

Sun Hung Kai & Co

*Interim Results Announcement for the
Six months ending 30 June 2015*

21 August 2015



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1H2015 Final Results Highlights

(HK\$ million)	1H2015	1H2014	change
Revenue*	2,169	1,990	+9%
Profit attributable to owners of the Company	3,631	610	+5x
- Excluding sale gain	597	610	-2%
Per Share Data (HK Cents)			
EPS	161.4	28.8	
Interim DPS	12	10	
BVPS	\$8.1	\$ 6.4	

- ❖ SHKF/ EB transaction an important milestone for the Group
- ❖ Strong performance in Principal Investments
- ❖ UAF continued to expand its reach in face of economic headwinds in China
- ❖ Up to \$1b share buyback to be undertaken

*Continuing operations

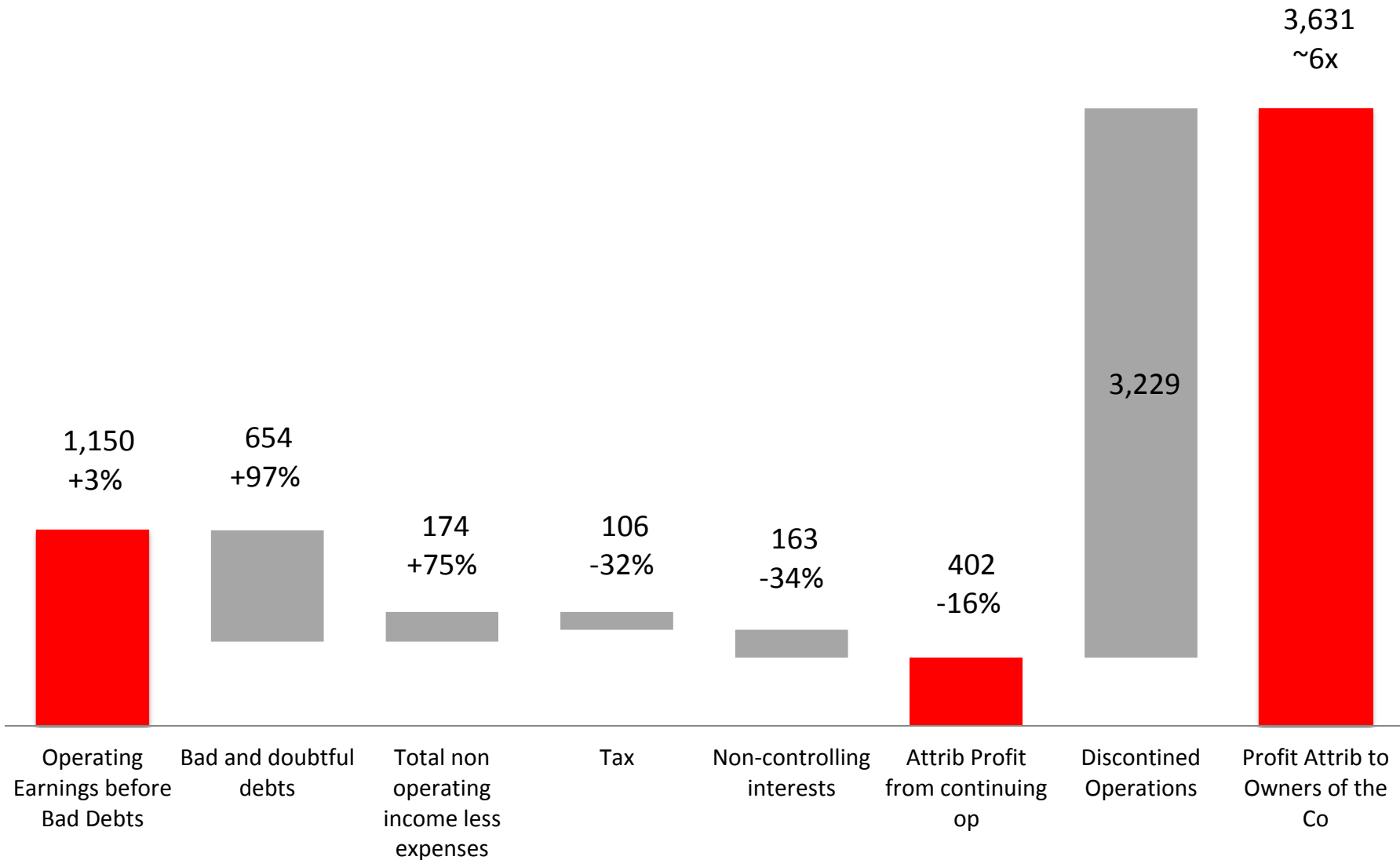
SHKFGL Transaction

Sale of 70% equity interest in SHKF to Everbright Securities:

- ❖ Completed on 2 June 2015
- ❖ Financial impact:
 - Proceeds \$ 4,095m
 - \$3,034m gain
 - Up to 2 June 2015 : discontinued operations (\$3,229m including the gain)
 - After 2 June 2015 : 30% associate under Principal Investments
 - Loan to SHKFGL \$1,066m
- ❖ 1H2015 27% revenue increase
- ❖ Exchanges well underway with China Everbright side
- ❖ Put option: implicit value accretion ~HK\$154m+* pa for up to 5 years
- ❖ Minimum put value for retained stake for 5 years or IPO whichever is earlier

