

Sun Hung Kai & Co

*Annual Results Announcement for the
year ended 31 December 2015*

18 March 2016



Excellence ■ Integrity ■ Innovation ■ Prudence ■ Professionalism

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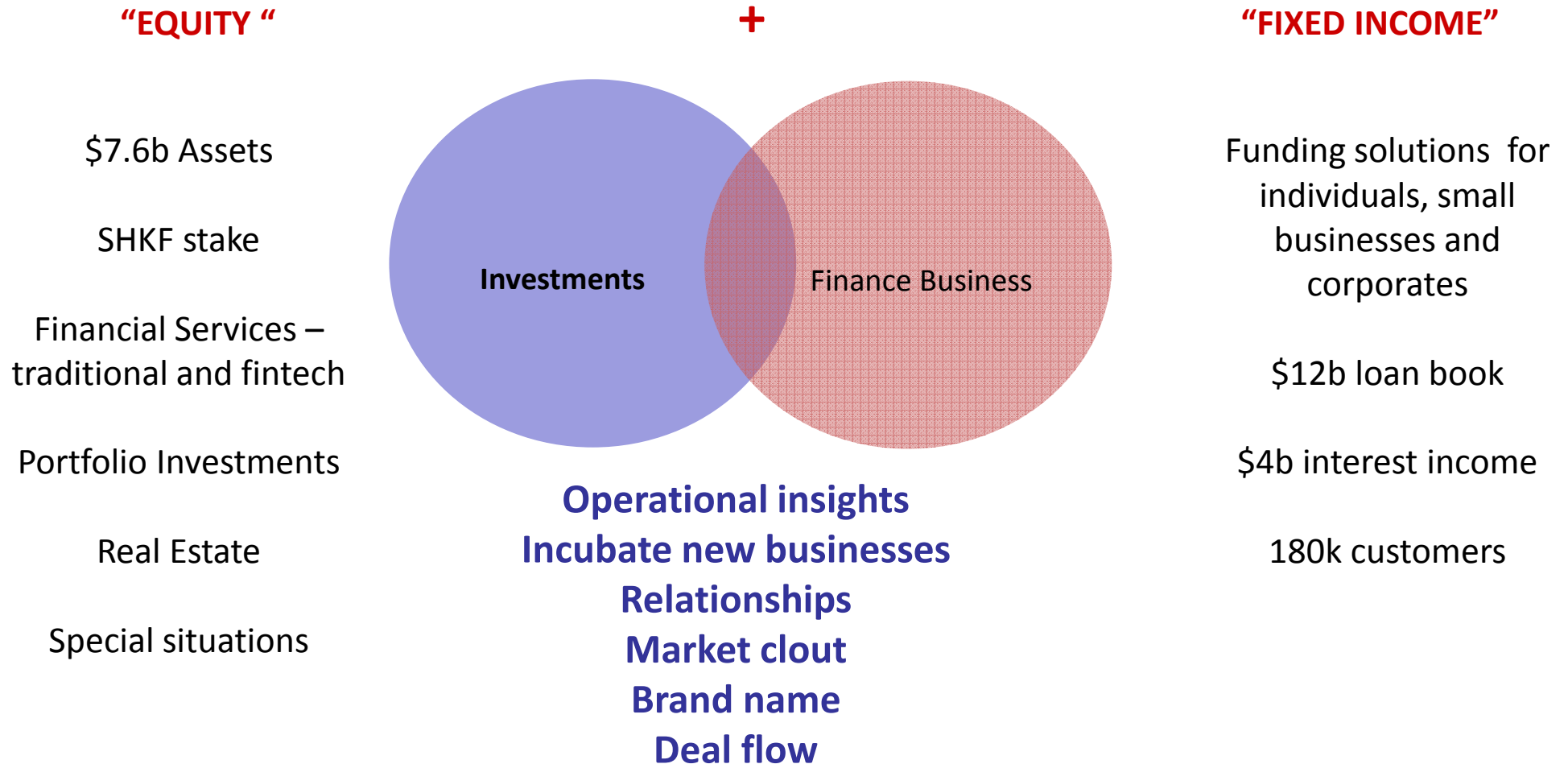
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2015 Results Highlights

