

2017 Interim Results Announcement

16 Aug 2017



Important - Disclaimer

By attending or viewing this Presentation you are agreeing to be bound by the terms and restrictions set out below. The information contained in this presentation and the accompanying slides and materials (the “Presentation”) is confidential. You must not re-distribute, reproduce or publish this Presentation in whole or in part whether in Hong Kong or otherwise. Any failure to comply with this prohibition may result in a breach of securities laws and regulations. This Presentation is not an offer or invitation to purchase or subscribe for any securities in Sun Hung Kai & Co (“Company”) or any of its affiliated companies (referred to as the “Group”).

The information contained in this Presentation has not been independently verified. Neither any Group member nor any of their directors, officers, employees and representatives makes any representation or warranty whatsoever, whether it is express or implied, and assumes no responsibility or liability whatsoever (in negligence or otherwise) in connection with the contents of this Presentation being fair, accurate, complete or reasonable. It is not intended that this Presentation be an exhaustive analysis of the Group’s financial or trading position or prospects. This Presentation may not contain all the information which you may consider material. The information and the opinions contained in this Presentation are provided as at the date of this Presentation and may change without notice to you. Under no circumstances is any Group member or any of their directors, officers, employees and representatives liable for any direct, indirect or consequential loss or damage, howsoever caused (including in negligence or otherwise), that you or any other party may sustain from any use of the information in this Presentation or otherwise in connection with this Presentation.

The Group’s past performance is not necessarily indicative of its future performance. This Presentation also contains certain forward looking statements regarding the Group’s opinions of and expectation of the future. These statements are neither necessarily indicative of the Group’s future performance nor are they guarantees of future performance. Forward looking statements, by their nature, are based on assumptions and factors that may be beyond the control of the Group. As such, actual future performance and results may materially and adversely differ from those expressed or implied in this Presentation. The Group assumes no obligation to update or correct any forward looking statement. The Group has not adopted any forward looking statements made by third parties and as such the Group will not be responsible for third party statements.

