6.5%	
Key Performance Indicator			
Book value per share *(HK$)*	**10.8**	11.4	-5.3%
Dividend per share *(HK cents)*	**26**	26	–

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

The Group's net gearing ratio decreased to 38.6% at the end of the year and has remained healthy. Interest cover for the year increased to 1.08, compared with 0.02 for 2022, mainly due to improved profitability.

As at 31 December 2023, total borrowings of the Group amounted to HK$14,905.1 million (31 December 2022: HK$15,650.0 million). Of this amount, 56.1% was repayable within one year (31 December 2022: 35.8%). The Group maintained a balanced mix of funding from various sources. Bank and other borrowings accounted for 60.7% of total debt (31 December 2022: 57.4%) and were mainly at floating interest rates, primarily denominated in Hong Kong dollars and US dollars. There were no known seasonal factors in the Group's borrowing profile.

Return on assets improved by 2.1 percentage points to -0.5% as at 31 December 2023 (31 December 2022: -2.6%). Return on equity improved by 4.3 percentage points to -2.2% as at 31 December 2023 (31 December 2022: -6.5%), mainly due to the impact of reduced losses. The Group's total cash as at 31 December 2023 increased to HK$6,692.7 million compared to HK$5,883.9 million as at 31 December 2022, mainly due to the net cash inflow from investing activities. The strong cash position has provided us with comfortable liquidity during the volatile market conditions. The Company is well equipped to take advantage of available opportunities to optimise our capital efficiency in the long term.

As at 31 December 2023, the following notes were outstanding:

Note	Maturity Date	HK$ Equivalent *(In Million)*	% Total
5.75% US$ notes^	11/2024	2,401.3	41.0%
5.00% US$ notes^	9/2026	3,060.7	52.2%
Asset backed notes	4/2024	401.2	6.8%
Total		5,863.2	100.0%

^ Listed on The Stock Exchange of Hong Kong Limited

During 2023, the Group repurchased an aggregate principal amount of US$24.6 million of 5.75% Notes matured in November 2024 and US$34.9 million of 5.00% Notes matured in September 2026 respectively. The repurchased Notes were cancelled respectively.

The Group continues to maintain a stable capital structure and is well positioned to avoid a liquidity crunch situation. The Group maintained foreign currency positions to manage its present and potential operating and investment activities. Part of the non-US or non-HK dollar investment assets were hedged against currency fluctuations. Exchange risks were closely monitored by the Group and held within monitored ratios.

Significant Investments

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 31 December 2023.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the year of 2023, the Group had no material acquisitions and disposal of subsidiaries, associates and joint ventures.

Important Events After the End of the Financial Period

There were no important events affecting the Group which occurred after the end of the financial year ended 31 December 2023 and up to the date of this report.

Charges on Group Assets

Properties of the Group with a total book value of HK$846.0 million were pledged by subsidiaries to banks for facilities granted to them as at 31 December 2023. A total of HK$200.0 million of the secured loans were drawn down as at 31 December 2023.

As at 31 December 2023, HK$732.0 million (2022: HK$1,025.0 million) of mortgage loans receivable were pledged for a securitisation financing transaction.

Contingent liabilities

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

People & Culture

As at 31 December 2023, the Group's total staff numbered 1,087 (31 December 2022: 1,608). Out of this, 77 (31 December 2022: 76) 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 (2022: HK$625.8 million), flat year-on-year as the decrease associated with the decline in staff number was partially offset by the increase in 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 2,886,000 shares were granted to the Selected Grantees during the year subject to various terms. A total of 2,586,000 shares were vested in 2023. As at 31 December 2023, the outstanding award shares under the EOS (excluding shares awarded but subsequently forfeited) amounted to 4,936,000 shares.

The Group values its people as our greatest asset. We believe that a competent and motivated workforce, able to work in comfortable 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.

Relevant Laws and Regulations

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

The Group has built a strong compliance culture over the years since our establishment as a brokerage firm five decades ago. Internal policies and procedures have been put in place to regulate the Group's activities. A variety of trainings on regulations and compliance matters are also provided internally or through professional institutions. 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.

With the establishment of the Funds Management business which holds licences from the Hong Kong Securities and Futures Commission to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) in Hong Kong, we comply with all applicable SFC rules and regulations. We have also strengthened our compliance and risk monitoring framework to protect the interests of investors. Additional third-party compliance consultants and fund administrators were contracted to conduct extensive compliance work for the funds.

Our loan and mortgage businesses in Hong Kong are governed by the Money Lenders Ordinance, Cap. 163 of the Law of Hong Kong. The lending business in the PRC is operated in accordance with the requirements of the national government, based on policy guidelines including "Guiding Opinions of the China Banking Regulatory Commission ('CBRC') and the People's Bank of China ('PBOC')on the Pilot Operation of Small Loan Companies" (CBRC Issuance [2008] No. 23), as well as "Notice on Strengthening the Supervision and Management of Small Loan Companies issued by General Office of the China Banking and Insurance Regulatory Commission ('CBIRC')" (CBIRC Issuance [2020] No. 86). It also follows the Special Rectification Documents of their special working group on cash loans, online small loans and P2P loans, including "Notice on Printing and Distributing the Implementation Plan for the Special Rectification of the Risks of Online Small Loan Business Conducted by Small Loan Companies (Online Loan Rectification Letter [2017] No. 56), "Notice on the Special Rectification Work for the P2P Online Lending Risks (Online Loan Rectification Letter [2017] No. 57)", and "Notice on Regulating and Rectifying the 'Cash Loan' Business (Rectification Office Letter [2017] No. 141)".

RISK MANAGEMENT REPORT

Risk Management

Effective risk management is important to achieve the Group's strategic goals. The Group manages risk across multiple 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 to make progress in its transformation into a leading alternative investment management company. Its objectives include producing attractive risk-adjusted returns through Credit, Investment Management and Funds Management businesses; seeking new business opportunities leveraging its extensive networks and strong financial position; building trusted relationships with all stakeholders; and generating strong financial results with a mid-to-long term focus and consistent leadership. The Group's corporate values are Endure, Adapt, Excel which support reliable, consistent, and transparent communication with investors and stakeholders; robust risk management culture with a regular evaluation of risk factors; a flexible, diverse, inclusive and open culture to attract and retain talent; and investing in its 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.

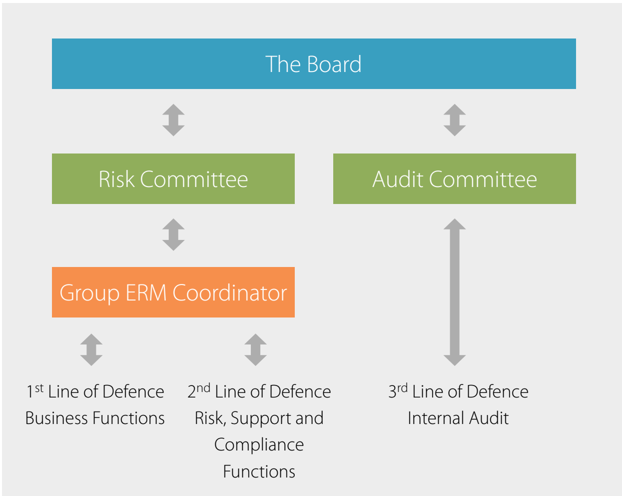
The Group aims to maintain sufficient capital and liquidity to meet its regulatory and operational obligations, which require it to have financial resources to cover potential losses and liquidity needs from the volatility of the market. As a business, the Group needs to maintain adequate liquidity for its working capital and business uses to fund its strategic development objectives while ensuring the appropriate balance between risk and shareholder returns. The Group aims to maintain stakeholder trust by avoiding business practices that could lead to reputational damage or harm to the Group. Therefore, it 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. The 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 audits are carried out periodically to examine internal controls.

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	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 Group's operating environment, human resources risk and external risk factors including economic conditions and major regulations and government policies. The Group's principal risks are reviewed and updated by the Risk Committee annually, with a focus on identifying those risks that could threaten business development, operational and financial performance, the Group's treasury management, and 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 economic and geopolitical uncertainty and cybersecurity risk.

Key Developments

Key developments in the Group's risk management practices have been made during the year, which are outlined below:

1. Strengthening of controls: Additional controls have been implemented, and existing controls have been strengthened, leading to a reduction in overall risk levels. These measures enhance the Group's ability to identify, assess, and manage risks, thereby safeguarding its operations and assets.

2. Staff awareness on risk and controls: Efforts have been made to increase staff awareness and understanding of risk management and internal controls. This includes the organization of risk training sessions and the launch of an Enterprise Risk Management quarterly bulletin.

3. Refinement of risk heat map and risk appetite: The Group has undertaken a review and fine-tuning of its risk heat map and risk appetite. This exercise aims to optimize the identification, assessment, and mitigation of risks, resulting in more effective risk management practices.

4. Implementation of an electronic risk management system: An electronic risk management system has been established and successfully implemented. All risks are now recorded and monitored in an electronic risk register, improving the efficiency and effectiveness of risk management processes.

5. The Group maintains a vigilant approach in monitoring both emerging risks and existing risks through regular Risk Committee meetings. During these quarterly meetings, in-depth discussions are conducted to address specific risks that the Group deems of high importance. By proactively assessing and analyzing these risks, the Group ensures a comprehensive understanding of potential challenges and can implement appropriate risk mitigation strategies.

These initiatives collectively demonstrate the Group's commitment to proactive risk management, enhanced control environment, and the continuous improvement of risk-related policies and practices.

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.

1. Strategic Risk

Strategic risk that jeopardises the achievement of objectives and corporate values.

Key Controls	Highlights in 2023	Outlook and Development in 2024
• Focus on managing risks and seizing opportunities in evolving economic landscape. • Focus on investment policy to ensure that risk metrics remain within tolerance levels. Portfolio limits are set to monitor risk exposure. • ESG committee directly reports to the Board.	• Monitored the economic situation, geopolitical tensions, rising cost of capital and credit profiles for customers. • Observed market developments, media coverage and competitors in Hong Kong. Credit card business launched in 2023 to enhance competitive product offering. • Infrastructure and cybersecurity upgraded; firm addressed risks associated with cybersecurity, data privacy, and regulatory compliance. • By establishing ESG committee at the Board level to emphasize ESG considerations and ensure it receives high-level attention and strategic direction. ESG Committee and Board monitored impacts and financial risks caused by climate change. Climate policy updated to mitigate effects of climate change.	• Rapid advancement of technology, such as AI, blockchain, and fintech innovations, may disrupt traditional financial models. • Ongoing Russia-Ukraine war, Sino-US trade war, and Israeli-Palestinian conflict may have adverse impacts on business environment. Slowdown of economic growth in some countries (e.g. China) may have negative impact on investment returns. Significant increase in goods and commodity prices may lead to inflation. • The Group will monitor impact from above factors on investment portfolio.

2. Credit Risk

Refers to risk that borrower or counterparty fails to meet obligations.

Key Controls	Highlights in 2023	Outlook and Development in 2024
• Credit undertakings assessed from borrower's repayment ability. Credit policies in place to regulate lending authorities, aligning with risk appetite. • Adopt robust credit management approach. Credit databases and technology are used. • For mortgage business, sufficient collateral obtained to secure loans. Loan-to-value ratio remains at healthy level of about 72.7%.	• Consumer Finance business impacted by implementation of interest-rate cap and higher cost of funding. For PRC, the Group reduced our personal loan book. • Mortgage business impacted by high interest rates.	• High interest rates may exert pressure on property prices and increase delinquency. • The Group will exercise caution in lending activities and place emphasis on mitigating risks, ensuring returns.

3. Market Risk

Refers to market price movements and potential losses due to financial performance. Market risk includes interest rate risk, foreign exchange risk, equity risk, commodity risk and valuation risk.

Key Controls	Highlights in 2023	Outlook and Development in 2024
• Maintain diversified funding sources, have ability to reprice assets. • Robust FX and equity risk hedge reporting, monitoring process on investments.	• Volatile financial markets due to changing inflation and interest rate expectations, weaker-than-expected China economy, geopolitical conflicts and tensions and recession risk. Maintained adequate liquidity through the year. • FX risk fluctuated but majority of the Group's assets and investments were dominated in HK dollars and US dollars, risk exposure was relatively low. Exposure to other currencies was monitored and hedged. • Market interest rates increased and stayed high during year. Monitored funding positions, maintained diverse sources and were able to reprice assets to reduce impact on interest spreads. • Deep dive analysis performed including enhancement of risk metrics.	• The Group will monitor market risk by reviewing hedge strategy and exposure of investment portfolio based on 2024 economic situation.

4. Liquidity Risk

Refers to the risk that the Group, holding an asset, might not be able to liquidate with promptness needed to conduct transaction/meet investment strategies or unable to meet payment obligations.

Key Controls	Highlights in 2023	Outlook and Development in 2024
• Manage variety of funding sources, maintain appropriate levels of liquid assets including committed/uncommitted bank lines as buffer. Maintain substantial portfolio of cash and liquid assets. Use stress tests and liquidity ratios to ensure adequate liquidity.	• The Group partially repurchased and cancelled 2024 and 2026 Notes. Also extended maturities of some credit facilities.	• 2024 Notes will mature. The Group will maintain adequate level of liquidity through treasury management practices. By managing cash flow and financial resources, the Group will be able to fulfil repayment obligations and maintain financial stability.

5. Operational Risk

Refers to risk from multiple sources, including fraud, failure in processes and procedures, and technology and systems.

Key Controls	Highlights in 2023	Outlook and Development in 2024
• Clearly segregate duties and responsibilities. Conduct reviews and internal audits regularly. • Monitor reliability of systems, data regularly. Provide training sessions to employees to increase awareness of cyber risk. • Proper information security policy, contingency planning in place. Robust controls in place for financial reporting processes.	• Upgraded infrastructure, cyber security and implemented new network solution for stronger mobile device protection. • Conducted cybersecurity training sessions, annual disaster recovery plan drill test. • Enhanced business contingency planning, health and safety protocols, resilience.	• Enhance Business Continuity Plan including upgrade of infrastructure and cyber security. • Conduct regular discussions, analysis to address risks deemed of high importance.

6. Legal & Compliance Risk

Refers to the Group's failure to fulfil functions, obligations under applicable laws; failure to license, supervise and ensure high standards of conduct, integrity and management in financing, investment and fund-management businesses.

Key Controls	Highlights in 2023	Outlook and Development in 2024
• Comply with applicable laws, regulations by having robust internal processes. • Monitor and review changes to applicable laws and regulations. • Educate staff on regulatory changes, internal policies.	• Held Board training to enhance awareness of regulatory landscape. • Organized training including sessions covering Securities and Futures Commission regulated activities and general compliance. • Issued quarterly updates to all staff on regulatory and enforcement policies as well as the Group policies. • Provided quarterly regulatory updates to the Board. • Launched several policies and procedures during the year for internal processes. • No material non-compliance noted during year.	• The Hong Kong Government has published a consultation paper in response to the implementation of the Pillar Two Model Rules (also referred to as the 'Anti Global Base Erosion' or 'GloBE' rules) by OECD on 21 December 2023, with the expectation to submit legislation draft to the Legislative Council in the second half of 2024. The Group will closely monitor developments in GloBE rules and its potential impact on the Group's tax position.

7. External Risk

Refers to activities of major competitors, as well as domestic and international political, economic, societal and environmental conditions.

Key Controls	Highlights in 2023	Outlook and Development in 2024
• Review, monitor investment portfolio as well as news and comments in traditional and social media. • Collect stakeholders' feedback through annual survey. • Regularly review products, competitiveness and suitability.	• Geopolitical events, economic slowdown resulted in increase of external risk of the Group. The Group regularly monitored the limit of the exposure to mitigate the risk.	• Ongoing geopolitical events, economic slowdown and regulatory tightening may result in increased volatility, uncertainty in global markets.

8. Human Resource Risk

Refers to employee-related risks that might impact performance.

Key Controls	Highlights in 2023	Outlook and Development in 2024
• Focus on improving approach and process of managing employees by offering professional development, competitive compensation and benefits, supportive working environment and culture.	• Remain aware of competitive labor market, focus on talent and leadership development.	• Enhance the performance management framework to assess work-related outcomes and align them with the demonstration of company values • Adopt global employee engagement survey platform to monitor feedback.

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 of the Company (the "Board") 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 C1 (former 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 2023, 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 2023 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)* Brendan James McGraw *(appointed on 1 July 2023)*
Non-Executive Directors:	Simon Chow Wing Charn *(retired as an Executive Director and was re-designated as a Non-Executive Director on 1 July 2023)* 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, Environmental, Social and Governance Committee (also known as ESG Committee) and the annual general meeting of the Company during the year ended 31 December 2023 are set out as follows:

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

Notes:

1. The ESG Committee was established on 16 August 2023.
2. Mr. Brendan James McGraw was appointed as an Executive Director on 1 July 2023. He has been a member of the Risk Management Committee since 5 July 2021.
3. Mr. Simon Chow Wing Charn retired as an Executive Director and was re-designated as a Non-Executive Director on 1 July 2023.

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	✓	✓
Brendan James McGraw	✓	✓
Non-Executive Directors:		
Simon Chow Wing Charn	✓	✓
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 ("Mr. Simon Chow") (who retired on 1 July 2023), the Deputy Chief Executive Officer, Mr. Antony James Edwards ("Mr. Antony Edwards") (effective from 1 December 2023), and the Group Chief Financial Officer, Mr. Brendan James McGraw ("Mr. Brendan McGraw"). The Group Executive Chairman oversees the Group's Investment Management ("IM") business with support from the management team of the division, as well as its interest in United Asia Finance Limited ("UAF") whose day-to-day management lies with its designated Chief Executive Officer. Mr. Simon Chow assisted the Group Executive Chairman in driving the performance of the Mortgage Loans and other operating businesses of the Group as well as exploring new areas of growth before his retirement, Mr. Antony Edwards assists the Group Executive Chairman on the strategic development of the Group and providing management oversight support to Funds Management business, whilst Mr. Brendan McGraw assists the Group Executive Chairman to oversee the Group's financial, treasury and risk management functions.

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

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 businesses 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 Director with detailed information on the Group's businesses and activities. In addition, a newly appointed Director will also receive legal advice from a firm of solicitors qualified to advise on Hong Kong law by way of a training regarding the functions, duties and obligations required of a director of a company listed on the Stock Exchange of Hong Kong and the responsibilities as a Director of the Company, including but not limited to, those set out in the Listing Rules and all other laws and regulations from time to time applicable and in force. Mr. Brendan McGraw was appointed as an Executive Director of the Company on 1 July 2023, and he received the training and obtained the legal advice from a firm of solicitors in Hong Kong on 18 July 2023.

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 effect from 1 January 2023, the NEDs (including the INEDs) of the Company 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 2023 and as at the date of this report, the Board consists of eight male Directors and two female Directors. The Board considered that the Board was sufficiently diverse in terms of gender, balance of skills and experience.

The gender ratio in the Company's workforce (including senior management) for the year ended 31 December 2023 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. 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 2023 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, Risk Management Committee and ESG 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 2023, 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 2023 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 2023 AGM, with a recommendation to the Board for proposal to the Shareholders for approval at the meeting; and
(iv) considered the re-designation of Mr. Simon Chow as a NED and the nomination of Mr. Brendan McGraw as an Executive Director with recommendations to the Board for approval.

After the end of the reporting period, a Nomination Committee meeting was held in March 2024 to review the structure, size, composition and diversity of the Board, the implementation and effectiveness of the Board Diversity Policy, review the Board succession planning, assess the independence of the INEDs and review the proposal for re-election of Directors at the coming 2024 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 2023 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 Remuneration Committee during 2023 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 2022 for the two Executive Directors, with a recommendation to the Board for approval;
(v) reviewed the remuneration of all Directors with recommendations to the Board for approval;
(vi) considered the remuneration package of Mr. Simon Chow in relation to his re-designation as a NED and the remuneration package of Mr. Brendan McGraw in relation to his appointment as an Executive Director with recommendations to the Board for approval; and
(vii) considered the amendments to the rules of the share award scheme and to the relevant trust deed 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 2023 are set out in Note 8(a) to the consolidated financial statements. In addition, the five highest paid individuals in the Group and the annual remuneration payable to members of senior management by band are set out in Notes 8(b) and 8(c) 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 2024 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 2023 to Mr. Brendan McGraw, being an Executive Director, amounted to HK$2.88 million comprising HK$1.45 million cash and such number of Shares to be awarded under SHK Employee Ownership Scheme equivalent to HK$1.43 million;
(ii) a 3.1% increment to the monthly salary for both Executive Directors, Mr. Lee Seng Huang ("Mr. Lee") and Mr. Brendan McGraw commencing from January 2024; and
(iii) the annual director's fee of the six INEDs and the two NEDs from the year 2024 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. Three Audit Committee meetings were held in 2023 and the attendance of each member at each meeting is set out in the section headed "Board Process" of this report. The Audit Committee also dealt with some matters by way of circulation of written resolutions.

The work performed by the Audit Committee in 2023 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 2023 and the final audit of the Group for the years ended 31 December 2022 and 2023;
(ii) considered the audit plan for the year ended 31 December 2023;
(iii) 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 2022 and 2023;
(iv) 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 2023;
(v) reviewed the financial reports of the Company for the years ended 31 December 2022 and 2023, and for the six months ended 30 June 2023, and recommended approval by the Board;
(vi) reviewed the management report on key financial matters;
(vii) reviewed the effectiveness of the risk management and internal control system and recommended action to the Board where appropriate;
(viii) reviewed various internal audit review reports prepared by the internal audit function and the 2024 internal audit plan;
(ix) reviewed the risk management report; and
(x) considered and approved the non-assurance services pre-approval policy for non-assurance services provided by the external auditor.

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 Brendan McGraw. 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 Deputy Chief Executive Officer, Group Head of Legal & Compliance, Chief Risk Officer of UAF and Enterprise Risk Management (ERM) Coordinator, being Messrs. Wayne Robert Porritt (Chairman), Evan Au Yang Chi Chun, Ms. Vivian Alexa Kao, Messrs. Brendan McGraw, Antony Edwards, Ms. Phoebe Yuen Oi Ying, Mr. Ko Man Fly and Mr. Wong Kin Wing respectively.

The major roles and responsibilities of the RMC are:

(i) to analyse and define risks likely to be encountered by the Group in the various aspects of its operation;
(ii) to ensure through appropriate mechanisms including setting up committee(s) and supervision by division/department heads, adequate review, assessment, and monitoring the risks which may be encountered by the Group and the effectiveness of the Group's systems of risk management and internal controls, including but not limited to, financial, operational and compliance controls and risk management functions; and
(iii) to act as a provider of assurance (in conjunction with the Group's internal audit function and the Group's external auditor) to the Board in its annual review of:

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

The RMC will normally meet four times per year and additional meetings may be called as directed by the chairman of the RMC. Five RMC meetings were held in 2023 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 dealt with some matters by way of circulation of written resolutions. The work performed by the RMC during the year and up to the date of this report is summarized as follows:

(i) monitoring of financial risks, including the foreign exchange exposure of the Group's investment portfolio, liquidity risk, equity risk, credit risk, interest rate risk and emerging risks;
(ii) review of the risk management reports from the Group's IM business, Funds Management business, Private Credit, UAF, Sun Hung Kai Credit, Operations and Legal and Compliance;
(iii) review of the risk management reports of the Group for 2022 and 2023;
(iv) 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 2022 and 2023;
(v) review of cyber security risk management and business continuity plan of the Group;
(vi) consideration of the adoption of liquidity coverage ratio model for the Group's business; and in-depth reviews of interest rate risk sensitivity analysis and equity risk of IM business;
(vii) review of the quarterly ERM reports and review the risk heat map, risk appetites and risk metrics in view of business strategies and macro environment with recommendation to the Board for adoption;
(viii) review of the internal audit progress reports relating to risk management;
(ix) considered the establishment of ESG board committee with recommendation to the Board for approval; and
(x) review and consideration of the ESG work plan, the ESG Rating Gap Analysis prepared by the external consultant and the ESG Report for 2022.

ESG Committee

The Board acknowledged the importance of ESG matters (including ESG risks) and established a board-level ESG Committee in August 2023, replacing the ESG Working Committee. As of the date of this report, the committee consists of three INEDs, an Executive Director, the Deputy Chief Executive Officer, a representative from the business unit, and heads of supporting functions who are responsible for "Environmental", "Social" and "Governance" matters, being Ms. Vivian Alexa Kao (Chairman), Messrs. Wayne Robert Porritt (as Co-Chair during 2023), David Craig Bartlett, Brendan McGraw, Antony Edwards, Gary Chan Ming Tak, Ms. Yeung Mei, Ms. Samantha Che Chi Wing and Ms. Phoebe Yuen Oi Ying respectively.

The major responsibilities of the ESG Committee are:

(i) to review, establish and endorse ESG objectives, priorities, strategies, policies and frameworks and make recommendations to the Board for approval;
(ii) to monitor and assess existing and/or emerging ESG trends and issues related to the Group's ESG objectives, priorities and strategies;
(iii) to review and oversee the implementation of the Group's ESG policies and practices to ensure that they remain relevant for the purposes and compliant with the applicable legal and regulatory requirements;
(iv) to review performance of the Group against agreed ESG targets and recommend measures for improvements;
(v) to identify, monitor and assess ESG risks (including climate-related risks) that are material to the Group; review the integration of the ESG related risks into the Group's broader risk management and internal control system and report to the Board on any material risks and recommend measures to manage the risks;
(vi) to consider the environmental and social impact of how the Group conducts its business on its stakeholders and the environment; and
(vii) to review the Company's annual ESG Report and other ESG related disclosures, and provide recommendations to the Board for approval.

The ESG Committee will normally meet twice a year or as directed by the chairman of the ESG Committee. Since its establishment on 16 August 2023, one ESG Committee meeting was held in 2023 and the attendance of the Directors at the meeting is set out in the section headed "Board Process" of this report.

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

(i) received reports on the ESG work status and ESG risk rating;
(ii) reviewed the Group's ESG objectives and priorities;
(iii) discussed the requirements on ESG Reporting;
(iv) reviewed the ESG targets, training plan for the Directors and the staff;
(v) considered the formulation of a framework for responsible investment policy; and
(vi) reviewed the ESG report for the year ended 31 December 2023 with recommendations to the 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 (until the establishment of the ESG Committee in August 2023) 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 includes strategic risk, credit risk, market risk, liquidity risk, operational risk, legal and compliance risk, external risk and human resource 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 economic and geopolitical uncertainty and cybersecurity risk 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 47 to the consolidated financial statements — Financial Risk Management.

In addition to safeguarding the Group's corporate interests, the internal control framework is to maintain proper accounting records and to comply with relevant laws and regulations. It provides an independent and objective assurance to safeguard the Group's operations. The Group's internal control functions are either carried 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/team 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 Chief Financial Officer 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 Chief Financial Officer.

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. 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 2023, 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, the remuneration paid to Deloitte is set out as follows:

Services rendered for the Group	**Fees paid** *(Note)* *(HK$ Million)*
Audit services	6.2
Non-audit services (taxation and other professional services)	1.5
Total	7.7

Note: Fees paid during the year includes amount accrued in 2022.

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 November 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 2023, 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 C3 (former 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.

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 2023 AGM was held on 18 May 2023 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 its 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, 21 March 2024

About This Report

Sun Hung Kai & Co. Limited (stock code: 86), commonly referred to as SHK & Co., along with its subsidiaries (collectively known as the Group), is delighted to present its Environmental, Social, and Governance (ESG) Report for the year 2023. This Report sets out the Group's sustainability approach, policies, initiatives, and performance, focusing on the period from 1 January 2023, to 31 December 2023 (referred to as the Reporting Period).

This Report is prepared noting the latest Environmental, Social, and Governance Reporting Guide (ESG Guide) outlined in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Stock Exchange), as well as the Global Reporting Initiative (GRI) Standards 2021.

