



新鴻基有限公司

SUN HUNG KAI & CO. LIMITED

Stock Code: 0086

2022 Annual Results

March 2023

ENDURE. ADAPT. EXCEL

A leading alternative investment platform



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Agenda

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- Multiple Value Drivers for Shareholders
- Business Overview

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2022 Annual Results

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- Investment Management
- Funds Management
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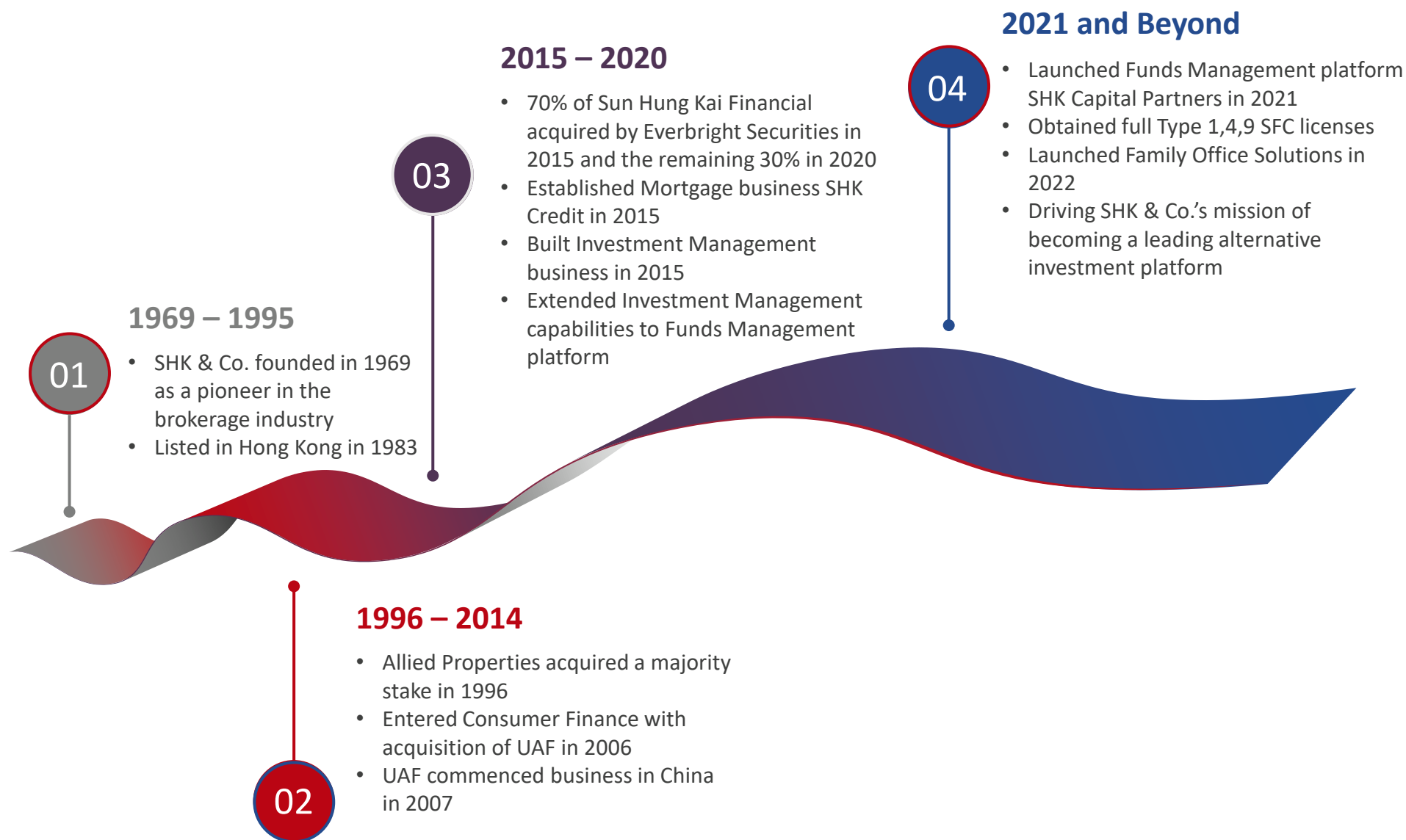
Risk Management & ESG Updates

5

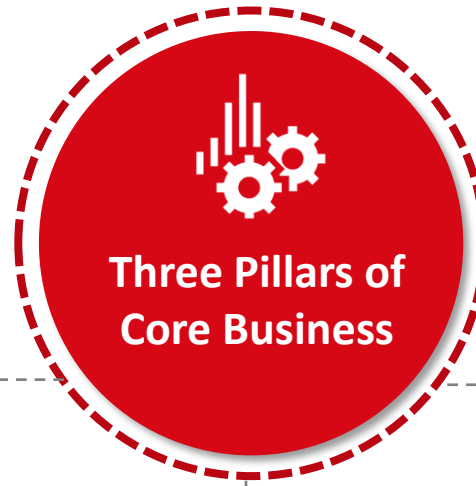


Business Outlook & Future Plans

Key Milestones



Business Overview



Multiple Value Drivers for Shareholders

Financing Business to service clients' unmet demand and contribute steady cash flow

- Launch of new credit card business and ongoing technology development for UAF
- Mortgage Loans to contribute meaningful profit and diversify our funding channels



Investment Management to generate risk-adjusted return and lay foundation for transformation

- Strengthen investment risk management
- Remain alert to opportunities emerging in the dislocated market
- Cooperate with Funds Management division to explore further synergies across the Group



Funds Management to solidify the transformation of the Group into a leading alternatives investment platform

- Near-term focus on client reach through FOS
- Expanding distribution efforts to raise third-party capital
- Continue to source partnership opportunities
- Enable a complementary asymmetric return stream for the Group



Long-term Sustainable Growth and Proactive Capital Management

- Strong financial position poised for future growth
- Consistent dividend policy
- Continued share buyback





2022 Annual Results

A Glance of 2022 Annual Results

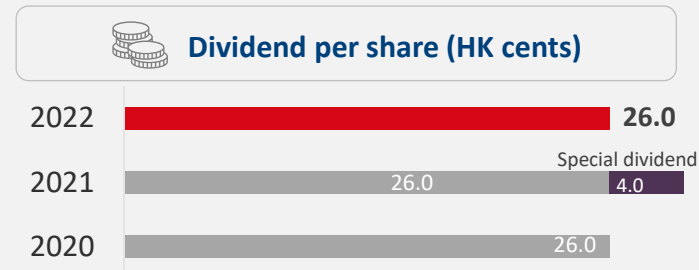
	2022	2021	Change
Revenue (HK\$ 'm)	4,054.1	4,324.0	-6.2%
Attributable (loss)/profit (HK\$ 'm)	(1,534.8)	2,813.7	N/A
Basic (loss)/earnings per share (HK cents)	(78.2)	142.7	N/A
BVPS ¹ (HK\$)	11.4	12.7	-10.2%
	2022	2021	Change
ROE	-6.5%	11.8%	N/A
Net Gearing Ratio	43.7%	49.0%	-530bps
Cost to income	38.6%	39.2%	-60bps

2022 financial results were impacted by:

- Extreme volatility across all asset classes
- COVID-led economic and business activities slowdown
- Rising finance cost

The negative impact was partly mitigated by:

- Diversified businesses
- Strong balance sheet and ample liquidity
- Engaged credit and investment risk management
- Disciplined cost control in market down-cycle

