新鴻基有限公司
SUN HUNG KAI & CO. LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 86)

ANNOUNCEMENT OF 2023 FINAL RESULTS

CHAIRMAN'S LETTER

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, Sun Hung Kai & Co. Limited ("SHK & Co." or the "Company", together with its subsidiaries, the "Group") 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

GROUP RESULTS

The Board announces the consolidated results of the Group for the year ended 31 December 2023 as set out below:

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	*4*	**152.2**	122.1
Other gains	*5*	**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		**(1,116.1)**	(1,159.6)
Net loss on financial assets and liabilities at fair value through profit or loss	*6*	**(478.4)**	(1,643.8)
Net exchange loss		**(2.8)**	(101.4)
Net impairment losses on financial assets	*7*	**(763.1)**	(757.8)
Finance costs		**(999.2)**	(914.2)
Other losses		**(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	*8*	**76.6**	(892.3)
Taxation	*9*	**(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		**270.1**	357.9
		(201.3)	(1,176.9)
Loss per share	*11*		
– 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 instrument 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		**1,197.7**	1,217.1
Property and equipment		**402.1**	471.2
Right-of-use assets		**272.8**	323.1
Intangible assets		**910.8**	911.6
Goodwill		**2,384.0**	2,384.0
Interest in associates		**216.4**	176.6
Interest in joint ventures		**4.7**	355.4
Financial assets at fair value through other comprehensive income		**192.3**	246.1
Financial assets at fair value through profit or loss		**9,470.9**	10,323.2
Deferred tax assets		**337.6**	453.4
Amounts due from associates		**64.9**	239.1
Loans and advances to consumer finance customers	*12*	**3,709.0**	3,797.3
Mortgage loans	*13*	**758.1**	1,273.0
Term loans	*14*	**40.0**	42.7
Prepayments, deposits and other receivables	*15*	**29.9**	45.0
		19,991.2	22,258.8
Current Assets			
Financial assets at fair value through profit or loss		**4,363.8**	4,115.1
Taxation recoverable		**17.2**	16.8
Amounts due from associates		**153.2**	2.6
Loans and advances to consumer finance customers	*12*	**6,918.2**	7,228.6
Mortgage loans	*13*	**1,710.6**	1,790.9
Term loans	*14*	**167.9**	294.8
Prepayments, deposits and other receivables	*15*	**280.7**	197.5
Amounts due from brokers		**574.0**	1,125.7
Bank deposits		**230.6**	156.5
Cash and cash equivalents		**6,462.1**	5,727.4
		20,878.3	20,655.9

(HK$ Million)	*Note*	**31/12/2023**	31/12/2022
Current Liabilities			
Financial liabilities at fair value through profit or loss		**256.0**	407.4
Bank and other borrowings		**5,495.4**	5,510.0
Creditors and accruals	*16*	**467.4**	464.7
Amounts due to brokers		**77.4**	79.6
Amount due to a holding company		**1.8**	1.8
Provisions		**52.0**	48.8
Taxation payable		**125.4**	93.5
Other liabilities		**27.0**	38.7
Lease liabilities		**84.2**	118.6
Notes payable		**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		**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		**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		**111.6**	99.6
Deferred tax liabilities		**138.1**	134.6
Bank and other borrowings		**3,546.5**	3,475.2
Provisions		**1.4**	0.5
Other liabilities		**36.9**	13.2
Lease liabilities		**189.6**	207.6
Notes payable		**3,003.4**	6,578.0
		7,027.5	10,508.7
		31,423.1	36,064.8

NOTES:

1. DISCLOSURE IN ACCORDANCE WITH SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information relating to the financial years ended 31 December 2023 and 2022 included in this announcement of annual results does not constitute the Company's statutory annual financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2023 in due course. The Company's auditor has reported on those financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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:

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 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 the consolidated financial statements.

Impacts on application of Amendments to 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 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 United Kingdom 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. 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 United Kingdom 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.

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

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 the consolidated financial statements.

3. 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 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.

(HK$ Million)	Credit Business: Consumer Finance	Credit Business: Private Credit	Credit Business: Mortgage Loans	Investment Management	Funds Management	Group Management and Support	Total
	2023						
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**	**–**

(HK$ Million)	2022						
	Credit Business						
	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 2023.

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

4. 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

5. OTHER GAINS

(HK$ Million)	**2023**	2022
Gain on repurchase of notes payable	**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

6. 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)

7. 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)

8. PROFIT (LOSS) BEFORE TAXATION

(HK$ Million)	**2023**	2022
Profit (loss) before taxation for the year has been arrived at after (charging) crediting:		
Administrative expenses	**(1,116.1)**	(1,159.6)
Outgoings in respect of rental-generating investment properties	**–**	(0.5)
Other losses	**(97.4)**	(37.7)
Share of taxation of associates and joint ventures included in share of results of associates and joint ventures	**–**	3.6

9. 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 the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2022: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

10. 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 HK14 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

11. 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

12. 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 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

13. 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 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

14. 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

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.