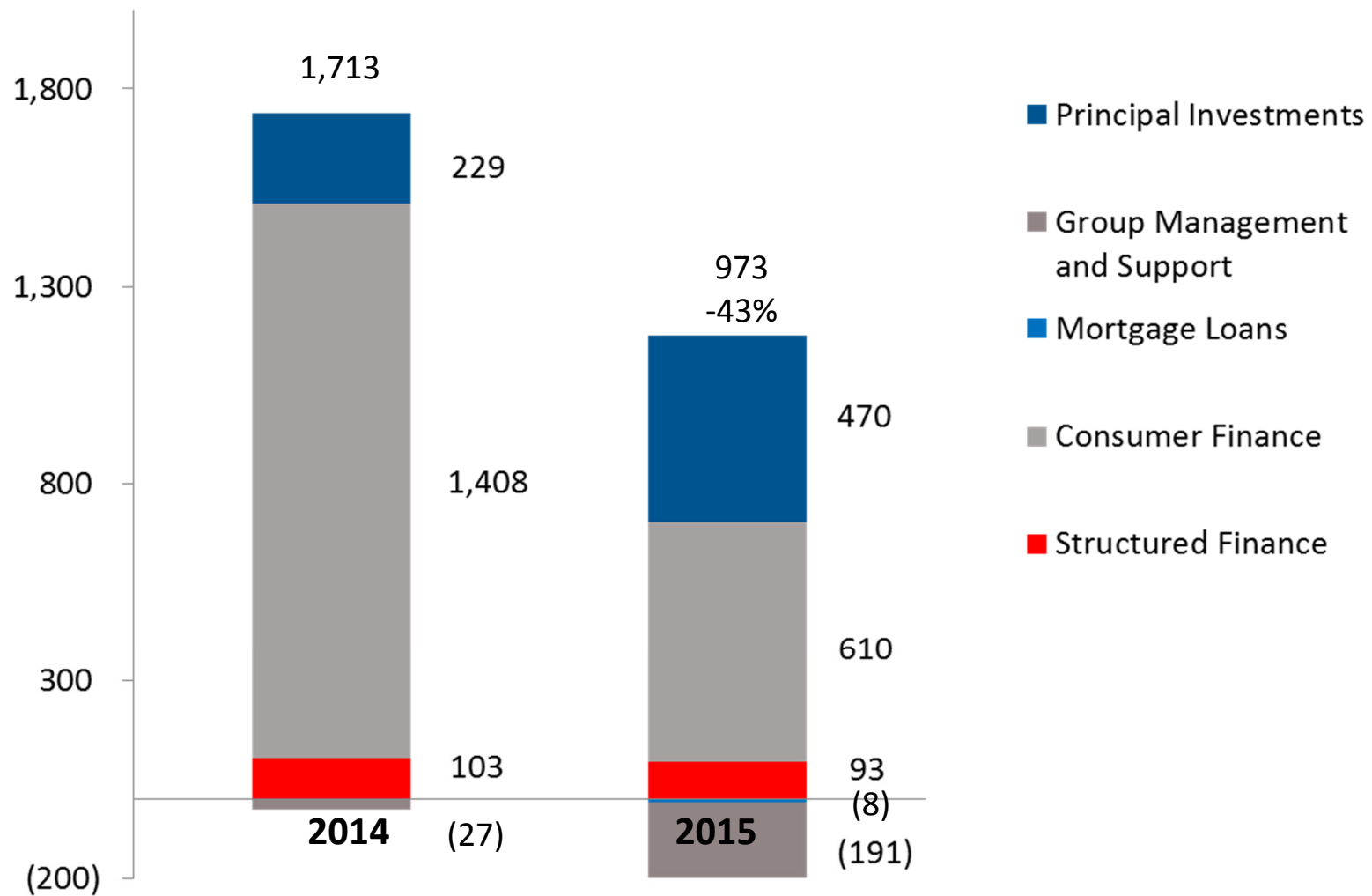
<i>(HK\$ Million)</i>	2015	2014	change
Revenue	4,174	4,178	-
Profit attributable to owners of the Company	3,897	1,328	193%
- On continuing operations	668	940	-29%
Per Share Data (HK Cents)			
EPS	173.8	61.7	
Second interim DPS	14.0	nil (Final 14c, special 2c)	
Total DPS	26.0	26.0	
BVPS	\$8.1	\$6.6	

- ❖ SHKF/ EB transaction crystallised significant value
- ❖ Repositioning to investment + finance business model
- ❖ Solid investment gains in 2015
- ❖ Consumer Finance business continues to face economic headwinds in China
- ❖ UAF Hong Kong very solid
- ❖ Added car finance leasing and SHK Credit business