First Half 2017 Highlights

Attributable Profit

HK\$780m

2.8x

Interim EPS

HK\$0.36

2.9x

Interim DPS

HK\$0.12

--

BVPS

HK\$8.55

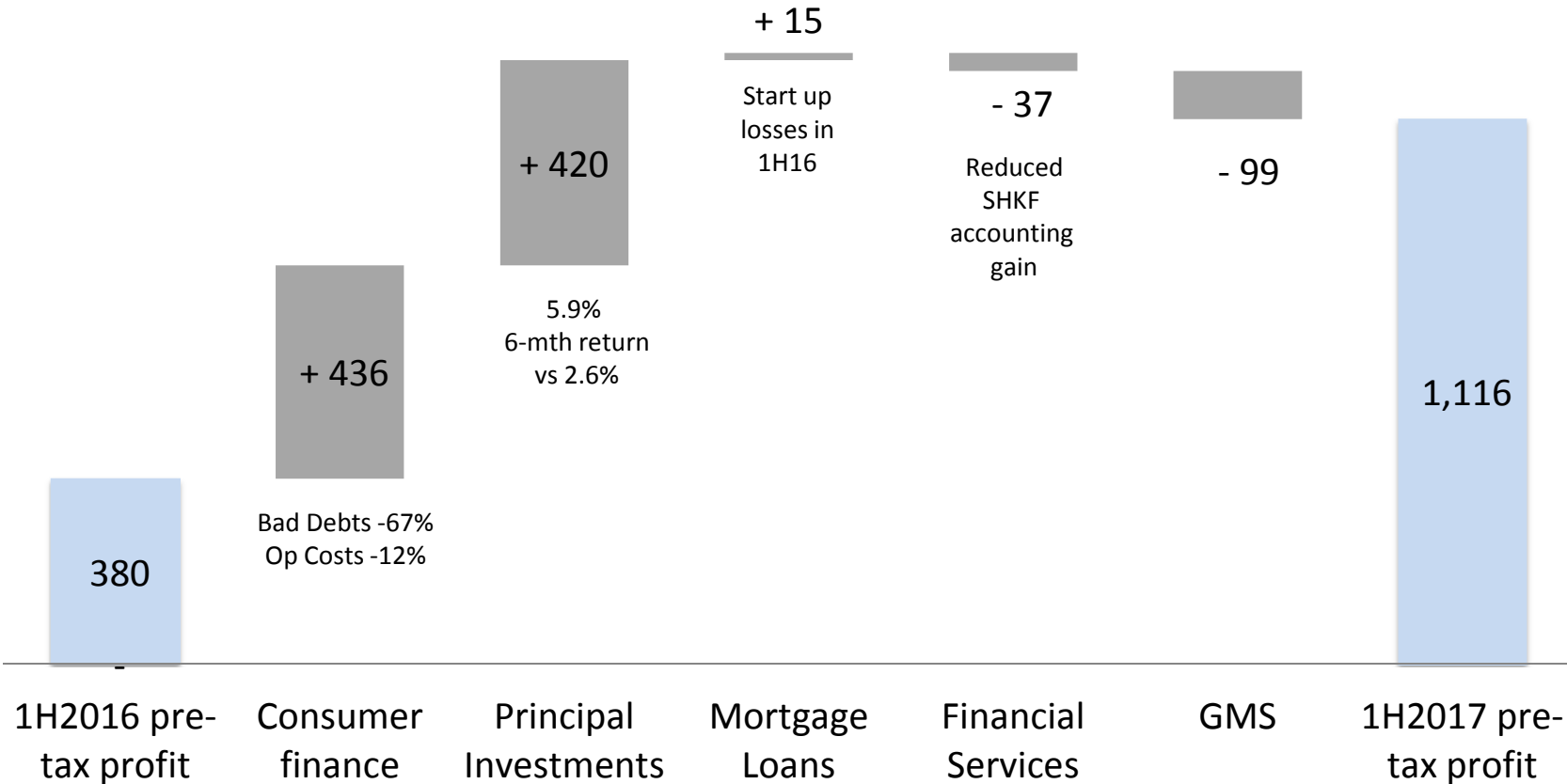
↑6%

- The two largest contributors, Consumer Finance and Principal Investments, both performed well
- UAF restructuring complete and investment platform working well

(year-on-year comparisons)

Pre-tax Profit

Comparison of earnings drivers by segment (HK\$m)



Business Segments

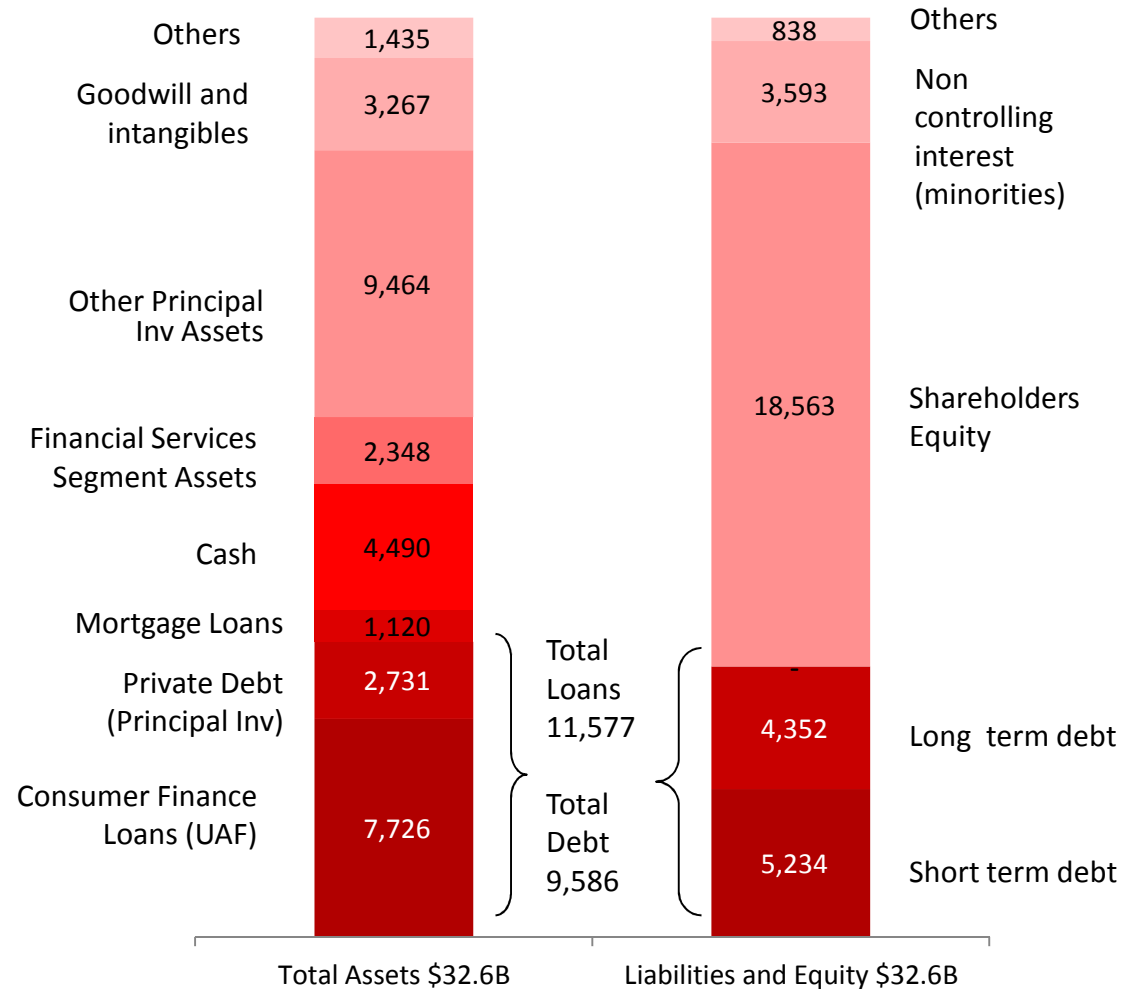
1H2017 Segment Assets and Contribution (HK\$m)

