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Sun Hung Kai & Co. Announces 2021 Annual Results

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Profit Attributable to Owners up 10.4% to HK\$2.8 billion Special and Final Dividends Totalled HK18 cents/share

*Backed by Robust Performance in Consumer Finance and
Realised Gains in Investment Management*

Financial Highlights

	For the year ended 31 Dec		
	2021	2020	Change
Revenue (HK\$ million)	4,324.0	4,056.6	+6.6%
Pre-tax Profit (HK\$ million)	3,773.2	3,200.6	+17.9%
Profit Attributable to Owners of the Company (HK\$ million)	2,813.7	2,547.7	+10.4%
Basic Earnings per Share (HK Cents)	142.7	128.3	+11.2%

Sun Hung Kai & Co. Limited (Stock Code: 86.HK) (“SHK & Co.” or the “Company”, together with its subsidiaries, the “Group”) announces its annual results for the year ended 31 December 2021. The Group performed strongly and delivered a solid set of financial results. Despite the ongoing disruptions arising from the COVID-19 pandemic, volatilities in global financial markets and intensified regulatory reforms and geopolitical tensions, our financial position remained robust and liquid in 2021.

Profit attributable to owners of the Company increased by 10.4% to HK\$2,813.7 million (2020: HK\$2,547.7 million); basic earnings per share (“EPS”) increased by 11.2% to HK142.7 cents (2020: HK128.3 cents); book value per share increased by 11.4% to HK\$12.7 (2020: HK\$11.4).

The Board declared a second interim dividend of HK14 cents and a special dividend of HK4 cents per share to take account of our strong Alternatives performance in 2021. Together with an interim dividend of HK12 cents per share, the total dividend per share amounted to HK30 cents for 2021 (2020: HK26 cents per share), representing a pay-out ratio of 21.1% (excluding share buybacks).

Mr. Lee Seng Huang, the Group Executive Chairman said, “Amidst an uneasy year of 2021, we are proud to have delivered a commendable set of results for our shareholders. Our Consumer Finance business contributed record high pre-tax profit; our Investment Management business significantly increased realised gains from exits compared with last year; and we have achieved strong progress in building out our Funds Management platform with over US\$100 million third-

party capital raised in less than a year. All these achievements support the Company's ambition of becoming a leading alternative investment company."

The Group's pre-tax profit in 2021 was HK\$3,773.2 million (2020: HK\$3,200.6 million), up 17.9% year-on-year, primarily driven by increase in pre-tax profit of the Group's Financing Business. Revenue in 2021 increased by 6.6% to HK\$4,324.0 million (2020: HK\$4,056.6 million), which mainly consisted of interest income from Financing Business amounting to HK\$4,003.9 million.

Segment Performance

(HK\$ Million)	<u>Pre-tax Contribution</u>			<u>Segment Assets as at</u>	
	2021	2020	Change	Dec 2021	Dec 2020
FINANCING BUSINESS					
Consumer Finance	1,665.4	1,238.5	+34.5%	19,253.9	17,937.0
Private Credit*	5.1	(132.3)	N/A	1,038.5	3,153.0
Mortgage Loans	120.0	112.7	+6.5%	3,647.0	3,117.4
INVESTING BUSINESS					
Investment Management	1,934.4	2,126.4	-9.0%	21,087.9	14,603.4
GMS	48.3	(144.7)	N/A	3,762.8	5,272.4
Total	3,773.2	3,200.6	+17.9%	48,790.1	44,083.2

* Formerly Specialty Finance

Investment Management

Since 2015 the Company embarked the transformation journey, the Investment Management business has successfully built up diversified and quality public and private portfolios leveraging its strong financial position, extensive network and deep insights into industries. This business has grown to over HK\$21 billion in assets since it launched and consists of investments in Public Markets, Alternatives and Real Estate.

During 2021, the annual return on the average assets for the segment was 14.4%, and contributed HK\$1,934.4 million to pre-tax profit, a slight decrease of 9.0% compared to HK\$2,126.4 million for 2020. The segment recorded strong realised gains on financial assets and interest income of HK\$3,481.5 million (2020: HK\$1,754.8 million), the highest since we commenced the business in 2015.

The standout performer in 2021 was the Alternatives segment (includes hedge funds and private equity investments) with a 17.4% return. In particular, the private equity segment delivered a strong combined return of 23.7% in 2021, primarily attributable to the successful exits from a number of funds and direct/co-investments made in prior years. The Group made new footprints in frontier markets and disruptive industries, including but not limited to The Sandbox, a leading

blockchain NFT game; OneDegree, one of Asia's fastest growing InsurTech companies; and Loship, an instant e-commerce delivery startup in Vietnam.