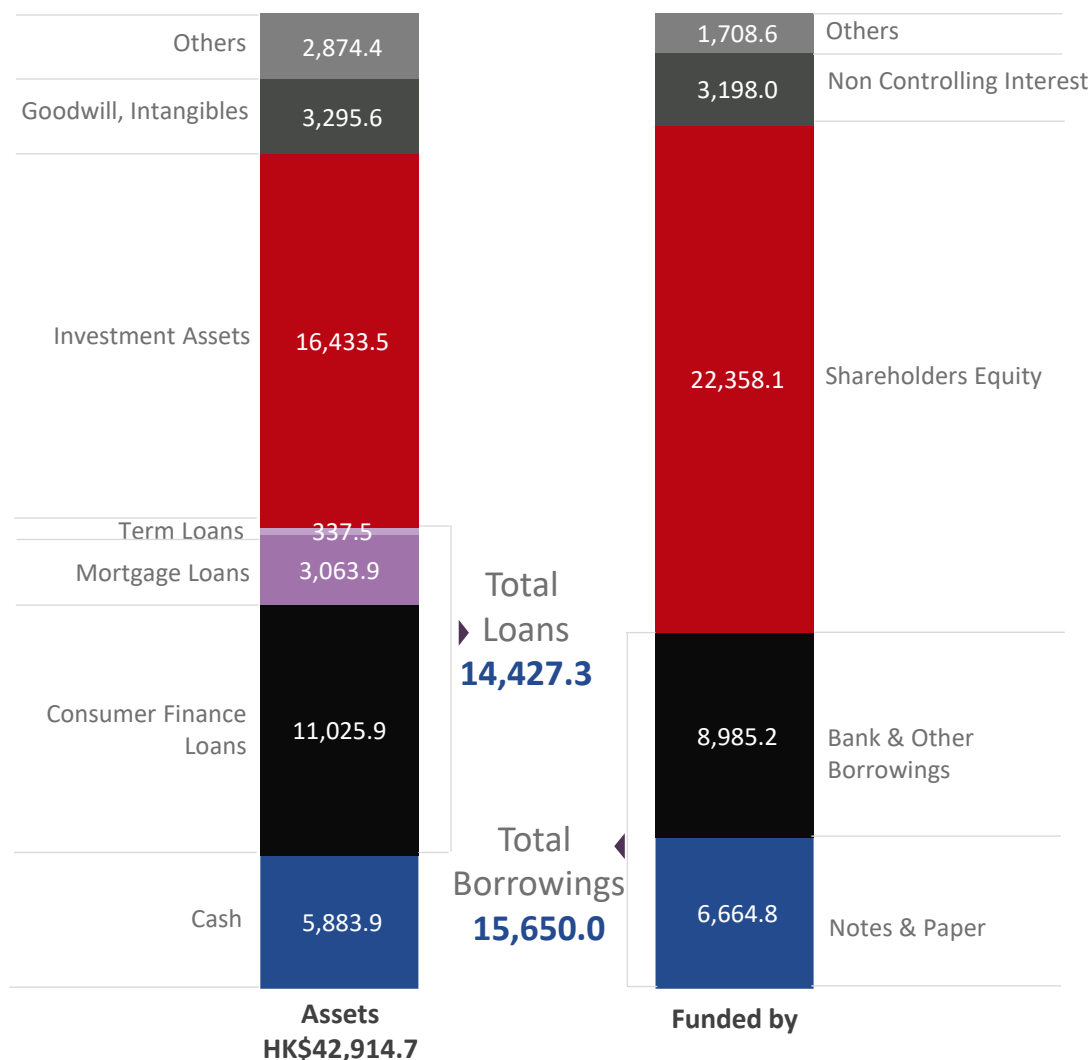


Continued return to shareholders

- Stable dividend payout
- Repurchased 5.9 million shares for a total net consideration of HK\$18.3 million in 2022
- Have returned HK\$13.4 billion in total to our shareholders through dividend and share buyback since 2007

Balance Sheet and Capital Structure

(HK\$ 'm)

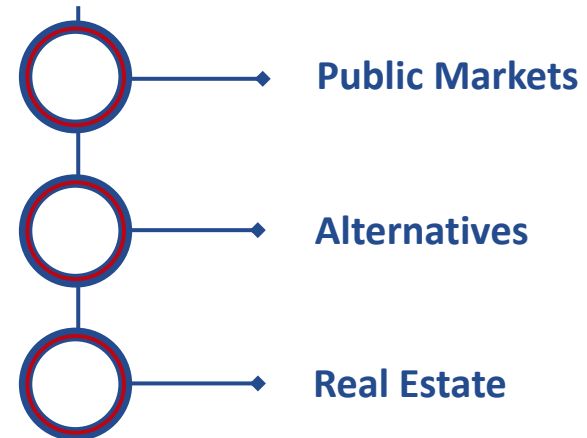


- > Maintain robust financial position and ample liquidity
- > 43% of total borrowings were notes & paper and 57% bank & other borrowings
- > Total Assets stood at HK\$42.9b
- > Strong cash position of HK\$5.9b
- > Completed tap issue of US\$75m of MTN before interest rate hikes
- > Repurchased a total of US\$59.8 million of MTN in 2022
- > Full redemption of the 4.65% MTN upon its maturity in Sept 2022 with principal and interest totaling US\$443.9 million

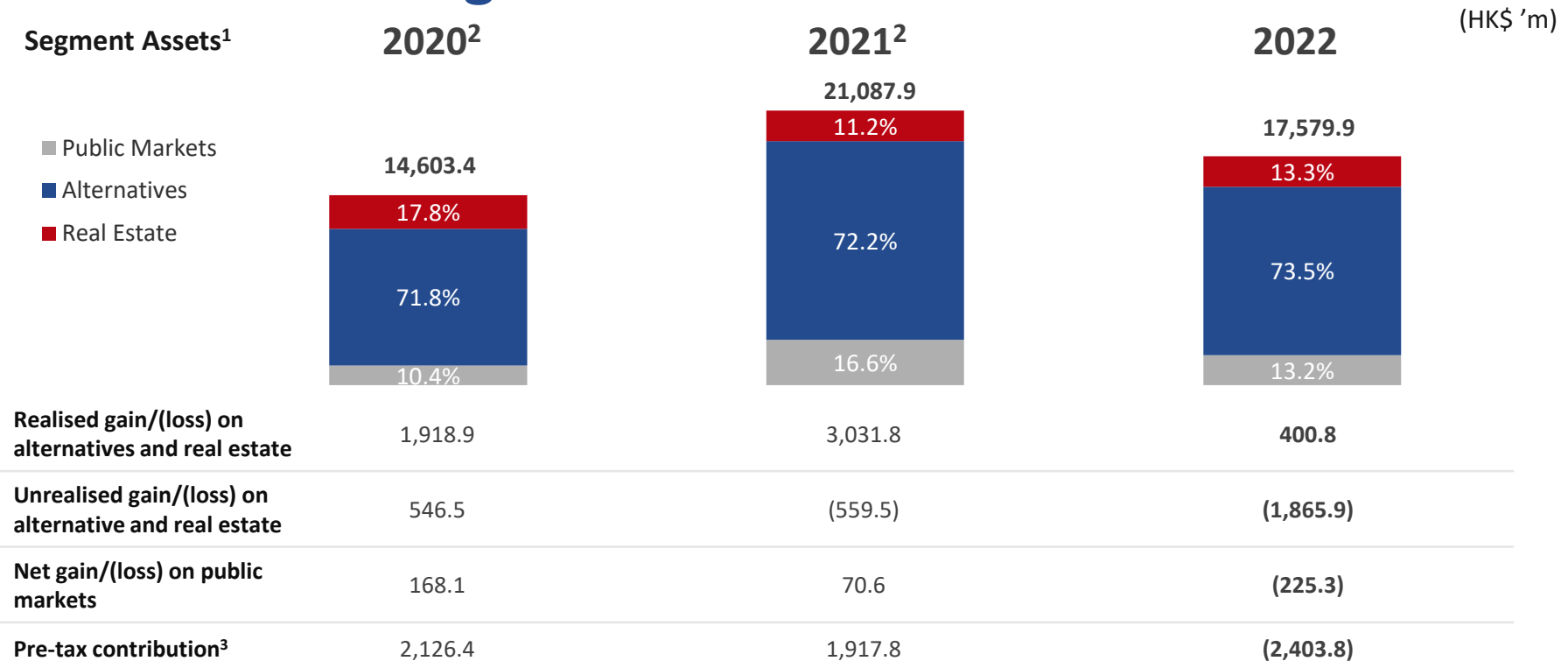


Business Review

Investment Management



Investment Management Performance



Updates & Highlights

- Total return of 20.5% for 2020-2022 and cumulative realised gain on Alternatives and Real Estate was HK\$5,351.5 million in the three years
- Adopted various active hedging strategies and rebalanced certain investments in a timely manner to protect our portfolio relative to benchmark indices, but the speed and magnitude of market movements were greater than anticipated
- Optimized expertise, strengthened risk management and portfolio management systems and improved infrastructure to facilitate further institutionalization
- Will continue to proactively manage our investments and work with the Funds Management division to explore further group synergies

1. Figures are as at 31 December 2020, 2021 and 2022

2. Re-presented

3. After cost of capital charges

Values rounded for simplicity of presentation. Numbers may not foot due to rounding.