		Assets	Pre-tax Profit	6-mth pre-tax ROA*
Consumer Finance	<ul style="list-style-type: none"> • UA Finance (58%) - unsecured lending in HK, China, individual consumers • Market leader in HK 	15,700	623	4.0%
Principal Investments	<ul style="list-style-type: none"> • Leverage on our know-how and network • Equity, debt and real estate • Private debt provides liquidity to corporates 	12,195	432	3.5%
Financial Services	<ul style="list-style-type: none"> • SHK Financial (30%) – Wealth Mgmt, HK • LSS Leasing (40%) – Car leasing in China • Other financial services firms 	2,348	62	2.6%
Mortgage Loans	<ul style="list-style-type: none"> • SHK Credit (86%) - mortgage and home equity loans in HK, home owners and buyers • Ranked top 3 in origination amongst non-bank institutions 	1,160	12	1.1%
Group Management and Support	<ul style="list-style-type: none"> • Treasury operations, cost of funding charged to investments • Other unallocated assets and expenses 	1,178	(14)	-1.2%
Group Total		32,581	1,116	3.4%

*calculated from pre-tax contribution and period end assets

Balance Sheet

- BVPS HK\$8.55 (Dec 16: \$8.24)
- Gearing 27.5% (Dec 16: 20.3%)
- HK\$2,295m equivalent USD notes maturing in 2H
- Share buybacks \$99m (20.6m shares)



Consumer Finance

Consumer Finance

- 233% pre-tax contribution increase from improvement in credit quality and lower costs
- China restructuring basically complete
- Write back from lower impairment allowance as Charge Off ratio stabilizes

