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

ANNOUNCEMENT OF 2020 FINAL RESULTS

CHAIRMAN'S LETTER

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

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

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

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

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

Financial Highlights, Capital Management and Dividend

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

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

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

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

Business Update

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

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

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

People and Community

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

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

Outlook

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

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

Lee Seng Huang
Group Executive Chairman

Hong Kong, 18 March 2021

GROUP RESULTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2020 as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	**2020** **HK$ Million**	2019 HK$ Million
Interest income		**3,963.0**	4,125.1
Other revenue	*4*	**93.6**	91.7
Other gains	*5*	**76.2**	14.5
Total income		**4,132.8**	4,231.3
Brokerage and commission expenses		**(47.2)**	(43.9)
Advertising and promotion expenses		**(119.9)**	(147.3)
Direct cost and operating expenses		**(107.9)**	(104.2)
Administrative expenses		**(1,274.3)**	(1,152.1)
Net gain on financial assets and liabilities at fair value through profit or loss	*6*	**2,553.9**	1,807.7
Net exchange gain		**47.5**	82.5
Net impairment losses on financial instruments	*7*	**(1,052.6)**	(1,024.4)
Finance costs		**(807.3)**	(777.7)
Other losses		**(166.6)**	(179.0)
		3,158.4	2,692.9
Share of results of associates		**42.4**	48.6
Share of results of joint ventures		**(0.2)**	1.9
Profit before taxation	*8*	**3,200.6**	2,743.4
Taxation	*9*	**(271.7)**	(228.8)
Profit for the year		**2,928.9**	2,514.6
Profit attributable to:			
– Owners of the Company		**2,547.7**	2,085.2
– Non-controlling interests		**381.2**	429.4
		2,928.9	2,514.6
Earnings per share	*11*		
– Basic (HK cents)		**128.3**	104.4
– Diluted (HK cents)		**128.0**	104.2

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	**31/12/2020** *HK$ Million*	31/12/2019 *HK$ Million*
Non-current Assets			
Investment properties		**1,276.5**	1,312.5
Property and equipment		**436.5**	377.2
Right-of-use assets		**323.2**	125.5
Intangible assets		**904.4**	893.2
Goodwill		**2,384.0**	2,384.0
Interest in associates		**212.2**	1,196.1
Interest in joint ventures		**466.4**	445.5
Financial assets at fair value through other comprehensive income		**120.9**	129.5
Financial assets at fair value through profit or loss		**9,124.6**	7,687.2
Deferred tax assets		**780.7**	780.0
Amounts due from associates		**279.0**	261.3
Loans and advances to consumer finance customers	*12*	**3,088.9**	2,770.5
Mortgage loans	*13*	**1,192.9**	1,270.7
Term loans	*14*	**554.5**	49.6
Trade receivables, prepayments and other receivables	*15*	**17.3**	20.4
		21,162.0	19,703.2
Current Assets			
Financial assets at fair value through profit or loss		**4,461.5**	4,285.6
Taxation recoverable		**3.3**	3.7
Amounts due from associates		**12.1**	68.6
Loans and advances to consumer finance customers	*12*	**7,474.8**	7,643.0
Mortgage loans	*13*	**1,820.8**	2,356.2
Term loans	*14*	**1,158.2**	1,856.6
Trade receivables, prepayments and other receivables	*15*	**378.3**	466.8
Amounts due from brokers		**354.3**	451.7
Short-term pledged bank deposits and bank balances		**–**	33.2
Bank deposits		**12.3**	68.1
Cash and cash equivalents		**7,245.6**	5,624.9
		22,921.2	22,858.4