Investment Assets and Return

(HK\$ 'm)	2022			Return Track Record	
	Year End Value	Gain/ (loss)	Annual Return ¹	2021 ²	2020 ²
Public Markets	2,310.3	(174.9)	-6.1%	4.4%	8.7%
- Corporate Holdings ³	2,098.7	(163.1)	-7.4%		
- Credit ⁴	-	(11.8)	-2.6%		
- Strategic Holdings ⁵	211.6	-	N/A		
Alternatives	12,928.3	(1,409.0)	-9.8%	18.8%	24.7%
- Private Equity:					
- External Funds	4,669.8	(883.4)	-16.9%		
- Direct/Co-investments	4,918.6	70.1	1.4%		
Subtotal	9,588.4	(813.3)	-8.0%		
- Hedge Funds	3,339.9	(595.7)	-14.3%		
Real Estate	2,341.3	(33.4)	-1.5%	3.6%	-5.6%
Total	17,579.9	(1,617.3)	-8.3%	14.2%	16.9%

1. Gain (Loss) before costs of capital charge/average fair market value for the year.

2. Re-presented

3. Certain delisted positions were regrouped to Direct/Co-investment in Private Equity.

4. The Public Credit strategy was spun off and launched as a partnership fund on the Group's Funds Management platform in June 2022.

5. At FVTOCI

Public Markets – Corporate Holdings

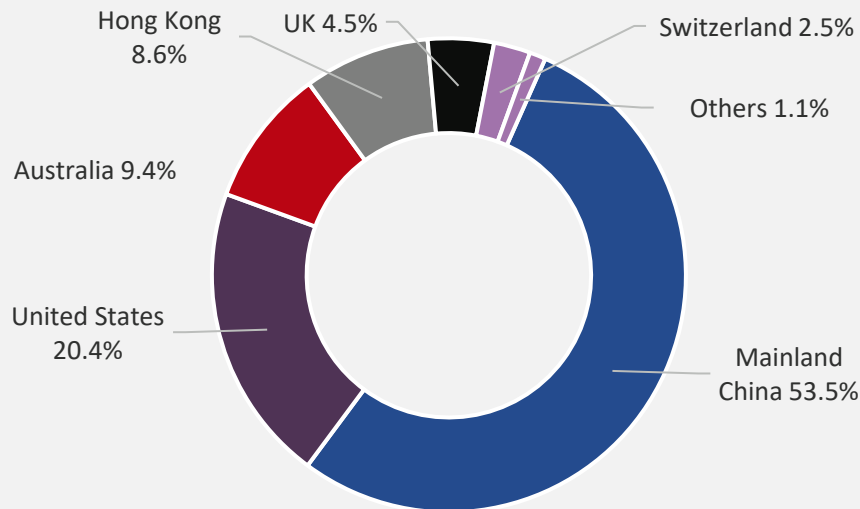


Year End Value
HK\$2,098.7m

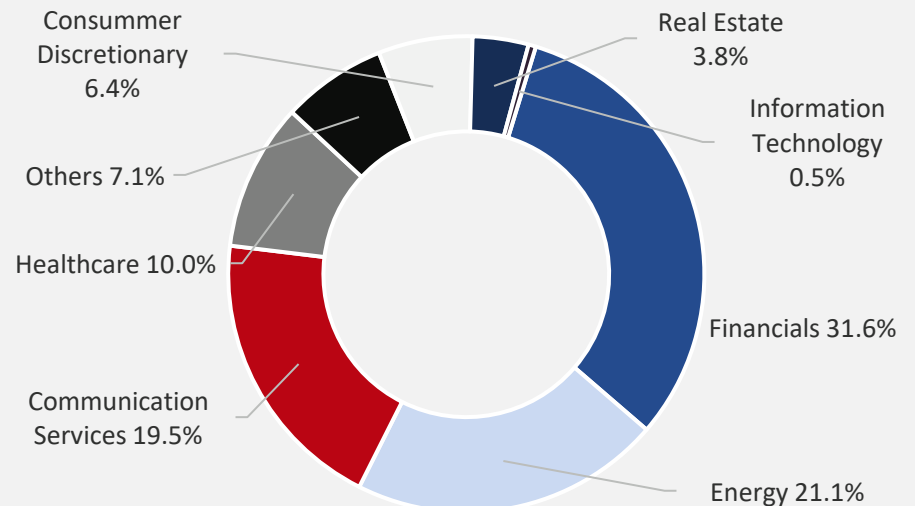
-7.4% Annual Return
(Loss of HK\$163.1m)

- > Strengthened our investment and portfolio management capabilities in 2022
- > The strategy outperformed HSCEI by 11.2pps and S&P500 by 10.7pps for 2022
- > Employed hedging strategies to reduce overall market exposure, against our US private positions and China strategic listed positions

Corporate Holdings Exposure by Geography



Corporate Holdings Exposure by Sector



Public Markets – Public Credit & Strategic Holdings

Public Credit



Year End Value¹

N/A

-2.6% Annual Return
(Loss of HK\$11.8m)

Strategic Holdings at FVTOCI



Year End Value

HK\$211.6m

N/A Annual Return

- Actively put on hedges to protect the Public Credit portfolio in early 2022. Portfolio transferred to an independent partnership launched on the Funds Management platform in June 2022
- Strategic Holdings at FVTOCI consists of strategic positions aimed at creating synergies with other business units and delivering shareholder value over the long run

Alternatives – Private Equity

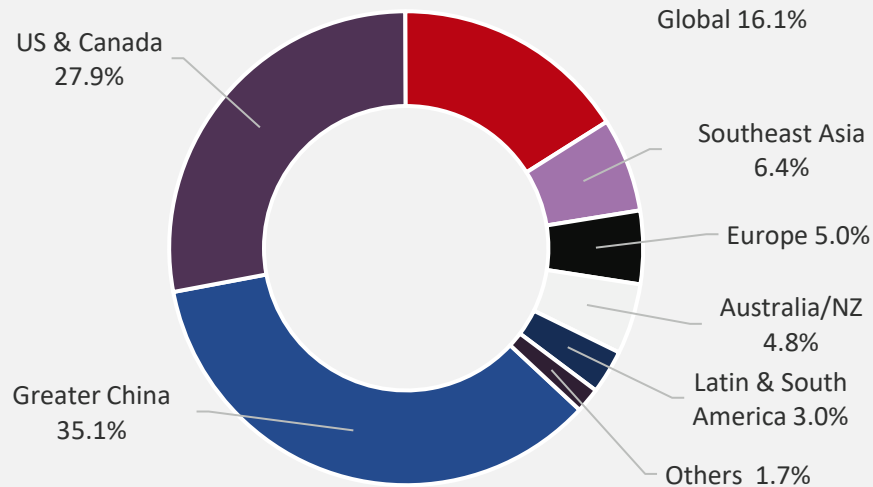


Year End Value
HK\$9,588.4m

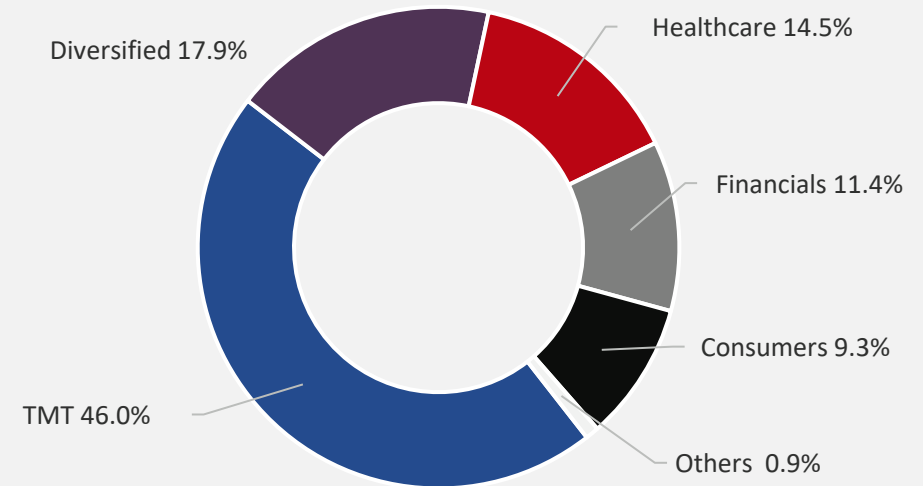
-8.0% Annual Return
(Loss of HK\$813.3m)