Long Term Value Accretion



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

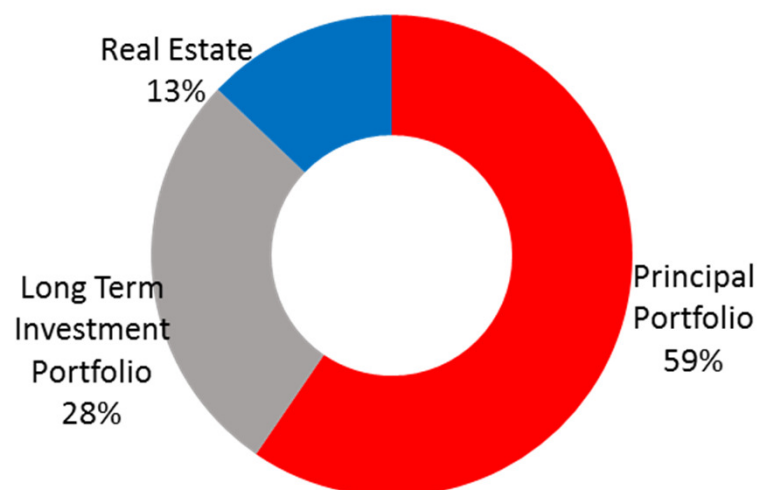


Investment Business

Principal Investments

<i>(HK\$ Million)</i>	Period end value	Average value	Pre-tax contribution (2015)	Return on average value	Pre-tax contribution (2014)
Principal Portfolio	4,522.0	2,333.4	333.5	14.3%	126.9
Long Term Investment Portfolio	2,094.2	1,186.8	75.6	6.4%	38.6
Real Estate	977.7	897.9	60.8	6.8%	63.7
Total	7,593.9	4,418.1	469.9	10.6%	229.2