*8.8% compounding return on \$1,755m which is the deal valuation

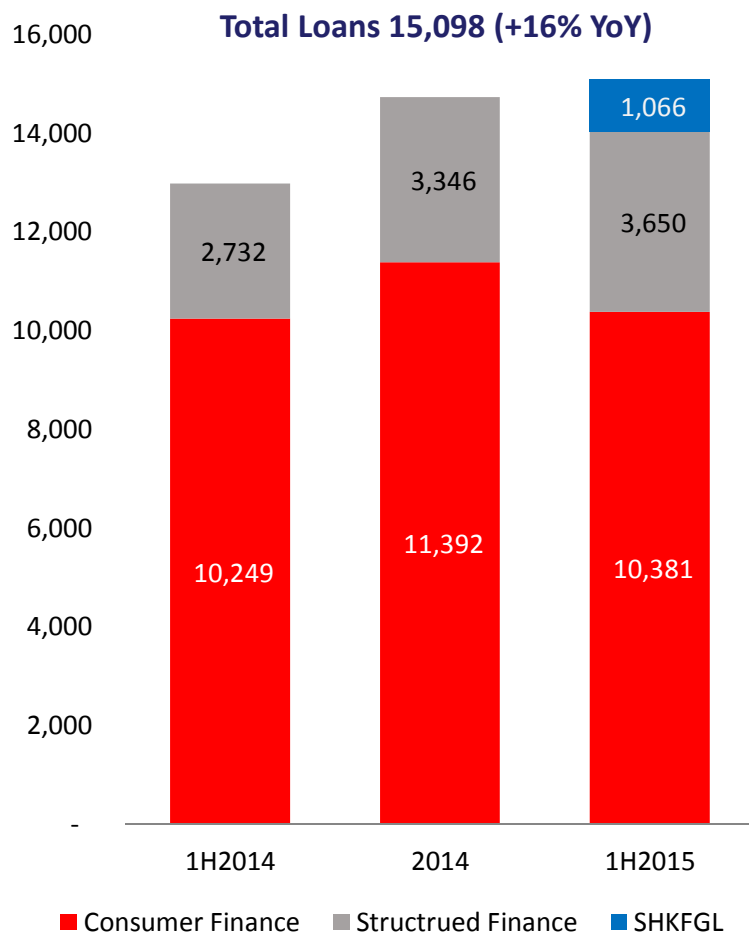
1H2015 Profit Analysis (HK\$m)



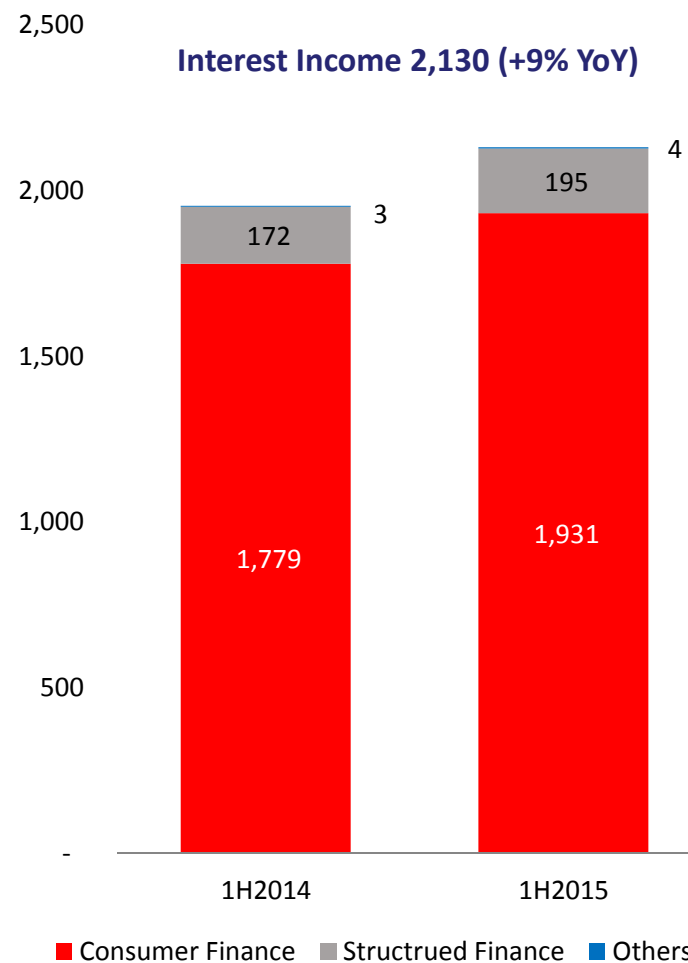
% shows YoY comparison

Loans and Interest Income

Loan Balances^ (HK\$m)