- > Return for 2022 mainly hit by mark-to-market losses on listed portfolio companies held by external funds
- > Certain financial services-focused funds in the US and EU as well as consumer direct investments in Mainland China recorded strong gains
- > Generated meaningful distributions and positive cash flow in 2022
- > Exercised extra prudence in capital deployment and focused on portfolio management efforts in 2022

Private Equity Exposure by Geography



Private Equity Exposure by Sector



Alternatives – Hedge Funds

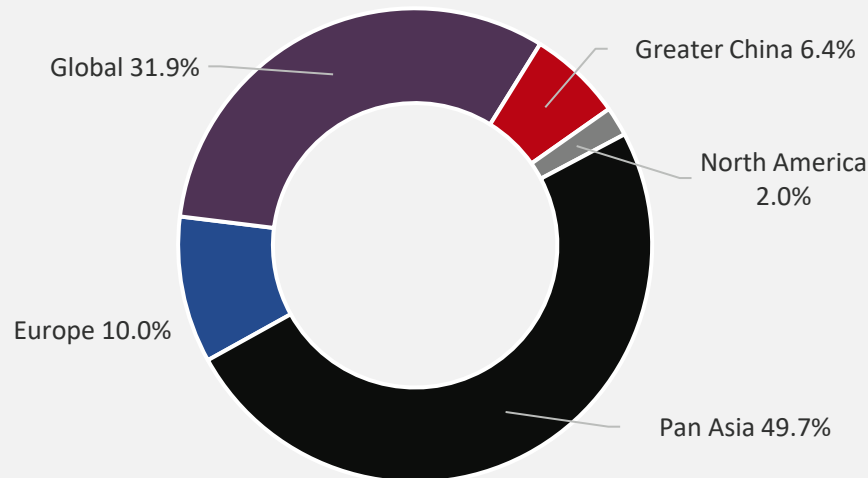


Year End Value
HK\$3,339.9m

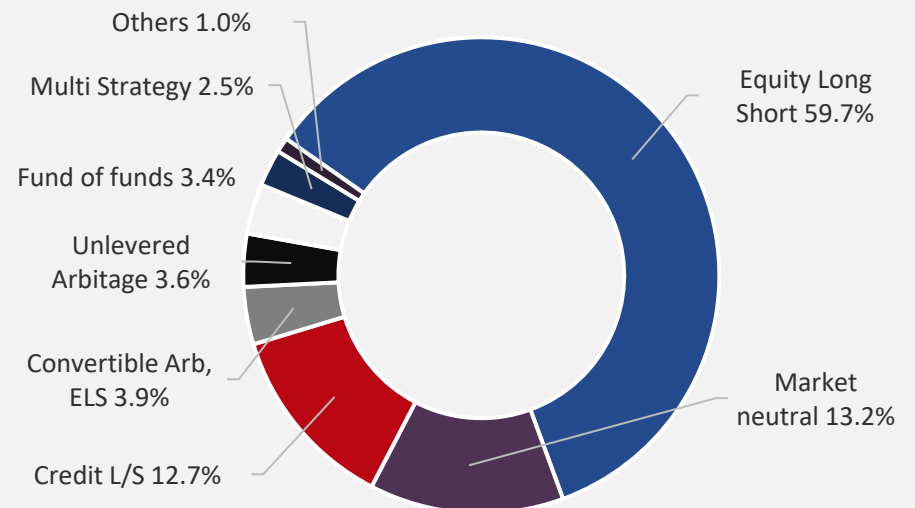
-14.3% Annual Return
(Loss of HK\$595.7m)

- > Overall strategy is to contain losses while maintaining investments to prepare for market normalization
- > Started to benefit from key opportunities beginning in November
- > Will constantly monitor the market situation, aiming at optimizing the portfolio's risk/return balance

External Hedge Funds Exposure by Geography



External Hedge Funds Exposure by Strategy



Real Estate

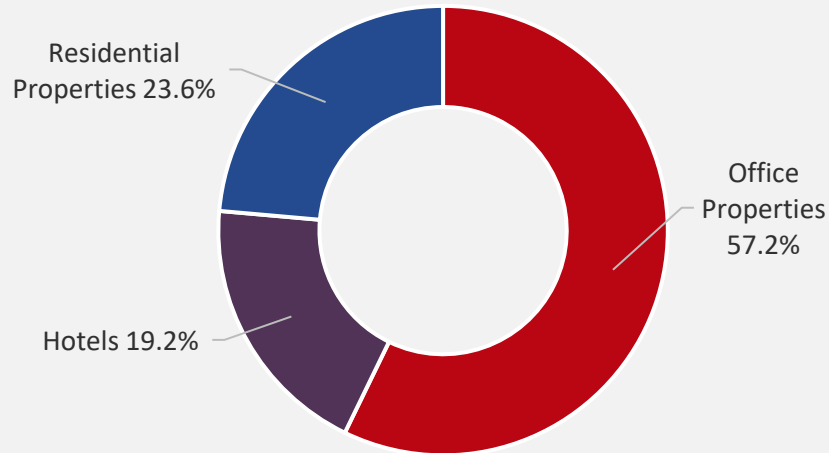


Year End Value
HK\$2,341.3m

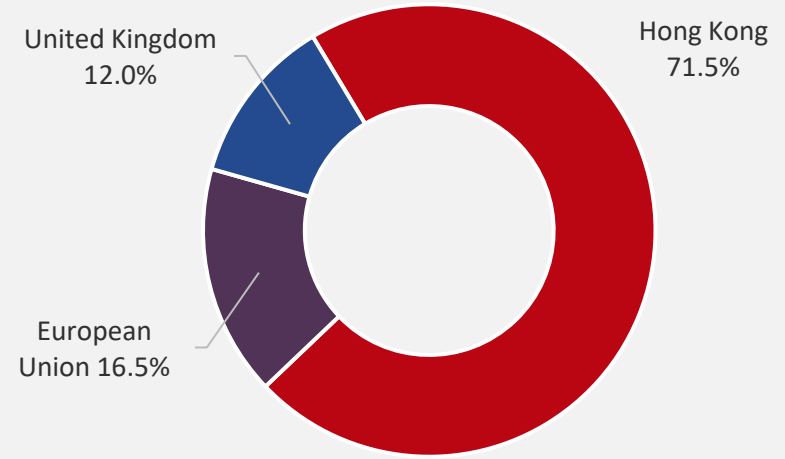
-1.5% Annual Return
(Loss of HK\$33.4m)

- > Investments in the hospitality sector recovered to pre-pandemic levels
- > Adopted a cautious approach with respect to new investments while monitoring macroeconomic and consumer preference shifts
- > Near-term focus on new origination in the credit space to take advantage of the market dislocations

Exposure by Asset Class



Exposure by Geography





Business Review

Funds Management

Funds Management Business Line

1

Fund Partnerships



- Strategy established March 2021
- European Discretionary Probabilistic Investing Equity Market Neutral strategy
- AUM US\$360 million¹