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.

15. 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

16. CREDITORS AND ACCRUALS

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

(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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

(HK$ Million)	**Year Ended** **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

(HK$ Million)	**Year ended 31 December** **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

(HK$ Million)	**Year ended 31 December** **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

	2023				Return track record	
(HK$ Million)	Year End Value	Average Value	Gain/ (Loss)	Annual Return	2022^	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

	2023				2022			
(HK$ Million)	Year End Value	Average Value	Gain/ (Loss)	Annual Return[1]	Year End Value	Average Value	Gain/ (Loss)	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%

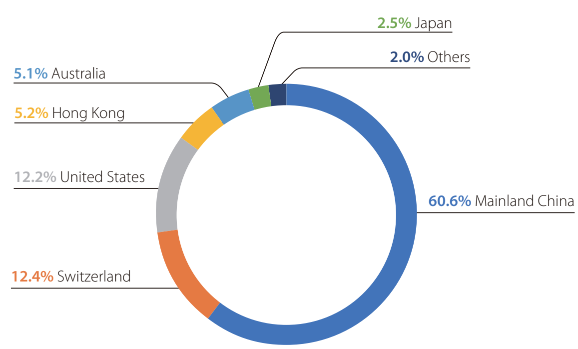
1. Gain (Loss) before costs of capital charge/average fair market value for the year.
2. At FVTOCI.
3. The Public Credit strategy was wound down in 2022 for the launch of a partnership fund on the Group's Funds Management platform.

Corporate Holdings

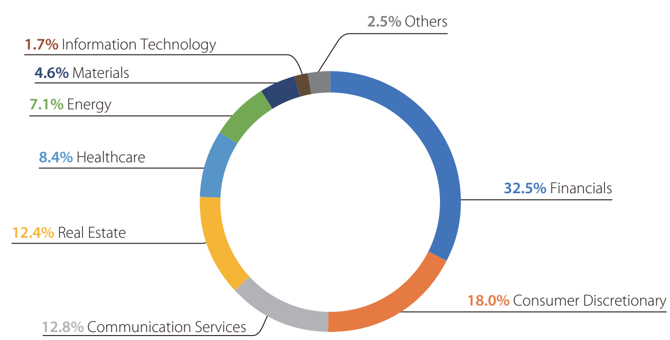
The Corporate Holdings segment mainly manages a mix of long-term and shorter-term equity positions. Derivatives and hedging are used both to manage risks and enhance returns. During 2023, we further strengthened our investment and portfolio management capabilities, striving to achieve sustainable risk-adjusted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

	2023				2022[1]			
(HK$ Million)	**Year End Value**	**Average Value**	**Gain/ (Loss)**	**Annual Return**	Year End Value	Average Value	Gain/ (Loss)	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.

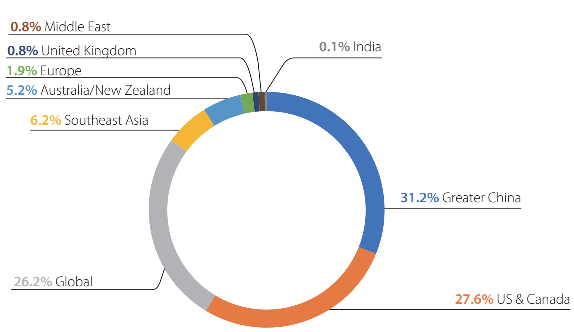
Private Equity

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.

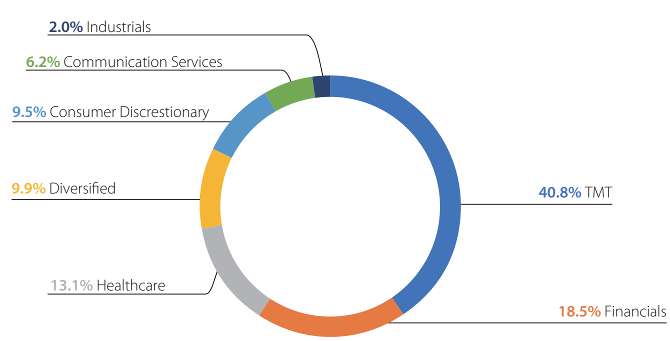
In 2023, a tough financing environment and ongoing decrease in liquidity events continued to pose challenges for the Private Equity segment. Despite the challenges, the diversification of our portfolio helped mitigate risks to some extent. In global markets, as US interest rates stabilised towards the 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