SHK & Co.'s activities in credit (formerly known as financing), investment management, and funds management businesses in Hong Kong and Mainland China are covered by this Report, other than those without physical operations or joint venture companies in which the Group has no operational control. Unless stated otherwise, the Report encompasses the offices and branches of 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)

The information provided in this Report has been carefully compiled using data and information gathered within the Group. The Group maintains internal control and review processes to check the accuracy and reliability of all information presented. The Board of Directors (the Board) has reviewed and approved this Report. Throughout its preparation, we have adhered to the 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 of the Group.
Quantitative	This Report discloses material environmental and social key performance indicators ("KPIs") of the offices and branches from SHK & Co., UAF and SHK Credit.
Balance	This Report presents SHK & Co.'s 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, to allow for meaningful comparison of ESG data over time. There was no significant change with the reporting scope of this Report from last year. For further details of the quantification methodologies, please refer to the "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:

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Awards and Recognitions

SHK & Co.

Award Name	Awarding Institution
Listed Company Awards of Excellence (2018-2023)	Hong Kong Economic Journal
Listed Enterprises of the Year (2018-2023)	Bloomberg Businessweek/Chinese Edition
Listed Enterprises – Best Corporate Governance	Bloomberg Businessweek/Chinese Edition
Asian Excellence Awards – Asia's Best CFO	Corporate Governance Asia
Asian Excellence Awards – Best Investor Relations Company	Corporate Governance Asia
Asian Excellence Awards – Best Corporate Communications	Corporate Governance Asia
Asia's Top 15 In-House Teams	Asian Legal Business
Gold Award of Corporate ESG Awards (2013-2018, 2020, 2022-2023) **Titanium Award of Corporate ESG Awards (2019, 2021)**	The Asset
Green Office Awards Labelling Scheme – Green Office and Eco-Healthy Workplace (2021-2023)	World Green Organisation
Good MPF Employer (2014-2023)	Mandatory Provident Fund Schemes Authority
Caring Company (2016-2023)	The Hong Kong Council of Social Service
Happy Company Award (2021-2023)	Happy Index Foundation and Hong Kong Productivity Council
Partner Employer Award (2022-2023)	Hong Kong General Chamber of Small and Medium Businesses
The Racial Diversity and Inclusion Charter for Employers (since 2022)	Equal Opportunities Commission
Supporter of Task Force on Climate-related Financial Disclosures (TCFD) (2022-2023)	The Financial Stability Board

UAF

Award Name	Awarding Institution
Caring Company (2005-2023)	The Hong Kong Council of Social Service
Manpower Developer (2012-2028)	The Employees Retraining Board
Social Capital Builder Awards (2016-2024)	Community Investment and Inclusion Fund
Happy Company Award (2017-2023)	Happy Index Foundation and Hong Kong Productivity Council
Good MPF Employer 2023	Mandatory Provident Fund Schemes Authority
The Racial Diversity and Inclusion Charter for Employers (since 2020)	Equal Opportunities Commission
Privacy-Friendly Awards (Gold Award) (2023)	Office of the Privacy Commissioner for Personal Data (PCPD)
"New Mastercard Product Launch" & "New Mastercard Member Onboarded" Prestigious Recognition (2023)	Mastercard
The Asset Triple A Awards: Best payments and Collections Solution Hong Kong (2023)	The Asset
Best SME's Partner Award (2022-2023)	The Hong Kong General Chamber of Small and Medium Business
Kam Fan Awards (Bronze Award) (2022)	The Association of Accredited Advertising Agencies of Hong Kong
DigiZ Awards: Best Effective Search Campaign (2022-2023)	Marketing-Interactive
DigiZ Award: Best Use of Real-Time Marketing (2023)	Marketing-Interactive
PR Awards: Best Use of Content (2023)	Marketing-Interactive
Yahoo Asia Big Idea Chair Awards: Best Acquisition Campaign (2022-2023)	Yahoo Asia
HGC Digital Technology Excellence Award (2023)	HGC Global Communications Limited
HGC FinTech and Innovation Award (2023)	HGC Global Communications Limited

SHK Credit

Award Name	Awarding Institution
The Most Popular Mortgage Company on Internet (2017-2023)	iChoice Award
Excellence Award for Mortgage Service (2021-2023)	Sky Post Banking & Finance Awards supported by Hong Kong Economic Times Holdings Limited
Headline No. 1 Awards 2023 "No.1 in Loans and Financing Services"	Sing Tao Limited

Our Sustainability Commitment

At SHK & Co., we recognise the vital role sustainability plays in driving the long-term growth of our businesses. With this understanding, we remain dedicated to supporting the United Nations Sustainable Development Goals (UNSDGs) and integrating these objectives into our operations. In 2020, we introduced our Sustainability Policy, which serves as a guiding framework outlining a set of principles that we adhere to across all aspects of our business activities. We believe that by integrating ESG factors into our decision-making process, such as adopting UNSDGs into our existing Private Assets Portfolio Management System to track our sustainable investment alignment, we can contribute to a sustainable future.

To ensure our ongoing resilience in an ever-changing market, we maintain a proactive approach by regularly reviewing and updating our Sustainability Policy. We remain vigilant and prepared to address future risks, adapting our strategies to align with emerging sustainability challenges and opportunities.

Creating Sustained Value for all our Stakeholders

Over the years, our primary aim is to Create Sustained Value for all our stakeholders. This commitment is strengthened by our unwavering adherence to core sustainability values that align with the UNSDGs, serving as the guiding force behind our business strategies. We recognise the interconnectedness of various core aspects and understand that simultaneous efforts in these areas are essential for achieving sustainable growth.

In pursuit of our goals, we proactively align our strategies with global trends and initiatives. We have established targets for each ESG category and annually assessed our progress to ensure that we are consistently Creating Sustained Value for our colleagues, partners, communities and the planet. By embracing this holistic approach, we strive to make a positive and lasting impact on our stakeholders, society and environment.

In order to drive long-term business and financial 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 corporate 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.

In this year's ESG report, we are pleased to present our renewed and expanded targets, reflecting our ongoing commitment to sustainability. Building upon the progress made last year, we have reviewed and renewed our targets. We will actively seek out innovative solutions and implement environmentally responsible strategies throughout our operations to further reduce our environmental resource footprint. Recognising the interconnectedness between sustainability, business resiliency and growth, we aim to create a greater impact by setting and delivering on more ambitious targets.

Environmental Aspect	Targets	Progress in 2023
General & Greenhouse Gases	• Maintain at least 50% of the Group's investment portfolio with alignment to UNSDGs annually.	In Progress
	• Participate in an ESG/sustainability-related activity in financial industry annually.	Achieved
	• Organise an environmental initiative that reduces or offsets environmental impact annually.	Achieved
Waste	• Ensure that 90% of office paper is certified FSC or PEFC paper annually.	Achieved
	• By 2023, set up a paper waste monitoring system, to track consumption, usage and recycling data.	Achieved
	• By 2025, reduce absolute paper usage by 35%, compared to FY19 baseline.	In Progress
	• By 2025, maintain use of paper cheques issued for customer funding to be 10% or below at UAF.	In Progress
	• By 2024, reduce individual desk bin by 25% and increase recycling points at SHK & Co.	In Progress
	• By 2024, eliminate the use of single-use tableware in office.	In Progress
	• By 2024, deliver a 1-hour training session to staff on waste generation and management.	In Progress
Electricity	• By 2023, provide at least 1 hour energy and resource saving training for employees.	Achieved
	• By 2025, reduce absolute electricity usage by 25% compared to FY19 baseline.	In Progress
	• Maintain energy-efficient and smart office facilities installation strategically.	In Progress
Water	• By 2023, provide at least 1 hour energy and resource saving training for employees.	Achieved
	• Minimise the consumption of bottled/barrel water.	Achieved

Stakeholder Engagement

SHK & Co. actively engages its stakeholders to gain a comprehensive understanding of our stakeholders' satisfaction towards our business and expectations. This process is important for our continuous improvement and development in our operations. With a better understanding of our stakeholders' views, we can identify and focus on the ESG topics that our stakeholders consider most important, and align our business practices and decisions accordingly. The following table summarises the major communication channels that were used when engaging both internal and external stakeholders in the previous year.

Key Stakeholder Groups	Engagement Channels
Shareholders/Investors	• General meetings • Press releases • Annual/interim reports • ESG reports • Circulars and announcements • Investor meetings, roadshows and correspondences • Stakeholder survey
Employees	• Business meetings • Conferences • Performance appraisal meetings • Departmental meetings and briefings • Global Townhall • Circulars through internal information sharing platform • 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 values the views of both its internal and external stakeholders.

In 2023, we again commissioned an independent sustainability consultant to solicit and gather feedback from our stakeholders as to the Group's ESG performance and to identify the sustainability issues that our stakeholders consider most material. With these results, we are better equipped to align our business practices, efficiently utilise resources and refine our strategies to address the top priorities. Our key stakeholders were identified as Directors and Management, Employees, Fund and Business Partners, Shareholders and Investors, Financial Counterparts and Suppliers, Investees/Portfolio Companies, Community Partners and Non-governmental Organisations (NGOs) and the Media.

We adopted a three-step approach to assess the materiality of ESG issues:

1. Identification	Based on last year's materiality assessment, a total of 20 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 reference to Global Reporting Initiative Standards ("GRI Standards")[1].
2. Prioritisation	We collected feedback from material stakeholders via online survey, ranking material ESG issues by their perceived importance. 11 members of the Board and management were invited to rank the importance of material issues for the Group's sustainable development, whilst 732 other stakeholders, including shareholders/investors, employees, fund/business partners, financial counterparts/suppliers, investees/portfolio Companies, community partners/NGOs, and the 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 input and validation and then for consideration by the ESG Committee and the Board of SHK & Co., with a view to advancing our sustainability performance and meeting stakeholder expectations.

[1] Compared to 2022, we have deleted 1 material issue (Market Presence) due to its lack of relevance to SHK & Co.'s sustainable development.

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	Business Integrity and Ethics	9	Employee Development and Training	7	Community Investment (e.g. investment in community projects)
2	Compliance with Laws and Regulations	10	Diversity and Equal Opportunities	8	Community Partnership and Engagement (e.g. sponsorship, donation, volunteering)
3	Corporate Governance	13	Product and Service Quality	12	Investor/Customer Engagement and Relations
4	Data Privacy and Cyber Security	14	Responsible Marketing	15	Supplier Management & Procurement Practices
5	Financial Performance	17	Greenhouse Gas Emissions & Climate Change (e.g. extreme weather)	19	Investment in Green Finance /Issue Related Products (e.g. green bond / green loan)
6	Risk Management	18	Energy and Resource Use		
11	Employee Health and Well-being	20	Waste Management & Paperless Operations		
16	Talent Recruitment and Retention				

In 2023, governance-related issues have dominated the materiality ranking, while in 2022, more focus was put on people and staff well-being. This shift may be attributed to the economic downturn and market volatility experienced in 2023, resulting in a number of company bankruptcies due to inadequate risk control. As a result, stakeholders' concerns regarding corporate governance and risk management increased.

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 governance, social and 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**
Governance	Financial Performance	•	•	•	•	•	•	•
	Risk Management	•	•		•	•	•	•
	Corporate Governance	•	•		•	•	•	•
	Business Integrity and Ethics	•	•		•	•	•	•
	Compliance with Laws and Regulations	•	•		•	•		•
	Data Privacy and Security	•	•		•	•		•
Social	Supplier Management & Procurement Practices		•		•	•		
	Investor/ Customer Engagement and Relations	•	•	•	•	•	•	•
	Product and Service Quality	•	•		•	•	•	•
	Responsible Marketing	•	•		•	•	•	•
	Talent Recruitment and Retention	•	•		•	•	•	•
	Employee Health and Well-being	•	•	•	•	•	•	•
	Diversity and Equal Opportunities	•	•		•	•		•
	Development and Training	•	•	•	•	•	•	•
	Community Investment (e.g. investment in community projects)			•		•	•	
	Community Partnership & Engagement (e.g. sponsorship, donation, volunteering)	•		•			•	•
Environment	Energy and Resource Use	•	•			•		•
	Greenhouse Gas Emissions & Climate Change (e.g. extreme weather)					•		
	Waste Management & Paperless Operations	•	•			•		•
	Investment in Green Finance/Issue Related Products (e.g. green bond/green loan)				•	•		

Our Business and Governance

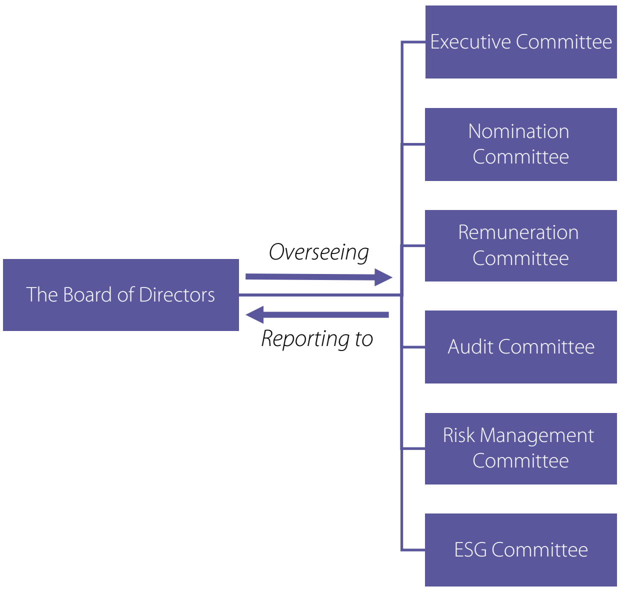
ESG considerations are being integrated into our strategy for sustainable business operations, supported by robust governance and proactive management. Through our governance framework and business ethics, we reinforce our commitment to building a financial institution with reliability, integrity, and resilience at its core.

Corporate Governance

Governance Structure

In the long-term interests of stakeholders, the Group upholds high standards of business ethics and corporate governance, with an emphasis on integrity, accountability, and equity. Our approach to corporate governance is stated in our Corporate Governance Code (the "CG Code"). The framework details the composition and responsibilities of Board of Directors, Remuneration Committee, Nomination Committee, Risk Management Committee, Environmental, Social and Governance Committee (ESG Committee), and other crucial aspects of corporate governance practices.

The ESG Committee covers all key business units and divisions of the Group. Reflecting the increased importance and focus of its work, the ESG Committee is now comprised of management and executive and independent directors and reports directly to the Board.



We firmly believe that diversity is vital for ensuring effective performance of the Board. That is the main reason our Board Diversity Policy encompasses several objectives, including a balance of skills and experience, the selection of candidates for directorship, as well as the promotion of independent judgement.

- For further information of our governance structure: see our Corporate Governance Code.

Policy Commitments

Our board level ESG Committee and Board of Directors are responsible for ESG policy implementation. Our policy commitments are communicated to our employees, business partners and other stakeholders through a variety of engagement channels: emails, information sharing platforms, meetings and correspondences, employee orientations, townhalls and contract signings. Materials are saved in our intranet for internal reference, Extract of the policies is also available on the SHK & Co. website.

Whistleblowing Policy

The Group is dedicated to achieving a high standard of openness, probity, and accountability. In this regard, the Whistleblowing Policy provides a channel for reporting misconduct or irregularities. This Policy is applicable to not only employees, but also to contractors, temporary staff, seconded staff, and directors, allowing them to express grievances by submitting written reports via post or email. The Policy specifically addresses serious issues that could impact the Group, including incorrect financial reporting, violations of the Group's policies or laws, and substantial improper conduct. Mechanisms of how these reports will be investigated are outlined in the policy document. To ensure the protection of whistleblowers' rights and interests, any form of retaliation against individuals or departments involved in the disclosure of whistleblowing materials is strictly prohibited.

- For further information on our whistleblowing channel: see our Whistleblowing Policy.

Conflict of Interest

Conflict of interest arises when the private interest of an employee competes or is in conflict with the interest of the Group. Our Group Code of Conduct requires employees to adhere to our business ethics. This applies in situations including when an employee's connected person is employed by the Group, the employee's connected person is employed by a competing company, or the employee or his/her connected person has an economic interest in the client, supplier, or competitor of the Group. Employees must obtain prior written authorisation before engaging in any potential conflict of interest situations. Additionally, employees must declare non-group interest annually and inform the management about potential conflicts for guidance.

Financial Performance

The Group has owned and operated market-leading platforms in financial services for decades. We appreciate returns over the longer term, including the need for sustainability and preservation of future value, being aware of climate change related risks and incorporating ESG considerations into our business decisions and strategy. We have been an avid supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) under the Financial Stability Board ("FSB") since 2022. we have updated the measurement metrics of climate-related risk and opportunities in 2023 and proactively adopted various methods to manage the risks.

- For further information of our financial performance: see our Financial Statements in 2023 Annual Report.

Risk Management

Our Risk Management Policy sets out risk management process and procedures that identify, assess, manage, report, and monitor the enterprise risks. We have adopted a Three-Line Model as our risk governance structure. The Model provides clear definitions of roles responsibilities, and oversight mechanism for risk management and decision-making.

First Line

Business functions and their respective line managers own and manage risks and controls across the processes they operate.

Second Line

Risk Management and Compliance, supplemented by other overseeing functions, such as Finance.

Third Line

The Internal Audit function provides independent assurance over the 1st and 2nd lines. The Group may employ external consultants to perform or support the internal audit reviews.

Additionally, our Enterprise Risk Management ("ERM") was established to meet the requirements of The Securities and Futures Commission of Hong Kong (SFC) and the Stock Exchange. The primary objectives of ERM covers setting goals and strategic objectives, integrating risk assessment, and a focus on environmental risks and financial impacts.

- For further information of our risk management principles and approaches: see our Group Enterprise Risk Management Policy.

Enterprise Risk Management (ERM)

During the year, notable accomplishments were made in the Group's risk management practices:

- Strengthening of Controls: Implemented additional controls and enhanced existing ones, resulting in reduced overall risk.
- Staff Awareness on Risk and Controls: Conducted risk training sessions and introduced an Enterprise Risk Management quarterly bulletin.
- Refinement of Risk Heat Map and Risk Appetite: Reviewed and fine-tuned the risk heat map and risk appetite.
- Implementation of an Electronic Risk Management System: Established an electronic system to record and monitor all risks.
- Proactive Risk Monitoring: Through regular Risk Committee meetings, the Group proactively monitors both emerging and existing risks. In-depth discussions address high-priority risks.

Compliance with Laws and Regulations

Compliance plays a vital role in corporate governance. The Group adheres to all applicable national, regional, and local laws and regulations where we do businesses.

Anti-Bribery and Anti-Corruption

The Group has an Anti-Bribery and Anti-Corruption Policy that outlines the principles and requirements to manage corruption risks. All business units of the Group are required to implement the Policy and develop their tailored policy to address specific requirements such as any licensing requirements, extra-territorial legal obligations, and specific business requirements. We comply with all anti-corruption laws and regulations, including the Prevention of Bribery Ordinance *(Cap. 201 of the Laws of Hong Kong)*. Any breach, or suspected breach of this Policy will be investigated, disciplinary actions (including termination of employment) may be instigated and appropriate action (which may include reporting to the appropriate authorities) will be taken as necessary. In 2023, 96.7% of our employees were trained on anti-corruption and compliance.

- For further information on our anti-bribery and anti-corruption principles: see our Anti-Bribery and Anti-Corruption Policy.

Anti-Money Laundering

The Group is serious about preventing and detecting money laundering and terrorist financing under applicable laws and regulations. Our Anti-Money Laundering ("AML") and Counter-Terrorist Financing ("CTF") Policy (collectively referred to as "Group AML Policies") apply to the Group and all its subsidiaries. Money laundering involves numerous transactions including placement, layering, and integration. We check for suspicious activities and implement monitoring protocols for loan applications and subsequent transactions. By 2023, all our employees have received the mandatory training on anti-money laundering and counter-terrorism financing. The employees of UAF have also received specific compliance training on financial crimes, fraud awareness, and sanctions.

- More information on the Group's adherence to laws and regulations can be found in the Laws and Regulations section of this Report.

Business Integrity and Ethics

Intellectual Property

The Group highlights the standards of the intellectual property rights in the Employee Culture Guide and Handbook, which is subject to review on an annual basis. Employees are prohibited from using our intellectual property for personal gain or granting unauthorised third parties to use it. Prior permission must be attained before the use of the Group's name, slogan, mark for any product, programme, or service. As for technology support, our Information Technology Department conducts regular checks on employees' computers to check that only legitimate software is installed. By the end of 2023, we have had 74 (2022: 72) trademark registrations in Hong Kong and Mainland China, and 55 trademarks overseas.

Human Rights

We believe that human rights are fundamental to sustainable value creation. We would not tolerate child labour or forced labour in our operations or the businesses that supply us or in which we invest.

With the purpose of measure control, we require all our employees to undertake background checks and disclose valid personal identification documents for verification during the hiring process. During the Reporting Period, there were no violation of relevant laws or regulations, and we are not aware of any case in regard of labour or human rights abuses. Additionally, our Supplier Code of Conduct (SCoC) requires all our suppliers to follow law and regulations that are applicable to ethical, human rights, equality, and employment standards.

Supplier Management and Procurement Practices

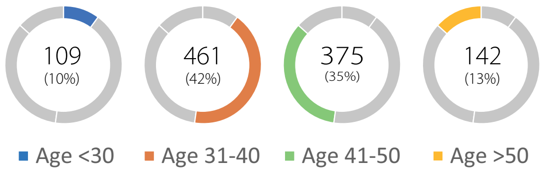
The Group Procurement Policy incorporates ESG considerations into our procurement processes. This Policy is applicable to all suppliers, data providers, service providers, contractors and subcontractors excluding financial counterparties. They are asked to submit the Supplier Due Diligence (SDD) Form when their annual spend is over HKD5,000,000. We specify the criticality for suppliers, defined key and non-key suppliers, and requires due diligence on key suppliers. We also collaborate with a variety of suppliers and carefully select them based on criteria such as cost, reputation, and value-added services. By the end of 2023, we have worked with 650 suppliers, including those from Hong Kong, Mainland China, Singapore, the UK (United Kingdom) and the US (United States). We also cooperate with external debt collecting agencies to support our loan business, who are required to submit certifications and follow the Authorised Agents Manual. Authorised Agents will undergo regular evaluation that consider factors such as data management and service effectiveness. To value customer and public feedback regarding service quality, surveys are conducted.

Our People

As a company devoted to creating long-term value, our employees and communities are our core asset. We build on a culture that is flexible, diverse, inclusive, and open. By providing essential training, reward schemes and well-being safeguard measures, we empower our employees to develop their skills and offer them opportunities for growth.

Being the fundamental guideline for people management, the Employee Culture Guide and Handbook documents condition of employment, recruitment and promotion, working environment, benefits and remuneration, code of conduct, as well as training and development. Our People & Culture department regularly reviews and update the Handbook to align with any changes in Company policy or legal requirements.

Our Workforce at a Glance



Diversity and Equal Opportunities

Our group is committed to providing equal opportunities to employees and maintaining a work environment free from discrimination. Our hiring standards are based on candidate capabilities without discrimination. We firmly believe in the value of diverse backgrounds and mutual learning among employees. To achieve the goal, we proactively promote diversity and equal opportunity in both our workplace and recruitment processes.

Our Group strictly adheres to the Anti-Discrimination Policy issued by the Equal Opportunities Commission (EOC), which highlights our zero-tolerance to any form of discrimination, including but not limited to gender, age, race, etc. We have signed The Racial Diversity and Inclusion Charter for Employers initiated by EOC to support and promote racial diversity and inclusion in the workplace. Also, we will continue to make reasonable accommodations for those with disabilities and encourage employees to report any unlawful discrimination, harassment, victimisation, or vilification. Moreover, we have the Board Diversity Policy that helps promote board experience and diversity at the highest management level.

Recognising and Rewarding Talents

The trust between the Group and our employees sets the backbone for high productivity and performance. We not only prioritise listening to our employees' voices, but also provide flexibility in our workplace, which is exemplified by our Unlimited Paid Leave Policy. By understanding the needs of our employees and fostering open communication, we can boost the overall performance of our employees and motivate them to unleash their full potential.

We value our employees' contributions and provide a supportive and rewarding benefit system to our talents. Specifically, we offer competitive salaries and a range of employee welfare and remuneration packages to our employees. Such schemes encompass insurance and healthcare benefits coverage, parental leave, retirement provision, and stock options for employees at our SHK & Co. and SHK Credit Hong Kong office. In October 2023, UAF was awarded with the "Good MPF Employer Award" by the Mandatory Provident Fund Schemes Authority (MPFA), which demonstrated its outstanding performance in employee retirement benefits and MPF administrative management. Moreover, UAF has been named the "Caring Company" for 18 consecutive years.

Unlimited Paid Annual Leave Policy

SHK & Co. encourages employees to take time off to recharge and have therefore launched the Unlimited Paid Annual Leave Policy in 2018, which removed the limit on employees' paid annual leave. This Policy is the outcome of extensive research on global employee engagement practices that align with an innovative and results-driven workplace. Under this policy, employees can attain better work-life balance in a flexible way and focus on delivering exceptional achievements.

Cultivating Young Talents

We persist in attracting, retaining, and rewarding most talented youth by providing training and career advancement in a merit-based environment. We promote equal access to quality education for promising talents and equip the youth with important skills. For instance, SHK & Co. partnered with Hong Kong Securities and Investment Institute (HKSI) to provide job training opportunities in our core business sector, alternative investment.

Employee Health, Wellness and Safety

To help our employees thrive, we are committed to creating a healthy, safe, and comfortable working environment. We respect government regulations and guidelines related to occupational health. Moreover, by creating an atmosphere that supports employee well-being, we go the extra mile to foster a positive and engaging work culture. We are dedicated to providing our employees with the resources and supports they need to thrive, both professionally and personally.

Occupational Health and Safety

According to the Hong Kong Labour Department's guidelines "A Guide on Employer Safety Policy" and "Occupational Safety and Health Ordinance," we establish a framework which guides our evaluation and assessment of occupational health and safety. Moreover, this framework covers details of how we measure and manage Operational Health and Safety (OHS) risks in general office settings.

Our People & Culture Department actively monitors OHS in our offices. Through monthly site walks conducted by the administrative employees, we inspect office facilities for safe working conditions to minimise the risk of adverse health and safety concerns. We also encourage our employees to report potential OHS risks to relevant departments once they identify any. Furthermore, air purifiers are installed at our workplace to enhance indoor air quality and remove contaminants in our office buildings.

Ensuring Safety from Fire Hazards

- Employees are familiar with the location of fire alarms, fire-fighting equipment, and escape routes.
- Annual inspection of the fire alarm system, fire extinguishers and emergency exit plans.
- Building Management Office organises fire safety online seminars.

Given the nature of our business, we are exposed to comparatively low occupational hazards in normal daily operations. During the Reporting Period, the Group identified zero OHS cases in Hong Kong and one OHS case in the Mainland China Division.

SHK & Co. prioritises employee wellness and is dedicated to continually enhancing and investing in the well-being of our workforce. In 2023, we took proactive steps to address safety and health considerations by replacing all workstations with adjustable desks, enabling employees to switch between sitting and standing positions. This flexibility helps overcome ergonomic challenges associated with static desks, promoting improved employee health and well-being.

Additionally, we have introduced a greater number of plants throughout our office space, aligning with our commitment to sustainability and creating a healthier indoor environment. This exquisite step aims to enhance oxygen levels and provide a more rejuvenating workspace for our employees.

By prioritising the safety, health, and well-being of our employees, we foster a positive work environment that supports their overall productivity and satisfaction.

Work-Life Balance and Well-being Support

SHK & Co. is proud to cultivate a culture that prioritises the well-being and happiness of its employees. The company recognises the importance of maintaining a healthy work-life balance and believes that a supportive and inclusive work environment is crucial for overall employee satisfaction and sustainable performance.

As part of our commitment to employee well-being, SHK & Co. organises various employee events throughout the year. Our events provide opportunities for employees to connect with their colleagues, create lasting memories, and strengthen personal relationships while prioritising their wellness through physical activities. Additionally, we hosted a Charity Poker Event this year to raise funds for charitable causes, demonstrating our dedication to making a positive impact in our community. Moreover, we have conducted Investment Talk sessions to provide financial knowledge and promote financial wellness among our staff.

