

# Sun Hung Kai & Co

*August 19, 2016*

*Six-month results to June 2016*



Excellence ■ Integrity ■ Innovation ■ Prudence ■ Professionalism

# 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.*

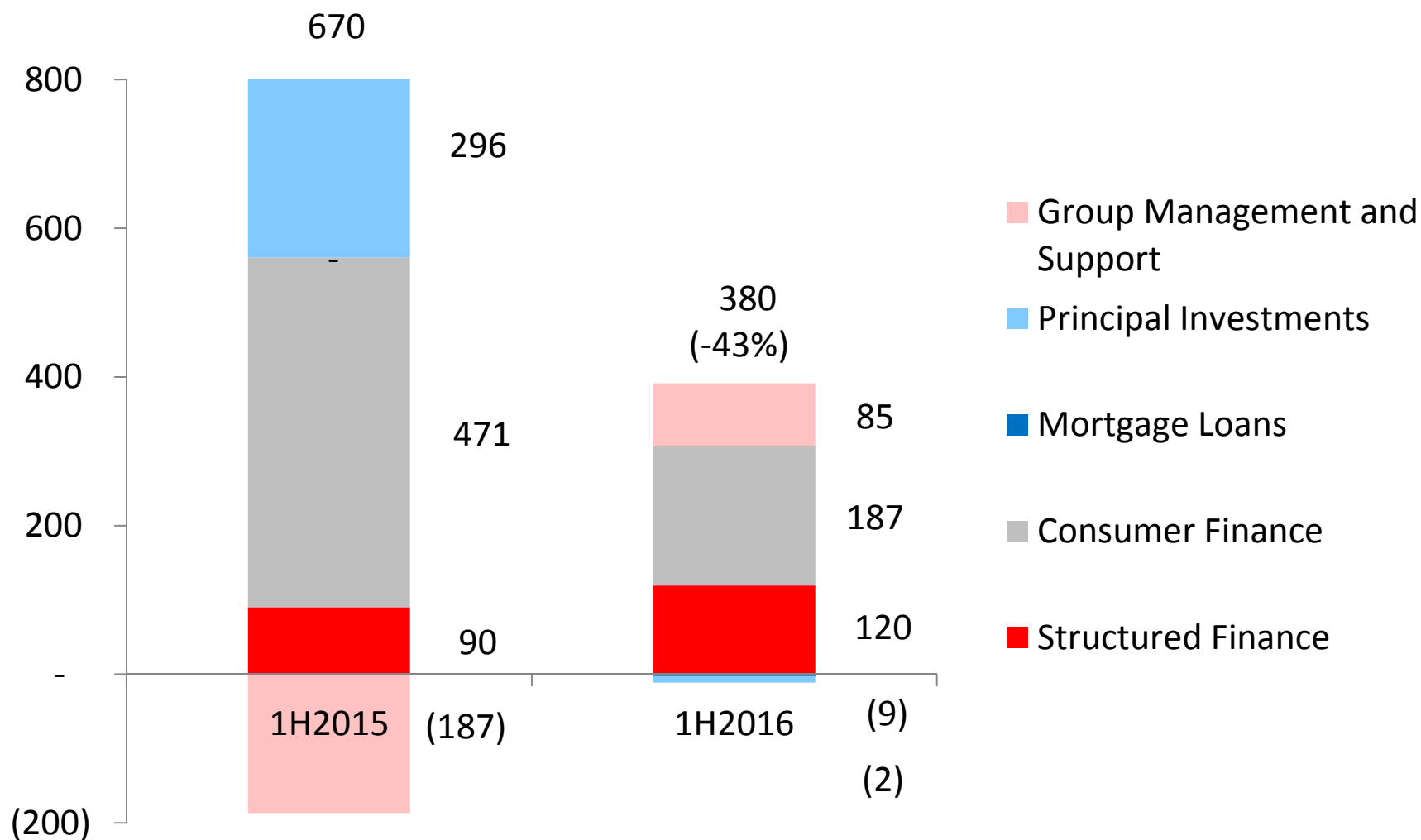
*The Group’s past performance is not necessarily indicative of its future performance. This Presentation also contains certain forward looking statements regarding the Group’s opinions of and expectation of the future. These statements are neither necessarily indicative of the Group’s future performance 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.*

# Financial Highlights – First Half 2016

Six-month results ending (HK\$M)	June 2016	June 2015	Change
Revenue	1,742	2,169	-20%
Attrib Profit	276	3,631	-92%
- From Continuing Operations	276	402	-31%
Per Share Data			
EPS (HK cents)	12.5	161.4	-92%
Interim DPS (HK cents)	12	12	
BVPS	\$8.05	\$8.08	

