

**[For immediate release]**

20 March 2019, Hong Kong

### **Sun Hung Kai & Co. announces 2018 full year profit of HK\$1.2 billion**

Sun Hung Kai & Co. Limited (SEHK: 86) (the “Company”, together with its subsidiaries, the “Group”) announced final results for the year ended 31 December 2018. Profit attributable to owners of the Company for the year was HK\$1,183.8 million (2017: HK\$1,824.3 million).

In 2019, the Group celebrates its 50th anniversary. Group Executive Chairman Mr Lee Seng Huang said, “The Group has a history of business innovation and consistent financial performance throughout various economic cycles. We will continue to build a platform that fully leverages our industry expertise, extensive network and financial strength.”

The year-on-year decline in earnings was mainly due to changes in the market valuation in its Principal Investments assets in the second half of the year. In contrast, 2017 was one of the Group’s strongest years. Since then, market sentiment has improved.

“The short-term volatility in earnings should not lead us to change course in our efforts to build this time-tested platform for long-term capital growth. We are pleased with our positioning and will focus on increasing earnings over a multi-year period.” Mr Lee concluded.

During the year, the Company completed its HK\$1 billion share repurchase plan by repurchasing 145 million shares which reduced the number of shares by 6.7%. The book value per share at the end of 2018 increased by 5% to HK\$9.48 and the HK26 cents full year dividend per share is maintained.

#### **2018 Final Results Summary**

<b>For the year ending</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>	<b>Change</b>
Pre-tax profit (HK\$m)	<b>1,831.3</b>	2,608.5	-30%
Profit attributable to owners of the Company (HK\$m)	<b>1,183.8</b>	1,824.3	-35%
Book value per share (HK\$)	<b>9.48</b>	9.02	+5%
Earnings per share (HK cents)	<b>56.2</b>	84.0	-33%
Second interim dividend (HK cents)	<b>14.0</b>	14.0	-
Total dividend for the year (HK cents)	<b>26.0</b>	26.0	-

## **Business Segment Highlights:**

### Consumer Finance

- Operated under United Asia Finance Limited (“UAF”).
- The net loan balance increased 7% to HK\$9,769.7 million. Contribution to pre-tax profit was HK\$1,207.9 million (-16% YoY).
- Impairment and Bad Debts was HK\$833.6 million, compared with HK\$297.3 million in 2017. The main difference was the absence of a repeat of impairment write-backs which occurred in 2017 when credit conditions in China improved. The charge off ratio based on a 90 days write off policy was 7.8% (2017: 6.6% on 180 days policy)
- The Hong Kong business was strong with 19% loan growth and a decline in the charge off ratio. Celebrating its 25<sup>th</sup> anniversary, an advertising campaign was launched to reinforce UAF as a leading household brand and a pioneer of many loan solutions popular in the market.
- The operating and economic environment was more challenging in Mainland China. Focusing on profitability, UAF adopted a conservative credit approach to reduce risk. The charge off ratio increased during the year, but showed signs of improvement towards the year end after the launch of a new automated credit scoring system. The strategy going forward is to build a leaner, more efficient business that is scalable for the long term. In addition to the new credit system, UAF has further streamlined its branch network and continued to increase online presence.

### Principal Investments

- The Principal Investments division leverages the Group’s operating expertise, network and balance sheet to seek out and invest in attractive risk-adjusted investment opportunities. The segment contributed HK\$360.6 million to profit before tax (2017: HK\$1,082.3 million).
- HK\$15.2 billion in assets were invested across public equity (22%), public credit (11%), private equity (35%), private credit (16%) and real estate (15%). The segment’s public portfolio was affected by mark-to-market losses at the end of 2018 but was balanced by a more steady performance in private asset classes (private equity, private credit and real estate). The overall return on average assets was 5.7% after a year of very strong gains in 2017.

### Mortgage Loans

- In its third full year of operation, Sun Hung Kai Credit's loan portfolio reached HK\$3.85 billion and has established itself as a major non-bank mortgage provider. The segment profit tripled to HK\$114.1 million.
- As the business scales up, management will also put a high priority on efficiency gains to improve returns, while adopting a prudent approach to credit quality.

### Financial Services

- Pre-tax contribution from this segment was significant at HK\$203.0 million (2017: HK\$118.6 million).
- EBSHK (30% owned) reported increases in both revenues and profits in 2018 and its client assets exceeded HK\$130 billion. In November 2018, EBSHK made a successful debut in the debt capital markets, confirming investor confidence in its prospects. These positive developments fulfilled our expectations that the company would be in a stronger position to flourish with Everbright Securities as its major shareholder.
- LSS Leasing (40% owned) delivered a steady performance during the year and is evolving from a traditional car leasing business to a service and financing solutions provider that embraces new transportation models.

– End –

### About Sun Hung Kai & Co. Limited

Sun Hung Kai & Co. Limited (the "Group") is an investment firm headquartered in Hong Kong. Since its establishment in 1969, the Group has owned and operated market-leading businesses in financial services. Building on its rich heritage, experience and network, the Group aims to generate long-term capital growth for its shareholders through a diverse, yet complementary, portfolio of businesses and investments across multiple asset classes. It is the major shareholder of leading consumer finance firm United Asia Finance, and a substantial shareholder of Everbright Sun Hung Kai. The Group currently holds about HK\$41 billion\* in total assets. [www.shkco.com](http://www.shkco.com)

\*As at 31 December 2018

### **For enquiries, please contact:**

Nancy Chen +852 3748 2823 [nancy.chen@shkco.com](mailto:nancy.chen@shkco.com)