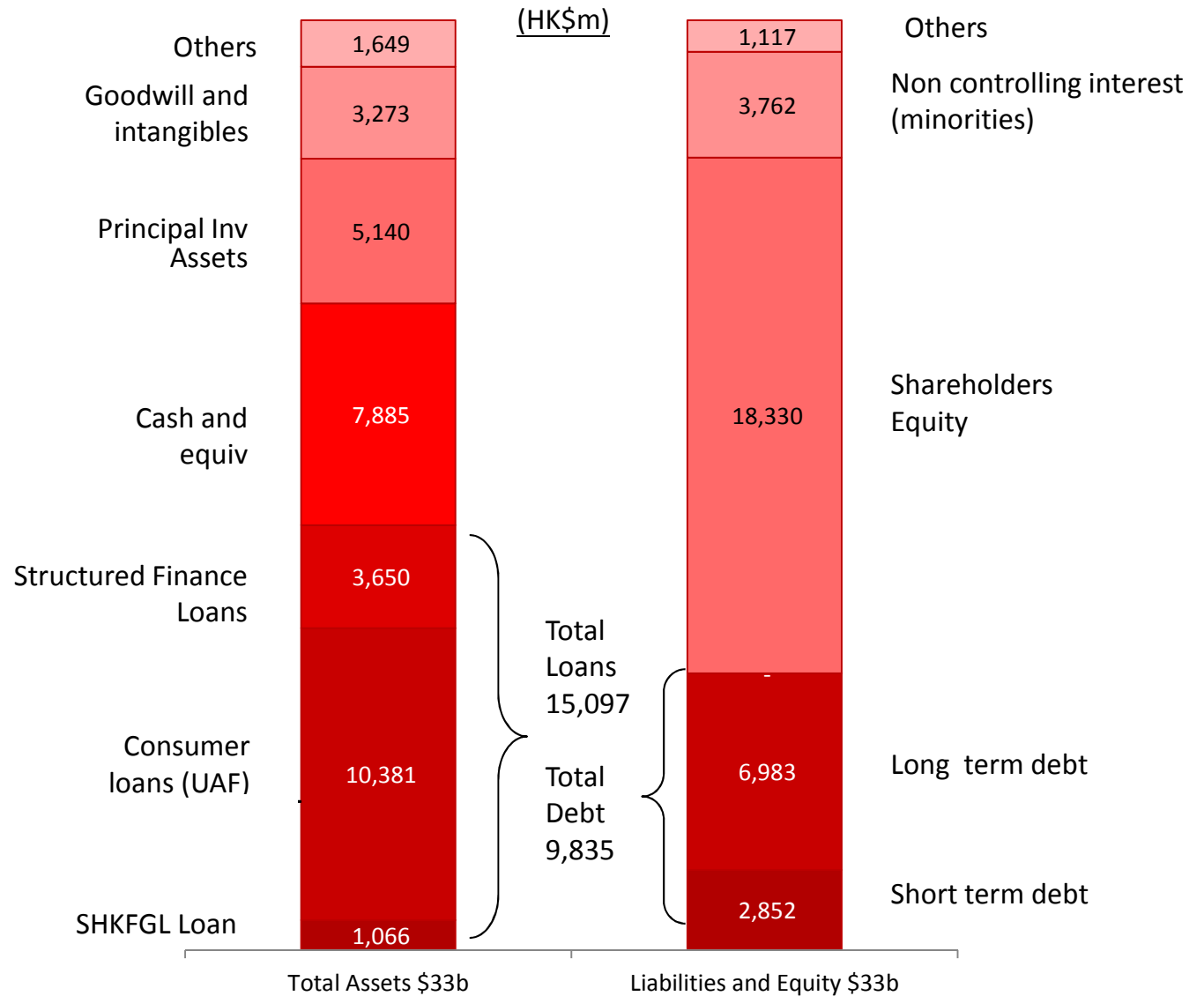


Interest Income (HK\$m)