- Strategy established January 2021²
- APAC Equity L/S strategy
- AUM US\$114 million¹



- Strategy established January 2021
- Deep Technology Venture strategy
- AUM - Fund II US\$32 million¹
- Fund III US\$61 million¹



- Strategy established July 2019
- Market Neutral Crypto strategy
- AUM US\$35 million¹

2

SHKCP Funds and Investment Solutions



- Established April 2021
- APAC Real Estate Loan strategy
- AUM US\$107 million¹



- Established July 2021
- Global FoHF strategy
- AUM US\$168 million¹



- Established March 2022
- Specific alternative investment opportunities
- AUM US\$3 million¹

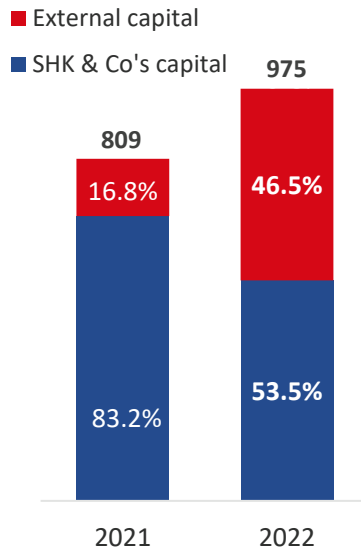
- Distribution of external funds

3

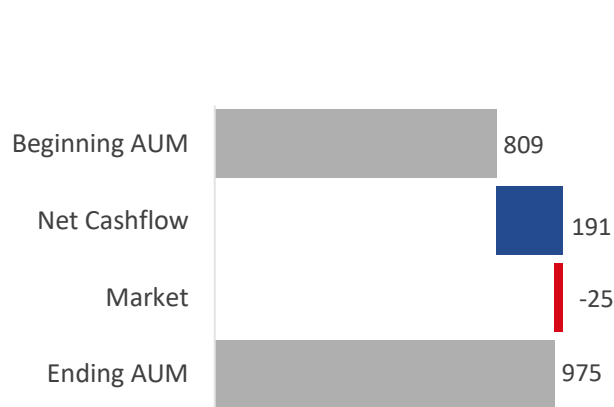
Family Office Solutions

- Launched in 2022
- An integrated service platform for HNWI individuals and family offices, offering:
 - Independent and professional investment advice across alternative asset classes
 - Customized solutions tailored to client's risk appetite
 - Leveraging internal alternative investment capability of SHK & Co.
 - Comprehensive business operation and reporting services
- AUM US\$16 million¹

Funds Management – AUM and Segment Results



AUM (US\$ 'm)



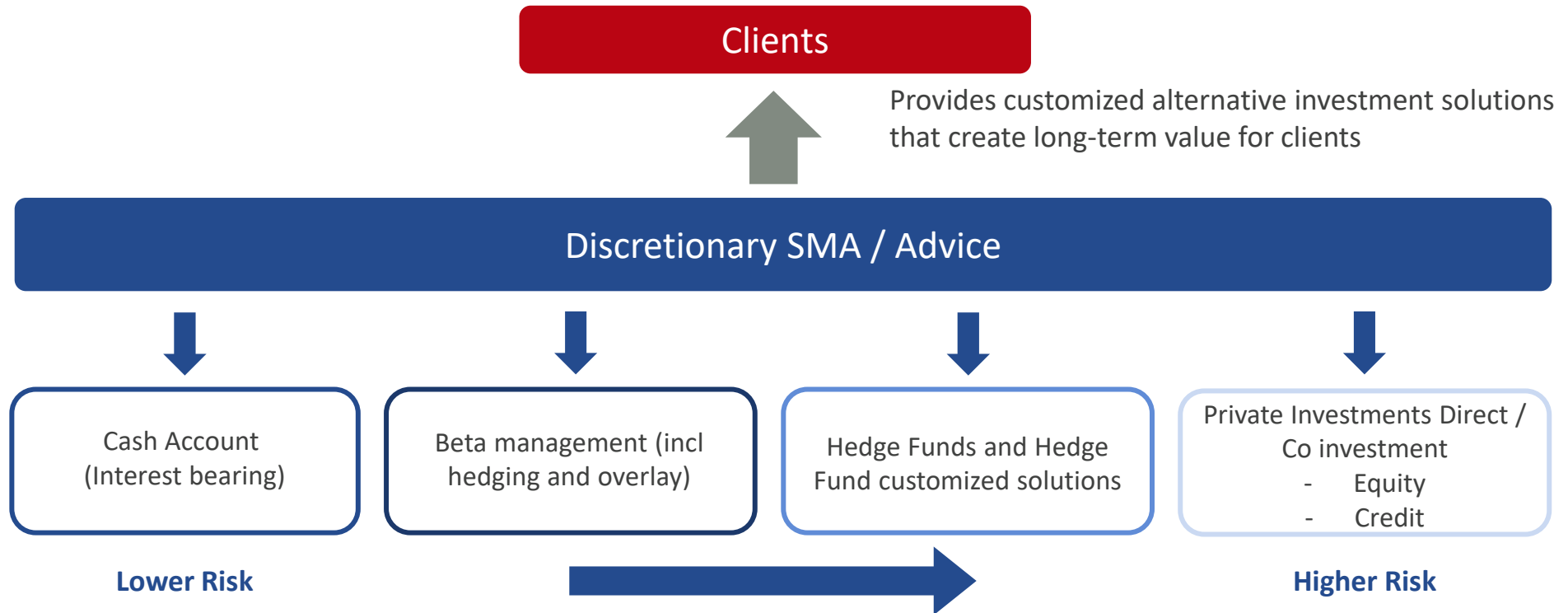
AUM Movement in 2022 (US\$ 'm)

(HK\$ 'm)	2022	2021
Total Income ¹	34.8	50.8
Operating Expense	(39.4)	(34.2)
Net (loss)/gain on financial assets ²	(18.8)	-
Pre-tax Contribution	(22.9)	16.6

Segment P&L (HK\$ 'm)

- > Increased external capital totalling US\$318 million raised by our Partner Funds, SHKCP Funds and Family Office Solutions in 2022
- > Extended funds and partnerships
 - E15VC Fund III first close completed; US\$61 million
 - Private Access first fund completed
- > Established Family Office Solutions in Q4 2022; US\$16 million

Family Office Solutions

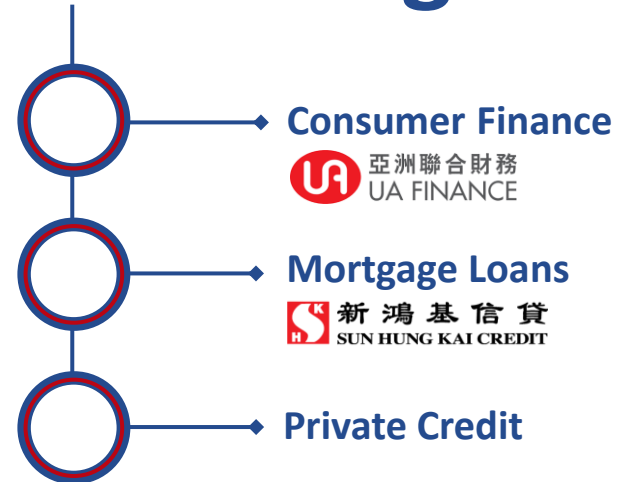


- > Provides bespoke advisory and discretionary portfolios of alternative investments leveraging the experienced inhouse investment teams and capability of SHK & Co.
- > **Hedge Funds:** provides bespoke advisory and discretionary portfolios of hedge funds to private clients and institutions. Mandates include standalone, completion strategy or region specific and / or highly concentrated. The approach is dedicated to selecting best-in-class hedge fund managers with a focus on generating idiosyncratic sources of alpha and employing strategies uncorrelated to broader risk assets
- > **Private Investments:** access to exclusive direct market investments across regions, industries and instruments (equity / debt / hybrid) on a deal-by-deal basis. The approach is flexible allowing for innovative deal structuring that capitalizes on prevailing market and deal dynamics