At SHK & Co., we strive to offer ample opportunities for employees to engage in leisure activities. Our monthly "Friday at Five" employee gathering event fosters a sense of community and engagement within our organisation. This commitment to caring for our employees' well-being and happiness distinguishes SHK & Co. as an employer that genuinely values its staff and their holistic needs.

SHK & Co.'s Wellness Activities in 2023

- Monthly Friday at Five
- Charity Poker Event
- Tea Meditation
- Health Talk
- Handcraft Workshops
- Steps Challenge
- Annual Dinner
- Staff Retirement Dinner

"Employee wellness is a priority for our company, we are committed to continuously improving and investing in the well-being of our employees. By implementing a variety of initiatives and activities, we aim to cultivate a work environment that promotes happiness, health, and personal growth for all our employees at SHK & Co." – **Ms. Samanthe Che, Head of People and Culture**

UAF's Wellness Activities in 2023

- Movie night
- Staff Outing
- Festive Celebrations
- Annual Dinner

Post-COVID-19 Flexible Working Arrangement

Although we have returned to normal operation in 2023, we regularly communicate with our employees regarding the protection and preventive measures, guidelines, and notices on the pandemic protocol. We continuously implemented hygiene and sanitation measures at our office. Moreover, we continue to adopt flexible work arrangements when needed, such as working from home for certain units.

Our Disaster Recovery Plan (DRP):

We reviewed and updated our DRP in 2023 to safeguard the continuity and resilience of our business processes in the event of unplanned incidents, including 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 system.

1. Regular review and update DRP document according to the latest system architecture and team structure.
   - Identify Critical Systems and Operations
   - Evaluate Disaster Scenarios
   - Communication and Escalation Plan
   - Data Backup and Recovery Plan

2. Another round of DRP Drill test as annual exercise to validate the DRP
   - Prepare resilience site using Virtual Desktop
   - Update drill test script to include newly implemented application system
   - Invite members from different teams to participate in the drill test with result and passing rate recorded
   - Prepare drill test report for management review with lesson learnt section

Development and Training

Continuous development and learning can help employees acquire new skills and foster a culture of innovation, which further improves the company's competitiveness. As financial services are constantly evolving, we keep up with industry trends and changing demands to strengthen our employees' adaptation abilities and enhance their resilience.

Training topics provided across the Group including but 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)

The People & Culture Group of SHK & Co. holds orientation training for all new recruits. The goal is to help them understand our core values, business areas, corporate culture, employee welfare and benefits, as well as allow them to build networking with colleagues. Moreover, we issued the Learning and Development Policy to encourage all personal development, including license acquirement, job qualification training and other performance-oriented development.

We offer a wide spectrum of skill and knowledge training for our employees, such as data analysis, anti-corruption, and soft skills like leadership and teamwork. To enhance mutual learning among our employees, we initiated the "Lunch and Learn" events so that they can exchange their knowledge and experiences at a cross-function level. For ESG specifically, we held a training session for our Board members, to learn about the context of ESG from our different business functions.

In recognition of the value of our employees, we appraise their performance on a regular basis, help identify development areas and support them through offering necessary resources. This scheme allows us to understand unique skills of our employees and elevates our employees' job satisfaction, thus achieving higher staff retention rates and work effectiveness.

UAF's Training Workshops

At UAF, we organise a variety of training workshops to encourage our employees to develop all-around skills. After each training session, employees can provide feedback for improvement. UAF's training activities include:

- Breakaway Performance Coaches Programme
- Staff Orientation
- Team Building in the Dark
- Online Customer Service Training
- Compliance Training - ICAC Talks
- Legal Training

- More details on our training, performance reviews and other employment aspects can be found in the Performance Data Table in this Report.

Our Investors and Customers

Our reputation of being a trustworthy, compassionate, and professional financial corporation is built upon the legacy of delivering value and cultivating long-term relationships with our investors and customers. To maintain excellence, we strive to improve our operational functions, perfect our engagement strategies, and seek growth opportunities to drive greater lasting value for our stakeholders.

Financial Protection and Inclusion

Financial protection and inclusion entails expanding access to formal financial systems and empowering individuals financially to drive better economic growth. Our dedication lies in actively shaping policy development to improve the stability of the money lending industry. Furthermore, we offer products and services that improve financial accessibility for diverse customers.

UAF, the founding member and executive committee member of the HKSAR Licensed Money Lenders Association ("LMLA"), contributed to the drafting of the Code of Money Lending Practice. The Code established market practices and standards in the lending industry, encompassing fundamental topics such as customer relationships, anti-money laundering, credit evaluation, debt collection and data privacy. Following the Code, UAF aims to enhance customer confidence and promote a fair corporate culture.

As well as being an advocate of the LMLA, UAF is also a member of several projects run by the Hong Kong Association of Banks (HKAB), including a membership in the special task force for the Multiple Credit Reference Agency and a task force for Alternative Payment Solutions ("APS") for Property Transactions.

During COVID-19 pandemic, UAF provided financial assistance through the Interbank Debt Relief Plan, which is a framework agreement jointly formed by HKAB, DTC Association and LMLA. By providing financial relief plans, UAF helped ease the financial struggles of borrowers. Besides, UAF has developed a personal loan service to customers to improve financial accessibility. At SHK Credit, we are providing Hong Kong's first Mortgage Payment Holiday, in which customers can enjoy greater flexibility especially under unforeseen circumstances.

Sustainable Investment

Financial institutions play a critical and measurable role in driving sustainable development. Therefore, the Group engages in sustainable investment and supports businesses that positively impact the society while delivering optimal risk-adjusted returns for our customers. Various next-generation technology projects have been included in SHK & Co.'s investment portfolio, namely pharmacy, energy management, and digital teaching and learning.

SHK & Co.'s Sustainable Investments

Education	An education service provider has created a cutting-edge cloud-based technology platform to enhance education in frontier markets. This innovative platform has revolutionised teaching and learning, leading to significant improvements in learning outcomes. With the help of this platform, students have experienced a remarkable 70% acceleration in reading fluency, ensuring the delivery of high-quality education.
Pharmacy	A clean medicine producer focuses on developing and delivering safe, organic, and non-GMO medicines, ensuring the well-being of both individuals and the planet. The firm performs extensive research on formulas and is committed to responsibly sourcing the best quality ingredients from the most sustainable suppliers. Its products are crafted with the highest quality standards, free from harmful chemicals and unnecessary additives and artificial fillers.
Investment Management	An investment manager focuses on providing sustainable investments in the fixed income market. The firm has been growing its range of ESG funds and improving the ESG profile of investment. It is committed to engagement on both climate and global standards like the UN Global Compact, by joining collaborative engagements through groups like Nature Action 100 and Climate Action 100+, and by actively lobbying index providers to improve ESG screening on core benchmarks.
Energy Management	A technology solutions provider that focuses on creating sustainable clean energy for all. The firm works with utility companies to accelerate progress toward 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.

In the dynamic realm of sustainable investment, our group empahsises on investor education. We keep them informed of the emerging trends and help them identify investment opportunities and risks. As a socially conscious company, we are developing our responsible investment policy to integrate ESG considerations into the decision-making processes.

Customer Service

Our aim is to provide excellent service through understanding our customers' real needs and surpassing their expectations. In this regard, UAF conducts regular customer interaction via satisfaction surveys to seek feedback on our service provided, which helps guide our improvement. The employees of Customer Service Department ("CSD") are trained to deal with various situations professionally, sensibly, and swiftly.

UAF Customer Satisfaction Survey

3,248 respondents

1.7% increase in responses vs 2022

96.74% positive response rate

We have systematic procedures and remedies to handle customer grievance or complaints, which is overseen by the CSD. When a complaint is received, the relevant employee would quickly investigate, evaluate, and take appropriate corrective actions. During the Reporting Period, we have recorded 1 complaint for the Mainland China Division, and 8 complaints for the Hong Kong operation. The complaints have been resolved by the CSD and Debt Collection Unit meticulously and thoroughly.

Data Privacy and Confidentiality

Data Protection

At SHK & Co., we respect data privacy and confidentiality. The Group's Information Security Policy adheres to relevant laws and regulations, including the Personal Data (Privacy) Ordinance *(Cap. 486 of the Laws of Hong Kong)* and the Code of Practice on Consumer Credit Data. Measures such as incident reporting procedures and disaster recovery planning will be implemented to minimise the damage from cyber security incidents. We maintain the trusted relationships we have built with clients and prioritise the confidentiality and privacy of our client data. As such, we use advanced encryption technology and obtain formal consent for data collection and usage from our clients.

- For further information on our cyber security procedures and approaches: see our Group Information Security Policy.

Besides the overarching guidelines, we train our employees on information security and cyber security. Our subsidiaries also work hard to emphasise the importance of security and privacy of our customers' personal data. For example, UAF employees are required to follow the Information Classification Policy, so that only authorised personnel can access certain information based on the risk level of information. We also provide e-learning courses for our non-IT staff to enhance their knowledge in data privacy, with topics like information security, threats, vulnerabilities, etc. UAF was awarded the Gold Award for privacy protection organised by PCPD in 2023 the Privacy-Friendly Awards ceremony.

IT (Information Technology) Resilience

With technological development, cyber security and IT risks have become increasingly important. The Group is equipped with advanced infrastructure and a secure information system with offsite backup. We have also strengthened our cyber security via regular external audit and benchmarking against the industry standard of National Institute of Standards and Technology ("NIST") Cyber Security Framework. UAF has implemented an Information Security Management System with an Information Security Policy to ensure the protection and security of sensitive data. internal audits against ISO 27001 and Information Technology General Control Model are conducted regularly while ISO 27001 external audits are certified every three years.

Responsible Marketing

We believe responsible marketing is vital to the trust between the Group, investors and customers. All our marketing materials are complying with the Trade Description Ordinance and Guidelines on Additional Licensing Conditions of Money Lenders Licence. We strive to provide complete and accurate information, keep our stakeholders updated, and provide risk warnings in promotional materials. We also have a hotline for reporting illegal publicity. The information presented in our promotion materials are presented clearly and consistently, while false or misleading advertising is prohibited. At the same time, we have made our advisory documents available on our website for investors' and customers' perusal.

- Our money lending scam guidance documents: Beware of Money Lending Scams leaflet, Note to Intending Borrowers, & Financial Health leaflet.

Our Community

Sun Hung Kai & Co. Foundation (the "Foundation") is the philanthropic arm for the Group and its partners to promote and support caring, inclusive and sustainable communities. Through leveraging on the resources and network of the Group, the Foundation takes an active interest in sponsoring initiatives that help improve the lives of the underprivileged, nurture future leaders through education and sports, as well as protect our environment.

The "Trail of World Need" Sponsored by Sun Hung Kai & Co.

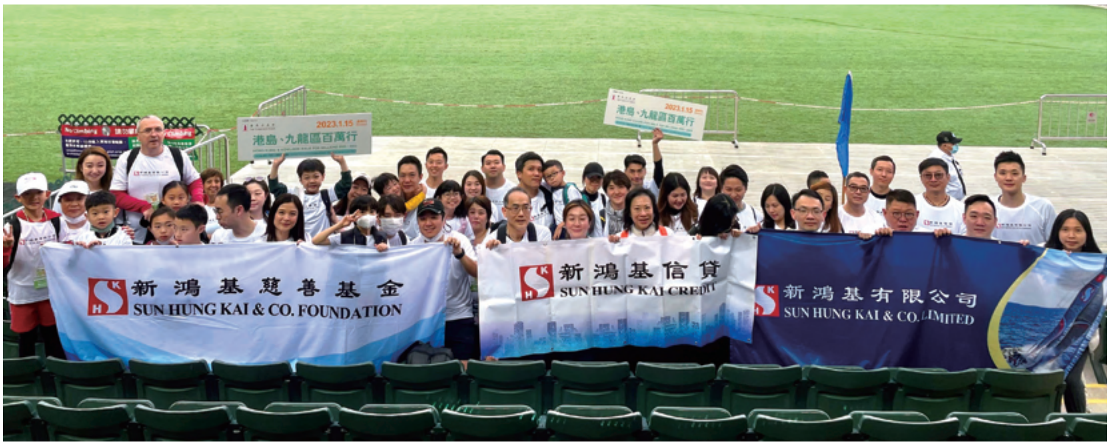
In February 2023, SHK & Co. and Crossroads Foundation officially launched the "Trail of World Need" showcase at Crossroads' site at the Gold Coast, Tuen Mun. The project was brought to life through 1.5 years of planning and construction, supported by a HK$1 million donation made through the Sun Hung Kai & Co. Foundation.

The "Trail of World Need" provided an immersive experience for participants, allowing them to explore various global issues and reflect on ways to contribute. On the official launch day, SHK staff and their loved ones volunteered on-site, dedicating their time and effort to make a tangible difference in society.

Walking for Hong Kong's Family and Child Welfare Services

As one of the main corporate sponsors, employees from SHK & Co. and SHK Credit, joined by their family members, participated in the "Walk for Millions" organised by Community Chest at the beginning of 2023. The entire walk spanned approximately three hours, allowing participants to enjoy a fulfilling hike while raising funds for a charitable cause.

This collective effort aimed to support the "family and child welfare services" provided by the 24 member agencies of Community Chest. Every dollar raised through the Walk programme would be dedicated to enhancing the well-being of families and individuals in Hong Kong, fostering a caring community by assisting those in need.



Investing in Tomorrow's Leaders

We strongly believe that education plays a pivotal role in cultivating the next generation of leaders. As ardent advocates for equal access to quality education and lifelong opportunities, we wholeheartedly support organisations that share this mission.

The SHK & Co. Foundation Fellowship Fund has been actively supporting Harvard Business School's need-blind admission programme since 2018. This impactful initiative aims to create opportunities for outstanding MBA students to achieve their aspirations and enhance their lives. By increasing access to high-quality education, this programme opens doors for talented individuals to thrive and make a positive impact in their chosen fields.

Supporting Underserved Youth: The Sun Hung Kai (Scallywag) Foundation Programme

Since 2019, the Sun Hung Kai (Scallywag) Foundation has supported a programme of Sailability Hong Kong, aimed at providing young people in Hong Kong, particularly those who are underrepresented, with the opportunity to build self-confidence and explore sailing. This initiative offers free sailing experiences to individuals aged 7 to 22, with the goal of encouraging more community members to engage in this exhilarating activity. Since then, we have witnessed the transformation of 1901 sailors as they embarked on their sailing journeys.

The Sun Hung Kai (Scallywag) Foundation Programme believes in offering varies opportunities to inspire and nurture the potential within each individual, fostering personal growth, resilience, and a love for nature. It also aims to create synergies across different communities.

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
General Committee Member	Chamber of Hong Kong Listed Companies

UAF

Position	Institution
Vice Chairman, Yuen Long West District	Scout Association of Hong Kong
Executive Committee Member	The HKSAR Licensed Money Association

Our Environment

Our Policies Dedicated to Upholding Environmental Sustainability:

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

We recognise that both safeguarding our environment and the dedication needed to inspire a shift in behaviour towards the environment are our duties. Throughout the reporting period, no instances of non-compliance towards the environment were recorded which would notably affect our Group.

There are four key areas of focus: Waste Reduction, Energy Conservation, Water Efficiency, and Carbon Reduction. These areas represent our commitment to continuously improve our environmental performance and create positive momentum towards a more sustainable future. Through transparent reporting and stakeholder engagement, we aim to showcase our progress, initiatives, and plans in each of these areas, highlighting our dedication to environmental responsibility.

Volunteer in Renewal Energy Workshop with SEN Children

In a heartwarming collaboration, the staff volunteers of the Group participated in a renewable energy workshop. The workshop was organised in partnership with CarbonCare InnoLab (CCIL) and Heep Hong Society to create an interactive and enjoyable environment for both volunteers and children with Special Educational Needs (SEN), where they could learn about the advantages of sustainable energy and develop an awareness of climate change.

This engaging activity not only allows participants to learn how to incorporate renewable energy in their daily lives but also empowering them to embrace clean energy practices. In addition, by bringing together volunteers and the SEN children, the collaboration fostered social inclusion by understanding, compassion, and acceptance; as well as exemplified SHK & Co.'s commitment to inclusive and sustainable community development.

"The workshop educated participants about renewable energy and promoted inclusivity, empowering individuals to act for a sustainable future. It also reminded everyone about our shared responsibility for environmental protection." – **Mr. Billy Tang, Vice President of Project Management.**

Coastal Area Cleaning Volunteer Services

The Group's staff volunteers joined forces with ActusRayPartners, SHK & Co.'s fund partner, to participate in a volunteer service aimed at cleaning up a neglected coastal area. This joint effort involved a collaboration with local social enterprise Here in Nature and charity group HandsOn Hong Kong, with the shared objective of raising awareness about marine pollution and highlighting the value of volunteer services.

During the volunteer service, the volunteer team collected over 20 bags of trash, weighing nearly 90kg. This hands-on experience not only allowed the volunteers and their families to actively contribute to the preservation of Hong Kong's coastal environment but also provided them with valuable insights into the environmental challenges that our city faces. Education and awareness building are vital for behaviour change. We believe a step-by-step approach and collective action can have a positive impact on the local community.

Volunteers Support Recycling Efforts with Elderly Workers

The staff volunteers of SHK & Co., alongside UAF and SHK Credit, participated in Serve-a-Thon 2023, a community-driven initiative organised by HandsOn Hong Kong, brought them together with elderly workers at V Cycle's recycling and waste treatment factory in Tuen Mun to sort recycled plastics.

In addition to the positive environmental impact, the activity provided an opportunity for volunteers to better understand and empathise with the elderly waste pickers in Hong Kong. Many of these individuals come from low-income backgrounds and over 70 years old, are forced to rummage through waste bins to find plastic or cardboard scraps to earn a living. V Cycle, a social enterprise, provides employment and training opportunities for these elderly workers, empowering them with professional recycling knowledge and dignified work.

"I learned a lot about the recycling and waste treatment process and was amazed to see how much waste can be recycled and repurposed, creating positive change for our environment. Working alongside the elderly workers also gave me a deep appreciation for the value and dedication of providing job opportunities for seniors, some of whom were previously waste pickers on the streets of Hong Kong. It was heartening to see how these opportunities allowed us to work together towards a cleaner, greener, and more sustainable future." – **Edmond Shek, Deputy CFO of UA Finance**

Earth Hour 2023

SHK & Co. and SHK Credit have participated in the Earth Hour 2023 on 25th March at 20:30 by switching off the lights and spending the 60 minutes showing our Group's commitment to energy saving.

We also pledged to inspire our employees, clients and partners to replace some of our previous routines with more eco-friendly practices for our common future.

SHK & Co. as an organisation committed to sustainability and willing to take more initiatives, has been honoured with a Certificate of Recognition for the green office exceptional environmental approach. This recognition is part of the Green Office Awards Labelling Scheme (GOALS) initiated by the World Green Organisation (WGO). GOALS aims to raise awareness of global environmental challenges and support businesses in adopting green practices.

SHK & Co. has demonstrated outstanding achievements in implementing sustainable workplace practices, highlighting their commitment to a greener and more sustainable future.

Waste Reduction

In line with Hong Kong's "Waste Blueprint for Hong Kong 2035" with aims to promote waste reduction, the Group embrace a two-pronged approach in waste reduction: To control at source, and to adopt digitisation technologies.

Sustainable Sourcing and Consumption

The Group has been consistently working towards sustainable consumption of resources while minimising the waste produced. We prioritise suppliers who have met stringent local and global environmental certification when it comes to sourcing office necessaries and furniture. We also prefer purchasing Forest Stewardship Council ("FSC") and the Programme for the Endorsement of Forest Certification ("PEFC") paper whenever feasible. At 2023, we ensured 94% of office paper is certified FSC or PEFC paper.

Whilst totally paperless, as opposed to less paper, might not be feasible at present, our recently introduced Group Procurement Policy is providing us eco-friendly options in managing the origins of the paper we do use. These included 100% post-consumer recycled paper and sustainable sourced FSC or PEFC certified paper to reduce its downstream impact, where they are commonly used in our annual reports and business cards. The number of printers in various departments at SHK & Co. head office are optimised to duplex, double sided printing at default and the printer quantity has been reduced in minimising the urge to print at will. We advocate for electronic access and download of reports rather than bulky paper despatches to help conserve natural resources and further minimise waste.

Paper Reduction Campaign

As part of our commitment to sustainability, the Group kicked off a paper reduction campaign competition that run from April 2023 to March 2024. We challenge every team to reduce paper usage and try to achieve the biggest percentage reduction in paper use compared to the previous year.

Through active participation in this campaign, we aim to inspire our staff to embrace new behaviors and cultivate a green mindset, ultimately reducing our environmental impact and working towards a paperless workplace. We actively engage our employees in raising awareness about the importance of sustainability. It is our strong belief, and we strive to ensure that everyone understands, that even the smallest actions we take to reduce waste and conserve resources can make a significant contribution to building a more sustainable future.

Paper Consumption

~30%

*compared to 2022 levels

Waste Management

The Group adopts a responsible approach to waste management. We focus on reducing resource consumption first, then reusing and recycling before any disposal. Generally, our office waste comprises paper, cardboard, furniture, computers, electronic equipment, batteries, toner, ink cartridges, and domestic waste. To facilitate recycling, designated bins, and collection areas are provided in each office with clear signs indicating the respective recyclables. Special attention is paid to secure disposal of confidential documents.

At our head office, we aim to extend the lifespan of office furniture, computers, and other electrical and electronic equipment. We achieve this by regular maintenance and repairs until they are no longer usable. Once they reach the end of their lives, we donate them to designated organisations for upcycling. Alternatively, we recycle them through authorised recyclers approved by the Environmental Protection Department.

As part of our efforts to improve our recycling practices, we have plans to add more waste collection points at the Group offices in the future. We keep monthly records of all the waste we dispose of, which helps us monitor our waste management performance. In addition, UAF make sure that all recyclable and non-recyclable waste is collected and handled by licensed contractors.

Digitised Operations

Digital transformation for our Group continues to be a crucial element in our operations.

Major Digitised Initiatives:

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

The launch of UAF's "YES UA" app in 2020 and "sim Credit Card" app in 2023, allows customers to make loan and card originations in the apps, bringing customers' enjoyment through a streamlined paper-free application and identity verification process as well as paperless card statement, hence reducing the carbon footprint associated with paper use.

Energy Conservation

Electricity Usage

~13%

*Compared to 2022 levels

The Group's main contributor to our operational carbon emissions is energy usage, primarily from fuel for our Group's vehicles and electricity which is used to power UAF offices and branches in both Hong Kong and Mainland China. Therefore, we endeavour to reduce energy consumption by implementing energy-efficient infrastructure and swapping out old equipment, while promoting energy conservation habits in our working environment.

Our Group has set a goal by 2025, we aim to reduce the absolute electricity usage by 25% compared to FY19 baseline. Hence, lighting zones managed by centralised control panels are implemented and promoted a higher use of energy-saving features on our computer screens in our head office to enhance energy efficiency. Beyond these strategies, our head office has also achieved the Final-Platinum-certified building under Hong Kong's BEAM Plus Existing Buildings Certification (Commercial Building), displaying its extraordinary energy efficiency performance.

Energy Saving Measures at UAF:

Charter on External Lighting
戶外燈光約章

Lighting:

- Use LED, T5, or compact fluorescent lamps with energy labels (EMSD's Grade 1 and 2 or equivalent).
- Affix on/off switch stickers on lighting control panels.
- Ensure lights are switched off when not in use or after office hours.

Maintenance:

- Regularly maintain electrical appliances (lamps, computers, water dispensers, fridges and fans) for optimal efficiency.

Multifunctional Devices:

- Prioritise devices that combine printing, scanning, photocopying, and faxing.

External Lighting:

- Switch off lighting for decorative, promotional, and advertising billboards and signages after midnight.

Smart Lighting Solutions:

- Implement light control zones.
- Install motion-sensing light bulbs and LED light bulbs.

Water Efficiency

Water Usage

~41%

*Compared to 2022 levels

Water Usage

Clean and fresh water is essential for our health and survival, just like energy. During the reporting period, we did not face any difficulty in sourcing water because we obtain it from the municipal water supply for our Hong Kong office consumption.

Our water supply undergoes regular maintenance and inspections to identify any leaks as early as possible. In the event of a leak, we take prompt action to contain the situation and minimise water loss. Furthermore, we closely monitor water consumption from water dispensers and irrigation systems. To encourage water conservation, we have also installed display signs in the pantries and washrooms, reminding our employees about the importance of water conservation and providing them with some simple water-saving techniques.

Carbon Reduction

As GHG are closely tied to climate change, we monitor our carbon footprint[2] involving electricity, fuel for vehicles, and air travel.

Total GHG Emissions (Scope 1-2)

~8%

*Compared to 2022 levels

Climate Change

Major Carbon Reduction Initiatives:

Initiatives	***SDGs Alignment***
1. Leveraging Online Collaboration Platforms to Minimise Business Travels	SDG 13
2. Regular Inspections and Maintenance of Vehicle Fleets	SDG 13
3. Partnerships with Green Organisations to Promote Low-Carbon Lifestyles	SDG 13 SDG 17

In the past few years, we have witnessed increasingly severe climate events, notably Typhoon Mangkhut in 2018, which caused severe damage to infrastructure and vegetation. It serves as a reminder of the extensive impact that climate change can have on our lives and economy. Consequently, the Group is dedicated to reducing our carbon footprint and enhancing climate resilience across our operations.

Recognising the urgent need to address climate issues, we are committed to enhancing our climate reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. This step reflects our response to the growing awareness and demands from governments, regulators, and corporations around the world for more transparency and action in tackling climate change.

Task Force on Climate-Related Financial Disclosures (TCFD)

The FSB established the TCFD to enhance and expand the disclosure of financial information related to climate change. Its recommendations guide companies on the details they should disclose to enable investors, lenders, and insurance underwriters to make accurate assessments and pricing of risks related to climate change.

As a financial services company, we understand the significance of climate change and the risks and opportunities it presents. Climate change poses various physical threats, such as extreme weather events, which are becoming more frequent. Additionally, transition risks are associated with policy changes aimed at moving towards a low-carbon economy and mitigating climate change.

[2] Our GHG accounting methodology is based on local and national standards such as the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose in Hong Kong), published by the Electrical and Mechanical Services Department and the Environmental Protection Departments, and the latest emission factor, with reference to the National Baseline Grid Emission Factor in China 2022 issued by the Ministry of Ecology and Environment of the People's Republic of China.

As a TCFD supporter, we conducted a climate risk assessment in 2022 to understand the potential financial impact of climate change on our business.

Governance	Strategy	Risk Management	Metrics and Targets
The governance framework of the Group regarding risks and opportunities related to climate	Material information on the actual and potential impacts of climate-related risks and opportunities on the Group's businesses, strategy, and financial planning should be disclosed	The Group's identification, assessment, and management of climate-related risks	The metrics and targets used to assess and manage material climate-related risks and opportunities

Governance

The Group introduced a Climate Change Policy in 2022, underscoring its dedication to reducing and managing climate-related risks. This policy illustrates the Group's commitment to environmental stewardship and its proactive approach to addressing climate change challenges.

Our Sustainability Governance structure integrates sustainability factors, climate threats, and economic prospects from top to bottom enabling efficient management and oversight by the Board.

For comprehensive insights into the Group's Sustainability Governance, please refer to the "Our Sustainability Commitment" section of this Report.

Strategy

Our Board is committed to identifying climate-related physical and transition risks, as we acknowledge the potential hazards and opportunities that climate change poses to our company. This process is crucial in helping us design future strategies for mitigating and building resilience against climate change impacts.

Our Climate Change Policy outlines the actions and plans we have in place for corporate sustainability, climate-resilient investments, stakeholder engagement, and transparency and disclosure. All members of the Group should follow these guidelines. Additionally, in recent years, SHK & Co. has made significant investments in numerous initiatives that utilise cutting-edge technologies. These initiatives are further detailed in the Sustainable Investments section of this Report.

We have collaborated with external ESG Consultants to provide comprehensive ESG training to the Board. This training facilitated communication and understanding of climate change and its related impacts and issues, helping the Group to identify potential risks that the Group may face. The Consultants conducted extensive discussions and provided a list of potential climate risks, which were then prioritised based on their business importance. This prioritization helped to identify the most significant climate-related risks in our business operations and provided us with a better understanding of TCFD concepts and the current challenges of climate change.