Segment Assets by Type



Principal Investment Highlights 2015

Principal Portfolio



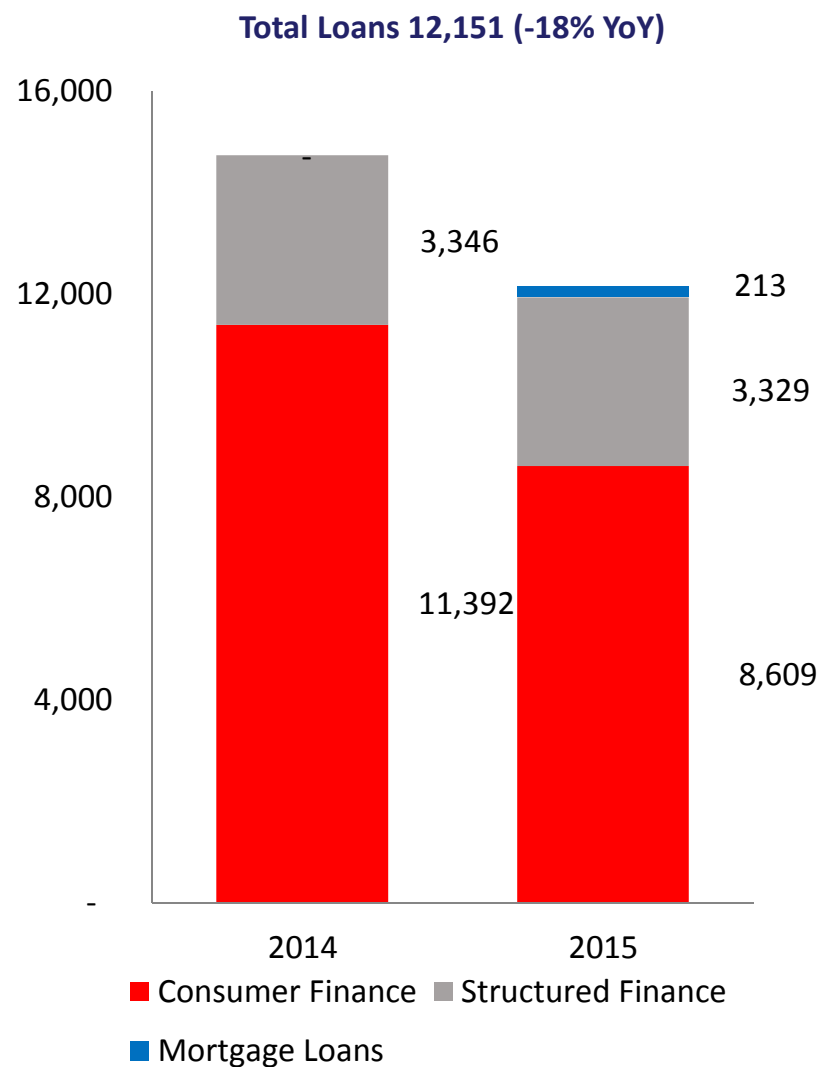
Long Term Investments



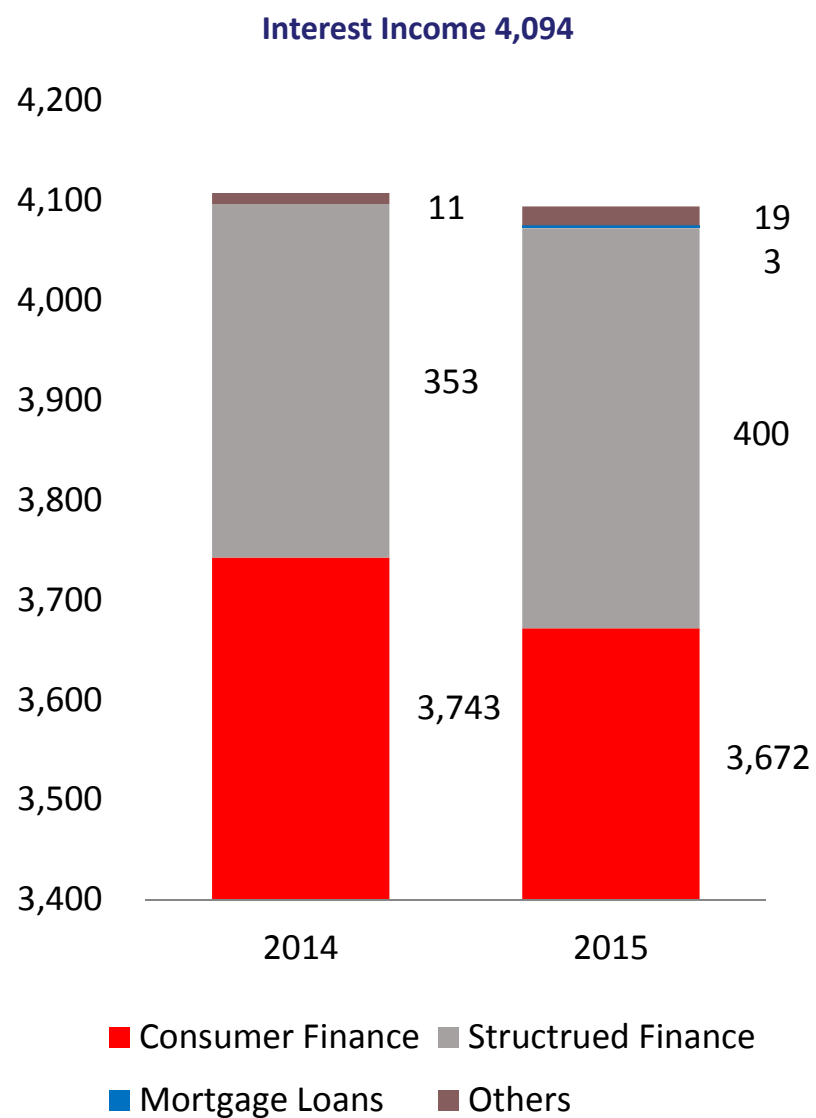
Finance Business

Finance Business – Loan Book and Interest Income

Loan Balances^ (HK\$m)



Interest Income (HK\$m)



Structured Finance

Segment Results (HK\$m)

<i>(HK\$ Million)</i>	2015	2014	change
Revenue	405.4	375.8	8%
Operating costs	(14.1)	(65.3)	-78%
<i>Cost to income (% Revenue)</i>	3.5%	17.4%	
Finance costs [^]	(189.5)	(165.3)	15%
Bad and doubtful debts	(103.6)	-	
Loss from financial asset	<u>(5.0)</u>	<u>(42.5)</u>	
Pre tax Contribution	93.2	102.7	-9%
<i>^Include internal</i>			
Total loan balance	3,329	3,346	-1%

- ❖ Provides funding solutions to corporates and high net worth individual customers
- ❖ Provision equivalent to 3% of loan book
- ❖ Loan book:
 - 68% to investment holding companies
 - 91% secured
 - 42% short term

Mortgage Loans

Overview

- ❖ Sun Hung Kai Credit launched in Oct 2015
- ❖ Good market opportunity; diversification into another risk segment
- ❖ Property is the largest asset class as HK's households
- ❖ Diversified demand, not necessarily tied to property market transactions
- ❖ Prudent LTV approach
- ❖ 2015 set up loss \$8.3m and \$213m total loans; expect profitability in 2016


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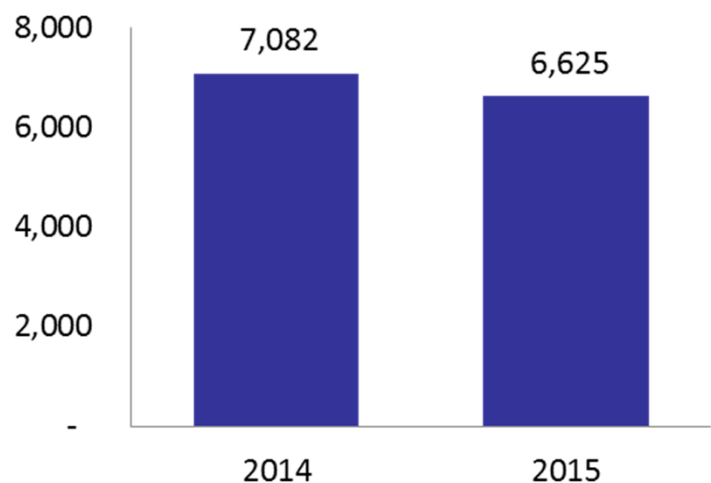
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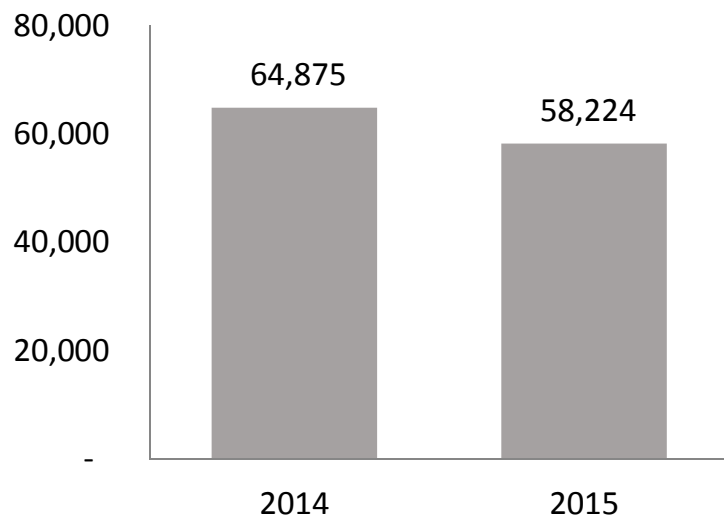
UAF Hong Kong