	Notes	**31/12/2020** *HK$ Million*	31/12/2019 *HK$ Million*
Current Liabilities			
Financial liabilities at fair value through profit or loss		**172.8**	715.8
Bank and other borrowings		**6,083.2**	5,659.9
Trade payables, other payables and accruals	*16*	**494.1**	338.4
Financial assets sold under repurchase agreements		**–**	386.2
Amounts due to fellow subsidiaries and a holding company		**4.7**	35.3
Provisions		**257.5**	152.9
Taxation payable		**137.6**	339.6
Lease liabilities		**84.2**	89.9
Notes/paper payable		**2,013.4**	569.5
		9,247.5	8,287.5
Net Current Assets		**13,673.7**	14,570.9
Total Assets less Current Liabilities		**34,835.7**	34,274.1
Capital and Reserves			
Share capital		**8,752.3**	8,752.3
Reserves		**13,872.9**	11,629.4
Equity attributable to owners of the Company		**22,625.2**	20,381.7
Non-controlling interests		**3,327.1**	3,194.9
Total Equity		**25,952.3**	23,576.6
Non-current Liabilities			
Deferred tax liabilities		**137.1**	143.0
Bank and other borrowings		**2,384.1**	2,497.2
Provisions		**0.3**	0.3
Lease liabilities		**228.5**	27.8
Notes/paper payable		**6,133.4**	8,029.2
		8,883.4	10,697.5
		34,835.7	34,274.1

Notes:

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

The financial information relating to the financial years ended 31st December 2020 and 2019 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 financial statements for the year ended 31st December 2019 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 financial statements for the year ended 31st December 2020 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")

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

New and Amendments to HKFRSs in issue but not yet effective

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

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

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

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

3. SEGMENT INFORMATION

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

The main reportable and operating segments are as follows:

(a) Consumer Finance: provision of consumer, SME and other financing.

(b) Specialty Finance: provision of structured and specialty financing.

(c) Mortgage Loans: provision of mortgage loans financing.

(d) Investment Management: portfolio investments.

(e) Group Management and Support: provision of liquidity, supervisory and administrative functions to all business segments.

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

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

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

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

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

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

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

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

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

4. OTHER REVENUE

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

5. OTHER GAINS

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

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

6. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2020	2019
	HK$ Million	*HK$ Million*
Net realised and unrealised (loss) gain on financial assets and liabilities		
– Held for trading	**(49.1)**	627.0
– Financial assets at fair value through profit or loss	**2,603.0**	1,180.7
	2,553.9	1,807.7

7. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	2020	2019
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Net impairment losses	**(991.1)**	(999.2)
– Recoveries of amounts previously written off	**221.7**	195.1
	(769.4)	(804.1)
Mortgage loans		
– Net impairment losses	**(25.7)**	(12.0)
	(25.7)	(12.0)
Term loans		
– Net impairment losses	**(301.1)**	(160.6)
	(301.1)	(160.6)
Amounts due from associates		
– Net impairment losses	**(2.1)**	(0.4)
	(2.1)	(0.4)
Trade and other receivables		
– Net reversal (recognition) of impairment losses	**45.4**	(47.6)
– Recoveries of amounts previously written off	**0.3**	0.3
	45.7	(47.3)
	(1,052.6)	(1,024.4)

8. PROFIT BEFORE TAXATION

	2020	2019
	HK$ Million	*HK$ Million*
Profit before taxation for the year has been arrived at after charging:		
Administrative expenses	**(1,274.3)**	(1,152.1)
Outgoings in respect of rental-generating investment properties	**(0.1)**	(0.3)
Other losses	**(166.6)**	(179.0)
Share of taxation of associates and joint ventures included in share of results of associates and joint ventures	**(11.3)**	(4.6)

The Group disposed of 70% interest in a wholly-owned subsidiary Sun Hung Kai Financial Group Limited ("SHKFGL") in June 2015 and classified the remaining 30% equity interest as an associate up to 16 November 2020. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. As part of the disposal, the Group was awarded a put right on the 30% equity interest of SHKFGL. This put right recorded a valuation gain during the period of HK$70.3 million (2019: HK$267.0 million) classified under net gain on financial assets and liabilities at fair value through profit or loss. An impairment loss in the investment in SHKFGL of HK$3.2 million (2019: HK$135.9 million) was recognised.

