



March 25, 2015  
Company Report  
Rating: BUY  
TP: HK\$ 29.50

Share price (HK\$) 23.55  
Est. share price return 25.3%  
Est. dividend yield 2.5%  
Est. total return 27.8%

Previous Rating & TP BUY; HK\$ 28.30  
Previous Report Date Jan 23, 2015

Analyst : Kenneth Tung  
Tel: (852) 2147 8311  
Email: kennethtung@abci.com.hk

**Key Data**

|  |            |
|--|------------|
| 52Wk H/L(HK\$)                                 | 26.7/17.66 |
| Issued shares (mn)                             | 8,173      |
| Market cap                                     | 196,584    |
| 3-mth avg daily turnover (HK\$ mn)             | 534.4      |
| Major shareholder(s) (%):                      |            |
| China State Construction                       | 61.08      |
| Engineering Corporation                        |            |
| Source(s): Company, Bloomberg, ABCI Securities |            |

**FY14 Revenue breakdown (%)**

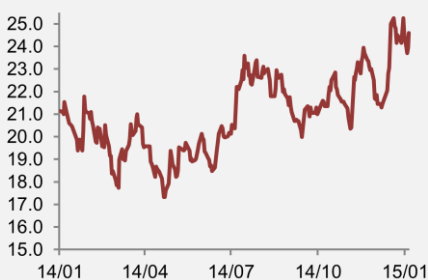
|                                     |      |
|-------------------------------------|------|
| Property Development                | 96.9 |
| Property Investment                 | 1.0  |
| Others                              | 2.1  |
| Source(s): Company, ABCI Securities |      |

**Share performance (%)**

|       | Absolute | Relative* |
|-------|----------|-----------|
| 1-mth | 15.5     | 10.1      |
| 3-mth | 15.2     | 9.7       |
| 6-mth | 10.8     | 9.3       |

\*Relative to HSI  
Source(s): Bloomberg, ABCI Securities

**1-Year stock performance (HK\$)**



Source(s): Bloomberg, ABCI Securities

COLI (688 HK)

Asset injection to be soon realized; reiterate BUY

- Core profit rose 26% YoY to HK\$23.8bn, 8.5% higher than our forecast
- Asset injection plan confirmed-COLI will acquire 10.9mn of landbank at HK\$ 42.8bn, to be fully funded by new equity issuance
- 2015 presales target of HK\$ 168bn implies an above-peer growth at 20% YoY
- Maintain BUY with revised TP HK\$ 29.50 (from HK\$ 28.30) based on no discounts to NAV. COLI is our Top large cap pick in sector

**Results beat expectation.** COLI just announced its FY14 results. Accordingly, core profit rose 26% YoY to HK\$ 23.8bn, 8.5% higher than our forecast. Gross margin improved by 20bps YoY to 32.7% in 2014. Net gearing stayed low at 31.7%, up marginally by 3.5ppt YoY. Overall, COLI delivered strong profitability and a sound balance sheet just as expected.

**Asset injection plan confirmed.** Management announced its asset injection plan is finalized. COLI will acquire almost all property projects from its parent company ("the target") at HK\$ 42.8bn by issuing 1,687mn of new shares (20.6% of existing shares) at HK\$ 25.38. We think this transaction will benefit COLI in multiple ways:

**1) Landbank expansion at attractive prices.** Upon completion, COLI's landbank will expand by 29.1% or 10.9mn sqm. Apart from the 3 investment properties located in London, the majority of the acquired projects (total projects: 27, excl. projects in London) are located in tier 1/2 cities in China. The total consideration of HK\$42.8bn implies an accommodation value of HK\$ 3,921/sqm only, or 1.1x P/B based on historical investment cost of HK\$39.4bn.

**2) Immediate sales increase.** Different from auctioned land purchases, sales and profit booking is immediate for acquisition of operating projects. Although COLI disclosed that the target registered a loss of RMB 387mn in FY14 (vs. RMB 1.4bn profit in FY13), the loss was mainly from the one-off impairment provision of RMB 2,454mn – a result of the target's attempt to ensure all low- margined projects are written off before transferring to COLI in our view. In fact, several projects have been carefully re-designed starting from 18 months prior to the transfer to comply to COLI's standard. We believe this would ensure profitability of these transferred projects;

**3) Avoid internal competition.** After this transaction, the parent company will no longer involve in property development directly and hence eliminate internal competition;

**4) Strengthened balance sheet.** As opposed to cash payment, acquisition funded by new equity issuance can improve COLI's balance sheet. Management commented that the equity issued at 10% premium to market price indicates strong support from the parent company. After the acquisition, net gearing will drop to 24% from 32%. The target acquired is in a net cash position thus will not elevate COLI's net gearing, providing COLI with more freedom to gear up for new land acquisition in the future. (Continue next page)