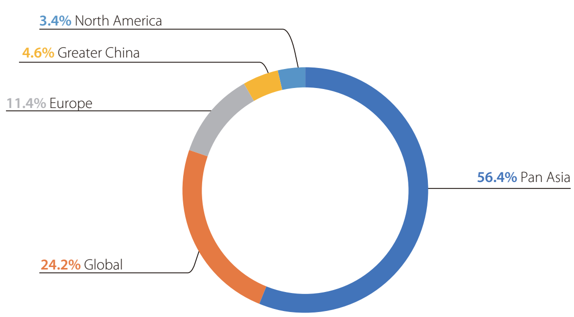


Hedge Funds

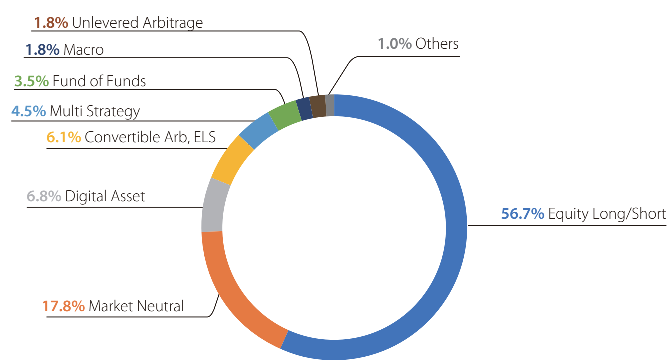
The Group's multi-manager hedge fund portfolio consists of a select group of external hedge funds that are global in scope with a bias towards the Pan-Asia region.

"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.

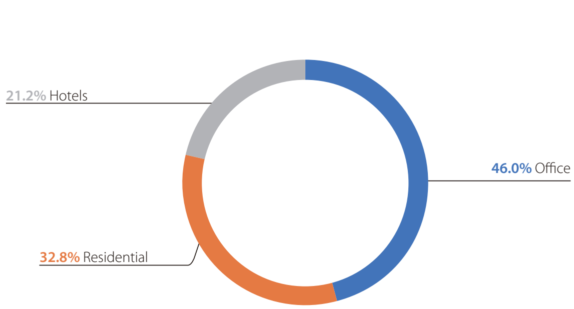
In 2023, this segment recorded a notable return of 19.3%, primarily attributed to our strategic investment in the COVID-impacted travel sector at its low point in early 2022. This investment has shown significant progress, tracking the resurgence of international travel.

Real Estate

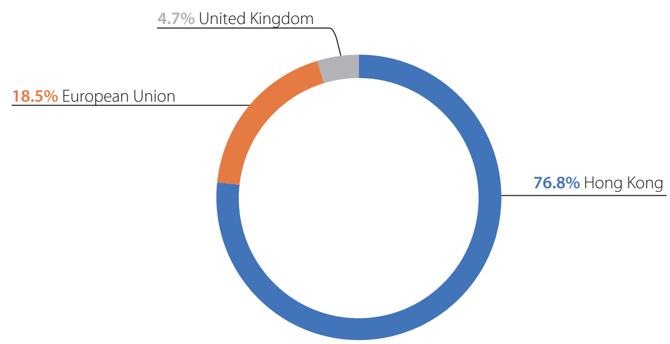
The Real Estate portfolio was valued at HK$2,413.5 million as at 31 December 2023 (31 December 2022: HK$2,341.3 million). The portfolio mainly includes the Group's interests in Hong Kong commercial real estate as well as hotels and commercial investments abroad.

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

ACTUSRAY PARTNERS DISCRETIONARY PROBABILISTIC INVESTING	Kernel.	E15VC	POINT KING CAPITAL
DESCRIPTION	DESCRIPTION	DESCRIPTION	DESCRIPTION
• Established March 2021: European Discretionary Probabilistic Investing Equity Market Neutral Strategy • Established September 2023: Asian Discretionary Probabilistic Investing Equity Market Neutral Strategy	• Established July 2019 • Market Neutral Crypto Strategy • Quantitative/ Directional	• Established January 2021 • Deep Technology Venture Strategy	• 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

DESCRIPTION

- Established July 2021
- Global Fund of Hedge Funds

MCIP | MULTIPLE CAPITAL INVESTMENT PARTNERS

DESCRIPTION

- Established March 2021
- APAC Real Estate Loan Strategy

SHK PRIVATE ACCESS

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.