It successfully spun out the Public Equity strategy and certain positions of Hedge Fund for the launch of a partnership/fund on its Funds Management platform in 2021, namely East Point Asset Management and SHK Latitude Alpha Fund respectively.

Funds Management

In the first half of 2021, the Group formally established its Funds Management vehicle - Sun Hung Kai Capital Partners, which currently holds SFC Type 1, 4 & 9 licenses.

Over the year, it launched six partnerships/funds. Apart from launching both internally managed funds SHK Latitude Alpha Fund, a global fund of hedge funds, and Multiple Capital Investment Partners, a real estate loan fund, Sun Hung Kai Capital Partners has completed four partnerships, namely hedge fund managers East Point Asset Management, an APAC long/short equity strategy; ActusRayPartners, a European market neutral discretionary probabilistic strategy and Kernel, a crypto-currency market neutral strategy. In addition, E15VC, a global technology venture fund, has also become our partner to invest in global companies that deploy disruptive technologies.

Total capital provided for seeding purposes exceeded US\$600 million while third-party capital raised totalled in excess of US\$100 million.

Financing Business

Consumer Finance

The Group's Consumer Finance business conducted via its majority-owned subsidiary United Asia Finance Limited ("UAF") has been a consistent and resilient income contributor to the Group. UAF primarily engages in offering unsecured loans to individuals and businesses in Hong Kong and Mainland China. Over the past four years, UAF ranked first amongst all money lenders in Hong Kong.

The results of UAF in 2021 were strong, marked by a record high pre-tax contribution to the Group at HK\$1,665.4 million, an increase of 34.5% year-on-year. Further advance in business volume in the second half of 2021 contributed to a full year revenue of HK\$3,526.2 million, up 5.9% year-on-year. The ultra-low market interest rate through the year had reduced finance costs by 23.9%. The improvement in economy and job market following the reduction in COVID-19 infection cases contributed to the reduction in net impairment losses by 33.8% year-on-year.

Private Credit (formerly Specialty Finance)

The Private Credit business provides tailored funding solutions to corporates, investment funds and high net worth individuals. The segment recorded a pre-tax gain of HK\$5.1 million in 2021 (2020: pre-tax loss of HK\$132.3 million). The improvement in pre-tax contribution was primarily due to the decrease in net impairment loss to HK\$185.9 million in 2021 (2020: HK\$300.7 million) as a result of settlements or enhanced collaterals of the loans. The gross loan balance was

HK\$1,500.6 million as at 31 December 2021, representing a year-on-year decline of 33.3% (31 December 2020: HK\$2,249.4 million) as it exercised extra caution and prudence in originating new loans considering COVID-19's continuous impact.

Mortgage Loans

It contributed a pre-tax profit of HK\$120.0 million in 2021, increasing by 6.5% year-on-year. Revenue was HK\$306.1 million for 2021, increasing by 0.9%, primarily driven by the growth of loan balance and partially offset by the absence of recoveries of interest income compared to 2020. The gross loan balance increased by 14.8% year-on-year to HK\$3,514.4 million as at 31 December 2021, mainly due to the economic recovery in Hong Kong with the pandemic being contained during 2021 as well as the household brand name of SHK Credit enabling it to continue to grow its customer base and penetrate into new market segments.

Outlook

The global economy is expected to be extremely volatile as it continues to struggle with reopening stemming from the COVID-19 pandemic and the increased geopolitical tensions. The Company remains cautiously optimistic but will maintain a strong liquidity position while maintaining a balanced and diversified portfolio of businesses and strategies. We will continue to focus on appropriately containing risk and positioning the business for future growth. SHK & Co. is committed to delivering sustainable risk-adjusted returns over the long term with sound governance and risk controls through all market conditions.

Looking ahead, the Group is confident about its financing businesses, prudently optimistic about its investment businesses and the development of its Funds Management platform. It will continue to remain prudent in capital deployment and appropriately manage the downside risk while actively exploring collaboration and synergies between these businesses.

About Sun Hung Kai & Co. Limited

Sun Hung Kai & Co. Limited (SEHK: 86) ("SHK & Co", together with its subsidiaries, the "Group") is a leader in alternative investing headquartered in Hong Kong. Since its establishment in 1969, the Group has owned and operated market-leading platforms in Financial Services. The Group invests across public markets, alternatives and real assets and has an established track record of generating long-term risk adjusted returns for its shareholders. Most recently, SHK & Co has extended its strategy to incubate, accelerate and support emerging asset managers in the Asian region. SHK & Co is also the major shareholder of a leading Consumer Finance firm, United Asia Finance Limited. The Group currently holds about HK\$48.8 billion in total assets as at 31 December 2021.

For more information about SHK & Co., please visit its corporate website www.shkco.com.

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