De-emphasizing property loans, but unsecured loans solid with increased market share and profitability
Lower loan balance and loan size as property loans declined

Hong Kong Gross Loan Balance (HK\$m)



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

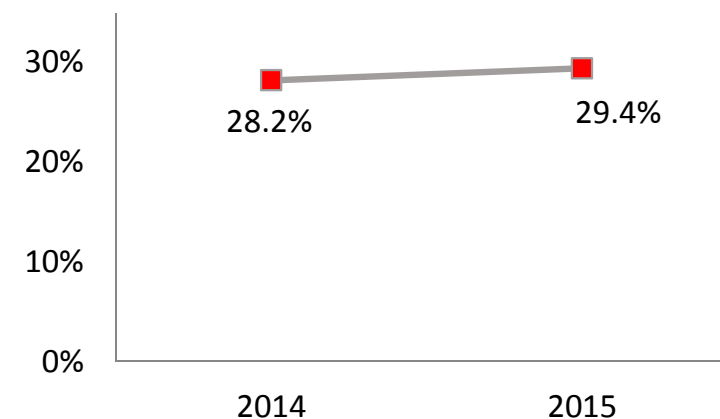


-6%

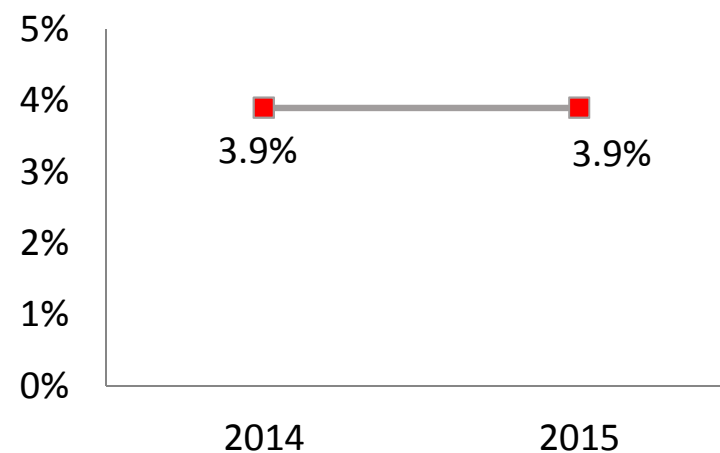
-10%

Share of number of customers increased

Total Return on Loans (on avg gross balance)



Charge Off ratio (on avg gross balance)



UAF Hong Kong

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UAF China

- ❖ Small business affected the most in economic down turn
- ❖ Re-focus on individual salaried workers
- ❖ Result is lower approval amounts and loan balance
- ❖ Loan origination RMB 4.35b (-28%) on higher number of loans 74,209
- ❖ Though charge offs still high, the amounts of charge offs peaked in 3Q
- ❖ Shall continue with conservative approach for the time being
- ❖ Cost measures
- ❖ Long term outlook unchanged, welcome industry consolidation and more rational competition

**158 Branches across 18 cities in Mainland China
50 branches in HK**



UAF China – Targeting Salaried Workers

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立即申请



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可贷款金额为1-10万，申请人于同一单位连续缴存1年或以上公积金。无需抵押、资料简便、门槛低、最快当天放款。

