

[For immediate release]

14 August 2019, Hong Kong

Sun Hung Kai & Co. announces 2019 half year results, basic EPS of HK51.5 cents

Sun Hung Kai & Co. Limited (SEHK: 86) (the “Company”, together with its subsidiaries, the “Group”) announced its interim results for the six months ended 30 June 2019.

Profit attributable to owners of the Company for the period was HK\$1,028.9 million (first half 2018: HK\$1,058.0 million).

Group Executive Chairman Mr Lee Seng Huang said, “The results reflect a solid performance for the period and were broadly in line with the strong performance achieved in the first half of 2018, which was a record half for the Group.”

As a result of share repurchase in the past year, basic EPS increased by 5% to HK51.5 cents. The book value per share for the first half of 2019 increased by 6% to HK\$9.84 and the Board has declared an interim dividend of HK12 cents per share.

“In addition to growing the earnings base, we also will continue to seek opportunities to enhance the Group’s capital deployment in order to deliver long term capital growth.” Mr Lee said.

In June 2019, the Group’s Consumer Finance subsidiary United Asia Finance Limited (“UAF”) repurchased 7.27% of its share capital, which is expected to be earnings accretive to the Group.

The Group celebrates its 50th anniversary in 2019.

2019 Interim Results Summary

For the six-month period ended	30 Jun 2019	30 Jun 2018	Change
Pre-tax profit (<i>HK\$ million</i>)	1,401.0	1,385.2	+1%
Profit attributable to owners of the Company (<i>HK\$ million</i>)	1,028.9	1,058.0	-3%
Book value per share (<i>HK\$</i>)	9.84	9.31	+6%
Earnings per share (<i>HK cents</i>)	51.5	49.2	+5%
Interim dividend (<i>HK cents</i>)	12.0	12.0	-

Business Segment Highlights:

Consumer Finance

- Operated under UAF. On 27 June 2019, UAF completed the repurchase of 7.27% shareholding from its minority shareholder which increased the Group's shareholding in UAF from 58% to 63%. Apart from enhancing the management and operational efficiency of UAF, the repurchase is expected to be earnings accretive for the Group.
- The net loan balance was HK\$10,068.0 million (+3% HoH and +11% YoY). Contribution to pre-tax profit was HK\$652.2 million (+7% YoY).
- The Hong Kong business was the main growth driver and accounted for 78% of the loan book. Gross loans increased by 7% HoH to HK\$8,328.8 million. The 25th anniversary advertising campaign and promotions launched at the end of 2018 benefited business.
- Focusing on profitability, UAF adopted a conservative credit approach to reduce risk in Mainland China. A further rationalization of the branch network also produced considerable savings. Developing our online business remains our key focus and in May 2019, our Shenzhen subsidiary was officially granted an online lending licence. An automated credit scoring system that incorporates big data and other credit scores was in place.

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. HK\$14.4 billion in assets were invested across public equity (24%), public credit (4%), private equity (40%), private credit (17%) and real estate (16%).
- The six-month return on average value was 6% and after taking into account internal funding and cost allocations, the segment contributed HK\$580.4 million to profit before tax (first half 2018: HK\$680.4 million)
- Strong markets in the first quarter allowed us generate solid returns on public investment whilst increased IPO activity in led high valuation and monetization opportunities in private equity. Overall, we have booked gains on the public investments and reduced our net exposure which should allow us to take advantage of the volatilities in the market going forward.
- Private equity is the largest asset class within the segment and achieved a 7.8% six-month return. During the period, a total distribution of HK\$145.3 million was received, with a further HK\$342.2 million anticipated in the near term. Leveraging on the Group's expertise and network, financials, fintech and healthcare will continue to be core themes for the portfolio.

Mortgage Loans

- Sun Hung Kai Credit contributed a pre-tax profit of HK\$68.5 million for the period, up by 40% year-on-year. The growth was driven by the increase in the average balance, as well as operating leverage as the business builds scale. The loan portfolio was HK\$3.6 billion (-7% HoH and + 19% YoY)
- With a well-established market position, the business is focused on driving profitability and efficiency. During the period, we have turned more conservative in underwriting lower margin loans due to the increased opportunity cost of capital for the Group and uncertainties in the market.

Financial Services

- Pre-tax contribution from this segment was HK\$102.4 million (first half 2018: HK\$101.8 million).
- EBSHK (30% owned) reported increases in both revenues and profits in the first half of 2019 and its client assets exceeded HK\$130 billion. During the period, the business has won a number of prestigious industry awards in Hong Kong and Mainland China.
- LSS Leasing (40% owned) delivered a steady performance during the period even though facing an unfavorable industry environment. LSS Leasing is evolving from a traditional car leasing business to a service and financing solutions provider for new transportation models.

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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 Limited, and a substantial shareholder of Everbright Sun Hung Kai. The Group currently holds about HK\$41 billion* in total assets. www.shkco.com

*As at 30 June 2019

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