- ❖ UAF China business still undergoing adjustment but average loan size near our targets
- ❖ Consumer Finance profit recovered half-on-half on lower bad debts
- ❖ Principal Investments portfolio lower gains from mark to market valuation
- ❖ Maintained prudent balance sheet

# Pre-tax Contribution by Segment (HK\$M)

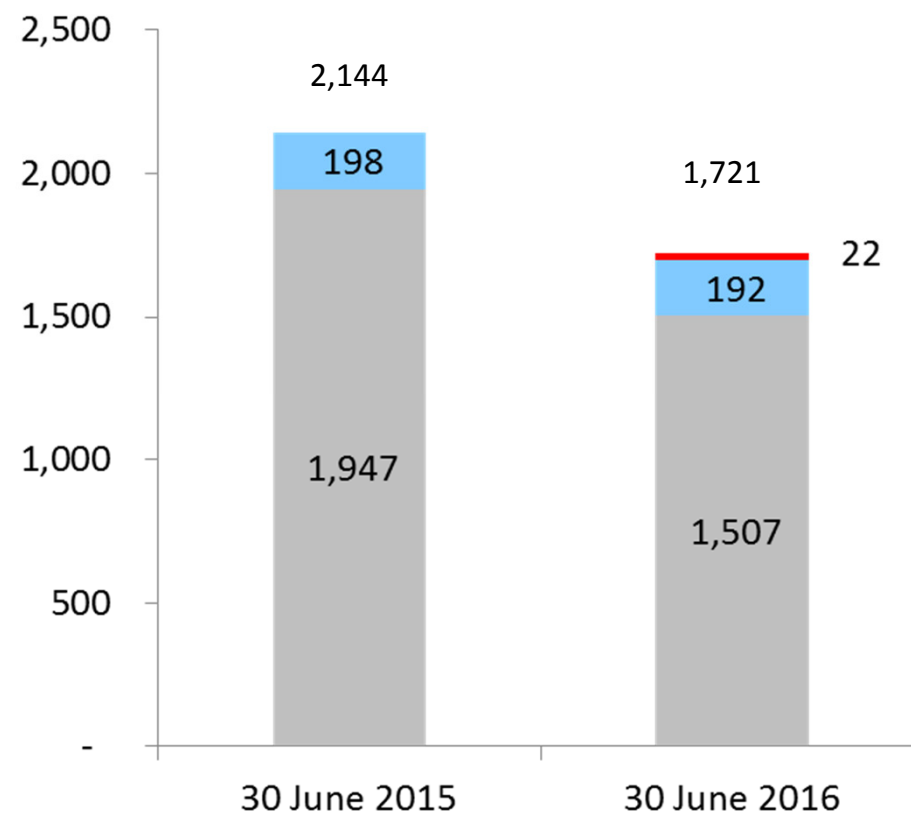
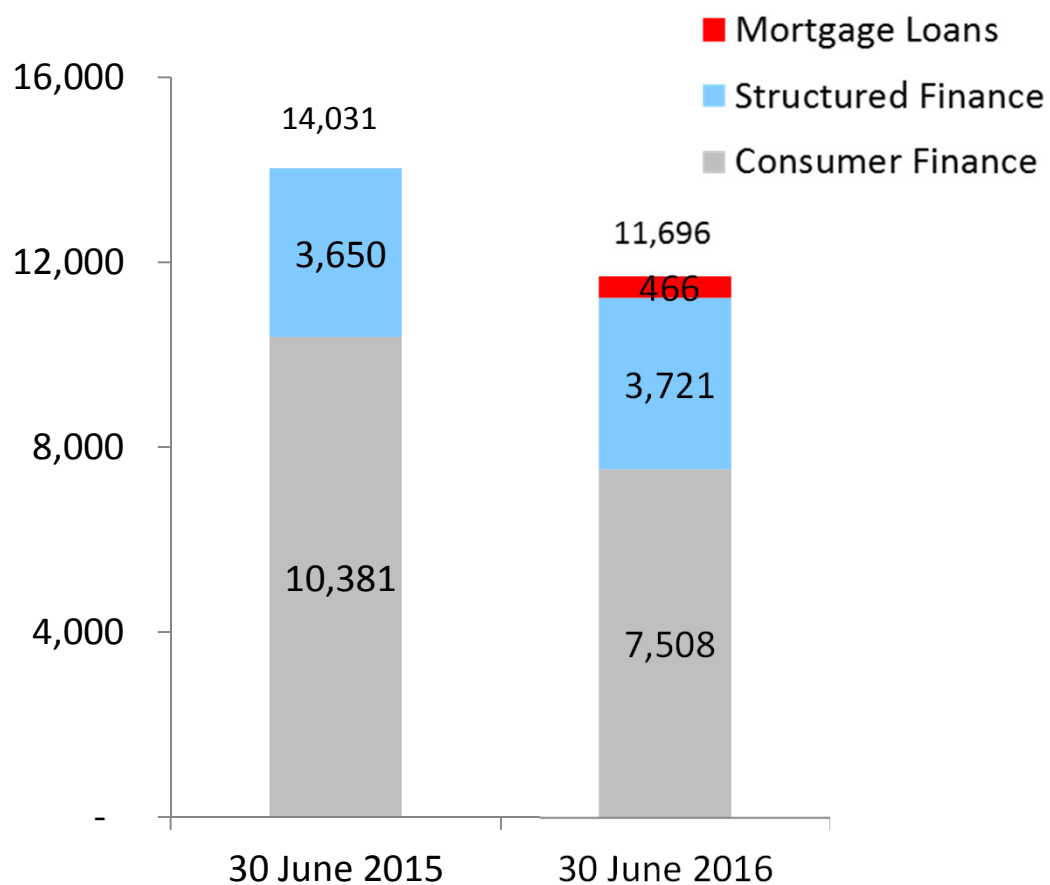