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

Type	Climate Related Risks	Potential Impact in the future
Policy	Future implementation of carbon pricing or emissions reduction policies	– Asset depreciation or climate-related asset stranding of investment projects affecting investment returns
	Stricter local (e.g. HKEX, SFC) and global laws and requirements	– 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

Type	Climate Related Risks	Potential Impact in the future
Physical	Increased severity and frequency of extreme weather events such as typhoons and floods	– Increase in repairment/replacement costs for properties (e.g. offices and branches) susceptible damages such as glass exterior and indoor equipment. – Increase in business disruptions due to property damages sustained by branch offices and branch staff commuting delays. – Increase the chance of staff commuting accidents due to unsafe commute conditions during and immediately after extreme weather events.

Risk Management

In conducting a comprehensive assessment, we have successfully identified a spectrum of significant physical and transitional risks that are highly relevant to our business activities. The potential financial impacts of these risks have been meticulously evaluated, and we have developed a set of robust mitigation strategies to address them effectively. The responsibility for the identification, assessment, and management of ESG-related risks rests with our Risk Management Committee. This committee operates within the parameters of the Group's established risk appetite and adheres strictly to our Enterprise Risk Management (ERM) Framework, ensuring the resilience and robustness of our risk management approach.

Potential Mitigation Measures:

Electricity Consumption

- **Target Setting:** Establish goals to decrease electricity usage and conduct regular reviews to track progress.
- **Equipment Upgrade:** Systematically replace outdated, less efficient equipment with energy-efficient alternatives.

Investment Strategies

- **Portfolio Screening:** Implement screening processes to ensure a portion of investments adhere to ESG criteria.
- **Sustainability Support:** Encourage technological innovations that enhance the sustainability of investments.

Legal and Reporting Compliance

- **Regulatory Adherence:** Maintain compliance with all relevant legal and regulatory frameworks.
- **International Standards:** Utilise guidelines from international publications like the Global Reporting Initiative (GRI) in reporting procedures.

Employee Training and Awareness

- **Compliance Training:** Provide ongoing training and updates to employees on compliance matters.
- **ESG Training:** Offer specialised ESG-related training to investment teams.

Transparency and Public Reporting

- **Carbon Footprint Disclosure:** Annually disclose information about the company's carbon footprint and carbon reduction initiatives.
- **Investment Transparency:** Publicly report the status of these initiatives on a regular basis.

Reputation and Collaborations

- **Associations and Initiatives:** Join and participate in associations or global initiatives like the Task Force on Climate-related Financial Disclosures (TCFD).
- **Partnerships:** Collaborate with green organisations such as the World Green Organisation (WGO) to support climate change initiatives like tree planting.

Information regarding the Group's management of climate-related risks discussed in detail in "Our Business and Governance" section of this Report.

Metrics and Targets

In the "Our Sustainability Commitment" section of this Report, you can find detailed information on the environmental goals. These goals focus on reducing greenhouse gases, managing waste, and conserving electricity and water. We are dedicated to achieving these targets and conduct yearly reviews to monitor our progress.

We are committed to regularly evaluating the impact of climate change. To make informed investment decisions, we will increasingly integrate the analysis and assessment of climate change risks into our processes. We will use our Climate Change Policy and Environmental Risk Management Policy to guide us in analysing these risks.

Additional information about our environmental impact and emissions statistics is available in the "Our Environment" and "Performance Data Table" sections of this Report.

Laws and Regulations

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

Business

- Money Lenders Ordinance *(Cap. 163 of the Laws of Hong Kong)*
- Prevention of Bribery Ordinance *(Cap. 201 of the Laws of Hong Kong)*
- Trade Marks Ordinance *(Cap. 559 of the Laws of Hong Kong)*
- 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	2023			
Environmental		**SHK & Co.**	**UAF**	**SHK Credit**	**Total**
Air[3] and GHG Emissions					
Nitrogen Oxides Emissions	kg	5.41	4.11	N/A	**9.52**
Sulphur Oxides Emissions	kg	0.23	0.20	N/A	**0.43**
Particulate Matter Emissions	kg	0.40	0.30	N/A	**0.70**
GHG Emissions — Scope 1[4]	tCO_2-e	41.67	878.99	N/A	**920.66**
GHG Emissions — Scope 2[5]	tCO_2-e	80.35	1,477.51	23.65	**1,581.51**
GHG Emissions — Scope 3[6]	tCO_2-e	10.71	5.41	0.01	**16.13**
Total GHG Emissions (Scope 1 - 3)	tCO_2-e	132.73	2,361.92	23.66	**2,518.31**
GHG Emission Intensity by Revenue	tCO_2-e/ HK$'Million	0.35	0.73	0.08	**0.65**
GHG Emission Intensity by Workforce	tCO_2-e/person	1.72	2.41	0.79	**2.32**
Energy Use					
Petroleum Usage	Litre	15,389.93	13,514.26	N/A	**28,904.19**
Electricity Usage	kWh	118,156.00	2,384,720.22	44,209.00	**2,547,085.22**
Total Energy Usage[7]	MJ	951,697.21	9,047,180.48	159,152.40	**10,158,030.09**
Energy Intensity by Revenue	MJ/HK$'Million	2,520.38	2,806.11	555.31	**2,612.46**
Energy Usage Intensity by Workforce	MJ/person	12,359.70	9,231.82	5,305.08	**9,345.01**
Water Use					
Water Usage[8]	m^3	0.01	2,938.06	7.48	**2,945.55**
Water Intensity by Revenue	m^3/HK$'Million	0.00003	0.91	0.03	**0.76**
Water Usage Intensity by Workforce	m^3/person	0.0001	3.00	0.25	**2.71**
Waste[9]					
Paper Consumed[10]	kg	648.52	51,277.52	276.74	**52,202.78**
Paper Consumed[10]	pages	129,704	10,476,944	55,347	**10,661,995**
Paper Recycled	kg	820.00	8,760.81	260.00	**9,840.81**
Paper Intensity per Employee	pages/employee	1,684.47	10,690.76	1,844.91	**9,808.64**
Paper Intensity per Customer	pages/customer	N/A	50.65	112.95	**51.42**
Toner Cartridge	pieces	0	341	0	**341**
Fluorescent Tubes, Light Bulbs	pieces	12	120	41	**173**
Battery	kg	0	5.14	0	**5.14**
Computer	pieces	0	793	0	**793**
Monitor/screen	pieces	10	583	0	**593**
Printers, scanners, fax machines, shredders	pieces	0	183	0	**183**

3 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".

4 Includes emissions from consumption/disposal of fire extinguishers, refrigerant losses, and direct combustion of vehicular fuels. GHG emission factors are adopted from "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.

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

6 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 in Hong Kong are obtained from the 2021 operation data published by WSD and DSD respectively. Electricity consumption rates for sewage treatment in China is obtained from Securities Times China (STCN) in 2022.

7 Energy conversion factors are adopted from the UK Government Greenhouse Gas Reporting: Conversion Factors 2023.

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

9 Excludes waste handled/recycled by building/property management or suppliers.

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

Key Performance Indicators	Unit	2023			
Social		SHK & Co.	UAF	SHK Credit	Total
Employees[11]					
Total Number of Employees	person	77	980	30	**1,087**
Employees by Gender					
Male	person	38	464	17	**519**
Female	person	39	516	13	**568**
Employees by Age					
≤30 Years Old	person	2	105	2	**109**
31–40 Years Old	person	28	421	12	**461**
41–50 Years Old	person	29	334	12	**375**
>50 Years Old	person	18	120	4	**142**
Employees by Employment Category					
Senior Management	person	5	5	0	**10**
Senior Executives	person	20	14	2	**36**
Middle Management	person	16	219	6	**241**
General Staff	person	36	742	22	**800**
Employees by Geographical Location					
Hong Kong	person	69	670	30	**769**
Mainland China	person	1	310	0	**311**
Overseas	person	7	0	0	**7**
Permanent Employees by Gender					
Male	person	38	453	17	**508**
Female	person	39	502	13	**554**
Temporary Employees by Gender					
Male	person	0	11	0	**11**
Female	person	0	14	0	**14**
Non-guaranteed Hours Employees by Gender					
Male	person	0	0	0	**0**
Female	person	0	0	0	**0**
Full-time Employees by Gender[12]					
Male	person	38	464	17	**519**
Female	person	39	516	13	**568**
Workers who are not Employees[13]					
Contractor	person	4	34	0	**38**
Self-employed	person	2	0	0	**2**
Intern	person	0	9	0	**9**

[11] Employee data are reported in headcount at the end of the Reporting Period.

[12] We did not hire any part-time employees during the Reporting Period

[13] 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	2023			
Social		SHK & Co.	UAF	SHK Credit	Total
		Total Number of New Employee Hires			
Total Number of New Employee Hires	person	19	181	5	205
		Rate of New Employee Hires by Gender			
Male	%	23.68%	18.32%	17.65%	18.69%
Female	%	25.64%	18.60%	15.38%	19.01%
		Rate of New Employee Hires by Age			
≤30 Years Old	%	250.00%[14]	40.00%	100.00%	44.95%
31–40 Years Old	%	21.43%	19.71%	8.33%	19.52%
41–50 Years Old	%	13.79%	14.07%	8.33%	13.87%
>50 Years Old	%	22.22%	7.50%	25.00%	9.86%
		Rate of New Employee Hires by Geographical Region			
Hong Kong	%	26.09%	22.69%	16.67%	22.76%
Mainland China	%	0.00%	9.35%	N/A	9.32%
Overseas	%	14.29%	N/A	N/A	14.29%
		Total Number of Employee Turnover			
Total Number of Employee Turnover	person	17	703	5	725
		Turnover Rate[15]			
Total Turnover Rate	%	22.08%	71.73%	16.67%	66.70%
		Turnover Rate by Gender			
Male	%	15.79%	66.81%	17.65%	61.46%
Female	%	28.21%	76.16%	15.38%	71.48%
		Turnover Rate by Age			
≤30 Years Old	%	200.00%[16]	123.81%[16]	50.00%	123.85%[16]
31–40 Years Old	%	25.00%	115.91%[16]	16.67%	107.81%[16]
41–50 Years Old	%	10.34%	18.86%	8.33%	17.87%
>50 Years Old	%	16.67%	18.33%	25.00%	18.31%
		Turnover Rate by Geographical Region			
Hong Kong	%	24.64%	22.99%	16.67%	22.89%
Mainland China	%	0.00%	177.10%[16]	N/A	176.53%[16]
Overseas	%	0.00%	N/A	N/A	0.00%

14 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.

15 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.

16 The turnover rate is above 100% as the number of employees at a specific age who left during the year exceeded the total number of employees at that age employed at the end of the Reporting Period.

Key Performance Indicators	Unit	2023				
Social		**SHK & Co.**	**UAF**	**SHK Credit**		**Total**
		Parental Leave				
Total Number of Employees that were Entitled to Parental Leave	Male	38	464	17		**519**
	Female	39	516	13		**568**
Total Number of Employees that Took Parental Leave	Male	1	42	1		**44**
	Female	3	72	0		**75**
Total Number of Employees that Returned to Work in the Reporting Period after Parental Leave Ended	Male	1	29	1		**31**
	Female	2	34	0		**36**
Total Number of Employees that Returned to Work in 2022 after Parental Leave Ended	Male	1	35	0		**36**
	Female	0	77	0		**77**
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	16	0		**17**
	Female	0	24	0		**24**
Return to Work Rate[17]	Male (%)	100.00%	69.05%	100.00%		**70.45%**
	Female (%)	66.67%	47.22%	N/A		**48.00%**
Retention Rate[18]	Male (%)	100.00%	45.71%	N/A		**47.22%**
	Female (%)	N/A	31.17%	N/A		**31.17%**
		Percentage of Employees Trained				
Total Percentage of Employees Trained	%	100.00%	100.00%	100.00%		**100.00%**
		Percentage of Employees Trained by Gender[19]				
Male	%	49.35%	47.35%	56.67%	**47.75%**	**100.00%**
Female	%	50.65%	52.65%	43.33%	**52.25%**	
		Percentage of Employees Trained by Employment Category[19]				
Senior Management	%	6.49%	0.51%	N/A	**0.92%**	**100.00%**
Senior Executives	%	25.97%	1.43%	6.67%	**3.31%**	
Middle Management	%	20.78%	22.35%	20.00%	**22.17%**	
General Staff	%	46.75%	75.71%	73.33%	**73.60%**	
		Average Training Hours				
Total Average Training Hours	hrs/person	8.87	4.29	10.13		**4.77**
		Average Training Hours by Gender				
Male	hrs/person	5.53	4.30	10.10		**4.79**
Female	hrs/person	4.77	4.28	10.15		**4.75**

17 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%.

18 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%.

19 The methodology used for calculating percentages of employees trained by gender and by employment category aligns with HKEX guidelines. 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	2023			
Social		SHK & Co.	UAF	SHK Credit	Total
Average Training Hours by Employment Category					
Senior Management	hrs/person	8.80	1.40	N/A	**5.10**
Senior Executives	hrs/person	9.15	1.64	9.00	**6.22**
Middle Management	hrs/person	10.13	4.50	10.79	**5.03**
General Staff	hrs/person	8.17	4.29	10.05	**4.62**
Total Training Hours by Topic					
Orientation	hrs	38.00	182.00	5.00	**225.00**
Anti-Corruption	hrs	77.00	710.00	30.00	**817.00**
Compliance	hrs	77.00	1,096.00	30.00	**1,203.00**
Percentage of employee receiving regular performance review					
Review Rate	%	100.00%	100.00%	100.00%	**100.00%**
Percentage of employee receiving regular performance review by Gender					
Male	%	100.00%	100.00%	100.00%	**100.00%**
Female	%	100.00%	100.00%	100.00%	**100.00%**
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%	100.00%	**100.00%**
Middle Management	%	100.00%	100.00%	100.00%	**100.00%**
General Staff	%	100.00%	100.00%	100.00%	**100.00%**
Work-Related Injuries[20]					
Number of Injuries	number	0.00	1.00	0.00	**1.00**
Work-Related Injury Rate[21]	per 1,000 employees	0.00	1.02	0.00	**0.92**
Number of High-consequence Injuries (excluding fatalities)	number	0.00	0.00	0.00	**0.00**
High-consequence injury rate	per 1,000 employees	0.00	0.00	0.00	**0.00**
Lost Days Due to Work-Related Injury	number of days	0.00	0.33	0.00	**0.33**
Number of Fatalities	number	0.00	0.00	0.00	**0.00**
Fatality Rate	per 1,000 employees	0.00	0.00	0.00	**0.00**
Suppliers by Geographical Region					
Hong Kong	number	73	195	56	**324**
Mainland China	number	2	282	0	**284**
Overseas	number	30	12	0	**42**

[20] There were no cases of work-related ill health that the Group is aware of during the Reporting Period.

[21] 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	2023			
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)		4.67:1	15.86:1	3.37:1	**N/A**
Complaints					
Products and service complaints	number	0	1	0	**1**
Other complaints	number	0	8	0	**8**

GRI Content Index

SHK & Co.'s ESG Report 2023 is prepared in accordance with the latest GRI Standards. The following table provides with either cross-references of the relevant chapters or explanation.

GRI Standard	Disclosure	Relevant Chapter or Explanation	Page no.
General Disclosures			
GRI 2: General Disclosures 2021	2-1 Organisational details	About This Report Annual Report 2023 – About Us Annual Report 2023 – Our Business	P.57 P.2 P.4-5
	2-2 Entities included in the organisation's sustainability reporting	About this Report Annual Report 2023 – Notes to the Consolidated Financial Statements	P.57 P.142-218
	2-3 Reporting Period, frequency and contact point	About this Report	P.57
	2-4 Restatements of information	There were no restatements of information in this Report.	
	2-5 External assurance	About this Report Annual Report 2023 – Corporate Governance Report (Audit Committee) Annual Report 2023 – Corporate Governance Report (Accountability and Audit) Annual Report 2023 – Independent Auditor's Report This Report was not externally assured.	P.57 P.48-49 P.53 P.133-137
	2-6 Activities, value chain and other business relationships	Our Business and Governance Our Investors and Customers Our Community Annual Report 2023 – Our Business	P.67-69 P.74-77 P.78-81 P.4-5
	2-7 Employees	Our People Performance Data Table We did not hire any part-time employees during the Reporting Period.	P.69-74 P.94-99
	2-8 Workers who are not employees	Our People Performance Data Table	P.69-74 P.94-99
	2-9 Governance structure and composition	Our Business and Governance Performance Data Table Annual Report 2023 – Corporate Governance Report (The Board, Board Process) Company website: Our Leadership	P.67-69 P.94-99 P.41-43

GRI Standard	Disclosure	Relevant Chapter or Explanation	Page no.
	2-10 Nomination and selection of the highest governance body	Annual Report 2023 – Corporate Governance Report (Board Process, Appointment of Re-Election of Directors, Board Diversity)	P.41-43, 45-46
	2-11 Chair of the highest governance body	Annual Report 2023 – Corporate Governance Report (Roles of Chairman and Chief Executive)	P.44
	2-12 Role of the highest governance body in overseeing the management of impacts	About This Report Our Business and Governance Annual Report 2023 – Corporate Governance Report (Roles of Chairman and Chief Executive, Corporate Governance Functions, Risk Management and Internal Control)	P.57 P.67-69 P.44, 46, 50-53
	2-13 Delegation of responsibility for managing impacts	About This Report Our Sustainability Commitment Our Business and Governance Annual Report 2023 – Corporate Governance Report (Risk Management and Internal Control)	P.57 P.60-66 P.67-69 P.50-53
	2-14 Role of the highest governance body in sustainability reporting	Our Sustainability Commitment	P.60-66
	2-15 Conflicts of interest	Annual Report 2023 – Corporate Governance Report (Board Process)	P.41-43
	2-16 Communication of critical concerns	Our Business and Governance Annual Report 2023 – Corporate Governance Report (Communication with Shareholders) There were no incidences of critical concerns during the Reporting Period.	P.67-69 P.54
	2-17 Collective knowledge of the highest governance body	Our People Annual Report 2023 – Corporate Governance Report (Directors' Continuous Professional Development)	P.69-74 P.44
	2-18 Evaluation of the performance of the highest governance body	Annual Report 2023 – Corporate Governance Report (Remuneration Committee)	P.46-47
	2-19 Remuneration policies	Annual Report 2023 – Corporate Governance Report (Remuneration Committee)	P.46-47

GRI Standard	Disclosure	Relevant Chapter or Explanation	Page no.
	2-20 Process to determine remuneration	Annual Report 2023 – Corporate Governance Report (Remuneration Committee)	P.46-47
	2-21 Annual total compensation ratio	Performance Data Table	P.94-99
	2-22 Statement on sustainable development strategy	Our Sustainability Commitment	P.60-66
	2-23 Policy commitments	Our Sustainability Commitment Our Business and Governance Annual Report 2023 – Corporate Governance Report (Risk Management and Internal Control)	P.60-66 P.67-69 P.50-53
	2-24 Embedding policy commitments	Our Business and Governance Annual Report 2023 – Corporate Governance Report (Corporate Governance Functions, Risk Management and Internal Control)	P.67-69 P.44, 46, 50-53
	2-25 Processes to remediate negative impacts	Our Business and Governance Annual Report 2023 – Corporate Governance Report (Risk Management and Internal Control) Annual Report 2023 – Risk Management Report	P.67-69 P.50-53 P.32-40
	2-26 Mechanisms for seeking advice and raising concerns	Our Business and Governance	P.67-69
	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.67-69 P.93
	2-28 Membership associations	Membership and Associations	P.81
	2-29 Approach to stakeholder engagement	Our Sustainability Commitment	P.60-66
	2-30 Collective bargaining agreements	No current employees are covered by collective bargaining agreements.	
Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	About This Report – Materiality Assessment	P.64-66
	3-2 List of material topics	About This Report – Materiality Assessment	P.64-66

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 2023 – Notes to the Consolidated Financial Statements	P.57 P.60-66 P.67-69 P.142-218
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Our Business and Governance Performance Data Table Annual Report 2023 – Consolidated Statements and Notes to the Consolidated Financial Statements	P.67-69 P.94-99 P.137-218
	201-2 Financial implications and other risks and opportunities due to climate change	Our Business and Governance Our Investors and Customers Our Environment	P.67-69 P.74-77 P.82-92
	201-3 Defined benefit plan obligations and other retirement plans	Our People Annual Report 2023 – 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 the People's Republic of 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.69-74 P.137-218
	201-4 Financial assistance received from government	Annual Report 2023 – Consolidated Statements and Notes to the Consolidated Financial Statements	P.137-218
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.57 P.60-66 P.67-69
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Our Business and Governance	P.67-69
	205-2 Communication and training about anti-corruption policies and procedures	Our Business and Governance Our People	P.67-69 P.69-74
	205-3 Confirmed incidents of corruption and actions taken	Our Business and Governance There were no incidents of corruption during the Reporting Period.	P.67-69

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.57 P.60-66
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Performance Data Table	P.94-99
	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.69-74
	401-3 Parental leave	Performance Data Table	P.94-99
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.57 P.60-66 P.69-74
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Our People	P.69-74
	403-2 Hazard identification, risk assessment, and incident investigation	Our People	P.69-74
	403-3 Occupational health services	Our People	P.69-74
	403-4 Worker participation, consultation, and communication on occupational health and safety	Our People	P.69-74
	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.69-74
	403-6 Promotion of worker health	Our People Workers who are not employees are facilitated by their employers for access to the relevant health services, hence no duplication is made by the Group.	P.69-74
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Our People	P.69-74
	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.69-74
	403-9 Work-related injuries	Performance Data Table	P.94-99
	403-10 Work-related ill health	Performance Data Table	P.94-99

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.57 P.60-66 P.67-69
GRI 408: Child Labour 2016	GRI 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.67-69
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.57 P.60-66 P.67-69
GRI 409: Forced or Compulsory Labour 2016	GRI 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.67-69
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.57 P.60-66 P.67-69 P.74-77
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.74-77

HKEX ESG Reporting Guide Content Index

Our ESG Report 2023 is also prepared in accordance with the ESG Reporting Guide under Appendix C2 to the Rules Governing the Listing of Securities on HKEX. 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 2023 – 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 2023 annual report ("Annual Report") and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023.

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 2023 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 (ESG) Report" of this Annual Report.

Results and Dividends

The results of the Group for the year ended 31 December 2023 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 15 September 2023. The Directors has declared a second interim dividend of HK14 cents (2022: second interim dividend of HK14 cents) per share for the year ended 31 December 2023 to the shareholders whose names appear on the register of members of the Company on 24 April 2024, making a total dividend for the year 2023 of HK26 cents per share. Dividend warrants of the second interim dividend are expected to be despatched on 24 May 2024.

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$3,451,000.

Share Capital and Shares Issued

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

Debentures

The Group had the following debentures in issue as at 31 December 2023:

- 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 2023, US$304,915,000 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. 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 2023, US$386,164,000 in the principal amount of the 2026 Notes were outstanding.

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

Distributable Reserves

Distributable reserves of the Company as at 31 December 2023 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 51 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)*
Brendan James McGraw *(appointed on 1 July 2023)*

Non-Executive Directors

Simon Chow Wing Charn *(retired as an Executive Director and re-designated as a Non-Executive Director on 1 July 2023)*
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 94 of the Company's Articles of Association (the "Articles"), a new Director appointed to fill a casual vacancy shall hold office only until the next following general meeting and a new Director appointed as an addition to the Board shall hold office only until the next following Annual General Meeting of the Company ("AGM"), and shall be eligible for re-election at that meeting. Besides, one-third of the Directors for the time being shall be subject to retirement by rotation, and eligible for re-election, at each AGM in accordance with Article 103 of the Articles.

Accordingly, pursuant to Article 94 of the Articles, Mr. Brendan James McGraw who was appointed as a Director subsequent to the preceding AGM, shall hold office until the forthcoming AGM and, being eligible, offer himself for re-election, and pursuant to Article 103 of the Articles, Mr. Simon Chow Wing Charn, Ms. Vivian Alexa Kao and Mr. Wayne Robert Porritt, the Directors being the longest in office since their last election, will retire by rotation 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 49, 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, New Zealand, the United Kingdom and Singapore) as well as the chairman of Mulpha Australia Limited. 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.

Brendan James McGraw, aged 51, was appointed as an Executive Director of the Company on 1 July 2023. He 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 and is a director of Skandia Holding de Colombia S.A, a company incorporated in Colombia.

Non-Executive Directors

Simon Chow Wing Charn, aged 69, was appointed as an Executive Director of the Company on 3 June 2015 and was re-designated as a Non-Executive Director on 1 July 2023. He joined the Company as the Group Deputy Chief Executive Officer in December 2014 until his retirement on 1 July 2023. Mr. Chow has more than 30 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.

Peter Anthony Curry, aged 71, 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 in September 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 the non-executive chairman 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 52, 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 is also 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. He previously served on the Board of Urban Renewal Authority as a non-executive director until his retirement on 30 November 2023.

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 58, 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.

Alan Stephen Jones, aged 80, 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.

Vivian Alexa Kao, aged 42, 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 63, 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. In January 2024, Ms. Leung has been appointed as a member of the Investment Committee of the HKSAR Government Scholarship Fund ("GSF") and the Self-financing Post-secondary Fund. Ms. Leung is also 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 and was a co-opted member of the Hospital Governing Committee (HGC) of Prince of Wales Hospital (PWH) from 2017 to 2023.

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 56, 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 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"). In December 2023, Mr. Porritt was appointed at the direction of certain creditors (the "Creditors") of the Charged Companies (as defined below) and the holding companies of the Charged Companies as director of each of Iconic Hero Limited, Fivestar Bloom Limited, Modern Success Global Limited, Jovial Harbour Holdings Limited, Best Global Investments Limited, Chance Boom Global Limited, Brilliant Coast Limited and Honour Treasure Limited, being a group of companies (the "Charged Companies") principally engaged in investment holding, to assist with interim management of the Charged Companies. In January 2024, administrative receivers/receivers were appointed over certain assets of each of the Charged Companies by such Creditors as chargee pursuant to the relevant security agreements. Mr. Porritt was also appointed as a director of each of August Gold Limited, CMIG International Holding Pte. Ltd and Lily Bermuda Holding Limited in December 2023 and a director of Green Heaven Investments Limited in January 2024. Mr. Porritt 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 a non-executive director of Skylight Financial Solutions Pty Limited, an Australian company engaging in the business of provision of financial solutions services. Additionally he was a non-executive director of Bruny Island Pty Limited in 2023, an Australian company which involved in cheese and dairy production.

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 and Vice Chair of Fundraising & Communications Committee of Oxfam Hong Kong. Mr. Porritt was previously a member of Finance, Risk & Audit Committee of Oxfam Hong Kong till March 2024, an advisory board member of Hong Kong Children in Need Foundation till February 2024, 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 till his resignation from both roles with effect from 31 August 2023.

Senior Management

Antony James Edwards

Deputy Chief Executive Officer

Mr. Edwards, aged 56, joined the Company as Deputy Chief Executive Officer in December 2023. He started his career in the 1990's, in Asian investment banking, and from 2000 onwards, he developed a track record of growing, managing and realigning investment management businesses, whilst at AllianceBernstein, Neuberger Berman, Robeco and Arisaig Partners. He was the Chief Operating Officer of Arisaig Partners and the Chief Executive Officer of Robeco Asia-Pacific. He has delivered high-performance outcomes across operational, distribution, investment and governance functions, in both large institutional, start-up and boutique investment managers. He is experienced at designing and managing change management to enable technology development, operational processes, sales and marketing engagement, and enhanced risk management, typically through the alignment of organisational priorities and culture. In business development he has worked with many global and local investment advisors and consultants, Asian and Middle Eastern sovereigns, central banks, Australian and Asian Institutional capital allocators, high-net-worth and retail client-channels, always with a strong personal belief in a colligate approach to accessing growth and investment success.