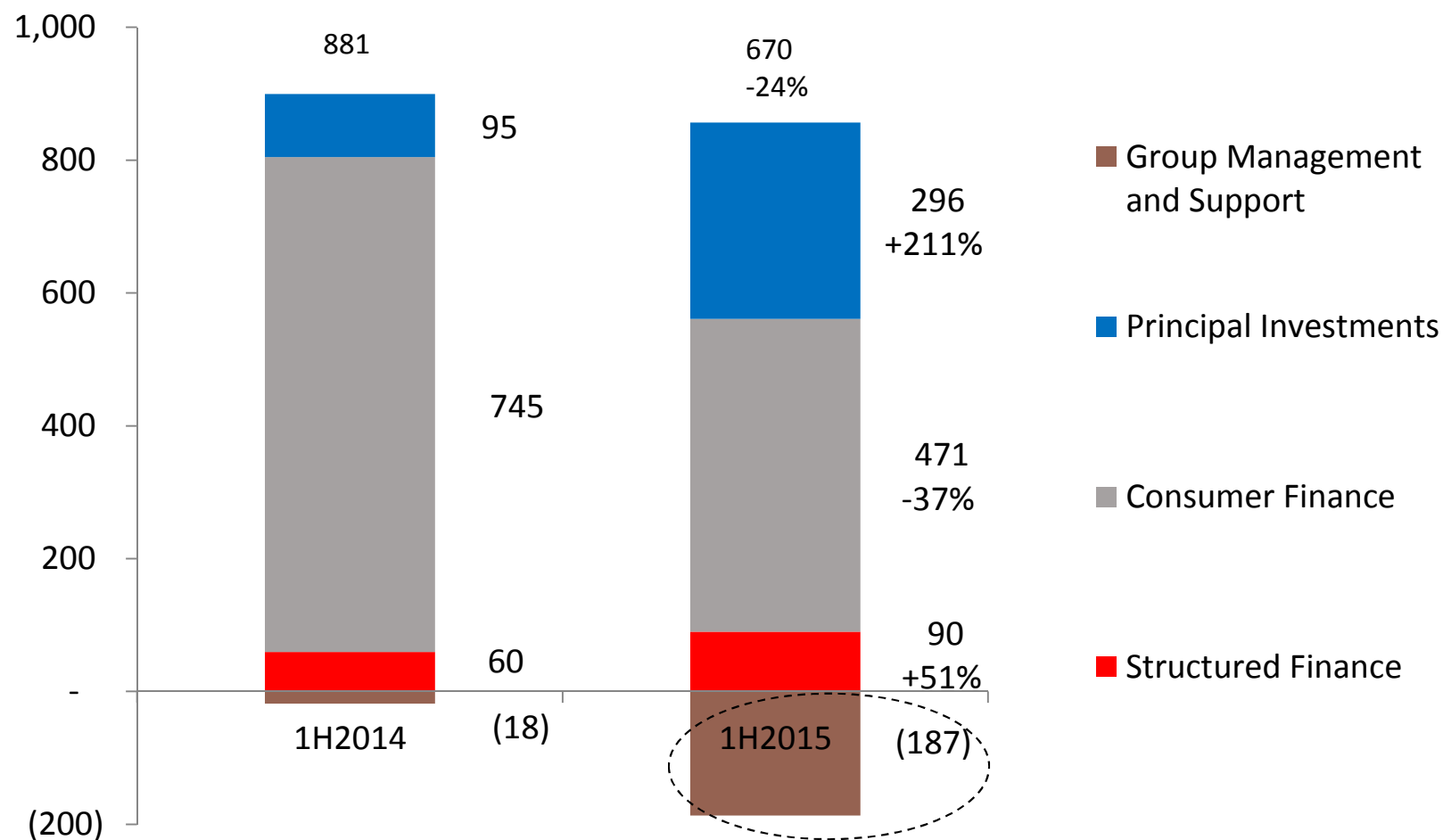
June 2015 Balance Sheet Profile

- ❖ BVPS \$8.1
- ❖ 2.8m shares bought back in 1H2015
- ❖ Net Gearing 10.6%



Performance by Segment

Pre-tax Contribution by Segment (HK\$m)



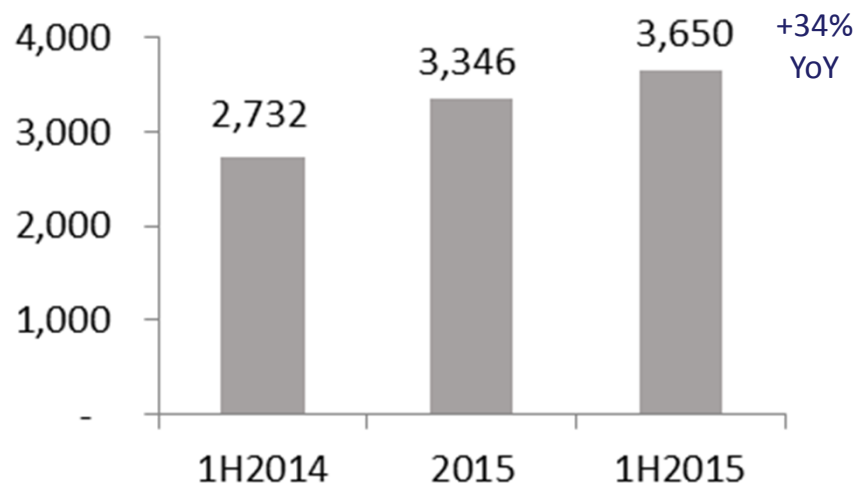
Structured Finance

Segment Results (HK\$m)

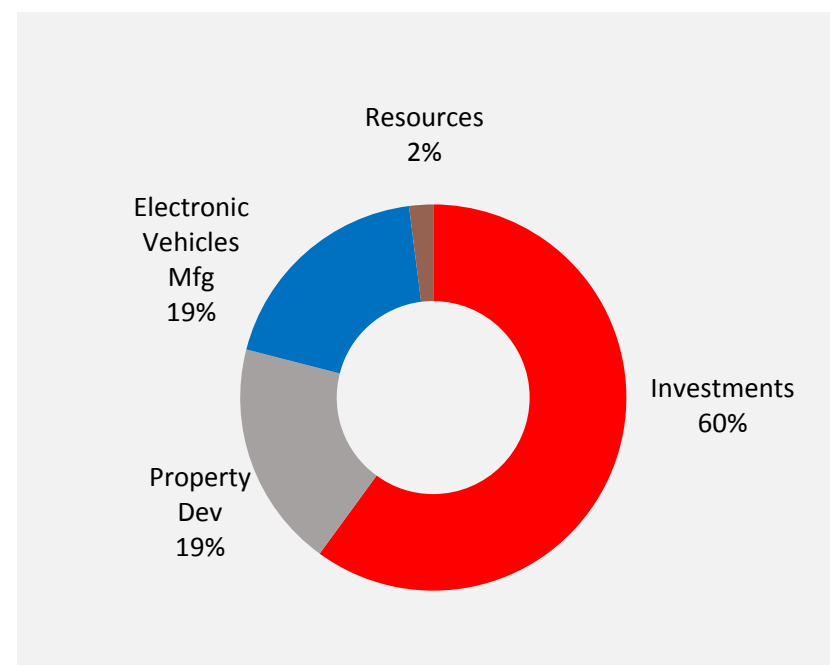
(HK\$ Million)	1H2015	1H2014	Change
Revenue	197.8	186.5	6%
Operating costs	(6.6)	(19.3)	-66%
Cost to income (% Revenue)	3.3%	10.3%	
Finance costs [^]	(95.4)	(78.6)	21%
Bad and doubtful debts	(8.1)	-	
Operating Earnings	87.7	88.6	-1%
Profit (loss) from financial asset and liabilities	2.5	(29.0)	
Pre tax Contribution	90.2	59.6	51%