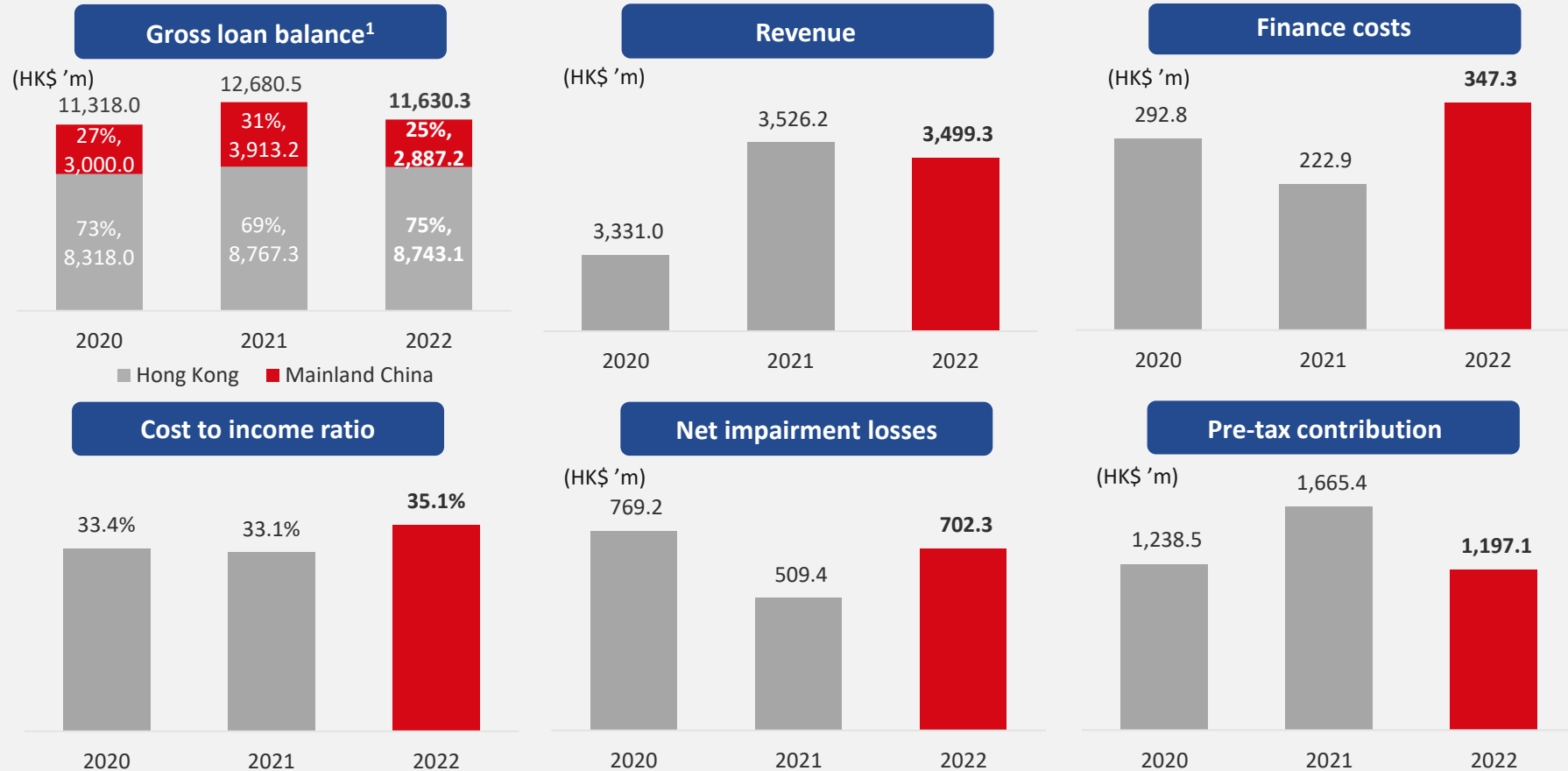


Business Review

Financing



Consumer Finance – UAF



- > UAF ranked first among all money lenders in Hong Kong for five consecutive years
- > Key operational highlights include cautious loan underwriting, further investment in technology infrastructure, enhanced loan collection efforts, effective marketing and promotion, stable funding spread on bank facilities and prudent provisioning policy

Consumer Finance – UAF

	Hong Kong		Mainland China	
	2022	2021	2022	2021
No. of Branches	49	48	17	19
Gross Loan Balance [^] (HK\$ 'm)	8,743.1	8,767.3	2,887.2	3,913.2
Loan Originated (HK\$ 'm)	11,968.2	12,177.3	4,168.0	5,512.5
Loan Originated (by no.)	165,206	172,030	38,515	52,332
Average Gross Balance per Loan	(HK\$) 60,885	(HK\$) 61,271	(RMB) 69,908	(RMB) 69,572
Total Return on Loans ¹	30.4%	30.6%	24.4%	26.3%
Charge-off Ratio ²	5.1%	5.1%	7.8%	5.9%
Net Impairment Losses Ratio ³	5.0%	4.1%	7.8%	4.5%
Impairment Allowance Ratio ⁴	5.0%	5.1%	5.8%	4.6%

¹ Interest and fee income / average gross loan balance

² Charge-off / average gross loan balance

³ Net impairment losses / average gross loan balance

⁴ Impairment allowance / gross loan balance at period end

Hong Kong



- > Prudent credit underwriting policy
- > Launched promotion and advertising including brand revamp campaign to grow the younger customer base
- > Developed credit card – “SIM” card with official launch scheduled in 1Q23
- > Ongoing technology development, including the launch of iconic robotic arm NFT and the establishment of FinTech Valley
- > Working to minimize the impact of new statutory interest rate cap effective from 30 December 2022

Mainland China



- > Business volume and delinquency were impacted by the nationwide zero-COVID policy
- > Cost savings through headcount and overhead cuts
- > Secured loan product contributed a stable revenue source and profit