In addition to building businesses, Mr. Edwards is experienced in traditional and alternative portfolio management, in both a global and local settings, public and private. He has also managed businesses within various license settings, including but not limited to the U.S. Securities and Exchange Commission (SEC), The Securities and Futures Commission of Hong Kong (SFC), The Australian Prudential Regulation Authority (APRA) and Monetary Authority of Singapore (MAS). Mr. Edwards holds a Bachelor of Science Degree in Business Information Technology from Central University of Lancashire and is a Chartered Director and Fellow of the Institute of Directors.

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 2023, 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)*	1,444,479,575 *(Note 2)*	73.50%
Brendan James McGraw ("Mr. McGraw")	Beneficial owner	109,000	0.005%
	Beneficiary of trust	728,000 *(Note 3)*	0.037%
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 1,444,479,575 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 Allied Properties (H.K.) Limited ("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.
3. These included the deemed interests in:
    a. 218,000 unvested Shares out of the total of 327,000 Shares granted to Mr. McGraw on 20 April 2022 under the SHK Employee Ownership Scheme ("Share Award Scheme") of the Company and were subsequently accepted by Mr. McGraw. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 109,000 Shares) vested and became unrestricted from 20 April 2023; another one-third thereof will vest and become unrestricted from 20 April 2024; and the remaining one-third thereof will vest and become unrestricted from 20 April 2025; and
    b. 510,000 unvested Shares granted to Mr. McGraw on 20 April 2023 under the Share Award Scheme and were subsequently accepted by Mr. McGraw. Such awarded Shares are subject to a vesting scale in tranches whereby one-third thereof (i.e. 170,000 Shares) will vest and become unrestricted from 20 April 2024, another one-third thereof will vest and become unrestricted from 20 April 2025; and the remaining one-third thereof will vest and become unrestricted from 20 April 2026.

(b) Interests in the shares and debentures of associated corporations

Name of Director	Associated corporations	Capacity	Number of shares/amount of debentures	Approximate % of the total number of the relevant shares
Lee Seng Huang ("Mr. Lee") *(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)*	834,809,096	56.94%
	Tian An Australia Limited ("TIA")	Interests of controlled corporation *(Note 4)*	67,300,196	77.70%
	Asiasec Properties Limited ("Asiasec")	Interests of controlled corporation *(Note 5)*	930,376,898	74.98%
	China Medical & HealthCare Group Limited ("CMHG")	Interests of controlled corporation *(Note 6)*	556,022,010	51.19%
	MCIP CI I Limited ("MCIP CI") *(Note 7)*	Beneficial owner	5 *(Note 8)*	33.33%
	SHK BVI *(Note 9)*	Beneficial owner	US$320,000 *(Note 10a)*	N/A
			US$200,000 *(Note 10b)*	N/A
Brendan James McGraw	SHK Latitude Alpha Feeder Fund *(Note 11)*	Beneficial owner	100 *(Note 12)*	0.05%
Vivian Alexa Kao	SHK Latitude Alpha Feeder Fund *(Note 11)*	Interests of controlled corporation *(Note 13)*	950 *(Note 12)*	0.27%

Notes:

1. Mr. Lee, 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 29 January 2024.
2. Mr. Lee 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. This referred to the same interest held indirectly by AGL in CMHG through TACI.
7. 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.
8. This referred to non-voting participating class C shares in the issued share capital of MCIP CI.
9. SHK BVI was a wholly-owned subsidiary of the Company and therefore was an associated corporation of the Company as defined under the SFO.
10. (a) These represented the interests held by Mr. Lee in the 5.75% Guaranteed Notes due November 2024 issued by SHK BVI.
    (b) These represented the interests held by Mr. Lee in the 5.00% Guaranteed Notes due September 2026 issued by SHK BVI.
11. 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.
12. This referred to redeemable, non-voting participating class A shares in the issued share capital of SHK Latitude Alpha Feeder Fund.
13. 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.

All interests stated above represented long positions. As at 31 December 2023, 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 2023, 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 C3 (former 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 a 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 director 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 Share Award Scheme shall terminate on the earlier of (a) the eightieth 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 64 years as at 31st December 2023, 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 2022 and 2023 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 2022	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 2023
Director										
Brendan James McGraw *(Note)*	20/4/2023	HK$3.1	HK$1,581,000	20/4/2024-20/4/2026	510,000	327,000	109,000	HK$3.195	0	728,000
5 highest paid individuals during the financial year (in aggregate, excluding Directors)	20/4/2023	HK$3.1	HK$1,218,300	20/4/2024-20/4/2026	393,000	1,216,000	482,000	HK$3.195	0	1,127,000
Other employees (in aggregate)	20/11/2022	HK$2.85	HK$162,450	20/4/2023-20/4/2025	57,000					
	20/4/2023	HK$3.1	HK$2,129,700	20/4/2024-20/4/2026	687,000	4,073,000	1,995,000	HK$3.195	980,000	3,081,000
	1/12/2023	HK$2.2	HK$2,725,800	1/12/2024-1/12/2026	1,239,000					
Total			**HK$7,817,250**		**2,886,000**	**5,616,000**	**2,586,000**		**980,000**	**4,936,000**

Note: Mr. Brendan James McGraw was appointed as an Executive Director of the Company on 1 July 2023.

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 2023, 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)*	1,444,479,575	73.50%
Lee and Lee Trust	Interests of controlled corporation *(Note 2)*	1,444,479,575	73.50%
Lee Su Hwei	Interests of controlled corporation and interests of spouse *(Note 3)*	1,464,539,575	74.52%

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) 20,060,000 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 2023, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 31 December 2023, 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 23 December 2022 and in the annual report for 2022 of the Company, an agreement in respect of the renewal of a then expiring sharing of management services agreement was entered into between the Company and AGL on 23 December 2022 (the "2023 Sharing of Management Services Agreement"), 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 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 2023 to 31 December 2025 and the relevant annual caps 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 total amount paid to AGL under the 2023 Sharing of Management Services Agreement for the year ended 31 December 2023 was HK$14.6 million, which was within the annual cap of HK$33.9 million as set for such financial year.

(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, 2021 and 2022 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.

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 Previous License Agreement (as defined in section 2.3 below) and the 2022 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 Previous License Agreement and the 2022 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 2023 were HK$nil and HK$5.34 million respectively, which were within the revised annual caps of HK$6.85 million in respect of rental payments and HK$8.15 million in respect of the management fees as set for such financial year.

As disclosed in the announcement of the Company dated 30 January 2023 and the annual report for 2022, on 30 January 2023, 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") 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 reports for 2021 and 2022 of the Company, United Asia Finance Limited ("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.

As disclosed in the announcement of the Company dated 30 January 2023 and the annual report for 2022, on 30 January 2023, the Company entered into the 2023 Master Lease Agreement (as disclosed in section 2.4 below) with AGL which sets out a framework of the terms on which any member of the Group may renew the Sub-tenancy Agreement and the 2022 License Agreement (as defined in section 2.3 below) or enter into new leases, subleases 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 during the period from 1 February 2023 to 31 December 2025. The annual caps for each of the financial years during the term of the 2023 Master Lease Agreement are set out in section 2.4 below.

The total amount of the management fees paid to AGL under the Sub-tenancy Agreement for the year ended 31 December 2023 was aggregated and included in the annual caps of 2023 Master Lease Agreement.

2.3 2022 License Agreement

As disclosed in the announcement of the Company dated 31 March 2022 and the annual report for 2022, UAF and Jaffe Development Limited ("Jaffe", an indirect wholly-owned subsidiary of AGL) entered into a license agreement (the "2022 License Agreement") on 31 March 2022 to renew the license agreement expired on 31 March 2022 ("Previous License Agreement") for a term of three years commencing on 1 April 2022 and expiring on 31 March 2025, 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. Pursuant to the 2022 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 2022 License Agreement will be recognised as right-of-use assets on the consolidated statement of financial position of the Group. Such acquisition of right-of-use assets constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The management fees, electricity charges and other utilities expenses payable under the 2022 License Agreement will continue to be recognised as expenses in the consolidated statement of profit or loss of the Group and the payment of such expenses are regarded as a continuing connected transaction of the Company. The annual caps for the management fees, electricity charges and other utilities expenses payable under the 2022 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 2022 License Agreement, the transactions contemplated under the 2022 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 Previous License Agreement for the Listing Rules purposes. The aggregated annual caps with respect to the transactions contemplated under the 2022 License Agreement, the 2021 Master Lease Agreement as amended by the 2021 Supplemental Master Lease Agreement, the Sub-tenancy Agreement and the Previous 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 2022 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.

As disclosed in the announcement of the Company dated 30 January 2023 and the annual report for 2022, on 30 January 2023, the Company entered into the 2023 Master Lease Agreement (as disclosed in section 2.4 below) with AGL which sets out a framework of the terms on which any member of the Group may renew the Sub-tenancy Agreement and the 2022 License Agreement or enter into new leases, subleases 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 during the period from 1 February 2023 to 31 December 2025. The annual caps for each of the financial years during the term of the 2023 Master Lease Agreement are set out in section 2.4 below.

The total amount of the license fees paid to Jaffe under the 2022 License Agreement for the year ended 31 December 2023 was aggregated and included in the annual caps of 2023 Master Lease Agreement.

2.4 2023 Master Lease Agreement

As disclosed in the announcement of the Company dated 30 January 2023 and the annual report for 2022, on 30 January 2023, the Company entered into a master lease agreement (the "2023 Master Lease Agreement") with AGL which sets out a framework of the terms on which any member of the Group may renew the Sub-tenancy Agreement and the 2022 License Agreement or enter into new leases, subleases 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. The annual caps with respect of the Sub-tenancy Agreement and the 2022 License Agreement have been incorporated to form part of the said annual caps of the 2023 Master Lease Agreement.

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 2022 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.

The total amount of rental payment and management fees paid to AGL under the 2023 Master Lease Agreement for the year ended 31 December 2023 were HK$12.93 million and HK$1.69 million respectively, which was within the annual caps of HK$22.52 million in respect of the rental payment and HK$2.59 million in respect of management fees as set for such financial year.

(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 which may constitute connected transactions 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 which may constitute connected transactions under the Discretionary Investment Management Agreement for the financial year ended 31 December 2023 was HK$nil and the Fees received by SHKCP for the financial year ended 31 December 2023 was HK$0.53 million, which were within the annual caps of HK$215.88 million and HK$20 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 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 2022 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 2023 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.

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 2023, save for the 2023 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 2023 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 37 to the consolidated financial statements under the heading of "Related Party Transactions".

Bank and Other Borrowings

Particulars of bank 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 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, Asiasec and CMHG 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 businesses 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;
– Asiasec, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment; and
– CMHG, through certain of its subsidiaries, is partly engaged in the businesses of money lending, property investment and trading and investment in listed securities.

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 2023, the Company repurchased a total of 2,203,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$5,897,190. 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 per Share Highest	Lowest	Aggregate consideration (before expenses)
		(HK$)	*(HK$)*	*(HK$)*
January	240,000	3.29	2.98	760,700
February	–	–	–	–
March	106,000	2.99	2.97	316,670
April	240,000	2.99	2.89	702,140
May	184,000	2.89	2.82	527,780
June	–	–	–	–
July	–	–	–	–
August	156,000	2.86	2.74	435,460
September	395,000	2.76	2.66	1,069,750
October	155,000	2.67	2.61	408,300
November	635,000	2.45	2.17	1,472,300
December	92,000	2.24	2.15	204,090
	2,203,000			5,897,190

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

2024 Notes and 2026 Notes

During the year ended 31 December 2023, the Group has repurchased an aggregate principal amount of US$24,635,000 of the 2024 Notes and an aggregate principal amount of US$34,886,000 of the 2026 Notes. All the repurchased Notes were cancelled.

For more details of the issued capital of the subsidiaries and its repurchase, 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 2023.

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, 21 March 2024

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 138 to 218, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

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 2023, 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 judgement, 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 judgements and estimates made by management, in particular, judgements arising from the involvement of significant unobservable inputs in their valuations given the lack of availability of observable market-based data. At 31 December 2023, HK$2,193.9 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$2,185.4 million), out of a total of HK$9,322.9 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 and ordinary shares issued by unlisted companies, loans receivable, unlisted overseas equity securities with a put right, unlisted notes, unlisted overseas investment funds and other investments at fair value with carrying amounts at 31 December 2023 of HK$794.0 million, HK$723.0 million, HK$398.3 million, HK$192.5 million, HK$69.6 million and HK$8.0 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 judgements and estimation uncertainty. As disclosed in notes 30, 32 and 47 to the consolidated financial statements, the Group has loans and advances to consumer finance customers of HK$10,627.2 million, after recognising an impairment allowance of HK$569.8 million and term loans of HK$207.9 million, after recognising an impairment allowance of HK$523.6 million, as at 31 December 2023. 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 assessing against the requirements of Hong Kong Financial Reporting Standard ("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; – Evaluating the appropriateness of inputs and assumptions applied and 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 47 to the consolidated financial statements. For loans to consumer finance customers which are collectively assessed: – 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 judgements 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 judgement 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

21 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

(HK$ Million)	Notes	2023	2022
Interest income		**3,764.4**	3,932.0
Other revenue	5	**152.2**	122.1
Other gains	7	**81.8**	99.5
Total income		**3,998.4**	4,153.6
Brokerage and commission expenses		**(126.8)**	(160.1)
Advertising and promotion expenses		**(145.5)**	(134.3)
Direct costs and operating expenses		**(79.4)**	(109.3)
Administrative expenses	11	**(1,116.1)**	(1,159.6)
Net loss on financial assets and liabilities at fair value through profit or loss	12	**(478.4)**	(1,643.8)
Net exchange loss		**(2.8)**	(101.4)
Net impairment losses on financial assets	13	**(763.1)**	(757.8)
Finance costs	14	**(999.2)**	(914.2)
Other losses	11	**(97.4)**	(37.7)
		189.7	(864.6)
Share of results of associates		**28.3**	(11.0)
Share of results of joint ventures		**(141.4)**	(16.7)
Profit (loss) before taxation	11	**76.6**	(892.3)
Taxation	15	**(277.9)**	(284.6)
Loss for the year		**(201.3)**	(1,176.9)
(Loss) profit attributable to:			
– Owners of the Company		**(471.4)**	(1,534.8)
– Non-controlling interests	24	**270.1**	357.9
		(201.3)	(1,176.9)
Loss per share	17		
– Basic (HK cents)		**(24.1)**	(78.2)
– Diluted (HK cents)		**(24.0)**	(78.1)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

(HK$ Million)	2023	2022
Loss for the year	**(201.3)**	(1,176.9)
Other comprehensive (expenses) income:		
Items that will not be reclassified to profit or loss		
Fair value loss on investments in equity instruments at fair value through other comprehensive income, net of tax	**(53.2)**	(221.5)
Revaluation gain on investment properties transferred from owned properties	**19.1**	–
	(34.1)	(221.5)
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translating foreign operations	**(86.3)**	(507.5)
Reclassification adjustment to profit or loss on liquidation of subsidiaries	**–**	11.6
Share of other comprehensive income (expenses) of associates	**6.7**	(14.3)
Share of other comprehensive expenses of joint ventures	**(3.3)**	(39.7)
	(82.9)	(549.9)
Other comprehensive expenses for the year, net of tax	**(117.0)**	(771.4)
Total comprehensive expenses for the year	**(318.3)**	(1,948.3)
Total comprehensive (expenses) income attributable to:		
– Owners of the Company	**(569.0)**	(2,104.0)
– Non-controlling interests	**250.7**	155.7
	(318.3)	(1,948.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

(HK$ Million)	Notes	31/12/2023	31/12/2022
Non-current Assets			
Investment properties	18	**1,197.7**	1,217.1
Property and equipment	19	**402.1**	471.2
Right-of-use assets	20	**272.8**	323.1
Intangible assets	21	**910.8**	911.6
Goodwill	22	**2,384.0**	2,384.0
Interest in associates	25	**216.4**	176.6
Interest in joint ventures	26	**4.7**	355.4
Financial assets at fair value through other comprehensive income	27	**192.3**	246.1
Financial assets at fair value through profit or loss	27	**9,470.9**	10,323.2
Deferred tax assets	28	**337.6**	453.4
Amounts due from associates	29	**64.9**	239.1
Loans and advances to consumer finance customers	30	**3,709.0**	3,797.3
Mortgage loans	31	**758.1**	1,273.0
Term loans	32	**40.0**	42.7
Prepayments, deposits and other receivables	33	**29.9**	45.0
		19,991.2	22,258.8
Current Assets			
Financial assets at fair value through profit or loss	27	**4,363.8**	4,115.1
Taxation recoverable		**17.2**	16.8
Amounts due from associates	29	**153.2**	2.6
Loans and advances to consumer finance customers	30	**6,918.2**	7,228.6
Mortgage loans	31	**1,710.6**	1,790.9
Term loans	32	**167.9**	294.8
Prepayments, deposits and other receivables	33	**280.7**	197.5
Amounts due from brokers		**574.0**	1,125.7
Bank deposits	34	**230.6**	156.5
Cash and cash equivalents	34	**6,462.1**	5,727.4
		20,878.3	20,655.9

(HK$ Million)	Notes	31/12/2023	31/12/2022
Current Liabilities			
Financial liabilities at fair value through profit or loss	27	**256.0**	407.4
Bank and other borrowings	35	**5,495.4**	5,510.0
Creditors and accruals	36	**467.4**	464.7
Amounts due to brokers		**77.4**	79.6
Amount due to a holding company	37	**1.8**	1.8
Provisions	38	**52.0**	48.8
Taxation payable		**125.4**	93.5
Other liabilities	39	**27.0**	38.7
Lease liabilities	40	**84.2**	118.6
Notes payable	41	**2,859.8**	86.8
		9,446.4	6,849.9
Net Current Assets		**11,431.9**	13,806.0
Total Assets less Current Liabilities		**31,423.1**	36,064.8
Capital and Reserves			
Share capital	42	**8,752.3**	8,752.3
Reserves		**12,515.7**	13,605.8
Equity attributable to owners of the Company		**21,268.0**	22,358.1
Non-controlling interests	24	**3,127.6**	3,198.0
Total Equity		**24,395.6**	25,556.1
Non-current Liabilities			
Financial liabilities at fair value through profit or loss	27	**111.6**	99.6
Deferred tax liabilities	28	**138.1**	134.6
Bank and other borrowings	35	**3,546.5**	3,475.2
Provisions	38	**1.4**	0.5
Other liabilities	39	**36.9**	13.2
Lease liabilities	40	**189.6**	207.6
Notes payable	41	**3,003.4**	6,578.0
		7,027.5	10,508.7
		31,423.1	36,064.8

The consolidated financial statements on pages 138 to 218 were approved and authorised for issue by the Board of Directors on 21 March 2024 and are signed on its behalf by:

Lee Seng Huang
Director

Brendan James McGraw
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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 2023	**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**
(Loss) profit for the year	–	–	–	–	–	–	(471.4)	(471.4)	270.1	(201.3)
Other comprehensive expenses for the year (Note 43)	–	–	–	(56.6)	(41.0)	–	–	(97.6)	(19.4)	(117.0)
Total comprehensive (expenses) income for the year	–	–	–	(56.6)	(41.0)	–	(471.4)	(569.0)	250.7	(318.3)
Recognition of equity-settled share-based payments	–	–	5.5	–	–	–	–	5.5	–	5.5
Purchase of shares for the SHK Employee Ownership Scheme	–	(4.0)	–	–	–	–	–	(4.0)	–	(4.0)
Vesting of shares of the SHK Employee Ownership Scheme	–	10.3	(10.3)	–	–	–	–	–	–	–
Disposal of investment properties	–	–	–	–	(11.4)	–	11.4	–	–	–
Interim dividends paid (Note 16)	–	–	–	–	–	–	(511.4)	(511.4)	–	(511.4)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(321.1)	(321.1)
Shares repurchased and cancelled	–	–	–	–	–	–	(5.9)	(5.9)	–	(5.9)
Disposal of investments in equity investments at fair value through other comprehensive income	–	–	–	–	2.2	–	(2.2)	–	–	–
Transfer retained earnings to capital reserve	–	–	–	–	–	5.2	(5.2)	–	–	–
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	(5.3)	(5.3)	–	(5.3)
At 31 December 2023	**8,752.3**	**(30.2)**	**9.3**	**(383.6)**	**(20.3)**	**109.4**	**12,831.1**	**21,268.0**	**3,127.6**	**24,395.6**

	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 43)	–	–	–	(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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(HK$ Million)	2023	2022
Operating activities		
Loss for the year	**(201.3)**	(1,176.9)
Adjustments for:		
– Share of results of associates	**(28.3)**	11.0
– Share of results of joint ventures	**141.4**	16.7
– Taxation	**277.9**	284.6
– Dividend income	**(53.5)**	(41.9)
– Interest income	**(3,764.4)**	(3,932.0)
– Decrease in fair value of investment properties	**68.2**	34.3
– Expenses recognised for the SHK Employee Ownership Scheme	**5.5**	11.9
– Amortisation of intangible assets	**5.2**	3.1
– Depreciation of property and equipment	**59.7**	45.0
– Depreciation of right-of-use assets	**135.8**	130.7
– Net loss on disposal/write-off of equipment	**4.5**	0.6
– Net loss on disposal of intangible assets	**0.3**	1.5
– Net impairment losses on financial assets	**998.2**	982.7
– Impairment losses on a joint venture	**23.2**	–
– Interest expenses	**959.5**	867.3
– Interest of lease liabilities	**13.8**	14.3
– Changes in net assets attributable to other holders of consolidated structured entities	**1.1**	(2.8)
– Net loss on financial assets and liabilities at fair value through profit or loss	**478.4**	1,643.8
– Gain on repurchase of notes	**(38.9)**	(46.3)
– Exchange differences	**(6.8)**	102.7
Operating cash flows before movements in working capital	**(920.5)**	(1,049.7)
Change in financial assets at fair value through profit or loss	**(662.7)**	2,186.0
Change in amounts due from associates	**29.5**	19.4
Change in loans and advances to consumer finance customers	**(531.8)**	(200.9)
Change in mortgage loans	**536.3**	406.5
Change in term loans	**99.3**	370.7
Change in prepayments, deposits and other receivables	**(66.6)**	185.2
Change in amounts due from brokers	**551.7**	(782.9)
Change in receivable from reverse repurchase agreement	**–**	169.3
Change in financial liabilities at fair value through profit or loss	**(139.4)**	73.1
Change in creditors and accruals	**2.7**	(340.1)
Change in amounts due to brokers	**(2.2)**	79.6
Change in amount due from a holding company	**–**	0.1
Change in amount due to a holding company	**–**	1.8
Change in provisions	**0.2**	–
Cash (used in) from operations	**(1,103.5)**	1,118.1
Dividends received from equity investments	**53.5**	41.9
Interest received	**3,749.8**	3,927.2
Interest paid	**(914.5)**	(834.6)
Taxation paid	**(137.4)**	(267.1)
Net cash from operating activities	**1,647.9**	3,985.5

(HK$ Million)	2023	2022
Investing activities		
Purchase of property and equipment	**(47.6)**	(49.7)
Proceeds of disposal of equipment	**3.1**	0.3
Proceeds of disposal of investment properties	**44.8**	–
Deposit paid for purchase of property and equipment	**(6.9)**	(8.3)
Prepaid rental for right-of-use assets	**(6.3)**	(3.5)
Purchase of intangible assets	**(3.7)**	(8.7)
Proceeds of disposal of intangible assets	**1.2**	3.8
Dividends received from associates	**0.2**	0.2
Dividends received from a joint venture	**182.9**	–
Capital contribution to an associate	**(5.0)**	–
Purchase of long-term financial assets at fair value through profit or loss	**(797.7)**	(2,332.0)
Proceeds on disposal of long-term financial assets at fair value through profit or loss	**1,582.5**	2,304.8
Placement of fixed deposits with banks	**(210.1)**	(78.1)
Withdrawal of fixed deposits with banks	**133.7**	50.0
Net cash from (used in) investing activities	**871.1**	(121.2)
Financing activities		
Bank and other borrowings repaid	**(17,469.4)**	(15,320.6)
Bank and other borrowings raised	**17,492.3**	16,004.7
Payment of loan arrangement fee	**(48.7)**	(87.0)
Proceeds from issue of notes	**–**	797.2
Repurchase of notes	**(425.9)**	(420.8)
Repayment of notes	**(340.0)**	(3,592.5)
Purchase of shares for the SHK Employee Ownership Scheme	**(4.0)**	(4.1)
Lease payments	**(122.3)**	(117.0)
Shares repurchased and cancelled	**(5.9)**	(18.3)
Dividends paid	**(511.4)**	(591.8)
Dividends to non-controlling interests	**(321.1)**	(421.7)
Contribution from third-party interests in consolidated structured entities	**36.3**	10.6
Distribution to third-party interests in consolidated structured entities	**(22.2)**	(8.6)
Acquisition of additional interests in a subsidiary	**(5.3)**	(10.9)
Net cash used in financing activities	**(1,747.6)**	(3,780.8)
Net change in cash and cash equivalents	**771.4**	83.5
Cash and cash equivalents at 1 January	**5,727.4**	5,864.7
Effect of foreign exchange rate changes	**(36.7)**	(220.8)
Cash and cash equivalents at the end of the year (Note 34)	**6,462.1**	5,727.4

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") and Changes in Other Accounting Policies

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to Hong Kong Accounting Standard ("HKAS") 12 Income Taxes International Tax Reform – Pillar Two model Rules

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

The Group has in respect of an entity incorporated in the United Kingdom ("UK") applied the exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date Pillar Two legislation is enacted or substantially enacted. The Pillar Two income taxes legislation was enacted in the UK in July 2023 but not yet in effect in current year and the impact that it would have had on the Group's results if it had been in effect for current year is considered to be immaterial, as disclosed in note 15. The Group is yet to apply the temporary exception for other entities during the current year because they are operating in jurisdictions other than the UK in which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of consolidated financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Changes in Other Accounting Policies *(Continued)*

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

As disclosed in note 10(a), the Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap. 57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

This change in accounting policy 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.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[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)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Changes in Other Accounting Policies *(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")

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*.

- 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 2023, the Group's right to defer settlement for bank borrowings of HK$3,484.4 million are subject to compliance with certain financial ratios after the reporting period. Such bank borrowings were classified as non-current as the Group met such ratios at 31 December 2023. 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.

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 2023.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information

(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.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(Continued)*

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

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

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

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.

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

(c) Business combinations

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.

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.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(Continued)*

(c) Business combinations *(Continued)*

Business combinations *(Continued)*

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

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

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

(d) Goodwill

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. 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).

(e) Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence.

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.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. 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.

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 Material Accounting Policy Information *(Continued)*

(f) Investment properties

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

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

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

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

(g) Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated at cost in the consolidated statement of financial position, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation commences when the assets are ready for their intended use.

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

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

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

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

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

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.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(Continued)*

(h) Leases *(Continued)*

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(Continued)*

(h) Leases *(Continued)*

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.

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

(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 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.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(Continued)*

(j) Financial instruments *(Continued)*

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.

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 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.

(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 loss on financial assets and liabilities at fair value through profit or loss" line item.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets *(Continued)*

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 and other items (loan commitments) 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 applies the rebuttable presumption that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Group has rebutted this presumption for term loans as it has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

For loan commitments, 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.

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

(ii) Definition of default

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(Continued)*

(j) Financial instruments *(Continued)*

(ii) Definition of default (Continued)

Irrespective of the above, the Group presumes that default has occurred when a financial asset is more than 90 days past due, except for term loans, where the Group has rebutted this presumption as it has reasonable and 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 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 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.

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

- past-due status; and
- nature and size of debtors.

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

Except for loan commitments, 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, the loss allowances are recognised as provisions.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(Continued)*

(j) Financial instruments *(Continued)*

(vi) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the "Net exchange loss" line item as part of the net foreign exchange losses;
- For financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the "Net loss on financial assets and liabilities at fair value through profit or loss" line item as part of the gain/(loss) from changes in fair value of financial assets;
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value through other comprehensive income/revaluation reserve.

(vii) 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.

(viii) 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.

(ix) 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. 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 Material Accounting Policy Information *(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.