立即申请



保单贷—有寿险保单就能贷

可贷款金额为1-5万，申请人于同一保险公司保单连续缴存1年或以上寿险保单。无需抵押、审批速度快、最快当天放款。

立即申请



简易楼贷—有房就能贷

最高可贷20万，申请人拥有红本或按揭的住宅商品房。无需抵押、申请便捷、审批速度快。

立即申请



精英贷—个税申报年薪达12万就能贷

可贷款金额为10万，申请人上一年度每月缴交个税500元以上。无需抵押、审批快速、及时到账。

立即申请

在线申请

Social Security Tax

Pension Fund

Insurance Policies

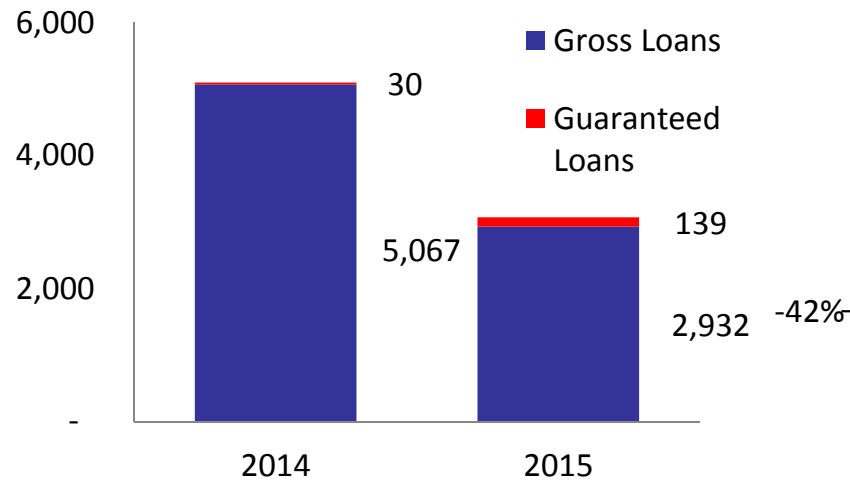
Home Owners

Annual Income >
RMB120k

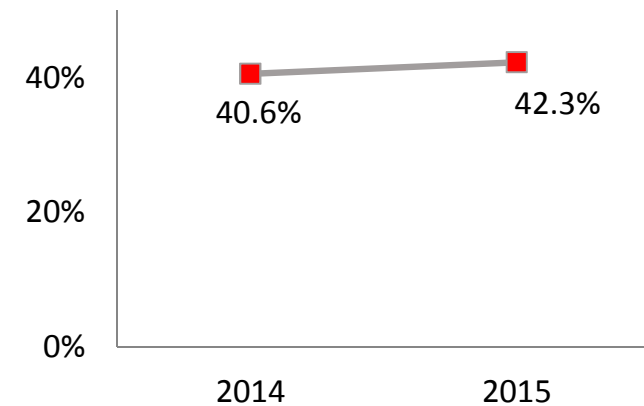
UAF China

Managing down average loan size and refocus on individual customers

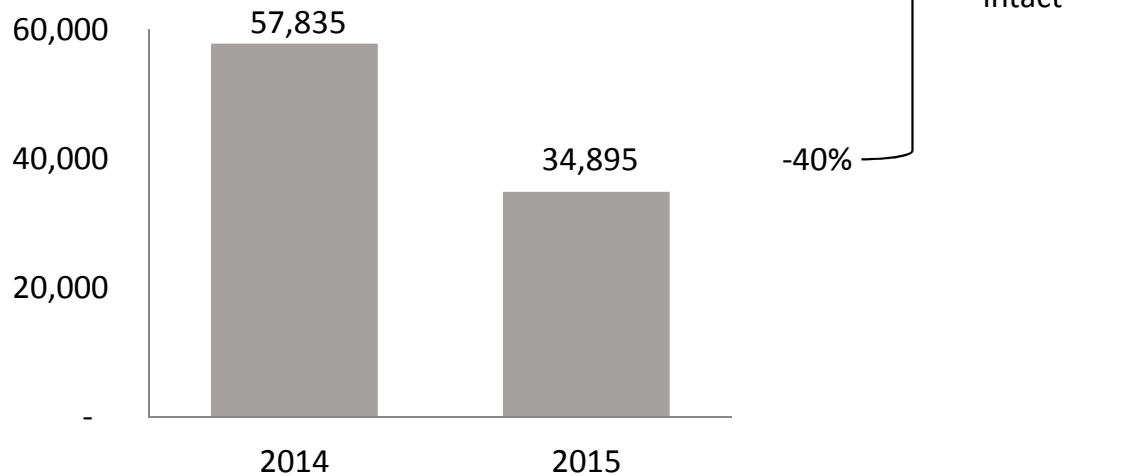
China Loan Balance (HK\$m)



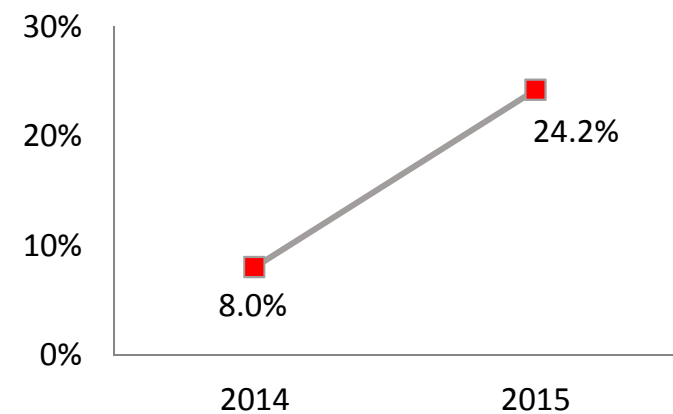
Total Return on Loans (on avg gross balance)