# Finance Business

# Finance Business

**Total Loans HK\$ 11,696m (-17%)**

**Finance Businesses Segment Revenue HK\$1,721m (-20%)**



# Structured Finance

## Segment Results (HK\$m)

<i>Six-month results</i>	June 2016	June 2015	<i>Change</i>
<b>Revenue</b>	<b>191.8</b>	<b>197.8</b>	-3%
Operating costs	(8.2)	(6.6)	24%
<i>Cost to income (% Revenue)</i>	4.3%	3.3%	
Finance costs <sup>^</sup>	(94.0)	(95.4)	-1%
Bad and doubtful debts	35.8	(8.1)	
P/L from financial asset	(5.9)	2.5	<i>n.a.</i>
<b>Pre-tax contribution</b>	<b>119.5</b>	<b>90.2</b>	32%
<i>^Include internal</i>			
<b>Loan Balance</b>	<b>3,720.8</b>	<b>3,650.3</b>	2%

- ❖ Provides funding solutions to corporates and high net worth individual customers
- ❖ Average loan balance lower during 1H2016
- ❖ Write back from provision last year
- ❖ Loan book:
  - 77% to investment holding companies
  - 92% secured
  - 84% short term
- ❖ Synergy with Principal Investments to come
- ❖ Market corporate risk premium trending down

# Mortgage Loans

## Overview

- ❖ Sun Hung Kai Credit launched in Oct 2015
- ❖ Distinguished brand to focus on secured loans – a responsible, transparent lender with a household brand name
- ❖ Loan book \$466m (Dec 15: \$213m)
- ❖ Small pre-tax loss \$2.4m but operationally profitable in June
- ❖ New Mong Kok branch and web application platform

無論  
1  
按  
或  
2  
按  
都是您的必然之選

物業如此珍貴，  
選擇樓按，誰更可靠？

新鴻基信貸，憑實力和信譽，成就您的樓按首選

• 不限物業類型及樓齡 • 貸款額特高 • 二十四小時批核，最快五個工作天過數  
• 提早還款免罰息 • 送律師費 • 免手續費 • 特惠利率 • 免費電話估價

客戶服務熱線 | 2996 2688  
旺角彌敦道625號雅蘭中心2期17樓1701室

**S** 新鴻基信貸  
SUN HUNG KAI CREDIT

信譽 | 實力 | 服務首選

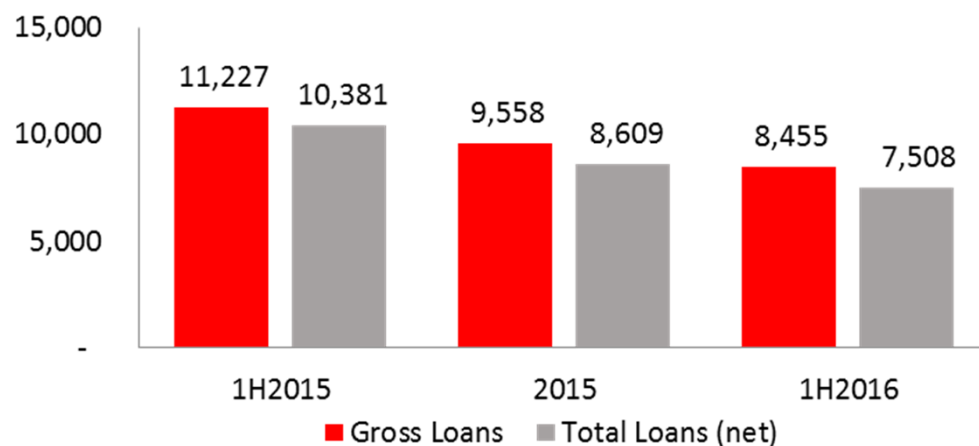
新鴻基信貸有限公司為新鴻基有限公司 (股份代號: 86) 成員之一 | www.shkcredit.com.hk