(ii) Financial liabilities at amortised cost

Financial liabilities including bank and other borrowings, creditors, amounts due to brokers, amounts due to related companies and notes payable are subsequently measured at amortised cost, using the effective interest method.

(iii) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Net exchange loss" line item in profit or loss as part of net foreign exchange gains/(losses) for financial liabilities.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities.

(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 Material Accounting Policy Information *(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.

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).

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(Continued)*

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

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

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use.

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. An impairment loss is recognised immediately in profit or loss.

(r) Taxation

Income tax expenses represents the sum of current and deferred income tax expense.

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.

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.

(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.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(Continued)*

(s) Foreign currencies *(Continued)*

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period.

(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.

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.

For LSP obligation, the Group accounts for the employer MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measured on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

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 reflect the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(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.

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 judgements 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 recent interest rate hike and geopolitical uncertainty 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 recent interest rate hike, geopolitical uncertainty 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 2023, the directors of the Company concluded that the Group had control over two (2022: 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 2023, 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 2023 of HK$661.5 million, HK$398.3 million and HK$7,198.6 million, respectively are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement 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 47(b) to the consolidated financial statements. The information about the ECL in relation to 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 47(b) to the consolidated financial statements. The information about the ECL and the Group's loans and advances to consumer finance customers are disclosed in Note 30 to the consolidated financial statements.

5. Other Revenue

(HK$ Million)	**2023**	2022
Service and commission income	**51.7**	30.2
Dividends from listed investments	**39.9**	35.2
Dividends from unlisted investments	**13.6**	6.7
Gross rental income from investment properties	**24.5**	26.6
Management fee income	**11.4**	7.3
Revenue sharing from funds	**11.1**	14.9
Referral fee	**–**	1.2
	152.2	122.1

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

Term loans were previously presented under "Private Credit" segment, which are now reclassified to "Investment Management" segment. The directors of the Company consider that this change to segment reporting is in line with the changes of internal reporting reviewed by the chief operating decision maker in 2023. The comparative 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)*

	2023						
	Credit Business						
(HK$ Million)	Consumer Finance	Private Credit	Mortgage Loans	Investment Management	Funds Management	Group Management and Support	Total
Segment revenue	3,231.8	–	286.6	198.6	37.2	282.1	4,036.3
Less: inter-segment revenue	–	–	–	–	–	(119.7)	(119.7)
Segment revenue from external customers	3,231.8	–	286.6	198.6	37.2	162.4	3,916.6
Segment profit or loss	979.5	(23.2)	65.7	(1,313.9)	16.8	464.8	189.7
Share of results of associates	–	–	–	28.3	–	–	28.3
Share of results of joint ventures	–	(135.7)	–	(5.7)	–	–	(141.4)
Profit (loss) before taxation	979.5	(158.9)	65.7	(1,291.3)	16.8	464.8	76.6
Included in segment profit or loss:							
Interest income	3,176.0	–	286.4	124.6	0.9	176.5	3,764.4
Other gains	18.2	–	0.3	2.9	15.7	44.7	81.8
Net loss on financial assets and liabilities at fair value through profit or loss	(0.5)	–	–	(454.9)	(6.9)	(16.1)	(478.4)
Net exchange (loss) gain	(8.5)	–	–	5.8	(0.1)	–	(2.8)
Net (recognition) reversal of impairment losses on financial assets	(675.7)	–	(57.5)	(30.1)	–	0.2	(763.1)
Other losses	(5.6)	(23.2)	–	(66.3)	–	(2.3)	(97.4)
Amortisation and depreciation	(138.0)	–	(5.8)	(0.6)	(0.5)	(55.8)	(200.7)
Finance costs	(504.7)	–	(105.6)	(30.3)	(0.1)	(418.5)	(1,059.2)
Less: inter-segment finance costs	–	–	36.7	23.3	–	–	60.0
Finance costs to external suppliers	(504.7)	–	(68.9)	(7.0)	(0.1)	(418.5)	(999.2)
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)*

	2022						
	Credit Business						
(HK$ Million)	Consumer Finance	Private Credit**	Mortgage Loans	Investment Management**	Funds Management	Group Management and Support	Total
Segment revenue	3,499.3	–	283.2	198.4	29.3	152.5	4,162.7
Less: inter-segment revenue	–	–	–	–	–	(108.6)	(108.6)
Segment revenue from external customers	3,499.3	–	283.2	198.4	29.3	43.9	4,054.1
Segment profit or loss	1,197.1	–	122.3	(2,420.8)	(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	(23.5)	122.3	(2,425.0)	(22.9)	259.7	(892.3)
Included in segment profit or loss:							
Interest income	3,466.7	–	283.2	131.0	0.1	51.0	3,932.0
Other gains	28.5	–	1.9	4.2	5.5	59.4	99.5
Net loss on financial assets and liabilities at fair value through profit or loss	–	–	–	(1,683.7)	(18.8)	58.7	(1,643.8)
Net exchange (loss) gain	(42.7)	–	–	(9.0)	0.5	(50.2)	(101.4)
Net (recognition) reversal of impairment losses on financial assets	(702.3)	–	9.1	(64.6)	–	–	(757.8)
Other losses	(2.2)	–	–	(35.5)	–	–	(37.7)
Amortisation and depreciation	(122.3)	–	(5.5)	(0.3)	(0.3)	(50.4)	(178.8)
Finance costs	(347.3)	–	(100.9)	(37.2)	(0.1)	(512.3)	(997.8)
Less: inter-segment finance costs	–	–	47.9	35.7	–	–	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.

** The comparative figures for Private Credit and Investment Management segment were re-presented to align with the changes to segment reporting adopted in the 2023 annual report.

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

(HK$ Million)	**2023**	2022
Revenue from external customers by location of operations		
– Hong Kong	**3,630.7**	3,222.9
– PRC	**285.9**	831.2
	3,916.6	4,054.1

(HK$ Million)	**31/12/2023**	31/12/2022
Non-current assets other than interests in associates and joint ventures, financial assets and deferred tax assets by location of assets		
– Hong Kong	**4,759.6**	4,858.2
– PRC	**416.8**	448.8
	5,176.4	5,307.0

7. Other Gains

(HK$ Million)	**2023**	2022
Gain on repurchase of notes payable (note 41)	**38.9**	46.3
Income from assignment of revenue sharing rights	**15.7**	–
Change in net assets attributable to other holders of consolidated structured entities	**–**	4.1
Government grants on Employment Support Scheme	**–**	16.7
Miscellaneous income	**27.2**	32.4
	81.8	99.5

8. Emoluments of Directors and Senior Employees

(a) Directors

	2023				
(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)	–	15.24	–	0.39	15.63
Brendan James McGraw[1,3,4,5]	–	1.50	0.72	0.07	2.29
Non-Executive Directors					
Peter Anthony Curry	0.31	–	–	–	0.31
Simon Chow Wing Charn[2]	0.16	1.61	–	–	1.77
Independent Non-Executive Directors					
Evan Au Yang Chi Chun	0.31	–	–	–	0.31
David Craig Bartlett	0.31	–	–	–	0.31
Alan Stephen Jones	0.39	–	–	–	0.39
Vivian Alexa Kao	0.31	–	–	–	0.31
Jacqueline Alee Leung	0.31	–	–	–	0.31
Wayne Robert Porritt	0.31	–	–	–	0.31
	2.41	18.35	0.72	0.46	21.94

1 Mr. Brendan James McGraw was appointed as Executive Director of the Company on 1 July 2023.

2 Mr. Simon Chow Wing Charn was re-designated as Non-Executive Director of the Company on 1 July 2023.

3 The amount represents a prorated actual cash bonus of HK$0.72 million for the year 2023.

4 For the year 2023, total cash remuneration to the director was HK$4.59 million, a portion of the emolument will be allocated as remuneration for key management personnel.

5 In March 2024, Awarded Shares with fair value at grant date of HK$1.43 million under the SHK Employee Ownership Scheme is approved to be granted to the director in relation to his performance in 2023.

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)*

	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[3]	0.39	16.27
Simon Chow Wing Charn[1,2]	–	3.00	0.50[3]	–	3.50
Non-Executive Director					
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.

2 Mr. Simon Chow Wing Charn was re-designated as Non-Executive Director of the Company on 1 July 2023.

3 The amount represents an actual cash bonus of HK$0.50 million for the year 2022.

(b) Highest paid individuals

The five highest paid individuals of the Group include two directors (2022: one director) of the Company. The emoluments of the remaining three (2022: four) highest paid individuals are analysed below:

(HK$ Million)	**2023**	2022
Salaries, housing and other allowances, and benefits in kind	**12.5**	20.6
Bonuses	**6.2**	19.2
Contributions to retirement benefit scheme	**1.1**	1.7
	19.8	41.5

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

	Number of employees	
Emoluments band (HK$)	**2023**	2022
$4,000,001 – $4,500,000	**1**	–
$4,500,001 – $5,000,000	**–**	2
$6,500,001 – $7,000,000	**–**	1
$7,000,001 – $7,500,000	**1**	–
$8,000,001 – $8,500,000	**1**	–
$25,000,001 – $25,500,000	**–**	1

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

(c) Senior Management

The emoluments of senior management (as described in Profiles of Directors and Senior Management section) were within the following bands:

	Number of employees	
Emoluments band (HK$)	**2023**	2022
$1 – $500,000	**1**	–
$1,500,001 – $2,000,000	**–**	1
$2,000,001 – $2,500,000	**1**	–
$3,000,001 – $4,000,000	**1**	–
$4,500,001 – $5,000,000	**–**	2
$25,000,001 – $25,500,000	**–**	1

591,000 shares (2022: 1,021,000 shares) were vested and 903,000 shares (2022: 1,353,000 shares) were granted for our senior management during year 2023. Dividend of HK$0.3 million were paid to senior management during the year (2022: HK$0.4 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$46.4 million (2022: HK$56.7 million). The amount of forfeited contributions utilised in the course of the year ended 31 December 2023 was HK$0.28 million (2022: HK$0.87 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, 2.9 million shares (2022: 3.1 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$7.8 million (2022: HK$11.6 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$5.5 million (2022: HK$11.9 million).

11. Profit (loss) Before Taxation

(HK$ Million)	2023	2022
Profit (loss) before taxation for the year has been arrived at after (charging) crediting:		
Administrative expenses (Note a)	**(1,116.1)**	(1,159.6)
Outgoings in respect of rental-generating investment properties	**–**	(0.5)
Other losses (Note b)	**(97.4)**	(37.7)
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)	**(573.9)**	(557.2)
Contributions to retirement benefit schemes	**(46.4)**	(56.7)
Expenses recognised for the SHK Employee Ownership Scheme	**(5.5)**	(11.9)
Total staff costs	**(625.8)**	(625.8)
Auditors' remuneration*		
Current year	**(7.1)**	(7.9)
Over-provision in prior years	**–**	2.2
Depreciation of property and equipment	**(59.7)**	(45.0)
Depreciation of right-of-use assets	**(135.8)**	(130.7)
Amortisation of intangible assets – computer software	**(5.2)**	(3.1)
Payments for short-term leases and leases of low-value assets	**(1.7)**	(6.3)
Other administrative expenses	**(280.8)**	(343.0)
	(1,116.1)	(1,159.6)
(b) Analysis of other losses:		
Net loss on disposal/write-off of equipment	**(4.5)**	(0.6)
Net loss on disposal/write-off of intangible assets	**(0.3)**	(1.5)
Net loss on disposal/write-off of a subsidiary	**(0.1)**	–
Change in net assets attributable to other holders of consolidated structured entities	**(1.1)**	(1.3)
Impairment loss on a joint venture	**(23.2)**	–
Decrease in fair value of investment properties	**(68.2)**	(34.3)
	(97.4)	(37.7)

* The auditors' remuneration includes HK$6.3 million to Deloitte and HK$0.8 million to other professional firms. The amount paid to Deloitte in 2023 is disclosed in the Corporate Governance Report.

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

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

(HK$ Million)	2023	2022
Net realised and unrealised (loss) gain on financial assets and liabilities		
– Held for trading	**(420.7)**	208.9
– At fair value through profit or loss (except held for trading)	**(57.7)**	(1,852.7)
	(478.4)	(1,643.8)

13. Net Impairment Losses on Financial Assets

(HK$ Million)	2023	2022
Loans and advances to consumer finance customers		
– Net impairment losses	**(911.7)**	(928.0)
– Recoveries of amounts previously written off	**235.1**	224.9
	(676.6)	(703.1)
Mortgage loans		
– Net (recognition) reversal of impairment losses	**(57.5)**	9.1
	(57.5)	9.1
Term loans		
– Net impairment losses	**(30.3)**	(69.9)
	(30.3)	(69.9)
Amounts due from associates		
– Net reversal of impairment losses	**0.4**	6.9
	0.4	6.9
Deposits and other receivables		
– Net reversal (recognition) of impairment losses	**0.9**	(0.8)
	0.9	(0.8)
	(763.1)	(757.8)

14. Finance Costs

(HK$ Million)	2023	2022
Interest on the following liabilities		
– Bank loans	**(606.2)**	(383.6)
– Notes payable	**(353.3)**	(483.7)
	(959.5)	(867.3)
Other borrowing costs	**(25.9)**	(32.6)
Interest on lease liabilities	**(13.8)**	(14.3)
	(999.2)	(914.2)

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

15. Taxation

(HK$ Million)	2023	2022
Current tax		
– Hong Kong	**(173.5)**	(217.8)
– PRC	**(6.1)**	(1.5)
– Other jurisdictions	**(2.3)**	(1.3)
	(181.9)	(220.6)
Over provision in prior years	**12.8**	7.3
	(169.1)	(213.3)
Deferred tax	**(108.8)**	(71.3)
	(277.9)	(284.6)

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% (2022: 25%).

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

The Group has applied the temporary exception issued by the HKICPA in July 2023 from the accounting requirements for deferred taxes in HKAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

On 11 July 2023, the government of United Kingdom, where one of the group entities is incorporated, enacted the Pillar Two income taxes legislation. Under the legislation, the Company will be required to pay, in UK, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15 per cent with effect from accounting periods beginning on or after 31 December 2023. The actual impact that the Pillar Two income taxes legislation enacted in UK would have had on the Group's results if it had been in effect for the year ended 31 December 2023 is immaterial. The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

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

(HK$ Million)	2023	2022
Profit (loss) before taxation	**76.6**	(892.3)
Less: Share of results of associates	**(28.3)**	11.0
Share of results of joint ventures	**141.4**	16.7
	189.7	(864.6)
Tax at the Hong Kong profits tax rate of 16.5% (2022: 16.5%)	**(31.3)**	142.6
Over provision in prior years	**12.8**	7.3
Tax effect of non-taxable income	**57.0**	56.5
Tax effect of non-deductible expenses	**(120.3)**	(123.0)
Tax effect of unrecognised deductible temporary difference and tax losses	**(86.4)**	(339.5)
Reversal of estimated tax losses and deductible temporary difference previously recognised (Note)	**(96.9)**	(17.0)
Countries subject to different tax rates	**(12.8)**	(11.5)
	(277.9)	(284.6)

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 (2022: immaterial).

16. Dividends

(HK$ Million)	2023	2022
The aggregate amount of dividends declared and proposed:		
– 2023 interim dividend paid of HK12 cents (2022: HK12 cents) per share	236.0	236.7
– 2023 second interim dividend of HK 14 cents per share declared after the reporting date (2022: 2022 second interim dividend of HK14 cents per share)	275.1	275.4
	511.1	512.1
Dividends recognised as distribution during the year:		
– 2022 second interim dividend paid of HK14 cents (2022: 2021 second interim dividend paid of HK14 cents) per share	275.4	276.2
– 2022 special dividend paid of nil (2022: 2021 special dividend paid of HK4 cents) per share	–	78.9
– 2023 interim dividend paid of HK12 cents (2022: HK12 cents) per share	236.0	236.7
	511.4	591.8

17. Loss Per Share

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

(HK$ Million)	2023	2022
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	(471.4)	(1,534.8)
Number of shares (in million)		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,958.6	1,961.9
Effect of dilutive potential ordinary shares:		
– Adjustments on the SHK Employee Ownership Scheme	2.5	2.6
Weighted average number of ordinary shares for the purpose of diluted loss per share	1,961.1	1,964.5

18. Investment Properties

(HK$ Million)	Hong Kong	PRC	Total
At 1 January 2022	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
Exchange adjustments	–	(2.1)	(2.1)
Transfer from property and equipment	–	95.7	95.7
Change in fair value recognised in profit or loss	(64.9)	(3.3)	(68.2)
Disposal	(44.8)	–	(44.8)
At 31 December 2023	1,066.4	131.3	1,197.7
Unrealised gains or losses for the year included in profit or loss			
– For 2023	(64.9)	(3.3)	(68.2)
– For 2022	(32.7)	(1.6)	(34.3)

The Group leases out investment property under operating leases with rentals payable monthly or quarterly. The lease typically run for an initial period of 2 to 6 years (2022: 2 to 6 years), with the option to renew the lease after that date at which time all terms are renegotiated. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend. None of the leases includes variable lease payments and minimum annual lease payments are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

18. Investment Properties *(Continued)*

In determining the fair value of the investment properties, the management of the Group has formed a valuation working group to determine the appropriate valuation techniques and inputs for fair value measurements with the assistance of an independent qualified professional valuer.

The valuation working group works closely with the independent qualified professional valuer to establish the appropriate valuation techniques and inputs to the valuation model, and analyses changes in fair value measurements from period to period.

The fair value of the Group's investment properties at the reporting date has 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**	**31/12/2023**	31/12/2022
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$32 to HK$46**	HK$34 to HK$50
PRC	Investment approach	Term yield	**4.25% to 5.5% p.a.**	5.0% to 5.5% p.a.
		Reversionary yield	**4.75% to 6.0% p.a.**	5.5% to 6.0% p.a.
		Monthly market unit rent per gross floor area (sq. m.)	**RMB29 to RMB112**	RMB30 to RMB75

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 2023 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
No. 801, 807, Block 1 of YaoPeng MingZhu, Yunling Road, Creative Industrial Park, DaLi City, Yunnan, the PRC	Commercial	2046
Units 2110-2115, 21/F., Block A, SFC Sincere Centre, No.99 Wuyi Road, Yuzhong District, Chongqing, the PRC	Commercial	2050
Eastern Block 2001, 2002, 2003, 2005, 20/F., Phase II, Shenzhen Tian An Cyberpark, Futian District, Shenzhen, the PRC	Industrial	2052
Unit 1001, 10/F., Tower B, The Shuncheng Office, Wuhua District, Kunming, the PRC	Commercial	2046
Units 401A, 401B, Block 6, Times Centre, No. 160 Zhengyang Road, Chengyang District, Qingdao, the PRC	Commercial	2046
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 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$846 million (31/12/2022: HK$900.0 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 2022	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**
Exchange adjustments	**(3.2)**	**(2.6)**	**(5.8)**
Transfer to investment properties	**(94.5)**	**–**	**(94.5)**
Additions	**–**	**71.0**	**71.0**
Disposals/write-off	**–**	**(38.2)**	**(38.2)**
At 31 December 2023	**220.4**	**630.6**	**851.0**
Accumulated depreciation and impairment			
At 1 January 2022	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**
Exchange adjustments	**(0.8)**	**(2.4)**	**(3.2)**
Transfer to investment properties	**(24.3)**	**–**	**(24.3)**
Depreciation provided for the year	**7.1**	**52.6**	**59.7**
Eliminated on disposals/write-off	**–**	**(30.6)**	**(30.6)**
At 31 December 2023	**64.2**	**384.7**	**448.9**
Carrying amount			
At 31 December 2023	**156.2**	**245.9**	**402.1**
At 31 December 2022	235.9	235.3	471.2

The useful lives of the properties are same as the remaining term of the leases that are ranging from 20 to 29 years (2022: 21 to 30 years). The useful lives of the furniture and equipment are ranging from 3 to 10 years (2022: 3 to 10 years).

20. Right-of-Use Assets

(HK$ Million)	**Total**
At 1 January 2022	364.2
Additions	91.0
Depreciation provided for the year	(130.7)
Exchange adjustments	(1.4)
At 31 December 2022	**323.1**
Additions	**156.6**
Depreciation provided for the year	**(135.8)**
Lease modification	**(70.9)**
Exchange adjustments	**(0.2)**
At 31 December 2023	**272.8**
Carrying amount at 31 December 2023	**272.8**
Carrying amount at 31 December 2022	323.1

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:

	31/12/2023	31/12/2022
Leasehold land	**44.5 years**	44.5 years
Office and retail shops	**6.4 years**	5.9 years
Equipment	**4.4 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)	**31/12/2023**	31/12/2022
Net carrying amount		
– Leasehold land	**3.4**	3.6
– Office and retail shops	**268.7**	318.4
– Equipment	**0.7**	1.1
	272.8	323.1

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

(HK$ Million)	**2023**	2022
Amount recognised in profit or loss		
– Depreciation expenses of right-of-use assets		
– Leasehold land	**0.1**	0.1
– Office and retail shops	**135.1**	130.1
– Equipment	**0.6**	0.5
– Interest expense of lease liabilities	**13.8**	14.3
– Expense relating to short-term leases and leases of low-value assets	**1.7**	6.2

During the year, additions to right-of-use assets were HK$156.6 million (2022: HK$91.0 million) and the total cash outflow for leases amounted to HK$137.8 million (2022: HK$137.5 million).

The Group has extension options in a number of leases for leasehold land (2022: leasehold land), which are exercisable only by the Group and not by the respective lessors. The recognition of right-of-use assets and lease liabilities has included these extension options as the Group is reasonably certain to exercise them.

Restrictions or covenants on lease

In addition, lease liabilities of HK$273.8 million (2022: HK$326.2 million) are recognised with related right-of-use assets of HK$272.8 million (2022: HK$323.1 million) as at 31 December 2023. 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 2022	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**
Exchange adjustments	**–**	**(0.4)**	**–**	**–**	**–**	**–**	**(0.4)**
Additions	**–**	**6.1**	**–**	**–**	**–**	**–**	**6.1**
Disposals/write-off	**–**	**–**	**–**	**–**	**–**	**(1.5)**	**(1.5)**
At 31 December 2023	**19.5**	**38.1**	**875.0**	**1,154.0**	**78.0**	**7.5**	**2,172.1**
Accumulated amortisation and impairment							
At 1 January 2022	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**
Exchange adjustments	**–**	**(0.2)**	**–**	**–**	**–**	**–**	**(0.2)**
Amortisation charged for the year	**–**	**5.2**	**–**	**–**	**–**	**–**	**5.2**
At 31 December 2023	**1.0**	**21.3**	**7.0**	**1,154.0**	**78.0**	**–**	**1,261.3**
Carrying amount							
At 31 December 2023	**18.5**	**16.8**	**868.0**	**–**	**–**	**7.5**	**910.8**
At 31 December 2022	18.5	16.1	868.0	–	–	9.0	911.6

The directors of the Company consider the economic lives of the trademark held by United Asia Finance Limited ("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 trade mark, club membership and 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)	31/12/2023	31/12/2022
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 2023 were allocated as follows:

	Goodwill		Trade Mark	
(HK$ Million)	**31/12/2023**	31/12/2022	**31/12/2023**	31/12/2022
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 2023 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 11.9% on the profit before tax from 2024 to 2028 (2022: 14% from 2023 to 2027), a sustainable growth rate of 2.4% beyond 2028 (2022: 2.3% beyond 2027), and a pre-tax discount rate of 18.9% (2022: 19.6%). 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 2023 are as follows:

	Profit or loss allocated to non-controlling interests		Accumulated non-controlling interests	
(HK$ Million)	**2023**	2022	**31/12/2023**	31/12/2022
UAF and its subsidiaries	**265.9**	350.1	**3,082.2**	3,153.0
Other subsidiaries having non-controlling interests	**4.2**	7.8	**45.4**	45.0
	270.1	357.9	**3,127.6**	3,198.0

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)	**31/12/2023**	31/12/2022
Current assets	**10,306.0***	10,192.4*
Non-current assets	**4,506.7#**	4,715.9#
Current liabilities	**(3,804.3)**	(3,791.5)
Non-current liabilities	**(3,526.5)**	(3,446.9)

(HK$ Million)	**2023**	2022
Dividends paid to non-controlling interests	**321.1**	421.7
Revenue	**3,231.8**	3,496.3
Profit for the year	**715.1**	943.9
Total comprehensive income for the year	**664.0**	407.8
Net change in cash and cash equivalents during the year	**190.3**	329.4

* Including loans and advances to consumer finance customers of HK$6,918.2 million (31/12/2022: HK$7,228.6 million)

\# Including loans and advances to consumer finance customers of HK$3,709.0 million (31/12/2022: HK$3,797.3 million)

24. Interests in Subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries at 31 December 2023 were as follows:

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2023	Proportion of ownership interest 2022	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%**	100%	Dormant
Shek O Marina Limited	Hong Kong	HK$1	**100%**	100%	Dormant
Isle Sun Global Limited	British Virgin Islands	US$1	**100%**	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	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 (e)	Hong Kong	HK$1	**–**	100%	Property investment
Champstar Investments Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding, securities trading and financial services
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
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	**–**	–	
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%**	90%	
– Voting Non-Participating Class C Shares		US$1	**100%**	100%	

24. Interests in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2023	2022	Principal activities
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%**	93%	Inactive
MCIP Decimus Limited	Cayman Islands	US$1	**93%**	93%	Inactive
Multiple Capital Investment Partners (Australia) Pty Ltd.	Australia	A$10	**100%**	100%	Fund management
Multiple Capital Investment Partners (Singapore) Pte. Ltd.	Singapore	S$1,348,618 (2022: 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
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$169,544,737.46 (2022: US$218,302,907.80)	**97%**	97%	
SHK Latitude Alpha Master Fund	Cayman Islands				Investment fund
– Founder Shares		US$100	**100%**	100%	
– Participating Shares		US$169,309,153.67 (2022: US$218,145,769.39)	**97%**	97%	
SHK Pearl River Delta Investment Company Limited	Hong Kong	Issued share capital: HK$100,000,000 Paid up share capital: HK$75,000,000.5	**100%**	100%	Provision of loan finance
SHK Securities Limited	Hong Kong	HK$20	**100%**	100%	Asset holding
Silver International Development Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
sim Limited	Hong Kong	HK$1	**63%**	–	Management consultancy
Star Flourish Investments Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Sun Hung Kai (Tianjin) Enterprise Management Company Limited	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 2023	2022	Principal activities
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%**	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 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%	Provision of 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%**	100%	Inactive
Quick Art Limited	Hong Kong	HK$3,540,000	**100%**	100%	Dormant
Astute Global Group Limited	British Virgin Islands	US$1	**100%**	100%	Inactive
Coleman Global Group Limited	British Virgin Islands	US$1	**100%**	100%	Inactive
Sun Hung Kai Strategic Global Opportunities Fund (d)	Cayman Islands	US$1	**–**	100%	Inactive
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
大連中山亞聯財小額貸款有限公司 United Asia Finance (Zhongshan District, Dalian) Limited (formerly known as 大連保税區亞聯財小額貸款有限公司 United Asia Finance (DaLian F.T.Z)) Limited) (b)	People's Republic of China	US$32,000,000 (2022: 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

24. Interests in Subsidiaries *(Continued)*

Principal subsidiaries	Place of incorporation and operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest 2023	2022	Principal activities
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) (d)	People's Republic of China	RMB1,000,000	**–**	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	RMB100,000,000 (2022: 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) (d)	People's Republic of China	RMB1,000,000	**–**	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 (b)	People's Republic of China	RMB50,000,000	**100%**	100%	Enterprise management, consultancy and marketing planning
福州亞聯財信息諮詢有限公司 UA Financial Consultancy (Fuzhou) Limited (c) (d)	People's Republic of China	RMB1,000,000	**–**	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	RMB300,000,000 (2022: 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.
(d) These companies are deregistered during the year.
(e) The company is disposed during the year.

The names of People's Republic of China incorporated companies above are English translations.

The above tables list the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Save as disclosed in Note 41 to the consolidated financial statements, none of the other subsidiaries had issued any debt securities at the end of the year.