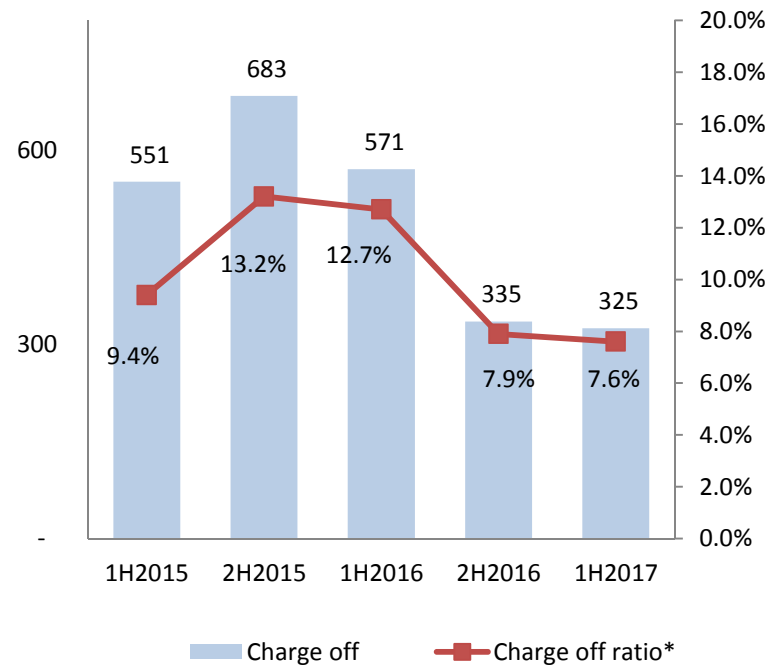
1H2017 Segment Result Highlights

(HK\$m)	1H2017	1H2016	Change
Revenue	1,474.7	1,506.5	-2%
Finance Costs	105.0	127.1	-17%
Total Bad Debts Expenses	197.0	600.5	-67%
Op Costs	532.5	603.7	-12%
Pre-tax Profit	623.2	187.1	233%
Return on Loans	34.5%	33.5%	
Charge-off	7.6%	12.7%	
Cost to Income	36.1%	40.1%	
Net Loans	7,726.4	7,508.4	+3%
HK/ China Breakdown*	74%/26%	76%/24%	
Avg bal per loan (HK\$)	43,182	46,943	-8%

*Based on gross loans

Stabilising Credit Quality

Charge Off History



Composition of Total Bad Debts Expenses

(HK\$ Million)	1H2017	1H2016
Amounts written off	(399.8)	(648.1)
Recoveries	75.2	77.7
Charge Off	(324.6)	(570.4)
<i>As annualised % of avg gross loans</i>	7.6%	12.7%
Write back (Charges) of impairment allowance	127.6	(30.1)
Total bad and doubtful debts	(197.0)	(600.5)
Impairment allowance at period end	804.5	946.7
<i>As % of period end gross loans</i>	9.4%	11.2%

- Transparent and consistent approach to write off policy
- Stable loan book + decline in charge off -> decline in impairment allowance -> write back to P/L in 1H2017
- Large write back unlikely in 2H

Consumer Finance - Hong Kong



“Let go of your worries. Yes, UA”