Average Loan Balance (RMB, at period end)

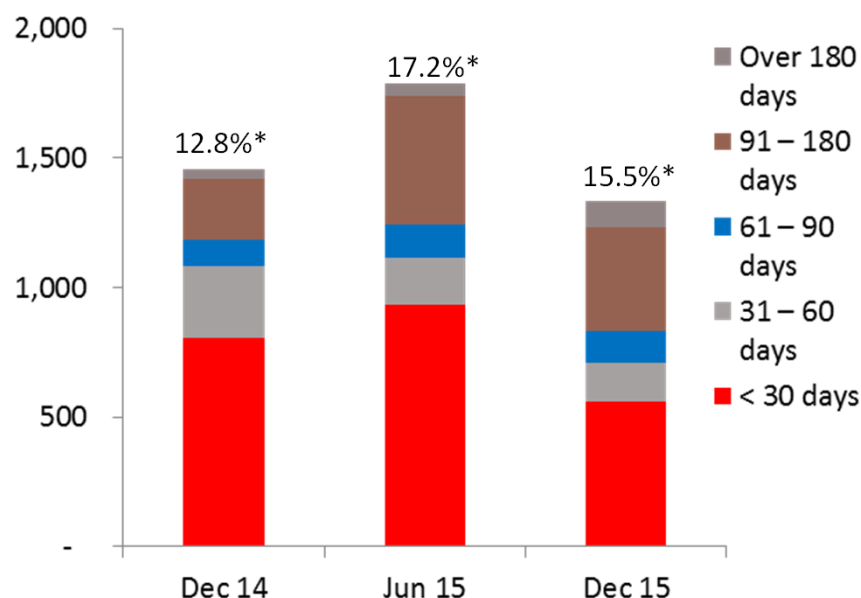


Charge Off ratio (on avg gross balance)



Total Bad Debts and Delinquencies (HK\$M)

Aging of amounts past due but not impaired (HK\$M)



* % of period end net loans

Bad and doubtful debts

(HK\$ Million)	2014	2015
a. Amounts written off	(739)	(1,364)
b. Recoveries	114	130
c. Charge to impairment allowance	(163)	(229)
Total charges for bad and doubtful debts[^]	(787)	(1,463)
Impairment allowance at period end	757	949
Gross loan balance	12,148	9,558
Charge off (a+b) as % of average		
gross loans	5.5%	11.4%
- From Hong Kong	3.9%	3.9%
- From Mainland China	8.0%	24.2%
Impairment allowance as % of gross loans	6.2%	9.9%

[^]Includes \$17.6m for the consumer loan guarantee business (2014: nil)

- ❖ Consistent and straightforward policy
- ❖ Stop interest accrual after at 90 days
- ❖ Write off on 180 days for unsecured loans whilst collections continue
- ❖ Impairment Allowance based on Charge Off Ratio and loan growth and duration (Write off net of recoveries, over loans)

Consumer Finance Segment Results

2015 Results and Outlook

(HK\$ Million)	2015	2014	Change
Revenue	3,706.4	3,763.6	-2%
Operating Costs	(1,373.2)	(1,344.9)	2%
Cost to income (% Revenue)	37.0%	35.7%	
Finance cost [^]	(285.0)	(263.8)	8%
Bad and doubtful debts	(1,463.3)	(787.2)	86%
Other (expense) income - net	(4.1)	4.3	
Exchange gain	28.7	35.7	
Pre-tax Contribution	609.5	1,407.7	-57%

[^] Includes internal

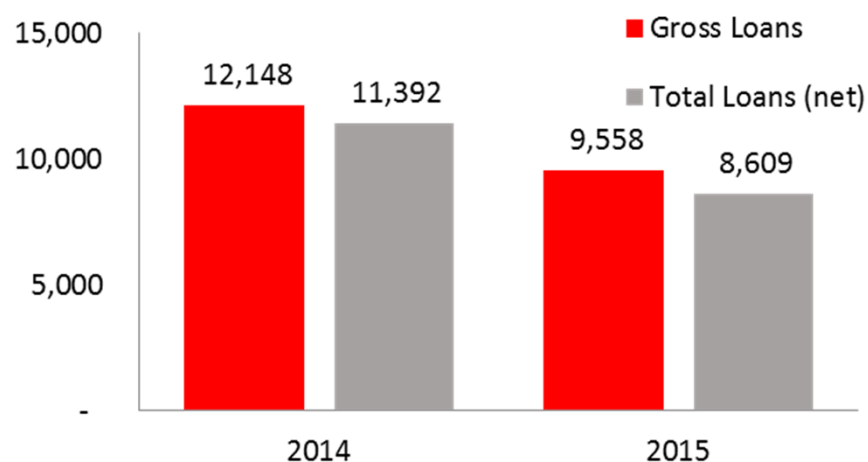
China

- ❖ To continue conservative approach in 2016
- ❖ Consolidate branch network
- ❖ Industry consolidation a positive longer term
- ❖ Continue to build infrastructure and models to improve process and acquire customers