# Consumer Finance - UAF

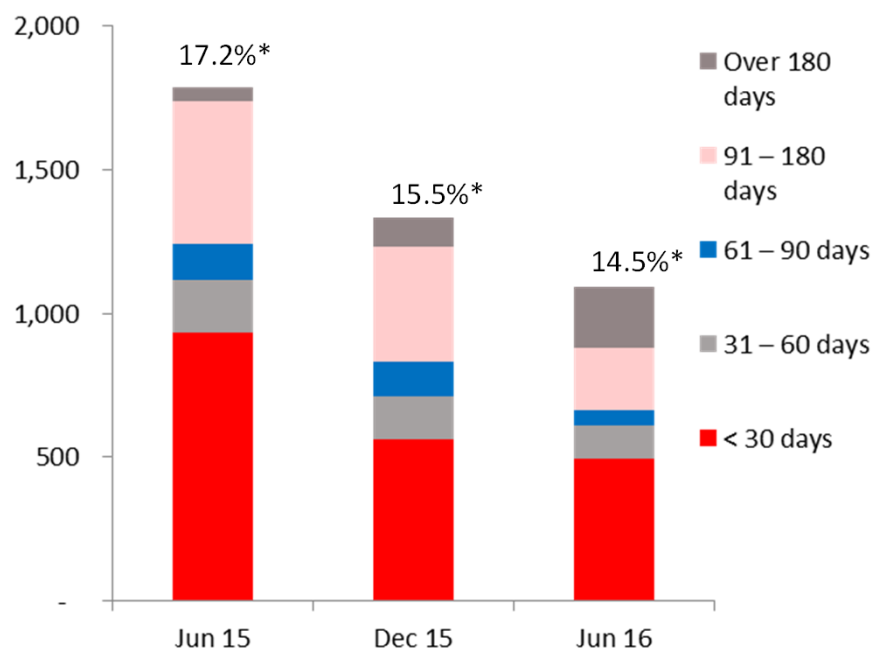
<i>Six-month results (HK\$ M)</i>	1H2015	2H2015	1H2016	YoY	HoH
<b>Revenue</b>	<b>1,946.5</b>	<b>1,759.9</b>	<b>1,506.5</b>	-23%	-14%
Operating Costs	(698.8)	(674.4)	(603.7)	-14%	-10%
<i>Cost to income (% Revenue)</i>	35.9%	38.3%	40.1%		
Finance cost <sup>^</sup>	(143.3)	(141.7)	(127.1)	-11%	-10%
Bad and doubtful debts	(643.3)	(820.0)	(600.5)	-7%	-27%
Other income (expenses) - net	9.7	(13.8)	(0.5)		
Exchange gain	(0.1)	28.8	12.4		
<b>Pre tax Contribution</b>	<b>470.7</b>	<b>138.8</b>	<b>187.1</b>	-60%	<b>35%</b>

## UAF Loan book (HK\$M)



# Total Bad Debts and Delinquencies (HK\$M)

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



\* % of period end net loans

- ❖ Consistent and straightforward policy
- ❖ Stop interest accrual after 60 days
- ❖ Write off on 180 days for unsecured loans whilst collections continue
- ❖ Impairment Allowance based on Charge Off Ratio (Write off net of recoveries, over loans) and loan growth and duration

## Bad and doubtful debts

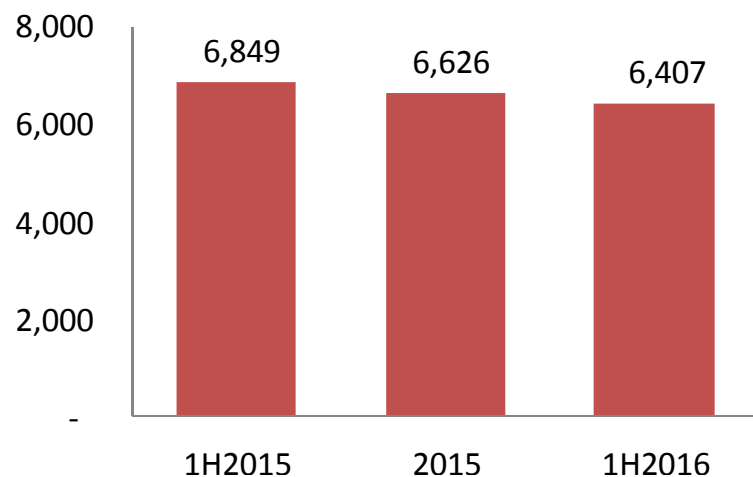
(HK\$ Million)	1H2015	2H2015	1H2016
Amounts written off	(610.6)	(753.1)	(648.1)
Recoveries	59.8	69.7	77.7
Charge off	(550.8)	(683.4)	(570.4)
<i>As annualized % of average gross loans</i>	9.4%	13.2%	12.7%
Charges to impairment allowance <sup>1</sup>	(92.5)	(136.6)	(30.1)
<b>Total charges for bad and doubtful debts</b>	<b>(643.3)</b>	<b>(820.0)</b>	<b>(600.5)</b>
Impairment allowance at period end	845.6	949.0	946.7
<i>As % of period end gross loans</i>	7.5%	9.9%	11.2%

<sup>1</sup>Included HK\$23.4 million provision for guarantee business during the current period (First half of 2015: HK\$3.9 million).