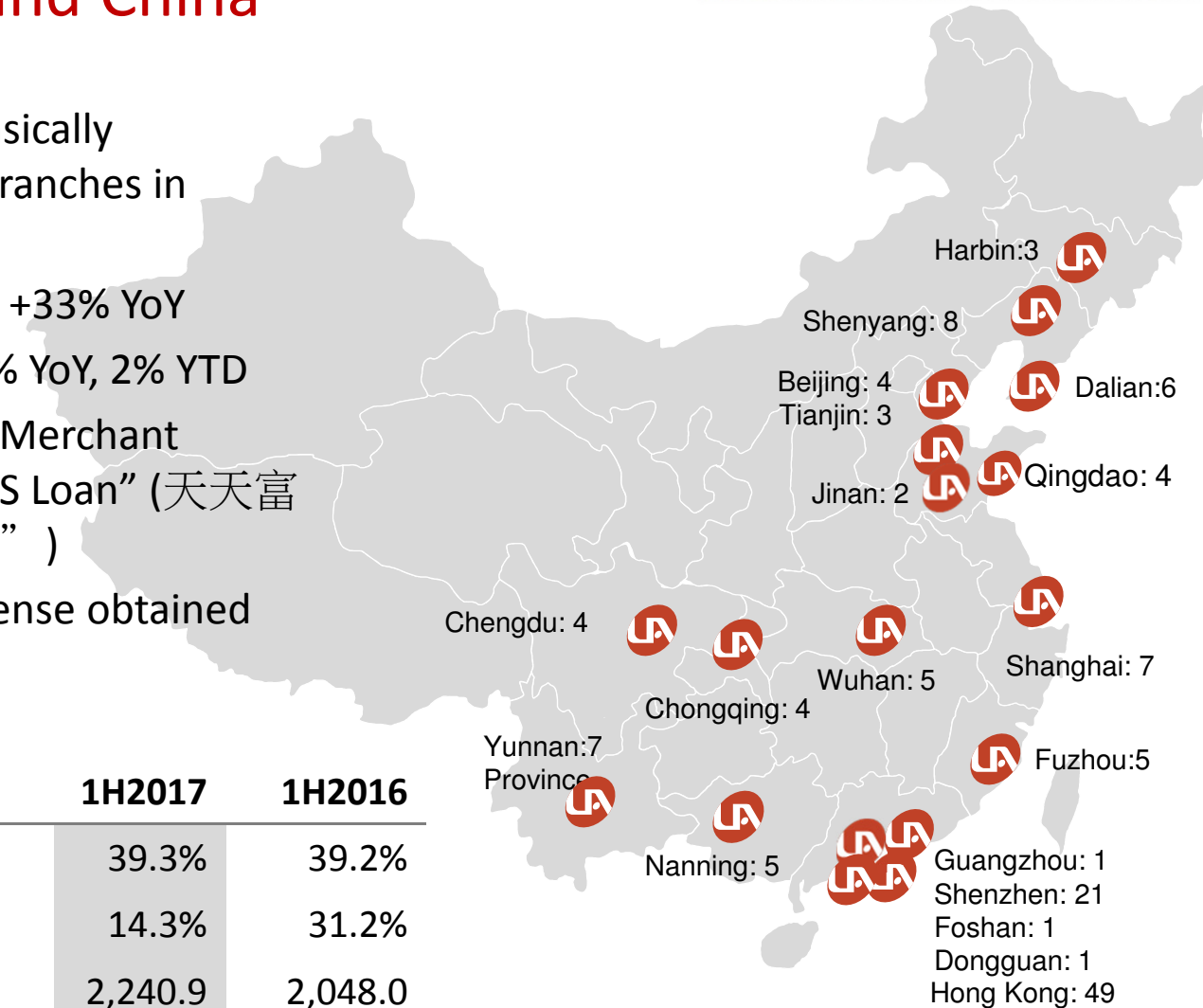
- 49 branches across HK
- Total portfolio declined as UAF continue to phase out of mortgages
- Personal loans +4% YoY, 1%YTD.
- Market share increase
- Benefitted from steady unemployment rate

Operation Highlights

	1H2017	1H2016
Return on Loans	32.8%	31.3%
Charge-off	5.3%	5.6%
Gross Loans (HK\$m)	6,290.0	6,407.1
Avg balance per loan(HK\$)	53,299	55,775

UAF – Mainland China

- Restructuring basically completed, 91 branches in operation
- Loan origination +33% YoY
- Loan growth +9% YoY, 2% YTD
- China UnionPay Merchant Service “UAF POS Loan” (天天富 “亚联财POS贷”)
- Internet loan license obtained