[^]Include internal

Loan Balance (HK\$m)



Loan by Client Industry



- ❖ Provides funding solutions to corporate and high net worth individual customers

Consumer Finance 1H2015 Results

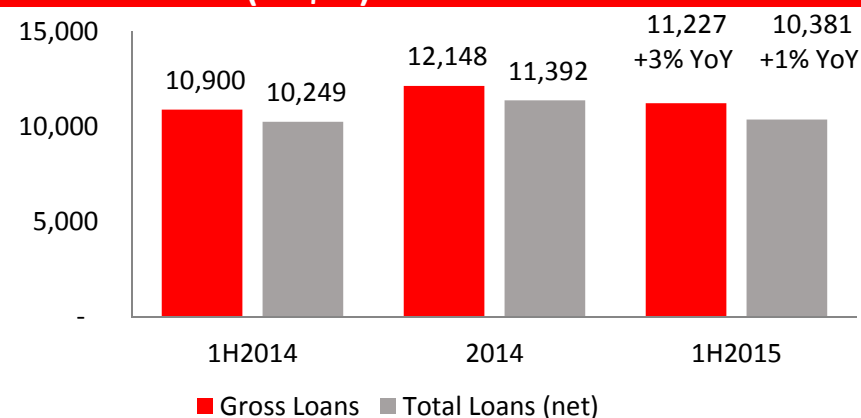
Pre-tax Contribution

(HK\$ Million)	1H2015	1H2014	Change
Revenue	1,946.5	1,787.5	9%
Operating Costs	(698.8)	(620.8)	13%
<i>Cost to income (% Revenue)</i>	<i>35.9%</i>	<i>34.7%</i>	
Finance cost [^]	(143.3)	(129.1)	11%
Operating earnings before bad and doubtful debts	1,104.4	1,037.6	6%
Bad and doubtful debts	(643.3)	(331.8)	94%
Operating earnings	461.1	705.8	-35%
Other income	9.7	2.9	
Exchange gain (loss)	(0.1)	36.3	
Pre tax Contribution	470.7	745.0	-37%

[^]Include internal

- ❖ Results affected by economic headwinds in Mainland China
- ❖ Revised credit and marketing strategy
- ❖ Added 14 branches in China; loan guarantee business satisfactory
- ❖ Long term positioning unchanged though rest of the year still a challenge in China
- ❖ HK market steady overall, personal loans solid but mortgage business under pressure

Loan Balance (HK\$m)



Bad Debts and Delinquencies

Aging analysis for amounts past due but not impaired

(HK\$ Million)	As at 30 June 2015	Note	As at 31 Dec 2014	Note
< 30 days	933	9.0%	805	7.1%
31 – 60 days	182	1.8%	278	2.4%
61 – 90 days	127	1.2%	102	0.9%
91 – 180 days	496	4.8%	233	2.1%
Over 180 days	47	0.4%	37	0.3%
Total	1,785	17.2%	1,455	12.8%

Note: % of net loans

- ❖ Consistent and straightforward policy
- ❖ Write off on 180 days write off on unsecured loans whilst collections continue
- ❖ Impairment Allowance based on Charge Off Ratio and loan growth and duration (Write off net of recoveries, over loans)

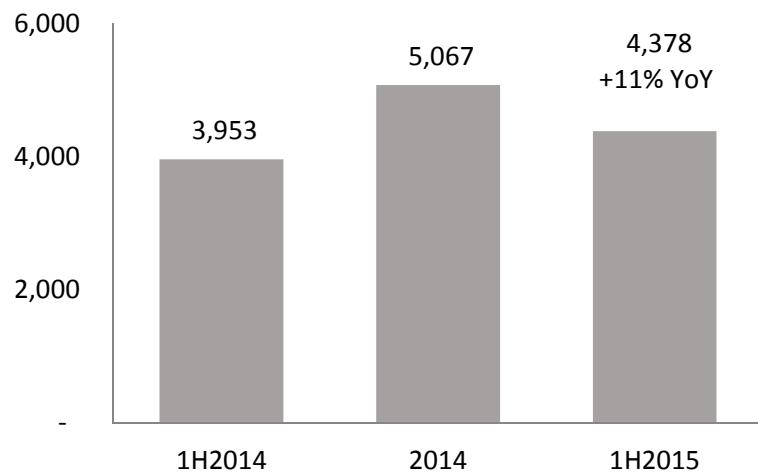
Bad and doubtful debts

(HK\$ million)	1H2015	1H2014
a. Amounts written off	(610.6)	(329.2)
b. Recoveries	59.8	53.2
c. Charge to impairment allowance	(92.5)	(55.8)
Total charges for bad and doubtful debts[^]	(643.3)	(331.8)
Impairment allowance at period end	(845.6)	(650.5)
Gross loan balance	11,226.6	10,899.7
Charge Off (a+b)	(550.8)	(276.0)
Charge off (a+b) as % of gross loans, annualized	9.8%	5.1%
- From Hong Kong	3.9%	3.9%
- From Mainland China	19.1%	7.1%
Impairment allowance as % of gross loans	7.5%	6.0%