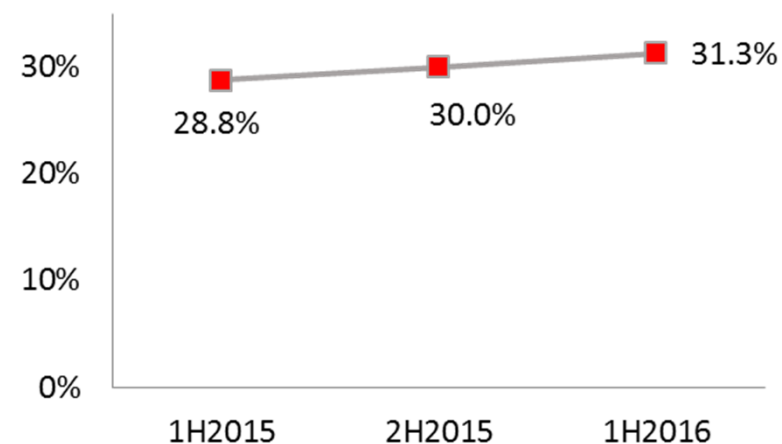
# UAF Hong Kong

Continue to phase out of mortgage loans. Higher yield and charge offs because of change in loan mix

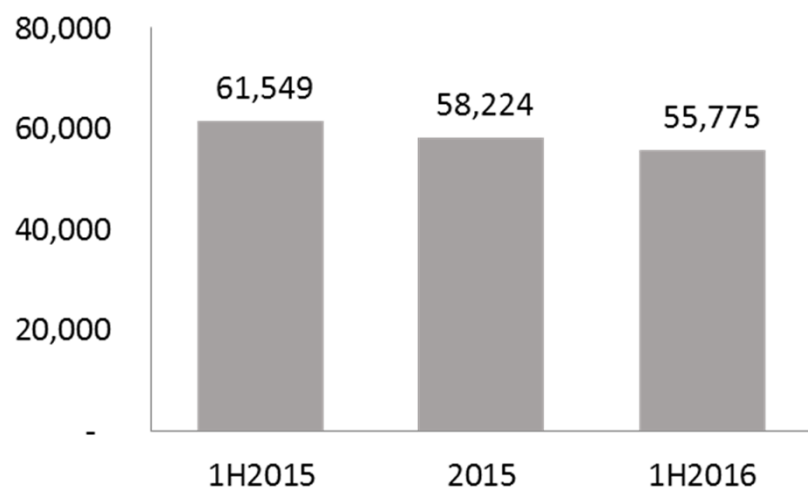
## Hong Kong Gross Loan Balance (HK\$m)



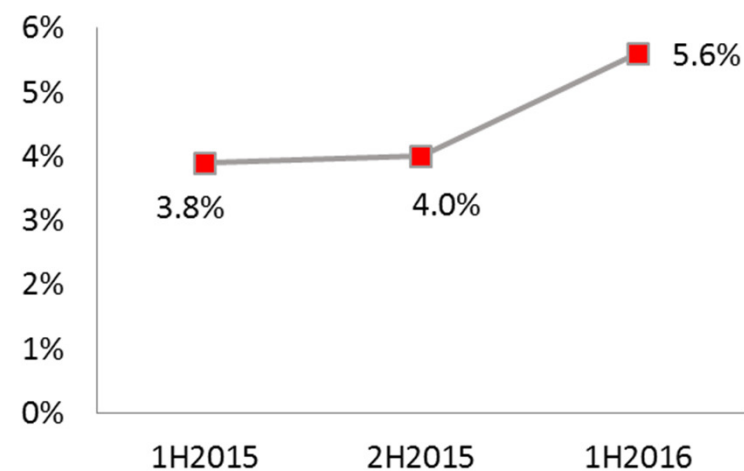
## Total Return on Loans (on avg gross balance)



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



## Charge Off ratio (on avg gross balance)



# UAF Hong Kong – new ads

“O2O”