Mortgage Loans



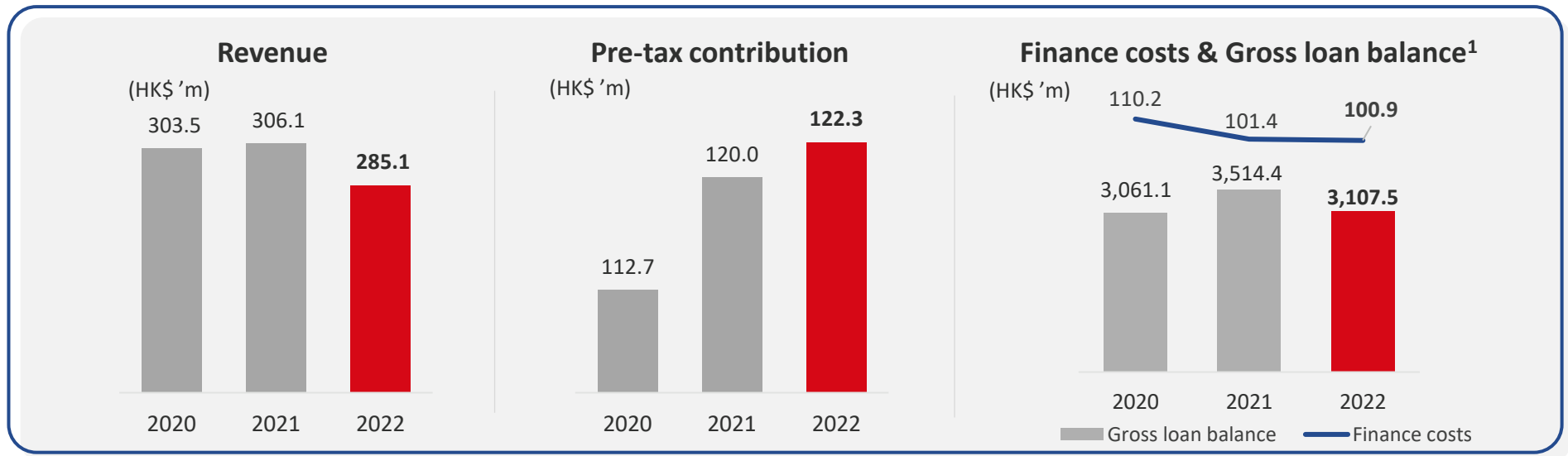
HK\$122.3 million

A record high pre-tax profit

≈70% *Loan-to-value Ratio*

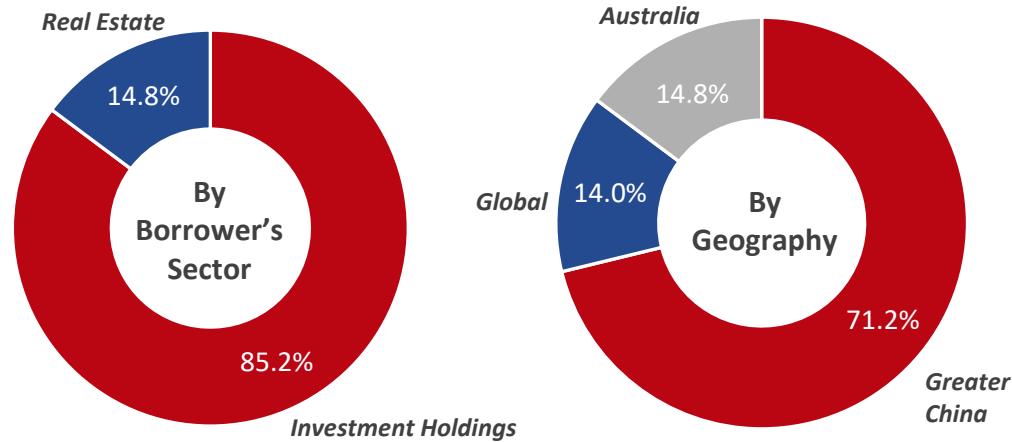
>90% *from First Mortgage Loan*

- Continued to exercise prudence in loan underwriting while focusing on protecting capital
- Operating costs down by 5.0% year-on-year to HK\$71.0 million due to our improved cost efficiency in the market down-cycle
- Launched “Centaline Nova Valuation+” to provide instant property valuation, facilitating business growth of “Mortgage Fast Pass”



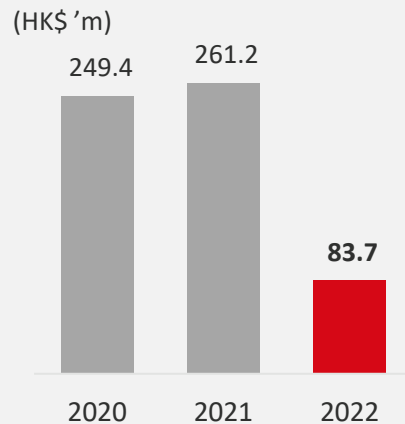
Private Credit

Term Loan Breakdown

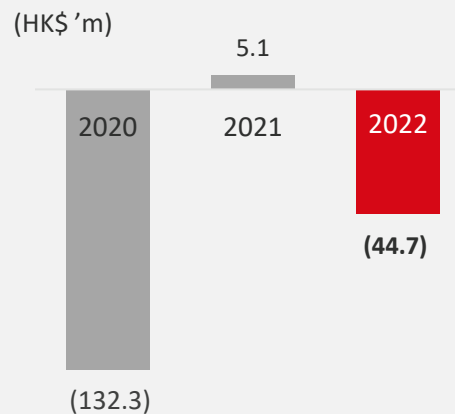


- Prudent capital deployment strategy and focusing on managing existing portfolio
- Reallocation of capital to MCIP, an APAC real estate loan fund on our Funds Management platform, in line with our corporate strategy
- Net impairment losses decreased by 62.2% year-on-year to HK\$70.3 million
- Segment also includes LSS leasing, a B2B and B2C auto leasing business in Mainland China

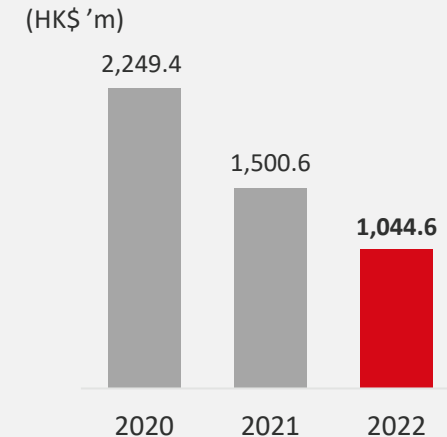
Revenue



Pre-tax contribution



Gross loan balance¹





Risk Management & ESG Updates

Corporate Risk Management

Updates & Highlights

- Implemented a new Enterprise Risk Management system working with a Big 4 to enhance risk measurement, monitoring, mitigation and control comprehensively.
- Invested in a new portfolio management system to enhance the accuracy, accessibility and reliability of client portfolio, and facilitate our investment professionals to tailor insights and conversations to each client.



Framework

- The Board reviews and updates policies and procedures regularly
- Risk Management Committee oversees risk management and monitors internal controls
- Internal control and internal audit



Governance

- A “Three Lines of Defence”* model with oversight and direction from the Board, the Risk Committee and Group Management through Group ERM coordinator



Process

- 7 phases of key process
 - Establish context
 - Risk identification
 - Risk analysis
 - Risk evaluation
 - Risk treatment
 - Risk mapping and aggregation
 - Risk monitoring and reporting

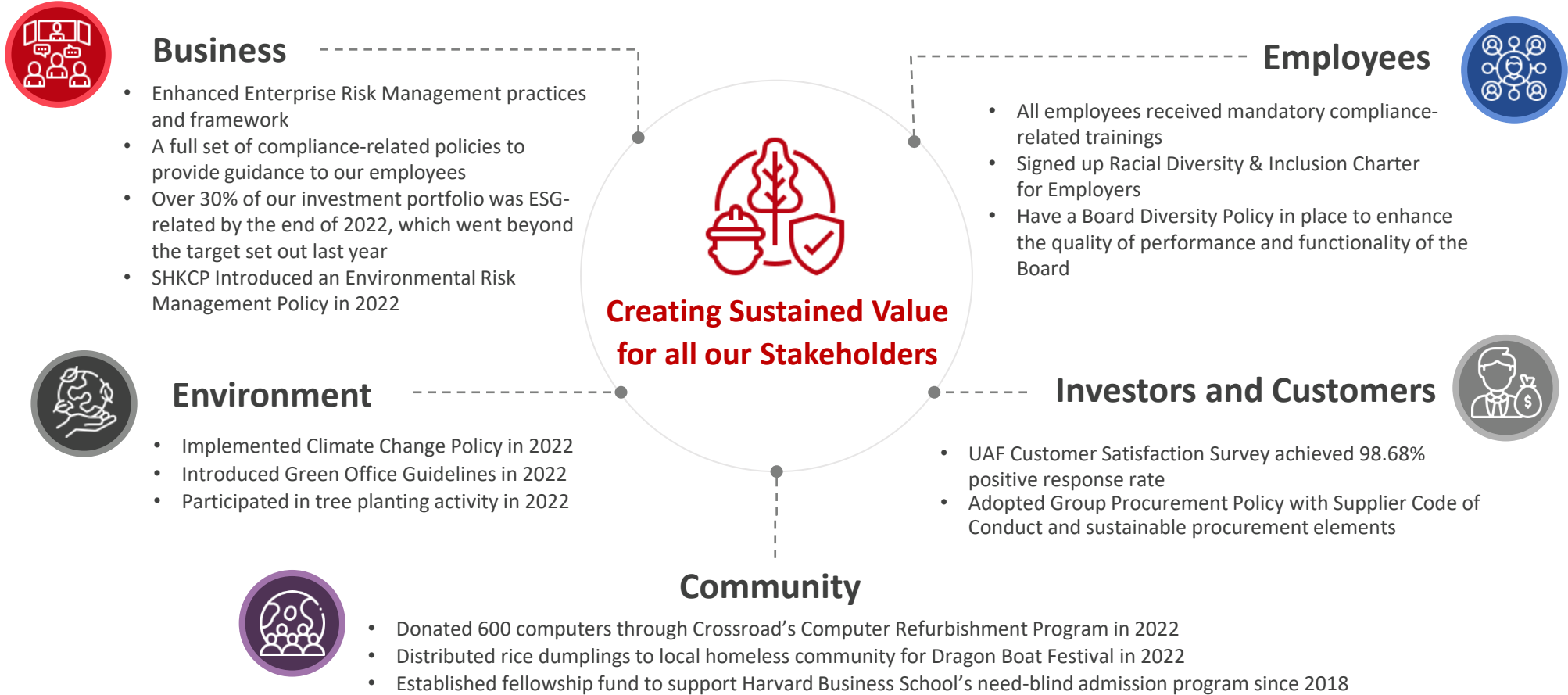


Principal Risks

- Strategic risk
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Legal and compliance risk
- External risk
- Human resource risk

ESG Updates

We actively align the Group's strategies with global trends by regularly setting targets for each ESG category and evaluating our progress to ensure that we are continuously creating sustained value for our people and the planet.