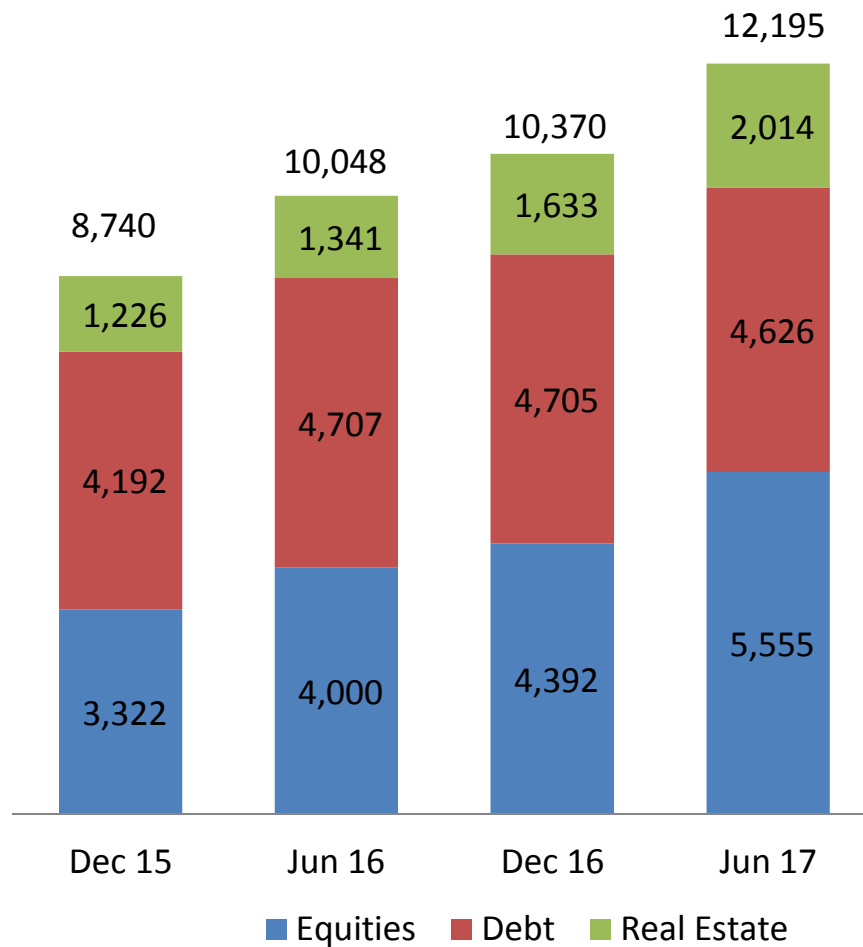
Operation Highlights

	1H2017	1H2016
Return on Loans	39.3%	39.2%
Charge-off	14.3%	31.2%
Gross Loans (HK\$m)	2,240.9	2,048.0
Avg balance per loan(RMB)	24,474	26,871

Principal Investments

Principal Investments

Period end value (HK\$m)



- Satisfactory build-out of team and infrastructure over the past 2 years
- 5.9% 6-month return on average value for 1H2017:
 - Equities 8.4%
 - Debt and fixed income 5.3%
 - Real Estate 0.8%
- HK\$432m PBT after operation and capital cost allocation (1H16: HK\$12m)

Equities

HK\$5,555m (46% of total) 8.4% six-month return

Private Equity (69%)

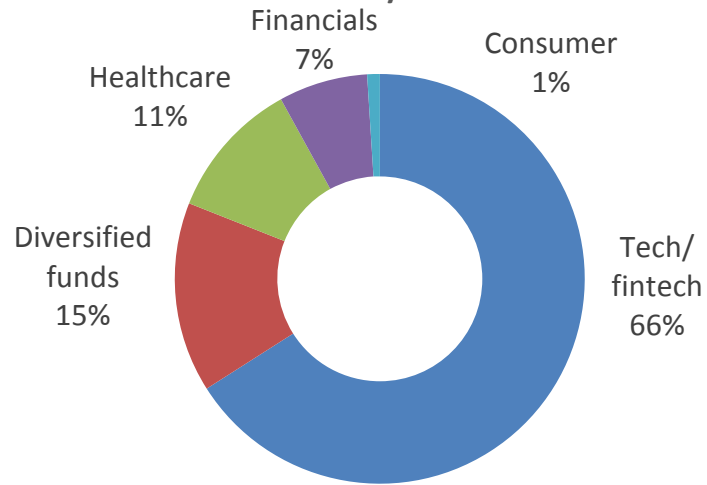
- WuXi PharmaTech revalued to 2.5x cost; a co-investment brought by partner fund
- HK\$374m new investments in 1H2017
- Utilise our sector knowledge and synergies with investee companies an important objective

Public Equity (31%)

- Structure revamped last year for internally managed portfolio
- Focus on global mid and large cap companies, fundamental long/short focus
- Partner fund strategy

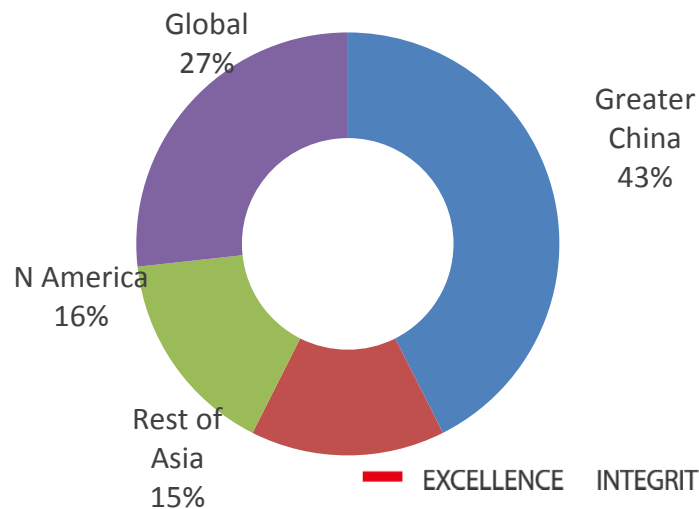
Private Equity

Assets by Sector



- WuXu PharmaTech success
- New investments in 1H2017(HK\$374m) include good examples of our competencies in financial services sector
- To explore synergies with other businesses