UA O2O 全方位貸款方案

有UA 您想點都得

UA O2O 全方位貸款方案，由手機應用程式、網上平台、電話專線至遍佈全港的分行網絡，為您提供最合適的O2O全方位貸款方案。

UA 49分行一線通 2681 8888

www.uaf.com.hk

Revolving e-loan

UA e-Cash 循環備用現金

有UA 您想點都得

UA O2O 全方位貸款方案，讓您透過手機應用程式、網上平台及電話專線，隨時隨地運用您的e-Cash循環備用現金，直接轉賬現金應用；信貸額更於每次取款後自動調整，全天候滿足您的現金需要。

UA 49分行一線通

www.uaf.com.hk

Credit card debt consolidation

UA 咭數一筆清

有UA 您想點都得

UA O2O 全方位貸款方案，由手機應用程式、網上平台、電話專線至遍佈全港的分行網絡，以全面及多元化的貸款服務，從線上至線下，助您一次過清還所有咭數，讓您的精彩生活更有預算。

UA 49分行一線通

www.uaf.com.hk

UA NO SHOW 私人貸款

有UA 您想點都得

全港唯一 簡單一個電話，現金輕鬆到手，讓您隨時隨地實踐任何大計。

UA NO SHOW 專線 2681 8787

www.uaf.com.hk

“No Show” loans

UA「友獎賞」計劃

有UA 您想點都得

UA 49分行一線通 2681 8888

www.uaf.com.hk

“Refer a Friend”

UA 業主特惠貸款

有UA 您想點都得

UA O2O 全方位貸款方案，由手機應用程式、網上平台、電話專線至遍佈全港的分行網絡，以全面及多元化的貸款服務，為您提供方便快捷的轉賬服務。

UA 49分行一線通 2681 8888

www.uaf.com.hk

Special offer to home owners

# UAF China

- ❖ LESS branches: 31 closed
- ❖ MORE customers: 18% growth in number of new loans (39k in 1H 2016)
- ❖ LOWER Charge off amounts, both YoY and HoH. Amounts peaked in 2H2015 and trending down
- ❖ Loan size adjustment approaching our target, loan book to stabilize
- ❖ 1H2016 results still affected by consolidation but the trend is improving

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



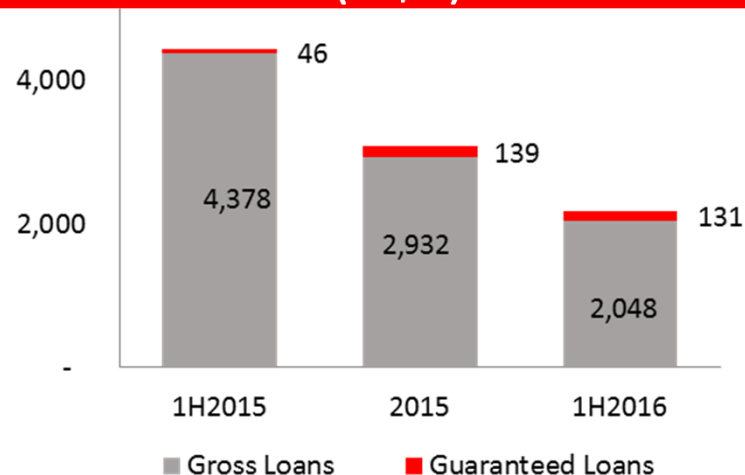
yaliancai\_fu

**新鴻基有限公司**  
**SUN HUNG KAI & CO. LIMITED**

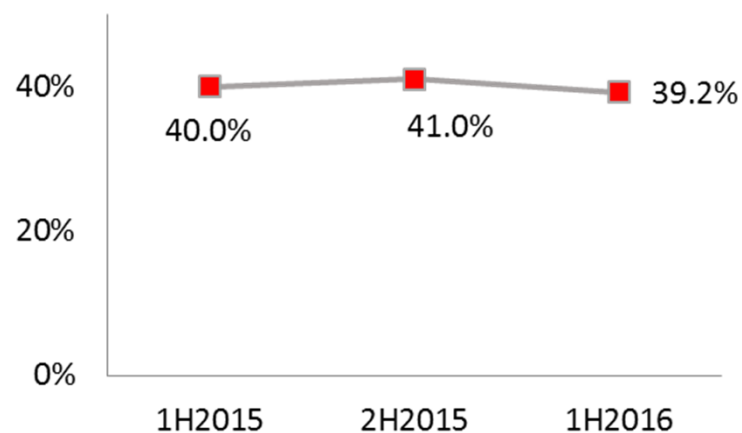
# UAF China

Profitability still impacted by transformation but loan book adjustment is approaching our target