25. Interest in Associates

(HK$ Million)	31/12/2023	31/12/2022
Carrying amount of unlisted associates	217.2	177.4
Less: impairment	(0.8)	(0.8)
	216.4	176.6

Particulars of the Group's material associates at 31 December 2023 were as follows:

Name	Place of incorporation/ operation	Proportion of ownership interest 2023	Proportion of ownership interest 2022	Proportion of voting rights held 2023	Proportion of voting rights held 2022	Principal activities
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)	2023	2022
Share of profit (loss)	28.3	(11.0)
Share of other comprehensive income (expenses)	6.7	(14.3)
Share of total comprehensive income (expenses)	35.0	(25.3)

26. Interest in Joint Ventures

(HK$ Million)	31/12/2023	31/12/2022
Carrying amount of unlisted joint ventures	27.9	355.4
Less: impairment	(23.2)	–
	4.7	355.4

The joint ventures are accounted for using the equity method in these consolidated financial statements. As at 31 December 2023 and 2022, the Group had interests in the following material joint ventures.

Name	Place of incorporation/ operation	Proportion of ownership interest 2023	Proportion of ownership interest 2022	Proportion of voting rights held 2023	Proportion of voting rights held 2022	Principal activities
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.

27. Financial Assets and Liabilities

The following table provides analyses of financial assets and liabilities of the Group that are at fair value, except for other liabilities as disclosed in Note 39.

	At 31 December 2023			
	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	25.4	–	–	25.4
– Listed equity securities outside Hong Kong	158.4	–	–	158.4
– Unlisted overseas equity securities	–	–	8.5	8.5
	183.8	–	8.5	192.3
Financial assets at fair value through profit or loss				
– Listed equity securities in Hong Kong	444.5	–	–	444.5
– Listed equity securities outside Hong Kong	766.7	–	–	766.7
– Unlisted equity securities in Hong Kong	–	1.0	–	1.0
– Unlisted equity securities outside Hong Kong	–	479.8	–	479.8
– Over the counter derivatives	–	181.2	–	181.2
– Quoted options and futures	51.9	24.9	–	76.8
– Listed warrants	0.9	–	–	0.9
– Bonds and notes	–	34.1	192.5	226.6
– Loans receivable	–	–	723.0	723.0
– Unlisted preferred and ordinary shares issued by unlisted companies	–	22.5	794.0	816.5
– Unlisted convertible bonds issued by unlisted companies	–	–	8.0	8.0
– Unlisted overseas equity securities with a put right	–	–	398.3	398.3
– Unlisted overseas investment funds	–	2,512.8	7,198.6	9,711.4
	1,264.0	3,256.3	9,314.4	13,834.7
Analysed for reporting purposes as:				
– Non-current assets				9,470.9
– Current assets				4,363.8
				13,834.7
Financial liabilities at fair value through profit or loss				
Held for trading				
– Quoted futures and options	86.6	13.7	–	100.3
– Foreign currency contracts	–	31.6	–	31.6
– Over the counter derivatives	–	27.8	–	27.8
– Short position in listed equity securities	31.1	–	–	31.1
– Listed equity securities outside Hong Kong under total return swap	0.1	–	–	0.1
– 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	–	–	115.8	115.8
– Unlisted overseas investment funds under total return swap	–	–	16.3	16.3
	117.8	117.7	132.1	367.6
Analysed for reporting purposes as:				
– Non-current liabilities				111.6
– Current liabilities				256.0
				367.6

27.Financial Assets and Liabilities *(Continued)*

	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
– Listed equity securities outside Hong Kong	518.1	–	–	518.1
– Unlisted equity securities in Hong Kong	–	0.4	–	0.4
– Unlisted equity securities outside Hong Kong	–	480.1	–	480.1
– 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	566.3	574.2
– 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)*

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 2023				
	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	192.5	Note 1
Loans receivable	Discounted cash flow	Discount rate	10.73%-19.52%	723.0	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	67.96%	29.1	An increase in expected volatility would result in a decrease in the fair value
	Market approach	Enterprise value to sales ratio	7.0		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	80.67%	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	99.87%	191.1	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	45.25%	81.2	An increase in expected volatility would result in a decrease in the fair value.
	Market approach	Price to book ratio	1.7		An increase in price to book ratio would result in an increase in the fair value.
Unlisted preferred shares issued by an unlisted company	Equity allocation method	Expected volatility	98.10%	2.0	An increase in expected volatility would result in a decrease in the fair value.

27.Financial Assets and Liabilities *(Continued)*

	At 31 December 2023				
	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	78.71%	67.9	An increase in expected volatility would result in a decrease in the fair value.
	Market approach	Price to sales ratio	5.2		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	38.12%	1.3	An increase in expected volatility would result in a decrease in the fair value.
	Market approach	Enterprise value to sales ratio	3.7		An increase in enterprise value to sales ratio would result in increase in the fair value of ordinary shares.
Unlisted preferred shares issued by unlisted companies	Equity allocation method	Expected volatility	45.13%	8.0	An increase in expected volatility would result in a decrease in the fair value.
Unlisted ordinary shares issued by unlisted companies	Equity allocation method	Expected volatility	72.14%	15.0	An increase in expected volatility would result in a decrease in the fair value.
Unlisted ordinary shares issued by unlisted companies	Equity allocation method	Expected volatility	67.25%	27.4	An increase in expected volatility would result in a decrease in the fair value.
	Market approach	Enterprise value to sales ratio	2.0		An increase in enterprise value to sales ratio would result in increase in the fair value of ordinary shares.
Unlisted ordinary shares issued by unlisted companies	Net asset value	Note 1	Note 1	66.7	Note 1
Unlisted ordinary shares issued by unlisted companies	Equity allocation method	Expected volatility	42.57%	79.7	An increase in expected volatility would result in a decrease in the fair value.
Unlisted convertible bonds issued by an unlisted company	Binomial model	Expected volatility	38.31%	8.0	An increase in expected volatility would result in a decrease in the fair value.
		Discount rate	3.94%		An increase in discount rate would result in decrease in the fair value.
Unlisted overseas equity securities with a put right	Market approach	Price to book ratio	1.4	398.3	An increase in price to book ratio would result in an increase in the fair value.
		Price to tangible book ratio	2.0		An increase in price to tangible book ratio would result in an increase in the fair value.
		Price to sales ratio	1.0		An increase in price to sales ratio would result in an increase in the fair value.
Unlisted overseas investment funds	Net asset value	Note 1	Note 1	7,128.9	Note 1
Unlisted overseas investment funds	Market approach	Enterprise value to sales ratio	11.6	0.1	An increase in enterprise value to sales ratio would result in increase in the fair value of ordinary shares.

27.Financial Assets and Liabilities *(Continued)*

	At 31 December 2023				
	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**	**11.6**	**22.6**	**An increase in enterprise value to sales ratio would result in increase in the fair value of ordinary shares.**
Unlisted overseas investment funds	**Market approach**	**Price to sales ratio**	**6.4**	**42.9**	**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**	**4.0**	**N/A**
Financial liabilities at fair value through profit or loss					
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	**Net asset value**	**Note 1**	**Note 1**	**20.6**	**Note 1**
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	**Equity allocation method**	**Expected volatility**	**99.87%**	**95.2**	**An increase in expected volatility would result in a decrease in the fair value.**
Unlisted overseas investment funds under total return swap	**Net asset value**	**Note 1**	**Note 1**	**16.3**	**Note 1**

	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.

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 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
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.

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	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.
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
Financial liabilities at fair value through profit or loss					
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	Net asset value	Note 1	Note 1	22.2	Note 1
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	Equity allocation method	Expected volatility	110.1%	84.2	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 overseas investment funds under total return swap	Net asset value	Note 1	Note 1	15.5	Note 1

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.

27. Financial Assets and Liabilities *(Continued)*

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

	2023							
			Recognised gains or losses					
(HK$ Million)	Balance at 1/1/2023	Transfer ^	Profit or loss	Other comprehensive income	Purchase	Disposal	Balance at 31/12/2023	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	**177.8**	**–**	**14.7**	**–**	**–**	**–**	**192.5**	**14.7**
Loans receivable	**434.3**	**–**	**57.1**	**–**	**326.5**	**(94.9)**	**723.0**	**57.1**
Unlisted call option for club memberships	**5.2**	**–**	**0.4**	**–**	**–**	**(5.6)**	**–**	**–**
Unlisted preferred and ordinary shares issued by unlisted companies	**566.3**	**207.3**	**23.7**	**–**	**–**	**(3.3)**	**794.0**	**23.0**
Unlisted convertible bonds issued by companies	**24.0**	**8.0**	**4.3**	**–**	**–**	**(28.3)**	**8.0**	**–**
Unlisted overseas equity securities with a put right	**398.3**	**–**	**–**	**–**	**–**	**–**	**398.3**	**–**
Unlisted overseas investment funds	**7,666.4**	**(175.9)**	**54.2**	**–**	**376.6**	**(722.7)**	**7,198.6**	**(222.7)**
Financial liabilities at fair value through profit or loss								
Unlisted preferred and ordinary shares issued by unlisted companies under total return swap	**(106.4)**	**–**	**(9.4)**	**–**	**–**	**–**	**(115.8)**	**(9.4)**
Unlisted overseas investment funds under total return swap	**(15.5)**	**–**	**(0.8)**	**–**	**–**	**–**	**(16.3)**	**(0.8)**

^ 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)*

			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	172.1	352.4	32.3	–	122.0	(112.5)	566.3	31.5
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.

The net losses recognised in profit or loss for the year included an unrealised losses of HK$127.9 million relating to level 3 financial assets at FVTPL as at 31 December 2023 (31 December 2022: HK$1,975.0 million) and an unrealised losses of HK$10.2 million relating to level 3 financial liabilities at FVTPL as at 31 December 2023 (31 December 2022: gains of HK$33.7 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)	31/12/2023	31/12/2022
Financial assets at fair value through other comprehensive income	**192.3**	246.1
	192.3	246.1
Financial assets at fair value through profit or loss	**13,834.7**	14,438.3
	13,834.7	14,438.3
Financial assets measured at amortised cost		
– Amounts due from associates (Note 29)	**218.1**	241.7
– Loans and advances to consumer finance customers (Note 30)	**10,627.2**	11,025.9
– Mortgage loans (Note 31)	**2,468.7**	3,063.9
– Term loans (Note 32)	**207.9**	337.5
– Deposits and other receivables (Note 33)	**181.1**	201.2
– Amounts due from brokers	**573.1**	1,125.7
– Fixed deposits with banks (Note 34)	**230.6**	156.5
– Cash and cash equivalents (Note 34)	**6,462.1**	5,727.4
	20,968.8	21,879.8
	34,995.8	36,564.2

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

(HK$ Million)	31/12/2023	31/12/2022
Financial liabilities at fair value through profit or loss		
– Held for trading	**235.5**	385.1
– Designated at fair value through profit or loss	**132.1**	121.9
– Other liabilities (Note 39)	**63.9**	51.9
	431.5	558.9
Financial liabilities measured at amortised cost		
– Bank and other borrowings (Note 35)	**9,041.9**	8,985.2
– Creditors (Note 36)	**203.4**	177.0
– Amounts due to brokers	**77.4**	79.6
– Amount due to a holding company (Note 37)	**1.8**	1.8
– Notes payable (Note 41)	**5,863.2**	6,664.8
	15,187.7	15,908.4
	15,619.2	16,467.3

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 2023					
	Gross amounts of recognised financial assets and liabilities	Gross amounts set off in the consolidated statement of financial position	Net amounts presented in consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral received/pledged	Net amount
Type of financial assets						
Financial assets at fair value through profit or loss	**957.7**	**–**	**957.7**	**(143.8)**	**–**	**813.9**
Type of financial liabilities						
Financial liabilities at fair value through profit or loss	**143.8**	**–**	**143.8**	**(143.8)**	**–**	**–**

(HK$ Million)	At 31 December 2022					
	Gross amounts of recognised financial assets and liabilities	Gross amounts set off in the consolidated statement of financial position	Net amounts presented in consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: 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)	–	–

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 2022	(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**
Exchange adjustments	**(0.1)**	**(3.4)**	**0.2**	**0.4**	**(1.2)**	**–**	**(4.1)**
Charged to other comprehensive income	**–**	**–**	**(6.4)**	**–**	**–**	**–**	**(6.4)**
Recognised in profit or loss	**1.6**	**(182.1)**	**1.0**	**16.4**	**54.4**	**(0.1)**	**(108.8)**
At 31 December 2023	**(8.5)**	**222.3**	**(154.4)**	**2.0**	**138.0**	**0.1**	**199.5**

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)	**31/12/2023**	31/12/2022
Deferred tax assets	**337.6**	453.4
Deferred tax liabilities	**(138.1)**	(134.6)
	199.5	318.8

At the end of the reporting period, the Group had unrecognised tax losses of HK$2,302.6 million (31/12/2022: HK$1,296.5 million) and unrecognised deductible temporary differences of HK$542.2 million (31/12/2022: HK$225.6 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$181.5 million that will expire during 2024 to 2028 (31/12/2022: HK$101.0 million will expire during 2023 to 2027). 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$1,336.7 million at the end of the reporting period (31/12/2022: HK$1,307.6 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)	**31/12/2023**	31/12/2022
Amounts due from associates	**240.7**	264.7
Less: impairment allowance	**(22.6)**	(23.0)
	218.1	241.7
Analysed for reporting purposes as:		
– Non-current assets	**64.9**	239.1
– Current assets	**153.2**	2.6
	218.1	241.7

The amounts due from associates include HK$152.7 million (2022: HK$176.7 million) which is unsecured, interest bearing at 1.8619% (2022: 0.976%) 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 37 and Note 47.

30. Loans and Advances to Consumer Finance Customers

(HK$ Million)	**31/12/2023**	31/12/2022
Loans and advances to consumer finance customers		
– Hong Kong	**9,123.7**	8,743.1
– PRC	**2,073.3**	2,887.2
	11,197.0	11,630.3
Less: impairment allowance	**(569.8)**	(604.4)
	10,627.2	11,025.9
Analysed for reporting purposes as:		
– Non-current assets	**3,709.0**	3,797.3
– Current assets	**6,918.2**	7,228.6
	10,627.2	11,025.9

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

(Per annum)	**31/12/2023**	31/12/2022
Fixed rate loans receivable	**6.0% to 48.0%**	6.0% to 48.0%
Variable rate loans receivable	**P+4.0%**	P+4.0% to P+13.0%

"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 5.875% per annum at 31 December 2023 (2022: 5.625% per annum).

Movement of impairment allowance during the year of 2023 and 2022 are disclosed in Note 47(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, taking into account of historical default rates and collectability, 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, adjusted by forward-looking information that is available without undue cost or effort.

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)	31/12/2023	31/12/2022
Less than 31 days past due	**707.9**	705.0
31 – 60 days	**159.1**	127.5
61 – 90 days	**22.2**	66.0
91 – 180 days	**58.6**	2.7
Over 180 days	**61.6**	67.6
	1,009.4	968.8

As at 31 December 2023, loans and advances to consumer finance customers with aggregate carrying amount of HK$1,009.4 million (31/12/2022: HK$968.8 million) are past due. Out of the past due balances, HK$62.9 million (31/12/2022: HK$70.3 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$9,678.5 million unsecured (31/12/2022: HK$9,974.0 million) and HK$948.7 million secured (31/12/2022: HK$1,051.9 million). The Group has not recognised a loss allowance for loans amounting to HK$493.0 million (2022: HK$664.3 million) which are secured by collateral.

The amount and type of collateral required depend on an assessment of the credit risk of the customer or counterparty.

As at 31 December 2023, the gross carrying amount of loans and advances to consumer finance customers amounts to HK$11,197.0 million (31/12/2022: HK$11,630.3 million). The Group is entitled to sell or repledge collateral when there is default by the borrowers. There has not been any significant changes in the quality of collateral held for loans and advances to consumer finance customers.

The main types of collateral and credit enhancement obtained are as follows:

- for personal lending, charges over residential properties/ commercial properties; and
- for commercial lending, corporate guarantees, charges on 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 2023, net realisable value of repossessed properties held by the Group amounted to HK$2.7 million (2022: HK$2.9 million).

In respect of the secured loans and advances to customers with the carrying amount of HK$557.8 million (2022: HK$736.6 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)	31/12/2023	31/12/2022
Mortgage loans		
– Hong Kong	**2,569.1**	3,107.5
Less: impairment allowance	**(100.4)**	(43.6)
	2,468.7	3,063.9
Analysed for reporting purposes as:		
– Non-current assets	**758.1**	1,273.0
– Current assets	**1,710.6**	1,790.9
	2,468.7	3,063.9

The mortgage loans bear interest rate are as follows:

(Per annum)	31/12/2023	31/12/2022
Fixed rate loans receivable	**8.0% to 20.5%**	7.5% to 20.4%
Variable rate loans receivable	**P+0.5% to P+10.125%**	P+1.0% to P+9.4%

Movement of impairment allowance during the year of 2023 and 2022 are disclosed in Note 47(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 judgement, 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)	**31/12/2023**	31/12/2022
Less than 31 days past due	**101.1**	207.8
31 – 60 days	**8.9**	22.6
61 – 90 days	**7.0**	–
91 – 180 days	**381.4**	0.1
Over 180 days	**114.6**	313.4
	613.0	543.9

At the reporting date, mortgage loans with aggregate carrying amount of HK$613.0 million (31/12/2022: HK$543.9 million) are past due. Out of the past due balances, HK$496.0 million (31/12/2022: HK$313.5 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$153.4 million unsecured (31/12/2022: HK$206.8 million) and HK$2,315.3 million secured (31/12/2022: HK$2,857.1 million). The Group has not recognised a loss allowance for loans amounting to HK$1,677.6 million (2022: HK$2,440.3 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 2023, the gross carrying amount of mortgage loans amounts to HK$2,569.1 million (31/12/2022: HK$3,107.5 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$72.0 million (2022: HK$139.0 million).

In respect of secured mortgage loans to mortgage loan customers with the carrying amount of HK$2,315.3 million (2022: HK$2,857.1 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)	**31/12/2023**	31/12/2022
Secured term loans	**671.4**	1,022.9
Unsecured term loans	**60.1**	97.3
	731.5	1,120.2
Less: impairment allowance	**(523.6)**	(782.7)
	207.9	337.5
Analysed for reporting purposes as:		
– Non-current assets	**40.0**	42.7
– Current assets	**167.9**	294.8
	207.9	337.5

32. Term Loans *(Continued)*

The term loans bear interest rate are as follows:

(Per annum)	31/12/2023	31/12/2022
Fixed rate loans receivable	**8.2% to 19.8%**	6.0% to 24.0%
Variable rate loans receivable	**P+1.0%**	P to P+1.0%

Movement of impairment allowance during the year of 2023 and 2022 are disclosed in Note 47(b).

It is the Group's policy to dispose of repossessed collateral in an orderly fashion.

The Group considers a loan to be secured when there is collateral or credit enhancement in place. The main types of collateral and credit enhancement obtained include share charges over unlisted and listed equity securities, personal guarantees, assignment of rights and charges over properties. As at 31 December 2023, the gross carrying amount of secured term loans amounts to HK$665.4 million (31 December 2022: HK$1,022.9 million). The Group has not recognised a loss allowance amounting to HK$1.2 million (2022: HK$1.2 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 47.

33. Prepayments, Deposits and Other Receivables

(HK$ Million)	31/12/2023	31/12/2022
Deposits	**62.7**	91.0
Other receivables	**118.7**	111.4
Less: impairment allowance	**(0.3)**	(1.2)
Deposits and other receivables at amortised cost	**181.1**	201.2
Prepayments	**129.5**	41.3
	310.6	242.5
Analysed for reporting purposes as:		
– Non-current assets	**29.9**	45.0
– Current assets	**280.7**	197.5
	310.6	242.5

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

(HK$ Million)	31/12/2023	31/12/2022
Less than 31 days	**40.2**	110.1
	40.2	110.1
Deposits and other receivables without ageing	**140.9**	91.1
Deposits and other receivables at amortised cost	**181.1**	201.2

Further details on financial risk management of deposits and other receivables are disclosed in Note 47.

34. Bank Deposits, Cash and Cash Equivalents

(HK$ Million)	31/12/2023	31/12/2022
Bank balances and cash	**3,172.1**	3,715.1
Fixed deposits with banks with an original maturity within 3 months	**3,290.0**	2,012.3
Cash and cash equivalents	**6,462.1**	5,727.4
Fixed deposits with banks with an original maturity between 4 to 12 months	**230.6**	156.5
	6,692.7	5,883.9

Further details on financial risk management of bank deposits, cash and cash equivalents are disclosed in Note 47.

35. Bank and Other Borrowings

(HK$ Million)	31/12/2023	31/12/2022
Bank loans		
– Unsecured term loans	**8,628.7**	8,691.9
– Secured loans	**351.1**	231.2
Total bank borrowings	**8,979.8**	8,923.1
Other borrowings	**62.1**	62.1
	9,041.9	8,985.2
Analysed for reporting purposes as:		
– Current liabilities	**5,495.4**	5,510.0
– Non-current liabilities	**3,546.5**	3,475.2
	9,041.9	8,985.2

35. Bank and Other Borrowings *(Continued)*

At 31 December 2023, bank and other borrowings were repayable as follows:

(HK$ Million)	31/12/2023	31/12/2022
Bank borrowings		
– Within one year	**5,295.4**	5,275.7
– In the second year	**1,779.9**	1,316.9
– Over two years and within five years	**1,704.5**	2,096.2
Bank borrowings with a repayment on demand clause		
– Within one year	**200.0**	234.3
	8,979.8	8,923.1
Other borrowings		
– Over five years	**62.1**	62.1
	9,041.9	8,985.2

As at 31 December 2023, all the bank loans and other borrowings are in Hong Kong dollars except for equivalent amounts of HK$Nil million which was denominated in Renminbi (31/12/2022: HK$33.7 million) and HK$635.3 million which was denominated in US dollar (31/12/2022: HK$715.4 million). Further details related to financial risk management of such balances are disclosed in Note 47.

36. Creditors and Accruals

(HK$ Million)	31/12/2023	31/12/2022
Creditors	**203.4**	177.0
Accrued staff costs and other accrued expenses	**264.0**	287.7
	467.4	464.7

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)	31/12/2023	31/12/2022
Less than 31 days/repayable on demand	**145.5**	123.1
31 - 60 days	**5.1**	5.9
61 - 90 days	**4.9**	–
181 - 365 days	**0.4**	–
	155.9	129.0
Accrued staff costs, other accrued expenses and creditors without ageing	**311.5**	335.7
	467.4	464.7

37. Related Party Transactions

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

(HK$ Million)	2023	2022
Associates and joint ventures of ultimate holding company		
Executive international business travel charge received/receivable from an associate of ultimate holding company **	**–**	2.1
Building management fees to a joint venture of ultimate holding company *	**(5.3)**	(5.4)
Interest expense to a joint venture of ultimate holding company on lease liabilities ** @	**(0.4)**	(1.2)
Holding company and its subsidiaries		
Executive international business travel charge received/receivable from fellow subsidiaries **	**–**	2.1
Interest income from a fellow subsidiary	**0.2**	–
Finance costs to fellow subsidiaries **	**(5.7)**	(4.7)
Licence fee paid/payable to a fellow subsidiary *	**(2.2)**	(1.6)
Interest expenses to a fellow subsidiary on lease liabilities **	**(0.7)**	(0.4)
Management fees paid/payable to a holding company *	**(14.6)**	(23.2)
Building management fees to a holding company *	**(0.1)**	(0.2)
Rental and building management fees to fellow subsidiaries **	**(1.0)**	(1.7)
Interest expenses to a holding company on lease liabilities **#	**(2.9)**	(3.2)
Other related parties		
Executive international business travel charge received/receivable from a related company **	**–**	4.1
Advisory service fee paid/payable to Vice Chairman and Non-Executive Director of a holding company **	**3.0**	–
Management fee received/receivable from Group Executive Chairman under the Discretionary Investment Management Agreement *	**0.5**	0.1

37. Related Party Transactions *(Continued)*

* 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 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 2023, the Group has lease liabilities of HK$nil(2022: HK$31.5 million) to the joint venture of ultimate holding company. During the year ended 31 December 2023, the Group has recognised additions to right-of-use assets of HK$nil* (2022: HK$15.7 million*) and additions to lease liabilities of HK$nil (2022: HK$12.6 million) for properties with joint venture of holding company.

\# As at 31 December 2023, the Group has lease liabilities of HK$75.2 million (2022: HK$80.7 million) to a holding company. During the year ended 31 December 2023, the Group has recognised additions to right-of-use assets of HK$12.9 million* (2022: HK$20.3 million*) and additions to lease liabilities of HK$12.1 million (2022: HK$20.1 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)	2023	2022
Short-term benefits ***	27.1	56.3
Post-employment benefits ***	1.1	2.1
	28.2	58.4

*** During the year, 903,000 shares were granted under the SHK Employee Ownership Scheme ("EOS") to key management personnel. In addition, 591,000 shares with a total amount of HK$1.9 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$0.3 million (2022: HK$0.4 million). Further information of the EOS is disclosed in the "Management Discussion and Analysis" Section and Directors' Report of this Annual Report.

Loans and credit facilities to key management personnel

During the year, the Group provided credit facilities and loans to key management personnel and their close family member of the Group. The credit facilities and loans were provided in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of a similar standing or, where applicable, with other employees.

(HK$ Million)	2023	2022
Aggregate amount of relevant loans made by the Group outstanding at 31 December **	–	–
Maximum aggregate amount of relevant loans made by the Group outstanding during the year **	–	–
Credit facilities to key management personnel and their close family member of the Group **	1.0	–
Interest income and other revenue recognised **	–	–

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

(HK$ Million)	31/12/2023	31/12/2022
Associates		
Amounts due from associates ^	218.1	241.7
Holding company and fellow subsidiaries		
Management fees payable to a holding company *	(1.8)	(1.8)
Notes payable held by fellow subsidiaries **	(93.7)	(85.9)

* 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 a holding company is unsecured, non-interest bearing and repayable on demand.

38. Provisions

(HK$ Million)	Employee benefits	Loan commitments	Others	Total
At 1 January 2022	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**
Additional provisions for the year	**0.8**	**0.2**	**3.1**	**4.1**
At 31 December 2023	**1.7**	**30.6**	**21.1**	**53.4**

(HK$ Million)	31/12/2023	31/12/2022
Analysed for reporting purposes as:		
– Current liabilities	**52.0**	48.8
– Non-current liabilities	**1.4**	0.5
	53.4	49.3

The provisions for loan commitments are ECL loss allowances recognised under HKFRS 9.

39. Other Liabilities

(HK$ Million)	31/12/2023	31/12/2022
Non-current		
– Third-party interests in consolidated structured entities	**36.9**	13.2
Current		
– Third-party interests in consolidated structured entities	**27.0**	38.7
	63.9	51.9

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.

40. Lease Liabilities

(HK$ Million)	31/12/2023	31/12/2022
Current liabilities	**84.2**	118.6
Non-current liabilities	**189.6**	207.6
	273.8	326.2

(HK$ Million)	31/12/2023	31/12/2022
Maturity analysis		
Not later than 1 year	**84.2**	118.6
Later than 1 year and not later than 5 years	**130.0**	160.6
Later than 5 years	**59.6**	47.0
	273.8	326.2

41. Notes Payable

(HK$ Million)	31/12/2023	31/12/2022
US dollar denominated notes (the "US$ Notes")		
– 5.75% US$ Notes maturing in November 2024 (the "2024 Notes")	**2,401.3**	2,590.3
– 5.00% US$ Notes maturing in September 2026 (the "2026 Notes")	**3,060.7**	3,332.6
HK dollar denominated notes (the "HK$ Notes")		
– Asset backed notes maturing in April 2024	**401.2**	741.9
	5,863.2	6,664.8
Analysed for reporting purposes as:		
– Current liabilities	**2,859.8**	86.8
– Non-current liabilities	**3,003.4**	6,578.0
	5,863.2	6,664.8

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.