**Results and Valuation**

| FY ended Dec 31           | 2013A  | 2014A   | 2015E   | 2016E   | 2017E   |
|---------------------------|--------|---------|---------|---------|---------|
| Revenue (HK\$ mn)         | 82,469 | 119,997 | 150,966 | 211,923 | 260,658 |
| Chg (% YoY)               | 27.7   | 45.5    | 25.8    | 40.4    | 23.0    |
| Core net profit (HK\$ mn) | 18,960 | 23,830  | 27,279  | 41,300  | 53,040  |
| Chg (% YoY)               | 20.0   | 25.7    | 14.5    | 51.4    | 28.4    |
| Underlying EPS (HK\$)     | 2.32   | 2.92    | 2.98    | 4.19    | 5.38    |
| Chg (% YoY)               | 20.0   | 25.7    | 2.2     | 40.6    | 28.4    |
| BVPS (HK\$)               | 13.46  | 16.31   | 21.62   | 23.43   | 27.73   |
| Chg (% YoY)               | 26.0   | 21.2    | 32.5    | 8.4     | 18.4    |
| Underlying PE (x)         | 10.2   | 8.1     | 7.9     | 5.6     | 4.4     |
| PB (x)                    | 1.8    | 1.4     | 1.1     | 1.0     | 0.8     |
| ROE (%)                   | 17.2   | 17.9    | 13.8    | 17.9    | 19.4    |
| ROA (%)                   | 6.4    | 6.8     | 6.0     | 7.9     | 9.1     |
| DPS (HK\$)                | 0.47   | 0.55    | 0.60    | 0.84    | 1.08    |
| Dividend yield (%)        | 2.0    | 2.3     | 2.5     | 3.6     | 4.6     |
| Net gearing (%)           | 28.2   | 31.7    | 14.0    | (30.1)  | (68.3)  |

\*Net gearing=Net debt/Total Shareholders' equity

Source(s): Bloomberg, ABCI Securities estimates



**2015 presales target of HK\$168bn implies a 20% YoY growth.** COLI announced a presales target of HK\$ 168bn, which implies a 20% YoY growth. This is much faster than the 10% targeted growth announced by most developers in recent results. We think the low base in 2014 ( 2% YoY growth) implies the company may have delayed sales of new projects to 2015 for potentially better ASP since property market has been recovering on recent policy loosening.

**Maintain BUY with TP revised to HK\$ 29.50.** We raise our 2015E-16E core profits by 13-26% to factor in the better-than-expected results and the impending asset injection. However, 2015E-16E EPS are revised up by only 0.3-4.2% to account for dilution impact of new equity raised. FY15E NAV rises to HK\$ 29.5/shr from HK\$ 28.3/shr, thus lifting TP to HK\$ 29.5 (previous: HK\$ 28.3) based on no discounts to NAV. With the asset injection in place, we are confident that the Group can sustain its double-digit profit growth in the next 3-5 years amid slowdown in most developers. COLI is our preferred large-cap SOE play in the China property sector.