On 17 November 2020, the Group exercised the put option on SHKFGL at the consideration of HK$1,257.1 million cash and HK$1,156 million preference shares and retained no stake at 31 December 2020. Upon completing the transaction, SHKFGL ceased to be an associate. The transaction has resulted in the recognition of no gain in profit or loss, calculated as follows:

	17/11/2020
	HK$ Million
Consideration received:	2,413.1
Less: carrying amount of the 30% investment on the date of loss of significant influence	(955.8)
Less: carrying amount of unlisted put right for shares in SHKFGL	(1,457.3)
Gain on disposal	–
Net cash inflow arising on disposal:	
Cash consideration	1,257.1

9. TAXATION

	2020	2019
	HK$ Million	*HK$ Million*
Current tax		
– Hong Kong	**(228.9)**	(250.0)
– PRC	**(13.1)**	(73.9)
	(242.0)	(323.9)
(Under) over provision in prior years	**(1.9)**	0.1
	(243.9)	(323.8)
Deferred tax	**(27.8)**	95.0
	(271.7)	(228.8)

Hong Kong profits tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2019: 25%). Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

10. DIVIDENDS

	2020 *HK$ Million*	2019 *HK$ Million*
The aggregate amount of dividends declared and proposed:		
– 2020 interim dividend paid of HK12 cents (2019: HK12 cents) per share	**238.7**	240.3
– 2020 second interim dividend of HK14 cents per share declared after the reporting date (2019: 2019 second interim dividend of HK14 cents per share)	**277.5**	279.4
	516.2	519.7
Dividends recognised as distribution during the year:		
– 2019 second interim dividend paid of HK14 cents (2019: 2018 second interim dividend paid of HK14 cents) per share	**279.1**	280.7
– 2020 interim dividend paid of HK12 cents (2019: HK12 cents) per share	**238.7**	240.3
	517.8	521.0

11. EARNINGS PER SHARE

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

	2020 *HK$ Million*	2019 *HK$ Million*
Earnings for the purposes of basic and diluted earnings per share		
Profit for the year from attributable to owners of the Company	**2,547.7**	2,085.2
Number of shares (in million)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,985.3**	1,997.2
Effect of dilutive potential ordinary shares:		
– Impact of contingently issuable shares under the SHK Employee Ownership Scheme	**4.5**	3.2
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,989.8**	2,000.4

12. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	31/12/2020	31/12/2019
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
– Hong Kong	**8,318.0**	8,576.2
– Mainland China	**3,000.0**	2,545.1
Less: impairment allowance	**(754.3)**	(707.8)
	10,563.7	10,413.5
Analysed for reporting purposes as:		
– Non-current assets	**3,088.9**	2,770.5
– Current assets	**7,474.8**	7,643.0
	10,563.7	10,413.5

The following is an ageing analysis for the loans and advances to consumer finance customers that are past due at the end of the reporting date.

	31/12/2020	31/12/2019
	HK$ Million	*HK$ Million*
Less than 31 days past due	**491.4**	582.9
31–60 days	**36.0**	55.6
61–90 days	**23.6**	20.9
91–180 days	**10.2**	148.4
Over 180 days	**293.9**	61.4
	855.1	869.2

13. MORTGAGE LOANS

	31/12/2020 *HK$ Million*	31/12/2019 *HK$ Million*
Mortgage loans		
– Hong Kong	**3,061.1**	3,648.6
Less: impairment allowance	**(47.4)**	(21.7)
	3,013.7	3,626.9
Analysed for reporting purposes as:		
– Non-current assets	**1,192.9**	1,270.7
– Current assets	**1,820.8**	2,356.2
	3,013.7	3,626.9

The following is an ageing analysis for the mortgage loans that are past due at the end of the reporting date.