ESG Updates

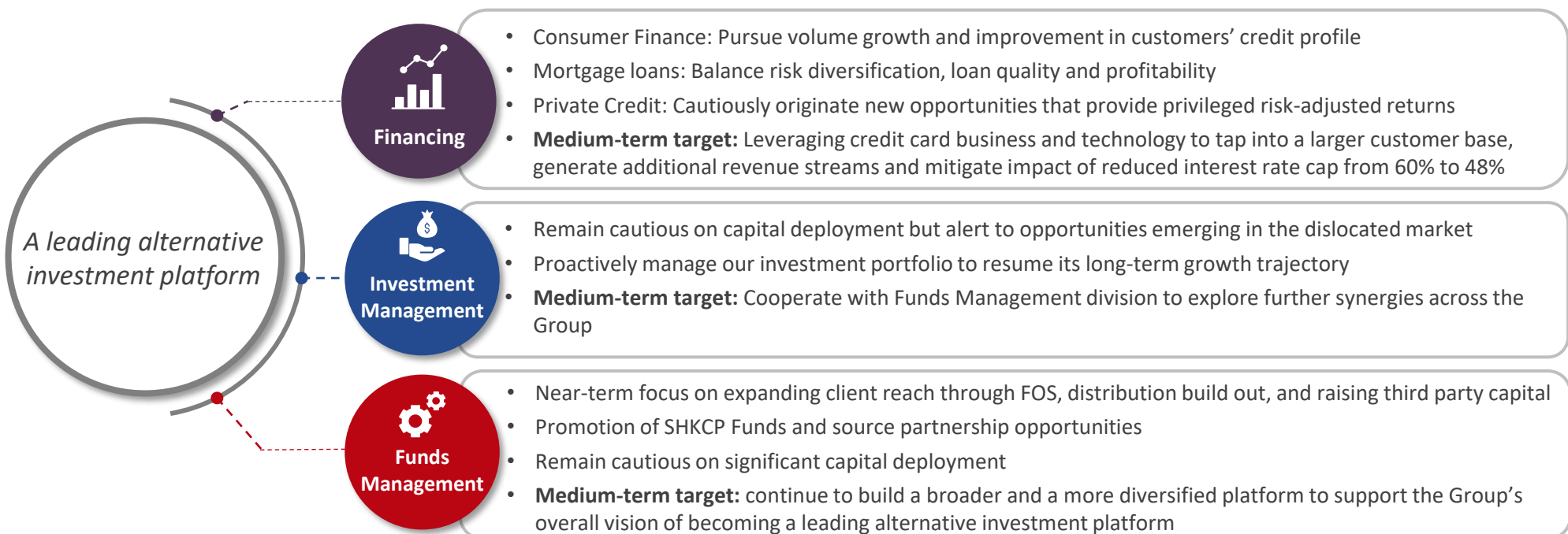
Awards and Recognitions in 2022





Business Outlook & Future Plans

Business Outlook & Future Plans



- > Looking into 2023, we remain committed to exercising extra prudence and selectivity in new investments, and will continue to improve liquidity across all business segments and position ourselves to capitalize on emergent growth opportunities
- > In the medium-to-long term, we will strive to produce strong risk-adjusted returns through our 3 key business lines (Financing, Investment Management and Funds Management), and leverage our extensive networks, strong balance sheet and liquidity positions to explore new business opportunities.
- > We aim to become a leading alternative investment platform with global reach, and achieve sustainable growth with sound governance and risk management to enhance long-term shareholder value



Appendix – Summary Financial Statements

Consolidated Statement of Profit or Loss

(HK\$ 'm)	2019	2020	2021	2022	2022 vs. 2021 YoY
Revenue	4,217	4,057	4,324	4,054	(6.2%)
Operating expenses	(1,448)	(1,549)	(1,695)	(1,563)	(7.8%)
<i>As % of revenue ("cost to income")</i>	34.3%	38.2%	39.2%	38.6%	
Finance costs	(778)	(807)	(716)	(914)	27.7%
Net impairment losses on financial assets	(1,024)	(1,053)	(715)	(758)	6.0%
Other gains	15	76	112	100	(10.7%)
Other losses	(179)	(167)	(25)	(38)	52.0%
Net exchange gain/(loss)	83	48	(66)	(101)	53.0%
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	1,808	2,554	2,616	(1,644)	N/A
Share of results of associates	49	42	0	(11)	N/A
Share of results of joint ventures	2	(0)	(62)	(17)	(72.6%)
Profit/(loss) before taxation	2,743	3,201	3,773	(892)	N/A
Taxation	(229)	(272)	(474)	(285)	(39.9%)
Profit/(loss) for the year/period	2,515	2,929	3,299	(1,177)	N/A
Non-controlling interests	429	381	485	358	(26.2%)
Profit/(loss) attributable to owners of the Company	2,085	2,548	2,814	(1,535)	N/A

Consolidated Statement of Financial Position

(HK\$ 'm)	2019	2020	2021	2022
Financial assets at fair value through profit or Loss	4,286	4,461	6,676	4,115
Loans and advances to consumer finance customers and mortgage loans	9,999	9,296	9,541	9,020
Term loans, trade receivables, prepayments and other receivables, amounts due from brokers	2,775	1,891	1,454	1,618
Cash and cash equivalents, bank deposits ¹	5,726	7,258	6,001	5,884
Other current assets	72	15	175	19
Total current assets	22,858	22,921	23,847	20,656
Investment properties	1,313	1,277	1,256	1,217
Interest in associates	1,196	212	202	177
Financial assets at fair value through profit or loss	7,687	9,125	11,844	10,323
Loans and advances to consumer finance customers and mortgage loans	4,041	4,282	5,970	5,070
Term loans, trade receivables, prepayments and other receivables	70	572	90	88
Other non-current assets	5,396	5,694	5,581	5,384
Total non-current assets	19,703	21,162	24,943	22,259
Bank and other borrowings and notes/paper payable	6,229	8,097	10,648	5,597
Other current liabilities	2,058	1,150	1,552	1,253
Total current liabilities	8,287	9,247	12,200	6,850
Bank and other borrowings and notes/paper payable	10,526	8,518	7,635	10,053
Other non-current liabilities	171	366	416	456
Total non-current liabilities	10,697	8,884	8,051	10,509
Total equity	23,577	25,952	28,539	25,556

INVESTOR RELATIONS CONTACT

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The images in the presentation feature team Sun Hung Kai Scallywag, one of Hong Kong's top professional off-shore sailing teams.

The team won the homecoming leg of the renowned Volvo Ocean Race 17-18, one of the toughest sailing challenges in the world. It was also the line honours winner in the SOLAS Big Boat Challenge and Australia Maxi Championship in 2021, as well as Sun Hung Kai & Co. Around The Island Race in 2022.

Sun Hung Kai & Co believes that competitive sailing reflects and espouses the company's ethos - "Endure. Adapt. Excel" and the team's spirit is a source of inspiration for all our employees, business partners and the community at large.

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