Hong Kong

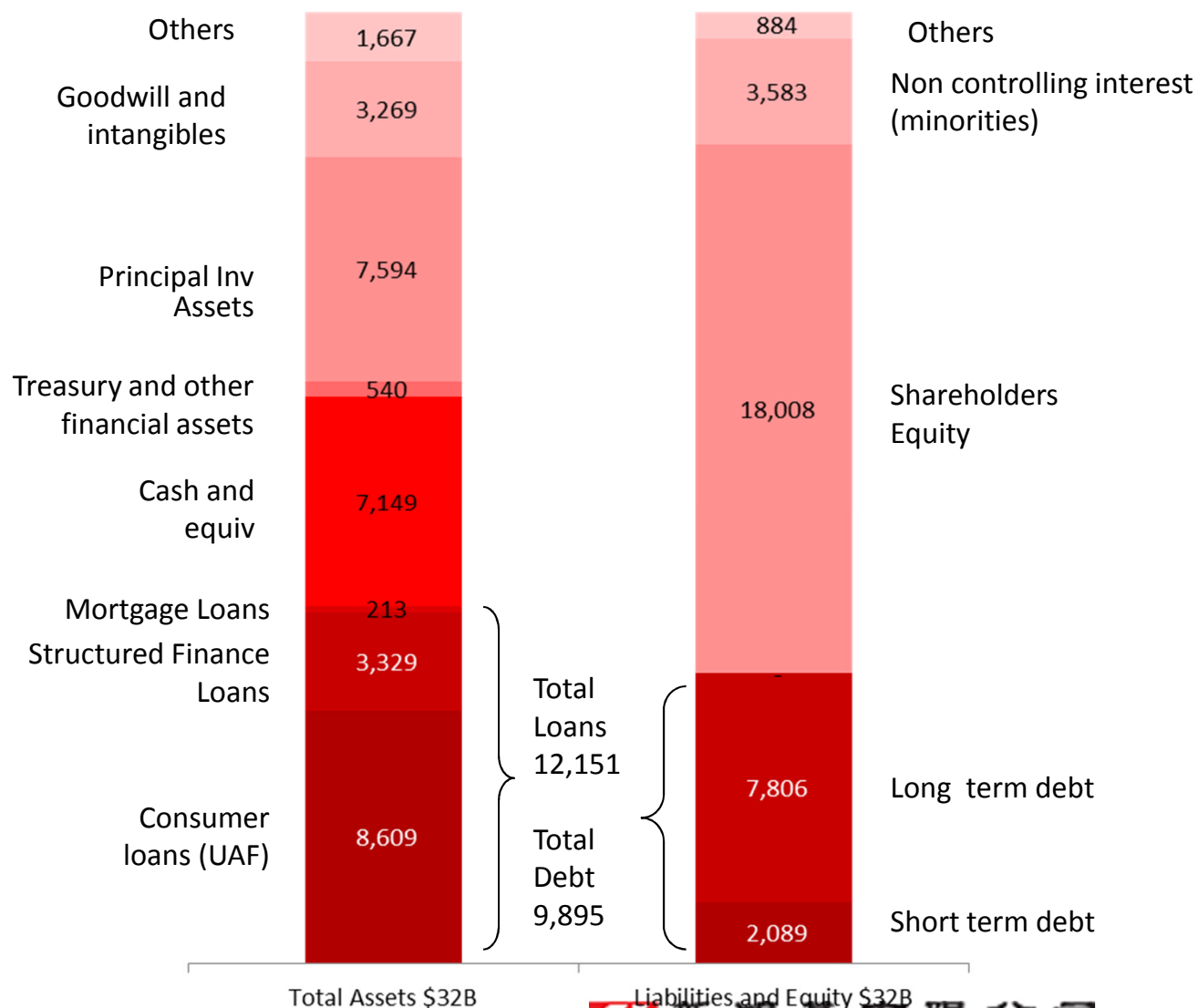
- ❖ Steady, barring any rapid rise in unemployment
- ❖ Focus on unsecured loans

UAF Loan book (HK\$M)



December 2015 Balance Sheet Profile (HK\$M)

- ❖ BVPS \$8.1 at year end (+23%)
- ❖ 24.6m shares repurchased in 2015 (\$135m)
- ❖ Continue buybacks subject to liquidity
- ❖ Net Gearing 15.2%



Outlook

- ❖ Still challenging for 2016 as UAF China is closely tied to Chinese economy
- ❖ Hong Kong expected to be steady and new mortgage business to contribute
- ❖ Reposition to the investment + finance timely

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