	31/12/2020 *HK$ Million*	31/12/2019 *HK$ Million*
Less than 31 days past due	**66.7**	148.8
31–60 days	**26.6**	32.0
61–90 days	**11.5**	4.0
91–180 days	**160.4**	–
Over 180 days	**459.0**	143.8
	724.2	328.6

14. TERM LOANS

	31/12/2020	31/12/2019
	HK$ Million	*HK$ Million*
Secured term loans	**2,242.3**	2,111.6
Unsecured term loans	**82.9**	106.0
Less: impairment allowance	**(612.5)**	(311.4)
	1,712.7	1,906.2
Analysed for reporting purposes as:		
– Non-current assets	**554.5**	49.6
– Current assets	**1,158.2**	1,856.6
	1,712.7	1,906.2

The Group considers a loan to be secured when there is collateral or credit enhancement in place. The main types of collateral and credit enhancement obtained includes share charges over unlisted and listed equity securities, personal guarantees, assignment of rights and charges over properties.

No ageing analysis is disclosed for term loans financing, as, in the opinion of the management, the ageing analysis does not give additional value in the view of the nature of the term loans financing business.

15. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31/12/2020	31/12/2019
	HK$ Million	*HK$ Million*
Deposits	**117.6**	38.0
Others	**239.0**	391.3
Less: impairment allowance	**(2.1)**	(47.5)
Trade and other receivables at amortised cost	**354.5**	381.8
Prepayments	**41.1**	105.4
	395.6	487.2
Analysed for reporting purposes as:		
– Non-current assets	**17.3**	20.4
– Current assets	**378.3**	466.8
	395.6	487.2

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

	31/12/2020	31/12/2019
	HK$ Million	*HK$ Million*
Less than 31 days	**247.2**	279.2
	247.2	279.2
Trade and other receivables without ageing	**107.3**	102.6
Trade and other receivables at amortised cost	**354.5**	381.8

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	31/12/2020	31/12/2019
	HK$ Million	*HK$ Million*
Less than 31 days/repayable on demand	**225.5**	125.3
31–60 days	**3.7**	6.3
61–90 days	**2.0**	5.6
91–180 days	**–**	0.7
	231.2	137.9
Accrued staff costs, other accrued expenses and other payables without ageing	**262.9**	200.5
	494.1	338.4

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

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

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

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

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

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

RESULTS ANALYSIS

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

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

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

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

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

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

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

BUSINESS REVIEW

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

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

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

FINANCING BUSINESS

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

Consumer Finance

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

Segment Full Year Results

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

1 Interest and fee income/average gross loan balance

2 Before impairment allowance

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

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

Net Impairment Losses on Financial Instruments

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

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

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

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

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

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

Note: amount as a percentage of net loan balance

Hong Kong Business

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

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

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

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

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

Mainland China Business

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

1 Interest income and fee/average gross loan balance

2 Charge-off/average gross loan balance

3 Net impairment losses/average gross loan balance

4 Impairment allowance/gross loan balance at year end

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

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

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

Prospects

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

Specialty Finance

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

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

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

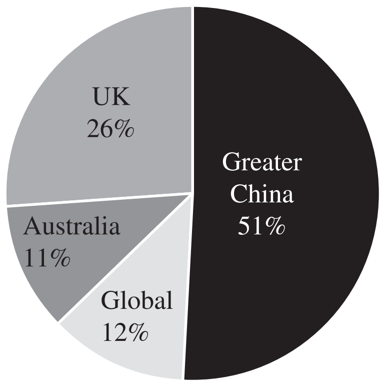
Segment Annual Results

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

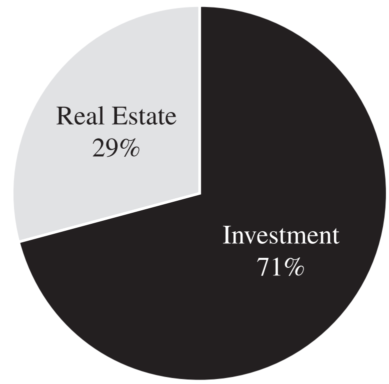
^ Before impairment allowance

Specialty Finance Portfolio

Term Loan Breakdown by Geography



Term Loan Breakdown by Sector



Mortgage Loans

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

Segment Annual Results

	Year ended 31 December		
(HK$ Million)	**2020**	2019	**Change**
Revenue	**303.5**	295.6	3%
Return on loans (% average gross loan balance)	**9.1%**	7.9%	
Operating costs	**(54.9)**	(43.1)	27%
Cost to income (% revenue)	**18.1%**	14.6%	
Finance costs	**(110.2)**	(119.1)	-7%
Net impairment losses	**(25.7)**	(12.0)	214%
Pre-tax contribution	**112.7**	121.4	-7%
Loan Book:			
Net loan balance	**3,013.7**	3,626.9	-17%
Gross loan balance^	**3,061.1**	3,648.6	-16%