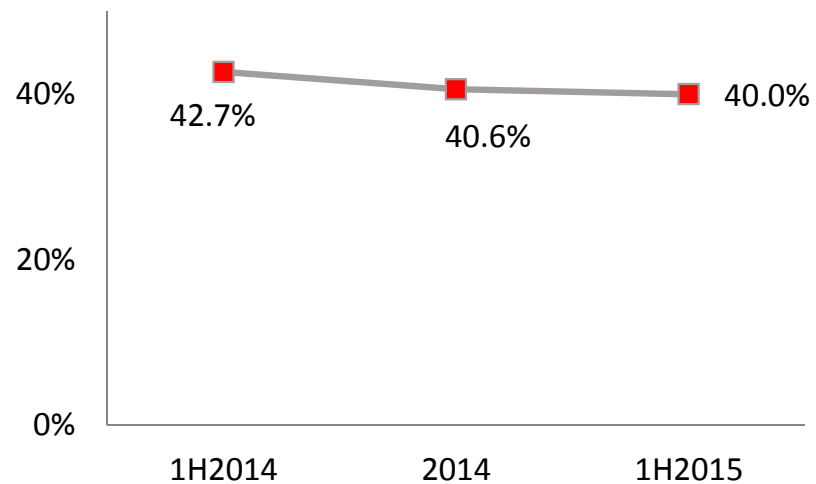
[^]Includes \$4m for the loan guarantee business

UAF China

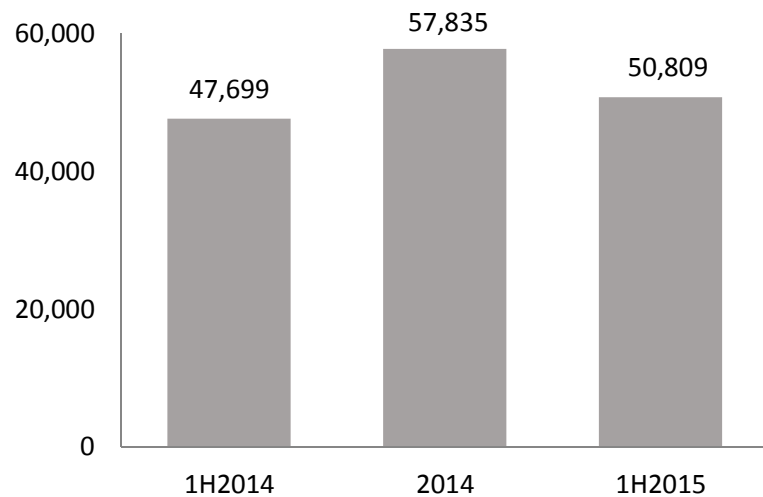
China Loan Balance (HK\$m)



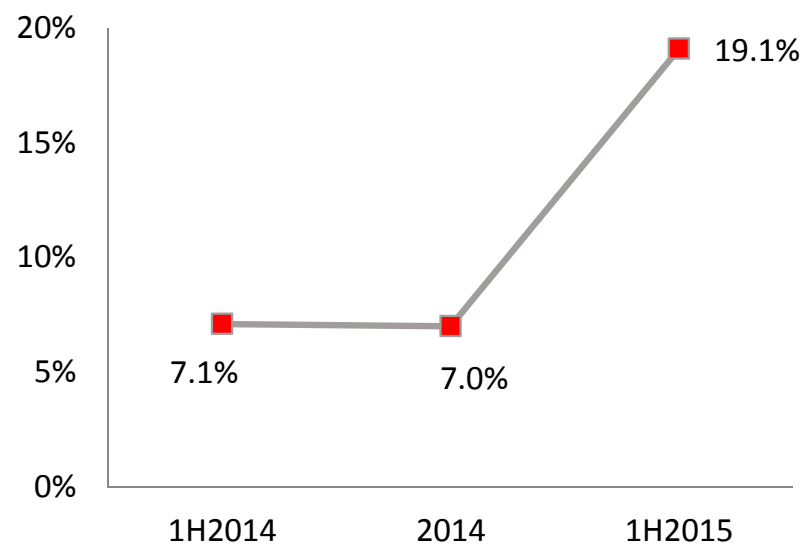
Total Return on Loans (on avg gross balance, annualized)



Average Loan Balance (RMB, at period end)



Charge Off ratio (on gross balance, annualized)