41. Notes Payable *(Continued)*

The 2024 Notes are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 2024 Notes was US$304.9 million or equivalent to HK$2,381.1 million (31/12/2022: US$329.6 million or equivalent to HK$2,573.8 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$2,343.8 million (31/12/2022: HK$2,457.2 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$386.2 million or equivalent to HK$3,015.6 million (31/12/2022: US$421.05 million or equivalent to HK$3,288.4 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$2,634.3 million (31/12/2022: HK$2,769.7 million) which was categorised as Level 2.

During the year ended 31 December 2023, the Group has repurchased an aggregate principal amount of US$24.6 million of the 2024 Notes (2022: US$20.5 million) and an aggregate principal amount of US$34.9 million of the 2026 Notes (2022: US$29.0 million). All notes were cancelled during the year. Gain on repurchase of notes amounted to HK$38.9 million for the year (2022: HK$46.3 million) as disclosed in Note 7.

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 securitisation 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 2023	
Carrying amount of transferred assets	**732.0**
Carrying amount of associated liabilities	**401.2**
Net position	**330.8**
As at 31 December 2022	
Carrying amount of transferred assets	1,025.0
Carrying amount of associated liabilities	741.9
Net position	283.1

42. Share Capital

	Number of shares		**Share capital**	
	31/12/2023 Million Shares	31/12/2022 Million Shares	**31/12/2023 HK$ Million**	31/12/2022 HK$ Million
Issued and fully paid				
Balance brought forward	**1,967.4**	1,973.3	**8,752.3**	8,752.3
Shares cancelled after repurchase	**(2.2)**	(5.9)	**–**	–
Balance carried forward	**1,965.2**	1,967.4	**8,752.3**	8,752.3

During the year, the trustee of the EOS acquired 1.5 million shares (2022: 1.3 million shares) of the Company through purchases on The Stock Exchange of Hong Kong Limited for the awarded shares of the EOS. The total amount paid to acquire the shares during the period was HK$4.0 million (2022: HK$4.1 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 2.2 million shares (2022: 5.9 million shares) through purchases on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$5.9 million (2022: HK$18.3 million). Further information is disclosed in the relevant section of the Directors' Report.

43. 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 2023				
Fair value loss on investment in equity instrument at fair value through other comprehensive income	**–**	**(53.0)**	**(0.2)**	**(53.2)**
Revaluation gain on properties	**–**	**12.0**	**7.1**	**19.1**
Exchange differences arising on translating foreign operations	**(60.0)**	**–**	**(26.3)**	**(86.3)**
Share of other comprehensive income of associates	**6.7**	**–**	**–**	**6.7**
Share of other comprehensive expenses of joint ventures	**(3.3)**	**–**	**–**	**(3.3)**
	(56.6)	**(41.0)**	**(19.4)**	**(117.0)**
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)

44. Commitments

(a) Lease commitments

The Group as lessee:

At 31 December 2023, the Group is committed to HK$0.8 million (2022: HK$0.6 million) for short-term leases.

The maturity profile of the lease liabilities are disclosed in Note 40.

The Group as lessor:

At 31 December 2023, all of the properties held for rental purpose have committed operating leases for the next 3 years (2022: 3 years) respectively. Undiscounted lease payments receivables on leases are as follows:

(HK$ Million)	**31/12/2023**	31/12/2022
Within one year	**16.1**	24.0
In the second year	**3.9**	12.5
In the third year	**0.4**	2.2
	20.4	38.7

(b) Loan commitments

(HK$ Million)	**31/12/2023**	31/12/2022
Within one year	**2,126.6**	1,716.4
In the fifth year	**–**	11.5
	2,126.6	1,727.9

(c) Other commitments

(HK$ Million)	**31/12/2023**	31/12/2022
Capital commitments for funds	**1,438.4**	1,715.8
Other capital commitments	**8.9**	15.0
	1,447.3	1,730.8

45. Contingent liabilities

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.

46. Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support the Group's growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies and processes during the years ended 31 December 2023 and 31 December 2022.

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 net gearing ratio, which is net debts divided by the equity. Net debts represent the total of bank and other borrowings and notes payable less bank deposits, cash and cash equivalents. The equity comprises all components of equity attributable to the owners of the Company. The net gearing ratio at the reporting date was as follows:

(HK$ Million)	**31/12/2023**	31/12/2022
Bank and other borrowings	**9,041.9**	8,985.2
Notes payable	**5,863.2**	6,664.8
	14,905.1	15,650.0
Less: bank deposits, cash and cash equivalents	**(6,692.7)**	(5,883.9)
Net debts	**8,212.4**	9,766.1
Equity attributable to owners of the Company	**21,268.0**	22,358.1
Net gearing ratio	**38.6%**	43.7%

47. Financial Risk Management

Risk is inherent in the financial service business and sound risk management is a cornerstone of prudent and successful financial practice. That said, the Group acknowledges that a balance must be achieved between risks control and business growth. The principal financial risks inherent in the Group's business are market risk (includes equity risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's risk management objective is to enhance shareholders' value while retaining exposure within acceptable thresholds.

The Group's risk management governance structure is designed to cover all business activities and to ensure all relevant risk classes are properly managed and controlled. The Group has adopted a sound risk management and organisational structure equipped with 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.

47. 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 2023				At 31 December 2022			
	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	**127.8**	**(143.2)**	**5.0**	**(5.0)**	103.5	(98.3)	5.2	(5.2)
Overseas Index	**2,432.2**	**(2,463.0)**	**33.4**	**(33.4)**	2,640.9	(2,621.2)	44.0	(44.0)

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 2023, assuming that market interest rates moved by ±50 basis points (31/12/2022: ±50 basis points), the profit before tax for the year for the Group would have been HK$34.6 million lower or HK$35.0 million higher respectively (2022: HK$23.2 million higher or HK$27.5 million lower loss before tax respectively).

47. 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 2023					
Loans and advances to consumer finance customers	**49.0**	**–**	**–**	**–**	**49.0**
Mortgage loans	**44.6**	**702.0**	**–**	**–**	**746.6**
Term loans	**–**	**–**	**40.3**	**–**	**40.3**
Amounts due from associates	**–**	**–**	**153.3**	**–**	**153.3**
Bank deposits, cash and cash equivalents	**2,486.9**	**30.0**	**–**	**–**	**2,516.9**
Loans receivable included in financial assets at fair value through profit or loss	**–**	**111.8**	**396.9**	**–**	**508.7**
Bank and other borrowings	**(8,835.5)**	**–**	**–**	**–**	**(8,835.5)**
Notes payable	**(401.2)**	**–**	**–**	**–**	**(401.2)**
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 payable	(741.9)	–	–	–	(741.9)

47. Financial Risk Management *(Continued)*

(a) Market Risk *(Continued)*

(ii) Interest Rate Risk (Continued)

The exposures of the Group's financial assets (liabilities) bearing fixed interest rate to fair value interest rate risks and the earlier of their contractual repricing dates and contractual maturity dates are as follows:

(HK$ Million)	On demand or less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
At 31 December 2023						
Loans and advances to consumer finance customers	**2,438.0**	**4,443.1**	**3,545.0**	**152.1**	**–**	**10,578.2**
Mortgage loans	**719.7**	**997.9**	**4.5**	**–**	**–**	**1,722.1**
Bonds and notes included in financial assets at fair value through profit or loss	**34.1**	**–**	**–**	**–**	**192.5**	**226.6**
Term loans	**121.8**	**45.8**	**–**	**–**	**–**	**167.6**
Amounts due from associates	**–**	**–**	**–**	**–**	**64.9**	**64.9**
Bank deposits, cash and cash equivalents	**3,557.8**	**230.6**	**–**	**–**	**387.4**	**4,175.8**
Loans receivable included in financial assets at fair value through profit or loss	**–**	**113.8**	**100.5**	**–**	**–**	**214.3**
Bank and other borrowings	**(67.1)**	**(135.5)**	**–**	**–**	**(3.8)**	**(206.4)**
Lease liabilities	**(22.9)**	**(61.3)**	**(130.0)**	**(59.6)**	**–**	**(273.8)**
Notes payable	**–**	**(2,458.6)**	**(3,003.4)**	**–**	**–**	**(5,462.0)**
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 payable	–	(84.8)	(5,838.0)	–	–	(5,922.8)

(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 2023, assuming that the foreign exchange rates moved ±5% (31/12/2022: ±5%) with all other variables held constant, the profit before tax for the year for the Group would be HK$104.6 million higher/lower (2022: HK$100.7 million lower/higher loss before tax).

47. Financial Risk Management *(Continued)*

(b) Credit Risk

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2023, 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 for which the maximum exposure to credit risk is as disclosed in Notes 44(b) 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$1,473.4 million at 31 December 2023 (2022: HK$1,137.7 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 and loan commitments, 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, which is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting, along with a representative range of other possible forecast scenarios. The process involves developing two or more additional economic scenarios which represent more optimistic and more pessimistic outcomes, and considering the relative probabilities of each forecast scenarios. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the International Monetary Fund (IMF), and selected private-sector and academic forecasters. The economic scenarios included the forecast of key macroeconomic indicators variables such as Hong Kong Gross Domestic Product (GDP) growth rate and Hong Kong unemployment rate, which are expected to be at 2.93% (2022: 3.95%) and 3.08% (2022: 3.96%) in the next 12 months in the base case scenario in 2023. 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.

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Credit risk and impairment assessment *(Continued)*

Internal Audit Department and Risk Management Department of respective companies within the Group periodically conducts internal control reviews and compliance checking over all aspects of credit processes to ensure that the established credit policies and procedures are complied with and sufficient controls are in place to mitigate credit risk.

The credit risks on bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Loans and advances to consumer finance customers, mortgage loans and term loans consist of a large number of customers who are spread across diverse industries.

Concentration risk of loans and advances to consumer finance customers is managed by reference to individual customers. The aggregate credit exposure in relation to the ten largest outstanding consumer finance customers, including corporate entities and individuals, after taking into account any collateral held or other credit enhancements, net of ECL, at 31 December 2023 was HK$637.4 million (2022: HK$690.5 million) of which 53.8% (2022: 54.0%) 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 2023 was HK$998.2 million (2022: HK$1,237.9 million) of which 100% (2022: 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 2023 was HK$207.9 million (2022: HK$328.1 million) of which 100% (2022: 92%) 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
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.

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Credit risk and impairment assessment *(Continued)*

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.

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) and loan commitments, which are subject to ECL assessment:

	Notes	Internal credit risk categories	12-month or lifetime ECL	Gross carrying amount 31/12/2023 HK$ Million	31/12/2022 HK$ Million
Loans and receivables at amortised costs and maximum exposure to credit risk without taking into account of any collaterals and other credit enhancements					
Loans and advances to consumer finance customers	30	Low risk/watch list	12-month ECL	**10,691.0**	11,052.7
		Doubtful	Lifetime ECL (not credit impaired)	**428.0**	487.9
		Loss	Lifetime ECL (credit-impaired)	**78.0**	89.7
				11,197.0*	11,630.3*
Mortgage loans	31	Low risk/watch list	12-month ECL	**1,867.0**	2,471.3
		Doubtful	Lifetime ECL (not credit impaired)	**117.0**	235.0
		Loss	Lifetime ECL (credit-impaired)	**585.1**	401.2
				2,569.1*	3,107.5*
Term loans	32	Note 2	12-month ECL	**43.9**	178.9
		Note 2	Lifetime ECL (not credit impaired)	**89.4**	–
			Lifetime ECL (credit-impaired)	**598.2**	941.3
				731.5*	1,120.2*
Amounts due from associates	29	Low risk/watch list	12-month ECL	**223.6**	247.2
		Loss	Lifetime ECL (credit-impaired)	**17.1**	17.5
				240.7	264.7
Amounts due from brokers		Low risk/watch list	12-month ECL	**573.1**	1,125.7
Fixed deposits with banks with an original maturity between 4 to 12 months	34	Low risk/watch list	12-month ECL	**230.6**	156.5
Bank balances and deposits	34	Low risk/watch list	12-month ECL	**6,462.1**	5,727.4
Deposits and other receivables	33	Low risk/watch list	12-month ECL	**181.4**	202.4
Other items					
Loan commitments (Note 1)	44	Low risk/watch list	12-month ECL	**2,117.1**	1,718.4
		Doubtful	Lifetime ECL (not credit impaired)	**9.5**	9.5
				2,126.6	1,727.9

* 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.

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Impairment assessment

To assess the impairment loss on loans and advances to consumer finance customers, the Group groups together all outstanding loan balances, not subject to individual assessment, with common risk characteristics which are ascertained by categories of loan products and are further categorised then into different past due days brackets. ECL is calculated using methodology prescribed under HKFRS 9 (details refer to Note 3 Financial assets – impairment of financial assets) and the resultant impairment loss rate for loans balances which are assessed are shown below:

Gross carrying amount being assessed based on collective assessment:

Loans and advances to consumer finance customers	**Average loss rate**	**31/12/2023 HK$ Million**	Average loss rate	31/12/2022 HK$ Million
Current (not past due)	**3.6%**	**8,278.4**	3.5%	8,704.7
1 to 30 days past due	**15.4%**	**614.5**	18.7%	654.7
31 to 60 days past due	**51.7%**	**109.8**	63.2%	115.3
61 to 90 days past due	**73.6%**	**70.9**	81.2%	67.4
		9,073.6		9,542.1

Debtors with significant outstanding balances or credit-impaired debts with gross carrying amounts of HK$2,045.4 million and HK$78.0 million respectively (2022: HK$1,998.6 million and HK$89.6 million respectively) on 31 December 2023 were assessed individually for impairment loss allowances.

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

The following tables show reconciliation of loss allowances that have been recognised for loans and advances to consumer finance customers, mortgage loans, term loans, amounts due from associates, loan commitments and 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 2022	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**
Changes due to financial instruments recognised as at 1 January 2023:				
– Transfer from 12-month ECL to lifetime ECL	**(30.4)**	**30.4**	**–**	**–**
– Transfer from lifetime ECL to 12-month ECL	**9.2**	**(9.2)**	**–**	**–**
– Transfer from 12-month ECL to credit-impaired	**(10.9)**	**–**	**10.9**	**–**
– Transfer from lifetime ECL to credit-impaired	**–**	**(287.0)**	**287.0**	**–**
– Net remeasurement of ECL	**(26.3)**	**332.5**	**645.2**	**951.4**
– Repayment and derecognition	**(512.9)**	**(68.3)**	**(2.5)**	**(583.7)**
New financial assets originated	**544.0**	**–**	**–**	**544.0**
	(27.3)	**(1.6)**	**940.6**	**911.7**
Movement without impact on profit or loss:				
Written off (Note)	**–**	**–**	**(944.6)**	**(944.6)**
Exchange adjustments	**(1.1)**	**(0.6)**	**–**	**(1.7)**
	(1.1)	**(0.6)**	**(944.6)**	**(946.3)**
As at 31 December 2023	**377.7**	**176.9**	**15.2**	**569.8**

Note: Amount of HK$944.6 million (2022: HK$938.3 million) that were written off during the year are still subject to enforcement activities.

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Mortgage loans

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2022	–	–	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:	–	–	(0.4)	(0.4)
Written off	–	–	(0.4)	(0.4)
As at 31 December 2022	**–**	**–**	**43.6**	**43.6**
Changes due to financial instruments recognised during the year:				
Net remeasurement of ECL	**–**	**–**	**81.3**	**81.3**
Repayment and derecognition	**–**	**–**	**(23.8)**	**(23.8)**
	–	**–**	**57.5**	**57.5**
Movement without impact on profit or loss:				
Written off	**–**	**–**	**(0.7)**	**(0.7)**
	–	**–**	**(0.7)**	**(0.7)**
As at 31 December 2023	**–**	**–**	**100.4**	**100.4**

47. 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
As at 1 January 2022	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**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to Lifetime ECL	**(6.6)**	**6.6**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(0.4)**	**–**	**0.4**	**–**
Net remeasurement of ECL	**0.2**	**26.1**	**4.0**	**30.3**
	(6.8)	**32.7**	**4.4**	**30.3**
Movement without impact on profit or loss:				
Written off	**–**	**–**	**(295.8)**	**(295.8)**
Exchange adjustment	**–**	**–**	**6.4**	**6.4**
	–	**–**	**(289.4)**	**(289.4)**
As at 31 December 2023	**2.7**	**32.7**	**488.2**	**523.6**

Amounts due from associates

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2022	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**
Changes due to financial instruments recognised during the year:				
Net remeasurement of ECL	**(0.1)**	**–**	**(0.3)**	**(0.4)**
	(0.1)	**–**	**(0.3)**	**(0.4)**
As at 31 December 2023	**5.5**	**–**	**17.1**	**22.6**

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Loan commitments

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2022	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**
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	**(1.1)**	**4.3**	**–**	**3.2**
New loan commitments originated	**26.4**	**–**	**–**	**26.4**
Expiry and derecognition	**(24.2)**	**(5.2)**	**–**	**(29.4)**
As at 31 December 2023	**25.4**	**5.2**	**–**	**30.6**

Deposits and other receivables

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2022	1.9	–	–	1.9
Changes due to financial instruments recognised during the year:				
New financial assets originated	(0.7)	–	–	(0.7)
Repayment and derecognition	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 due to financial instruments recognised during the year:				
Repayment and derecognition	**(0.9)**	**–**	**–**	**(0.9)**
Written off	**–**	**–**	**–**	**–**
	(0.9)	**–**	**–**	**(0.9)**
Movement without impact on profit or loss:				
Written off	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**
As at 31 December 2023	**0.3**	**–**	**–**	**0.3**

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Changes in the loss allowance for loans and advances to consumer finance customers, mortgage loans, term loans, amounts due from associates, loan commitments and 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 2022	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**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(887.8)**	**887.8**	**–**	**–**
Transfer from lifetime ECL to 12-month ECL	**29.0**	**(29.0)**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(302.7)**	**–**	**302.7**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(644.9)**	**644.9**	**–**
New financial assets originated	**15,397.0**	**–**	**–**	**15,397.0**
Repayment and derecognition	**(14,564.1)**	**(271.5)**	**(14.5)**	**(14,850.1)**
Written off	**–**	**–**	**(944.6)**	**(944.6)**
Exchange adjustments	**(33.1)**	**(2.3)**	**(0.2)**	**(35.6)**
Gross carrying amount as at 31 December 2023	**10,691.0**	**428.0**	**78.0**	**11,197.0**

As at 31 December 2023, loans and advances to consumer finance customers with a gross carrying amount of HK$75.1 million (with an impairment allowance of HK$13.5 million recognised) (2022: HK$88.4 million (with an impairment allowance of HK$18.5 million recognised)) classified as lifetime ECL (credit-impaired) is covered by collateral and other credit enhancement measures.

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Mortgage loans

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
Gross carrying amount as at 1 January 2022	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**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(116.3)**	**116.3**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(449.2)**	**–**	**449.2**	**–**
Transfer from lifetime ECL to 12-month ECL	**44.6**	**(44.6)**	**–**	**–**
Transfer from lifetime ECL to credit-impaired	**–**	**(15.0)**	**15.0**	**–**
Transfer from credit-impaired to 12-month ECL	**0.5**	**–**	**(0.5)**	**–**
New financial assets originated	**809.6**	**–**	**–**	**809.6**
Repayment and derecognition	**(893.5)**	**(174.7)**	**(279.1)**	**(1,347.3)**
Written off	**–**	**–**	**(0.7)**	**(0.7)**
Gross carrying amount as at 31 December 2023	**1,867.0**	**117.0**	**585.1**	**2,569.1**

As at 31 December 2023, mortgage loans with a gross carrying amount of HK$585.1 million (2022: HK$401.2 million) classified as lifetime ECL (credit-impaired) is covered by collateral.

47. 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 2022	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**
Changes due to financial instruments recognised during the year:				
Transfer from 12-month ECL to lifetime ECL	**(89.4)**	**89.4**	**–**	**–**
Transfer from 12-month ECL to credit-impaired	**(17.3)**	**–**	**17.3**	**–**
New financial assets originated	**47.2**	**–**	**–**	**47.2**
Repayment and derecognition	**(75.4)**	**–**	**(64.6)**	**(140.0)**
Written off	**–**	**–**	**(295.8)**	**(295.8)**
Exchange adjustments	**(0.1)**	**–**	**–**	**(0.1)**
Gross carrying amount as at 31 December 2023	**43.9**	**89.4**	**598.2**	**731.5**

As at 31 December 2023, term loans with a gross carrying amount of HK$591.5 million (with an impairment allowance of HK$485.9 million recognised) (2022: HK$941.3 million (with an impairment allowance of HK$773.2 million recognised)) classified as lifetime ECL (credit-impaired) is covered by collateral and other credit enhancement measures.

47. Financial Risk Management *(Continued)*

(b) Credit Risk *(Continued)*

Amounts due from associates

(HK$ Million)	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
Gross carrying amount as at 1 January 2022	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**
Changes due to financial instruments recognised during the year:				
New financial assets originated	**3.4**	**–**	**–**	**3.4**
Repayment and derecognition	**(34.5)**	**–**	**(0.4)**	**(34.9)**
Exchange adjustments	**7.5**	**–**	**–**	**7.5**
Gross carrying amount as at 31 December 2023	**223.6**	**–**	**17.1**	**240.7**

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 2022	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**
Changes due to financial instruments recognised during the year:				
New financial assets originated	**4.6**	**–**	**–**	**4.6**
Repayment and derecognition	**(25.2)**	**–**	**–**	**(25.2)**
Exchange adjustments	**(0.4)**	**–**	**–**	**(0.4)**
Gross carrying amount as at 31 December 2023	**181.4**	**–**	**–**	**181.4**

47. Financial Risk Management *(Continued)*

(c) Liquidity Risk

The goal of liquidity management is to mitigate risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or make the required profit. Another goal is to enable the Group, even under adverse market conditions, to actively manage and match funds inflow against all maturing repayment obligations to achieve maximum harmony on cash flow management.

The Group manages its liquidity position to ensure a prudent and adequate liquidity ratio. This is achieved by a transparent and collective monitoring approach across the Group involving Executive Directors (including 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 2023					
Bank and other borrowings +	**5,252.7**	**574.1**	**3,806.9**	**62.1**	**9,695.8**
Creditors	**203.4**	**–**	**–**	**–**	**203.4**
Amounts due to brokers	**77.4**	**–**	**–**	**–**	**77.4**
Amount due to a holding company	**1.8**	**–**	**–**	**–**	**1.8**
Lease liabilities	**26.2**	**69.7**	**151.2**	**66.3**	**313.4**
Notes payable	**84.3**	**2,999.3**	**3,317.1**	**–**	**6,400.7**
Loan commitments #	**2,126.6**	**–**	**–**	**–**	**2,126.6**
Other liabilities	**27.0**	**–**	**–**	**36.9**	**63.9**
Total	**7,799.4**	**3,643.1**	**7,275.2**	**165.3**	**18,883.0**
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
Amounts 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 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

+ 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.

48. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

(HK$ Million)	Bank and other borrowings (Note 35)	Other liabilities (Note 39)	Lease liabilities (Note 40)	Notes payable (Note 41)	Total
At 1 January 2023	8,985.2	51.9	326.2	6,664.8	16,028.1
Financing cash flows:					
Bank and other borrowings repaid	(17,469.4)	–	–	–	(17,469.4)
Bank and other borrowings raised	17,492.3	–	–	–	17,492.3
Repayment of notes	–	–	–	(340.0)	(340.0)
Repurchase of notes	–	–	–	(425.9)	(425.9)
Accrued interest	606.2	–	13.8	353.3	973.3
Interest paid	(549.3)	–	(13.8)	(351.4)	(914.5)
Lease payments	–	–	(122.3)	–	(122.3)
New lease entered/lease modified	–	–	69.9	–	69.9
Contribution from third-party interests	–	36.3	–	–	36.3
Distribution to third-party interests	–	(22.2)	–	–	(22.2)
Changes in net assets attributable to other holders of consolidated structured entities	–	1.1	–	–	1.1
Payments of loan arrangement fee	(48.7)	–	–	–	(48.7)
Unamortised arrangement fee classified as prepayment	24.3	–	–	–	24.3
Gain on repurchase of notes	–	–	–	(38.9)	(38.9)
Effect on foreign exchange rate changes	1.3	(3.2)	–	1.3	(0.6)
At 31 December 2023	9,041.9	63.9	273.8	5,863.2	15,242.8

48. Reconciliation of Liabilities Arising from Financing Activities (continued)

(HK$ Million)	Bank and other borrowings (Note 35)	Other liabilities (Note 39)	Lease liabilities (Note 40)	Notes payable (Note 41)	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	–	–	–	797.2	797.2
Repayment of notes	–	–	–	(3,592.5)	(3,592.5)
Repurchase of notes	–	–	–	(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 to 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

49. 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 2023, the carrying amounts of interests held by the Group from unconsolidated structured entities managed by third parties were HK$9,711.4 million (2022: HK$11,095.5 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 2023, revenue shared from investment funds managed by third parties was HK$11.1 million (2022: HK$14.9 million).

50. Statement of Financial Position of the Company

(HK$ Million)	31/12/2023	31/12/2022
Non-current Assets		
Property and equipment	22.1	9.3
Intangible assets	8.4	8.4
Right-of-use assets	124.7	138.5
Interests in subsidiaries	4,051.6	4,013.1
Other receivable	8.9	8.9
Amounts due from subsidiaries	4,024.9	3,245.0
Amounts due from associates	59.9	59.8
	8,300.5	7,483.0
Current Assets		
Amounts due from subsidiaries	4,970.8	10,089.2
Other receivables	7.8	19.3
Taxation recoverable	14.3	14.3
Cash and cash equivalents	532.7	408.0
	5,525.6	10,530.8
Current Liabilities		
Amounts due to subsidiaries	760.6	4,418.2
Amount due to holding company	1.8	1.8
Creditors and accruals	62.3	73.6
Lease liabilities	22.8	26.4
	847.5	4,520.0
Net Current Assets	4,678.1	6,010.8
Total Assets less Current Liabilities	12,978.6	13,493.8
Capital and Reserves		
Share capital	8,731.0	8,731.0
Reserves	4,143.9	4,645.7
Equity attributable to owners of the Company	12,874.9	13,376.7
Non-current Liabilities		
Lease liabilities	103.5	116.9
Provisions	0.2	0.2
	103.7	117.1
	12,978.6	13,493.8

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 21 March 2024 and are signed on its behalf by:

Lee Seng Huang
Director

Brendan James McGraw
Director

51. Reserves of the Company

(HK$ Million)	2023	2022
Retained earnings		
Balance at 1 January	4,645.7	4,312.1
Profit and total comprehensive income for the year	15.5	943.7
Dividends paid	(511.4)	(591.8)
Shares repurchased and cancelled	(5.9)	(18.3)
Balance at 31 December	4,143.9	4,645.7

The distributable reserves of the Company at 31 December 2023 amounted to HK$4,143.9 million (31/12/2022: HK$4,645.7 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)*
Brendan James McGraw *(appointed on 1 July 2023)*

Non-Executive Directors

Simon Chow Wing Charn
(re-designated as Non-Executive Director on 1 July 2023)
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)*
Brendan James McGraw *(appointed on 1 July 2023)*

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)*
Evan Au Yang Chi Chun
Vivian Alexa Kao
Brendan James McGraw
Antony James Edwards *(appointed on 19 January 2024)*
Ko Man Fly
Wong Kin Wing *(appointed on 18 May 2023)*
Phoebe Yuen Oi Ying

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

(established on 16 August 2023)

Vivian Alexa Kao *(Chairman)*
David Craig Bartlett
Brendan James McGraw
Wayne Robert Porritt
Gary Chan Ming Tak
Samantha Che Chi Wing
Antony James Edwards *(appointed on 21 March 2024)*
Yeung Mei
Phoebe Yuen Oi Ying

COMPANY SECRETARY

Lee Sze Wai

INVESTOR RELATIONS

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AUDITOR

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Registered Public Interest Entity Auditors
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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 Bank (Hong Kong) 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
Sumitomo Mitsui Trust Bank, Limited, Hong Kong Branch
East West Bank, Hong Kong Branch
EnTie Commercial Bank

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