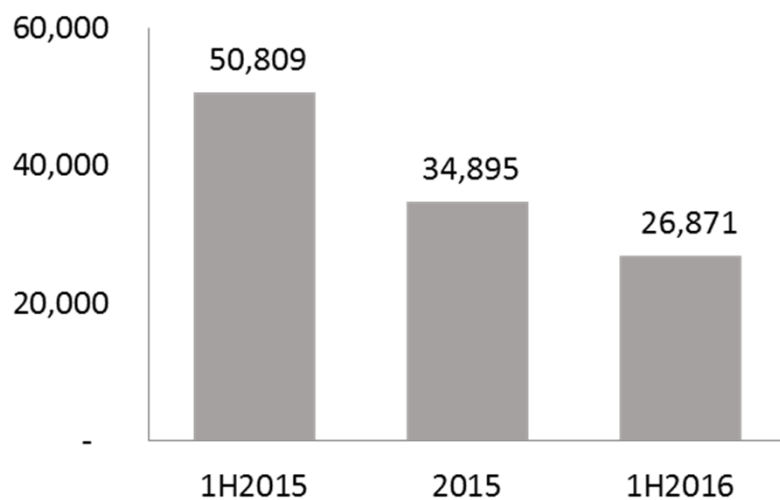
## China Loan Balance (HK\$m)



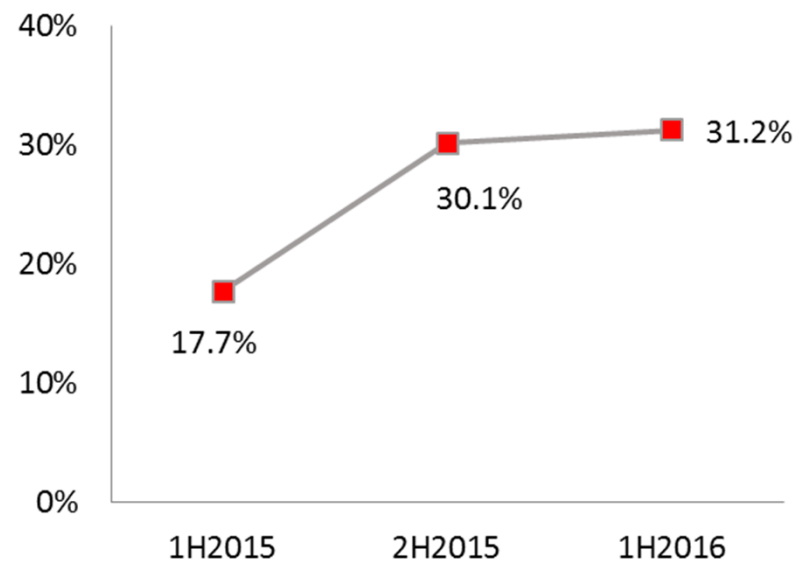
## Total Return on Loans (on avg gross balance)



## Average Loan Balance (RMB, at period end)



## Charge Off ratio (on avg gross balance)



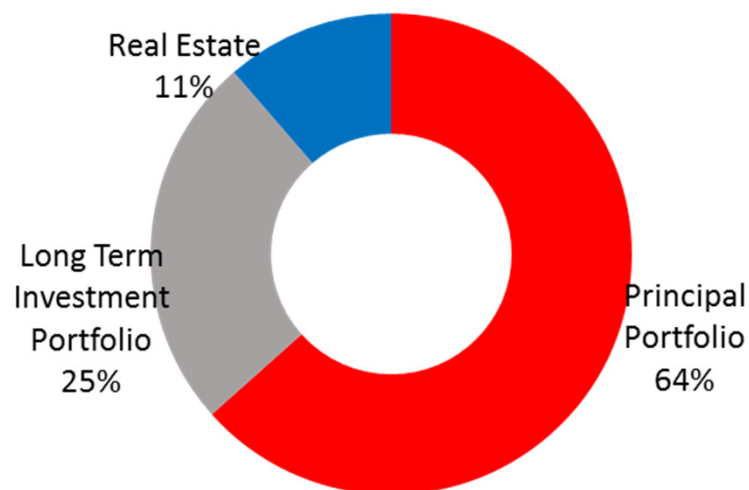
# Investment Business

# Principal Investments

<i>(HK\$ Million)</i>	Period end value	Six-month average value	Gain/ Loss (First half 2016)	Return on average value	Gain/ Loss (First Half 2015)
Principal Portfolio	5,400.1	4,598.4	(119.1)	-2.6%	285.4
Long Term Investment Portfolio	2,151.0	2,166.7	114.8	5.3%	23.4
Real Estate	967.0	958.5	123.5	12.9%	38.5
	<b>8,518.1</b>	<b>7,723.6</b>	<b>119.2</b>	<b>1.5%</b>	<b>347.3</b>
Less:					
Operating costs			(8.5)		(5.4)
Cost of capital allocation <sup>1</sup>			(119.4)		(46.0)
<b>Pre-tax contribution</b>			<b>(8.7)</b>		<b>295.9</b>

<sup>1</sup>Cost of capital is allocated from the Principal Portfolio to Group Management and Support