^ Before impairment allowance

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

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

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

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

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

INVESTING BUSINESS

Investment Management

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

Analysis of Pre-tax Profit by Nature

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

[1] Net of cost of capital

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

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

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

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

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

Segment Assets Breakdown and Annual Return

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

* Re-presented

Public Markets

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

Breakdown of Public Markets Portfolio as at 31 December 2020

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

Public Equity

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

Public Credit

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

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

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

Corporate Holdings

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

Alternatives

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

Breakdown of Alternatives Portfolio as at 31 December 2020

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

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

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

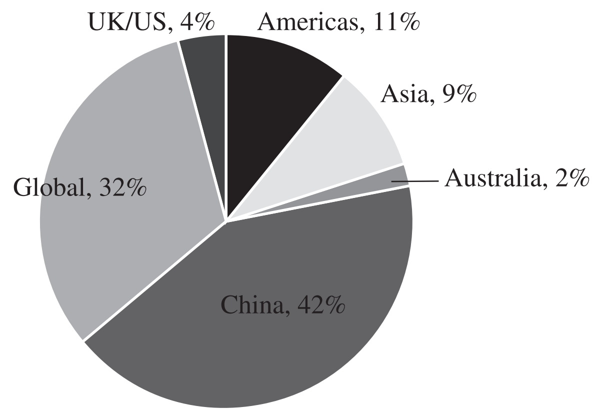
Private Equity

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

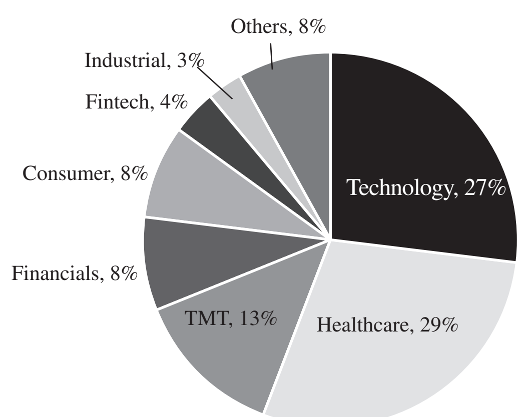
In January 2021, we announced the sale of our interest in Fairstone Holdings Inc. SHK & Co had participated in an investor group led by J.C. Flowers to acquire Fairstone from Citigroup in 2017. During the period of our co-ownership, Fairstone more than doubled its operating net income.