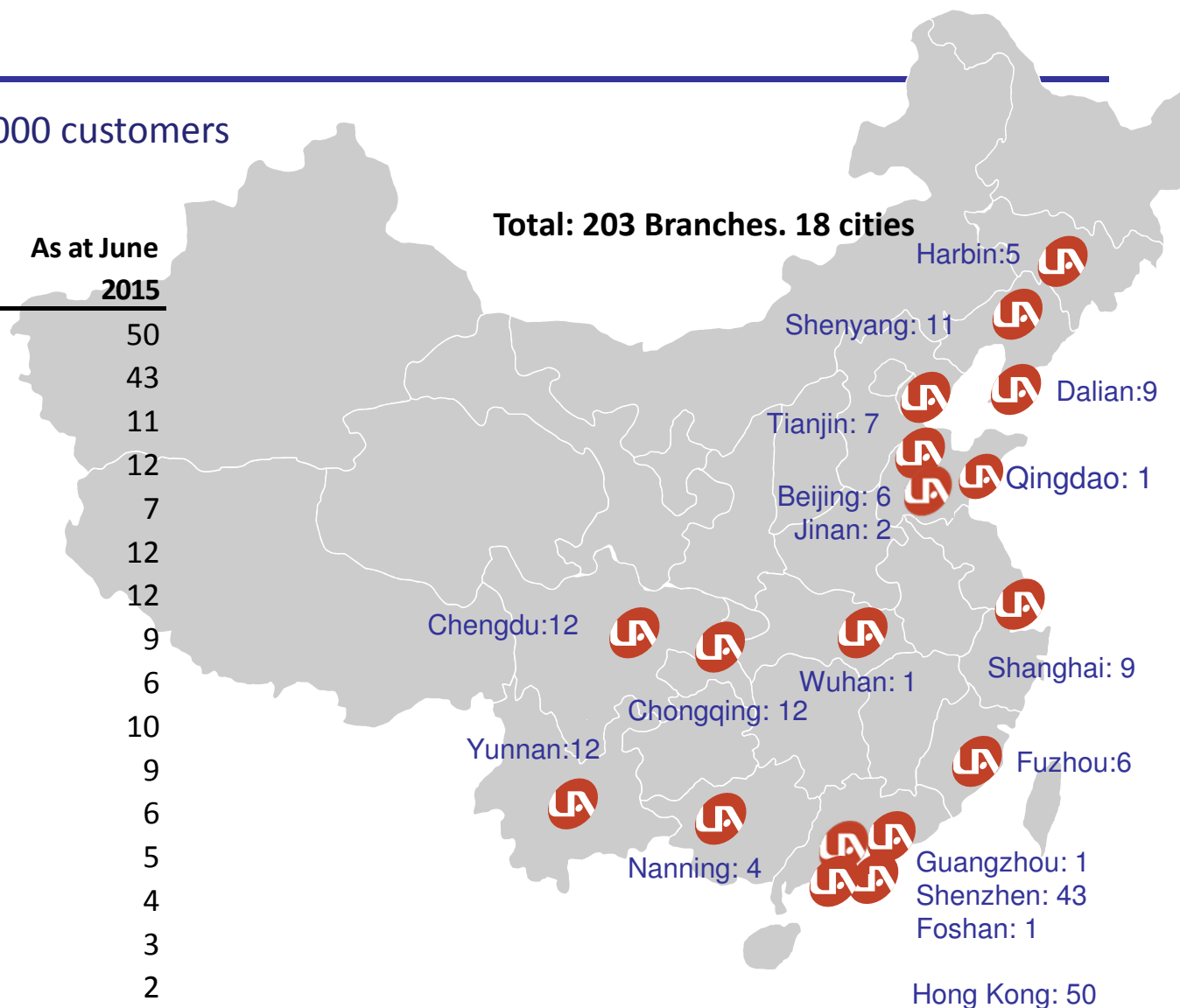
UAF China

Well established presence with 69,000 customers

City/ Province	New in 1H 2015	As at June 2015
Hong Kong	-	50
Shenzhen	-	43
Shenyang	2	11
Chongqing	-	12
Tianjin	-	7
Chengdu	1	12
Yunnan province	2	12
Dalian	-	9
Beijing	-	6
Wuhan	1	10
Shanghai	2	9
Fuzhou	1	6
Harbin	-	5
Nanning	2	4
Qingdao	1	3
Jinan	1	2
^Guangzhou	-	1
^Foshan	1	1
Total	14	203

^Loan Marketing

Total: 203 Branches. 18 cities



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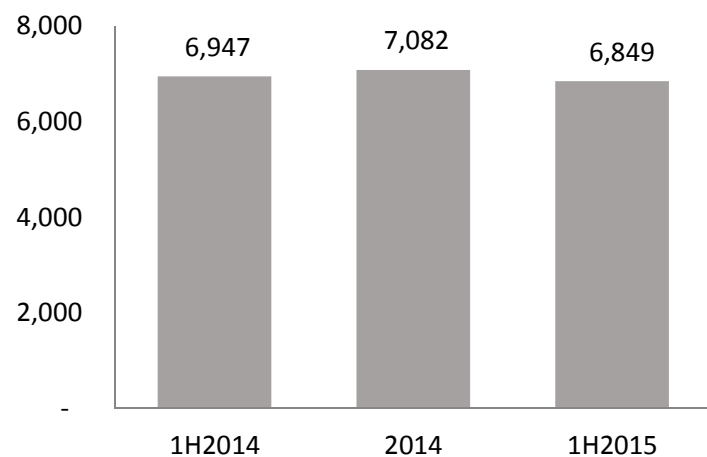
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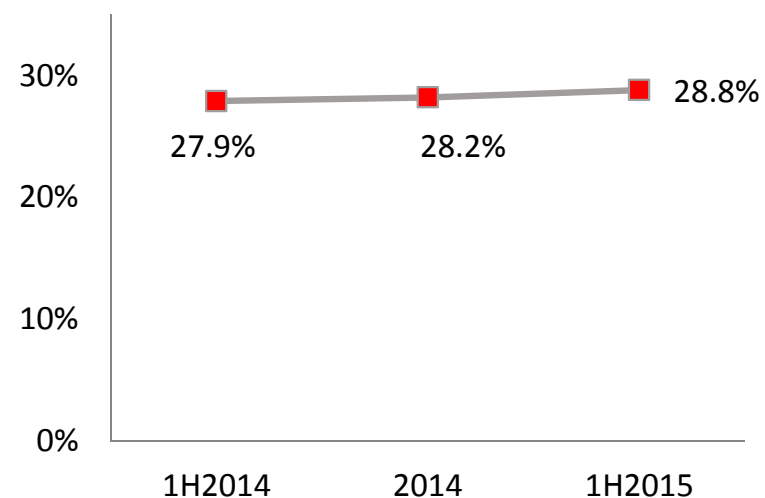
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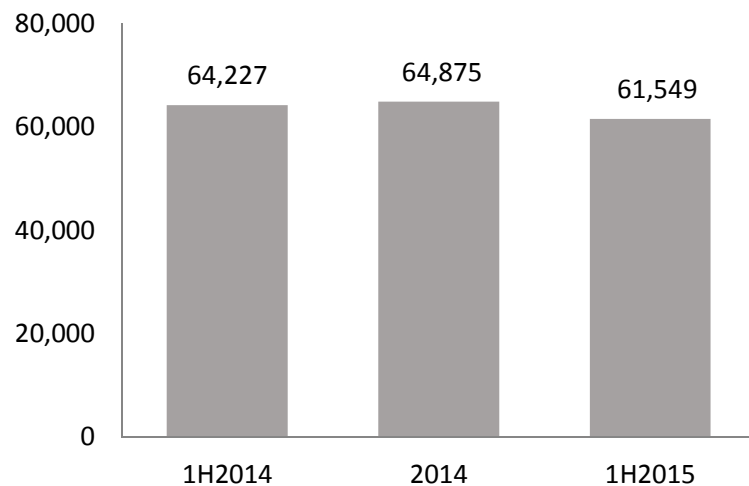
Hong Kong Loan Balance (HK\$m)