## Segment Assets by Type





# Principal Investment Highlights 1H2016

## Principal Portfolio



SOFITEL PARIS LE FAUBOURG



## Long Term Investments

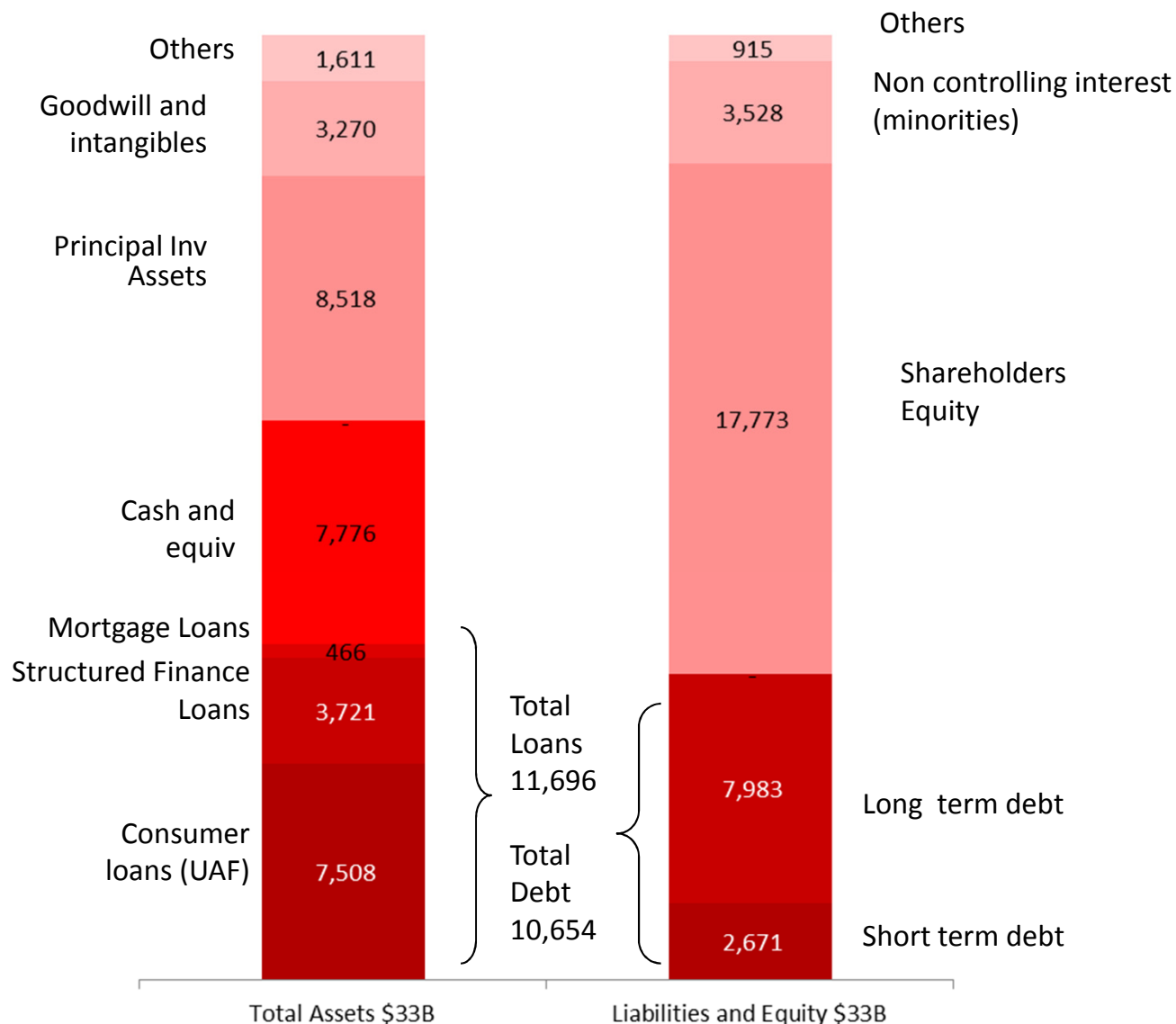


Exits: Shanghai office space, China Xin Yongan, Dianrong



# June 2016 Balance Sheet Profile (HK\$M)

- ❖ BVPS \$8.05
- ❖ 22.5m shares repurchased in 1H2016 (\$102m)
- ❖ Net Gearing 16.2%
- ❖ Issued USD 362m 2021 4.75% bonds
- ❖ USD115m of the USD350m 2017 6.375% bond redeemed



# Outlook

---

- ❖ Recent trends indicate UAF recovery in China although our assumptions can be threatened by the economy
- ❖ Well positioned investment portfolio
- ❖ Maintain strong and prudent financial position

## Enquiries Contact:

Nancy Chen, CFA

Head of Investor Relations

Tel +852 3920 2823

[Nancy.chen@shkco.com](mailto:Nancy.chen@shkco.com)