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

Private Equity Exposure by Geography



Private Equity Exposure by Sector

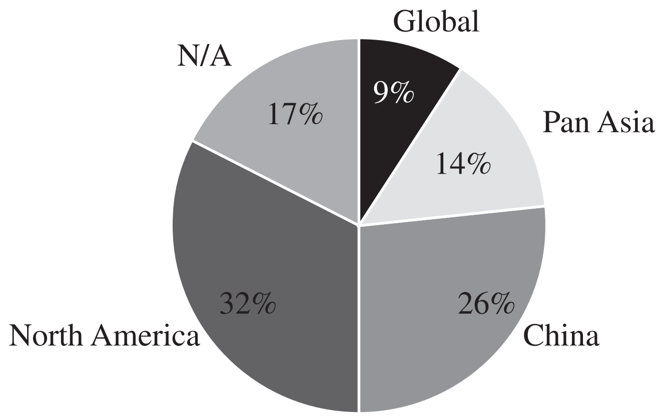


Hedge Funds

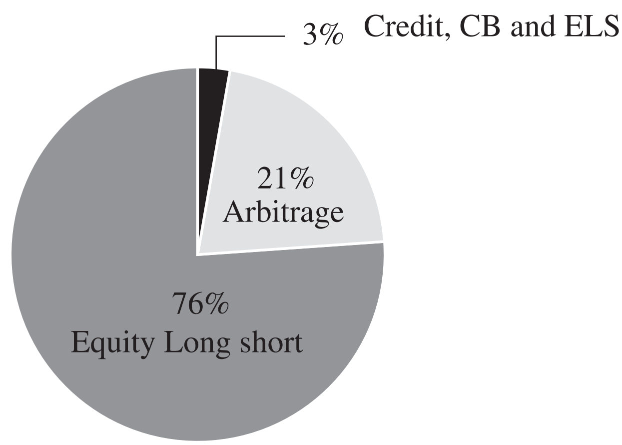
The hedge fund multi-manager portfolio generated 40.6% return in 2020, materially outperforming benchmark returns. In comparison, the Eurekahedge Asian hedge fund index generated +17.5%. The portfolio outperformed as a result of superior manager selection and asset allocation. In terms of asset allocation,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

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

External Hedge Funds Exposure by Geography



External Hedge Funds by Type

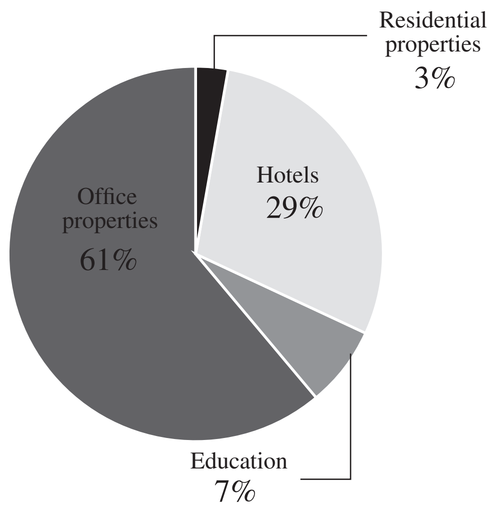


Real Assets

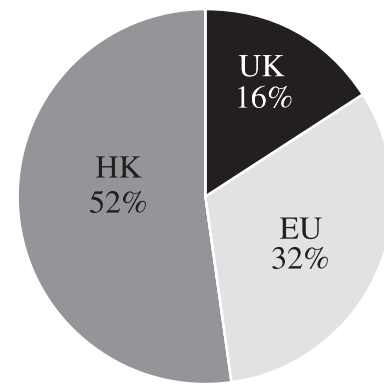
The Real Assets portfolio was valued at HK$2,601.5 million as at 31 December 2020 (31 December 2019: HK$2,542.5 million). The portfolio includes the Group's interests in Hong Kong commercial real estate as well as hotels and commercial investments abroad. During the year, there was a small loss on the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

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

Real Assets Exposure by Asset Class



Real Assets Exposure by Geography



Funds Management

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

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

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

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

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

OUTLOOK

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

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

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

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

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

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

LONG TERM CORPORATE STRATEGIES

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

SHK & Co. Business Objectives

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

Corporate Values

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

FINANCIAL REVIEW

Financial Resources, Liquidity, Capital Structure and Key Performance Indicators

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

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

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

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

Return on assets increased from 6.0% of 2019 to 6.8%, mainly due to higher returns on investment assets. Return on equity also increased from 10.6% of 2019 to 11.8% for similar reasons. The strong cash position has provided us with comfortable liquidity during the volatile market conditions. The Company is well equipped to take advantage of available opportunities to optimize our capital efficiency in the long term.

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

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

^ Listed on The Stock Exchange of Hong Kong Limited

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

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

Significant Investments

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

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

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

Important Events After the End of the Financial Period

There are no important events affecting the Group which have occurred after the end of the financial year ended 31 December 2020 and up to the date of this announcement.