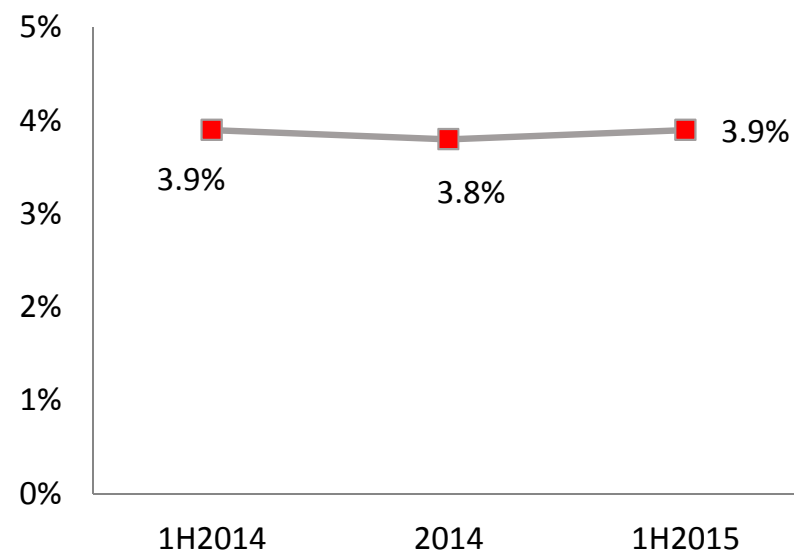
Total Return on Loans (on avg gross balance, annualized)



Average Loan Balance (HK\$, at period end)



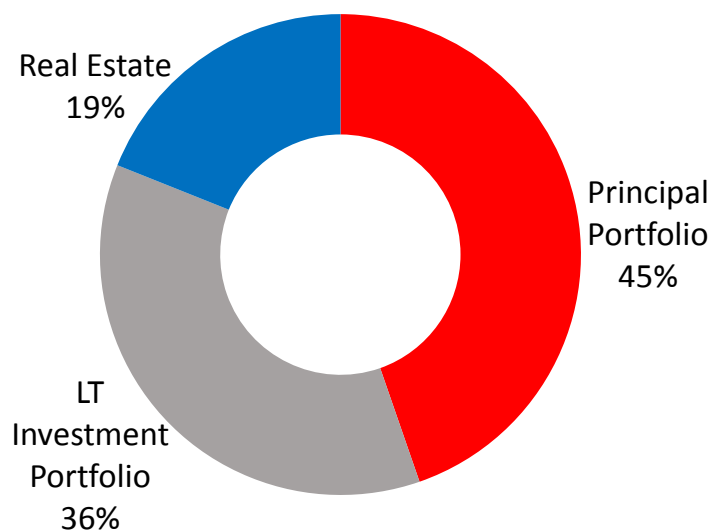
Charge Off ratio (on gross balance, annualized)



Principal Investments

(HK\$ Million)	Period end value	Average value	Pre-tax contribution	Return on average value for the 6 months
Principal Portfolio	2,296	1,766	234	13.3%
LT Investment Portfolio	1,872	487	23	4.7%
Real Estate	973	835	39	4.6%
Total	5,140	3,088	296	9.6%

Segment Assets by Type



- ❖ Grow strategic investments to identify new business opportunities especially in fintech
- ❖ Goal is to stay at the forefront of the sectors we are in
- ❖ Crowdnetic investment/JV
- ❖ SHKF stake included in LT Investments

Outlook

- ❖ Proceeds to be used in business expansion:
 - Developing complementary financial businesses, particularly in fintech
 - Existing loan books
 - Strengthen strategic investments
- ❖ Up to \$1 billion of share buybacks planned
- ❖ UA China will continue to be challenging in short term but we have diversity of revenue drivers
- ❖ Sale of SHKFG gives better focus and ability to participate in a larger platform
- ❖ Value accretion from put option vs SHKFG contribution

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