Assets by Geography



Debt and Fixed Income

HK\$4,626m (38% of total) 5.3% six-month return

- Include private debt (structured finance business) and fixed income securities
- Private Debt:
 - Loan book HK\$2,731m, 4% decline YTD and 27% decline YoY
 - Interest income HK\$201m (+22%) on more profitable loan mix (~14.7% annualised return)
 - 82% loan book secured
 - Aim to generate more fee income in the future
- Public debt
 - Focused on mispriced or undervalued opportunities
 - Diversified portfolio

Real Estate

HK\$2,014m (17% of total) 0.8% six-month return

- Legacy Hong Kong commercial real estate
- Minority interest in two residential development projects (HK, Australia)
- Hospitality sector investments
- Strategy focused on special situation investments
- 1H2017 - HK\$340m invested in 2 projects
 - London commercial
 - Contemporary hospitality owner-operator across 13 cities

Mortgage Loans

Mortgage Loans

First Half Results

<i>(HK\$m)</i>	1H2017	1H2016
Revenue	48.3	22.2
Operating Costs	(20.1)	(19.2)
<i>Cost to Income (% Rev)</i>	41.6%	86.5%
Finance costs	(15.5)	(4.0)
Bad and doubtful debts	(0.4)	(1.4)
Pre-tax Contribution	12.3	(2.4)
Net Loans	1,119.8	466.3

- 86% owned SHK Credit
- Loans +140% YoY, 83% YTD
- Top ranked non-bank 1st mortgage provider (no. of new loans)
- First mortgages 78% of total
- Partnerships with mid-tier HK developers and real estate agents
- Satisfactory credit quality

Financial Services

Financial Services





- Segment PBT HK\$61.9m (-37%), on lower SHKF stake accounting gains
- Solid underlying performance of the two major businesses



- Fared much better than market on good AUM growth approaching HK\$100b
- Revenue opportunities from Everbright network
- Accounting gain HK\$67.3m (1H2016: HK\$114.7m)
 - HK\$118.7m impairment loss
 - HK\$186.0m gain from put option
- Expanded from corporate customers segment to consumers
- Partnering with 150+ auto dealers to provide leasing products
- Collaborative platform with Brilliance China, 58.com – total solution for on-demand delivery business

Strategy and Outlook

Network and Expertise

	 亞洲聯合財務 UA FINANCE	 新鴻基金融集團 SUN HUNG KAI FINANCIAL	 陆金申华 LSS LEASING	 新鴻基信貸 SUN HUNG KAI CREDIT	Shareholders
Expertise	<ul style="list-style-type: none"> ✓ Unsecure loans ✓ Guaranteed Loans ✓ Consumers and SME 	<ul style="list-style-type: none"> ✓ Wealth Mgmt ✓ Brokerage ✓ Capital Markets 	<ul style="list-style-type: none"> ✓ Car supply chain finance ✓ Consumer auto finance ✓ Business equipment finance 	<ul style="list-style-type: none"> ✓ Mortgage Loans ✓ Secured home equity Loans 	<ul style="list-style-type: none"> ✓ Real Estate ✓ Hospitality ✓ Health care ✓ Resources
Partners	<p>UnionPay</p> <p>China Everbright Bank</p>	<p>Everbright Securities</p> <p>Capital markets customers</p>	<p>Brilliance China Group / 58.com</p> <p>Corporate Leasing Partners</p>	<p>Estate Agents</p> <p>Mid tier Developers</p>	<p>.....</p>

Principal Investments
 Facilitator and liquidity provider of liquidity across the capital structure
 Equity, debt, real estate
 Internal platform + partner fund network

Outlook

- Improving fundamentals for consumer finance
- Principal Investment assets well positioned
- 2H large write back from China unlikely

Contact:

Nancy Chen, CFA
Head of Investor Relations
+852 3748 2823
nancy.chen@shkco.com