Charges on Group Assets

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

Other Financial Liabilities

At the end of the year, the Group had financial guarantees in the aggregate amount of HK$387.6 million (2019: HK$494.5 million).

HUMAN RESOURCES AND TRAINING

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

The Group adopts various compensation structures as relevant to different job roles and functions within the organization. For most staff, compensation comprises base salary with bonus or performance-based incentives, as appropriate. The remuneration packages of employees in a sales function consist of a base pay and commission, bonus or performance-based incentives as appropriate.

Under the Employee Ownership Scheme ("EOS"), selected employees or directors of the Group (the "Selected Grantees") were awarded shares of the Company. Following management's recommendation, a total of 5,316,000 shares were granted to the Selected Grantees during the year subject to various terms. 157,000 shares were vested for key management personnel in 2020. As at 31 December 2020, the outstanding award shares under the EOS (excluding shares awarded but subsequently forfeited) amounted to 4,522,000 shares.

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

COVID-19 PANDEMIC RESPONSE

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

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

SECOND INTERIM DIVIDEND

The Board has declared a second interim dividend of HK14 cents per share for the year ended 31 December 2020 to shareholders of the Company whose names appear on the register of members of the Company on 28 April 2021, making a total dividend for the year 2020 of HK26 cents (2019: HK26 cents) per share. Dividend warrants for the second interim dividend is expected to be despatched on 12 May 2021.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "2021 AGM") is scheduled to be held on Tuesday, 25 May 2021. The Notice of the 2021 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 2021.

CLOSURES OF REGISTER OF MEMBERS

The register of member 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	:	26 April 2021–28 April 2021 (both days inclusive) (Ex-dividend date being 22 April 2021) (Record date being 28 April 2021)
For attendance to 2021 AGM	:	20 May 2021–25 May 2021 (both days inclusive) (Record date being 25 May 2021)

In order to qualify for entitlement to the second interim dividend and/or attendance to the 2021 AGM, all transfer forms 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	:	23 April 2021
For attendance to 2021 AGM	:	18 May 2021

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2020, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in 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 A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisational structure of the Company, the functions of a chief executive are performed by the Group Executive Chairman, Mr. Lee Seng Huang, in conjunction with the Group Deputy Chief Executive Officer, Mr. Simon Chow Wing Charn. The Group Executive Chairman oversees the Group's Investment Management 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 Managing Director. Mr. Simon Chow assists the Group Executive Chairman in driving the performance of Mortgage Loans and the other operating businesses of the Group as well as exploring new areas of growth.

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

(b) Code Provisions B.1.2 and C.3.3

Code provisions B.1.2 and C.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 B.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 C.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 2019. 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 2020 annual report which will be issued before end of April 2021.

PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

(1) Repurchase of Shares

During the year ended 31 December 2020, the Company repurchased a total of 16,488,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$52,791,490. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

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

(2) Repurchase of Guaranteed Notes of a subsidiary, Sun Hung Kai & Co. (BVI) Limited (“SHK BVI”)

During the year ended 31 December 2020, US$400,000 and US$697,000 in the principal amount of 4.65% Guaranteed Notes due September 2022 (the “2022 Notes”) under the US$3,000,000,000 Guaranteed Medium Term Note Programme issued by SHK BVI were purchased by the Company at consideration of US$400,000 and US$690,030 respectively by way of private arrangement. The repurchased 2022 Notes were cancelled as to US$400,000 on 26 May 2020 and as to US$697,000 on 17 August 2020.

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

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management of the Company the Group's financial statements for the year ended 31 December 2020, 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 profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 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 Group's audited consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance 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, 18 March 2021

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

Executive Directors:
Messrs. Lee Seng Huang *(Group Executive Chairman)* and Simon Chow Wing Charn

Non-Executive Directors:
Messrs. Peter Anthony Curry and Jonathan Andrew Cimino

Independent Non-Executive Directors:
Mr. Evan Au Yang Chi Chung, Mr. David Craig Bartlett, Mr. Alan Stephen Jones and Ms. Jacqueline Alee Leung