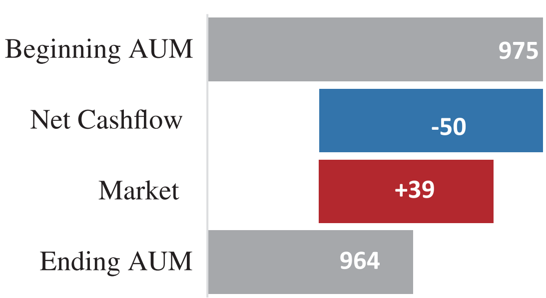
In relation to hedge funds, FOS provides private clients and institutions with bespoke advisory and discretionary portfolios. Mandates include standalone, completion strategy, or region specific and/or highly concentrated. The approach is dedicated to selecting best-in-class hedge fund managers and employing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

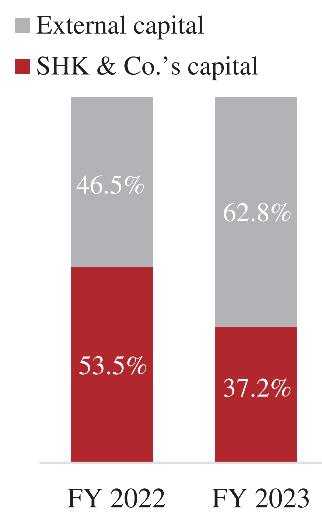
AUM^ and Segment Full Year Results

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.

(HK$ Million)	Year ended 31 December 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 announcement.

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

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

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

PEOPLE & CULTURE

As at 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.

SECOND INTERIM DIVIDEND

The Board 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 shareholders of the Company 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 (2022: HK26 cents) per share. Dividend warrants for the second interim dividend are expected to be despatched on 24 May 2024.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "2024 AGM") is scheduled to be held on Tuesday, 28 May 2024. The Notice of the 2024 AGM will be published on the website of the Company (www.shkco.com) and the website of The Stock Exchange of Hong Kong Limited ("Stock Exchange") (www.hkexnews.hk), and despatched to the shareholders before end of April 2024.

CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed on the following time periods during which no transfer of shares of the Company will be registered:

Events	**Book close period**
For entitlement to the second interim dividend:	22 April 2024-24 April 2024 (both days inclusive) (Ex-dividend date being 18 April 2024) (Record date being 24 April 2024)
For attendance to 2024 AGM:	23 May 2024-28 May 2024 (both days inclusive) (Record date being 28 May 2024)

In order to qualify for entitlement to the second interim dividend and/or attendance to the 2024 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Secretaries Limited, for registration not later than 4:30 p.m. on the following dates:

Events	**Last date of lodgment of transfer documents**
For entitlement to the second interim dividend:	19 April 2024
For attendance to 2024 AGM:	22 May 2024

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 (former Appendix 14) to the Rules Governing the Listing of Securities on the Stock Exchange, except for certain deviations which are summarised below:

(a) Code Provision C.2.1

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Under the 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 business with support from the management team of the division, as well as its interest in UAF whose day-to-day management lies with its designated Chief Executive Officer. Mr. Simon Chow assisted the Group Executive Chairman in driving the performance of the Mortgage Loans and other operating businesses of the Group as well as exploring new areas of growth 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.

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

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

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

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

The reasons for the above deviations had been set out in the Corporate Governance Report contained in the Company's annual report for the financial year ended 31 December 2022. The Board has reviewed the terms during the year under review and considers that the Remuneration Committee and the Audit Committee should continue to operate according to their respective terms of reference as adopted by the Company. The Board will review the terms of reference at least annually and would make appropriate changes if considered necessary.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2023 annual report which will be issued before end of April 2024.

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.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price per share Highest *(HK$)*	Purchase price per share Lowest *(HK$)*	Aggregate consideration (before expenses) *(HK$)*
January	240,000	3.29	2.98	760,700
February	—	—	—	—
March	106,000	2.99	2.97	316,670
April	240,000	2.99	2.89	702,140
May	184,000	2.89	2.82	527,780
June	—	—	—	—
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) Redemption of Notes of a subsidiary, Sun Hung Kai & Co. (BVI) Limited ("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 US$350,000,000 5.75% Guaranteed Notes due November 2024 (the "2024 Notes") listed on the Stock Exchange (stock code: 40065) and an aggregate principal amount of US$34,886,000 of the US$450,000,000 5.00% Guaranteed Notes due September 2026 (the "2026 Notes") listed on the Stock Exchange (stock code: 40831). Both 2024 Notes and 2026 Notes were issued by SHK BVI under the US$3,000,000,000 Guaranteed Medium Term Note Programme. All the repurchased Notes were cancelled.

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.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management of the Company the Group's financial statements for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 21 March 2024. The work performed by Deloitte in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Deloitte on the preliminary announcement.

On behalf of the Board
Sun Hung Kai & Co. Limited
Lee Seng Huang
Group Executive Chairman

Hong Kong, 21 March 2024

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

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

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

Independent Non-Executive Directors:
Mr. Evan Au Yang Chi Chun, Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Vivian Alexa Kao, Ms. Jacqueline Alee Leung and Mr. Wayne Robert Porritt