**Risk factors:** 1) Rising litigation risk across the sector; 2) Integration risk after asset injection.

**Exhibit 1: COLI's 2014 results**

| P&L  | FY14            | FY13            | YoY Chg     | Operating statistics                  | FY14           | FY13           | YoY Chg        |
|--|-----------------|-----------------|-------------|---------------------------------------|----------------|----------------|----------------|
|  | RMBm            | RMBm            | (%)         |                                       |                |                | %              |
| <b>Turnover</b>                                    | <b>119,997</b>  | <b>82,469</b>   | <b>45.5</b> | Contracted GFA (mn sqm)               | 9.62           | 9.23           | 4.2            |
| Cost of Sales & direct operating costs             | (80,759)        | (55,647)        | 45.1        | Contracted ASP (RMB/sqm)              | 14,652         | 15,008         | (2.4)          |
| <b>Gross Profit</b>                                | <b>39,238</b>   | <b>26,822</b>   | <b>46.3</b> | <b>Contracted Sales (RMB mn)</b>      | <b>140,900</b> | <b>138,520</b> | 1.7            |
| <b>Gross Margin (%)</b>                            | <b>32.7</b>     | <b>32.5</b>     | <b>0.2</b>  | GFA Delivered (mn sqm)                | 6.79           | 5.40           | 25.7           |
| Selling and distribution costs                     | (1,676)         | (1,247)         | 34.4        | Booked ASP (RMB/sqm)                  | 1,711          | 14,558         | (88.2)         |
| Administrative expense                             | (1,894)         | (1,570)         | 20.7        | <b>Property sales booked (RMB mn)</b> | <b>11,620</b>  | <b>78,615</b>  | <b>(85.2)</b>  |
| <b>EBIT</b>  | <b>35,667</b>   | <b>24,005</b>   | <b>48.6</b> | <b>Balance sheet</b>                  | <b>Dec-14</b>  | <b>Dec-13</b>  | <b>YoY chg</b> |
| <b>EBIT Margin (%)</b>                             | <b>29.7</b>     | <b>29.1</b>     | <b>0.6</b>  |                                       | <b>RMBm</b>    | <b>RMBm</b>    | <b>ppt</b>     |
| Other income                                       | 1,578           | 904             | 74.4        | Gross debt                            | 94,532         | 72,700         | 30.0           |
| Fair Value gains on IP and other exceptional items | 5,169           | 4,896           | na          | Cash                                  | 51,215         | 41,411         | 23.7           |
| Share of profit from JCE/ Associates               | 1,599           | 3,773           | (57.6)      | <b>Net debt</b>                       | <b>43,317</b>  | <b>31,288</b>  | <b>38.4</b>    |
| Finance cost                                       | (346)           | (290)           | 19.0        | <b>Net gearing (%)</b>                | <b>32%</b>     | <b>28%</b>     | <b>3.5ppt</b>  |
| <b>Profit before tax</b>                           | <b>43,667</b>   | <b>33,289</b>   | <b>31.2</b> |                                       |                |                |                |
| <b>Tax</b>   | <b>(15,462)</b> | <b>(10,110)</b> | <b>52.9</b> |                                       |                |                |                |
| - LAT  | (6,387)         | (4,065)         | 57.1        |                                       |                |                |                |
| - Enterprise tax                                   | (9,075)         | (6,044)         | 50.1        |                                       |                |                |                |
| <b>Profit after tax</b>                            | <b>28,205</b>   | <b>23,179</b>   | <b>21.7</b> |                                       |                |                |                |
| Minority Interest                                  | (525)           | (135)           | 288.4       |                                       |                |                |                |
| <b>Net profit</b>                                  | <b>27,680</b>   | <b>23,044</b>   | <b>20.1</b> |                                       |                |                |                |
| <b>Core net profit</b>                             | <b>23,830</b>   | <b>18,960</b>   | <b>25.7</b> |                                       |                |                |                |
| <b>Core net margin</b>                             | <b>19.9</b>     | <b>23.0</b>     |             |                                       |                |                |                |

Source(s): Company, ABCI Securities



**Exhibit 2: Details of the asset injection (Mar 2015)**

| Valuation                                |             |             |
|--|-------------|-------------|
| Total consideration (HK\$bn)             | 42.8        |             |
| Land bank acquired (mn)                  | 10.9        |             |
| AV (HK\$/sqm)                            | 3,921       |             |
|  |             |             |
| Historical cost (HK\$bn)                 | 39.4        |             |
| PB (x)                                   | 1.1         |             |
| Equity raised                            |             |             |
| number of shares (mn)                    | 1,687       |             |
| As % of existing share cap               | 20.6%       |             |
|  |             |             |
| Share price (HK\$)                       | 25.38       |             |
| Premium to last close                    | 10.8%       |             |
|  |             |             |
| Total equity raised (HK\$ bn)            | 43          |             |
| Financials                               |             |             |
| <b>RMBmn</b>                             | <b>2013</b> | <b>2014</b> |
| Profit before tax                        | 1,857       | (13.6)      |
| Profit after tax*                        | 1,384       | (387.1)     |
| * due to one-off provision of RMB2,454mn |             |             |

**Exhibit 3 : Landbank distribution of the target (Jan 2015)**

| City         | Approximate        | Target Group Shareholdings |
|--------------|--------------------|----------------------------|
|              | Total GFA (mn sqm) |                            |
| Beijing      | 1.03               | 80-100%                    |
| Shanghai     | 0.56               | 50-100%                    |
| Tianjin      | 0.28               | 90%                        |
| Chongqing    | 2.32               | 100%                       |
| Suzhou       | 0.03               | 100%                       |
| Chengdu      | 0.39               | 41-50%                     |
| Xi'an        | 0.75               | 70-100%                    |
| Urumqi       | 1.62               | 60%                        |
| Changsha     | 0.57               | 95%                        |
| Weifang      | 2.33               | 100%                       |
| Zibo         | 1.01               | 100%                       |
| London       | 0.05               | 100%                       |
| <b>Total</b> | <b>10.92</b>       |                            |

Source(s): Company, ABCI Securities

Source(s): Company, ABCI Securities

**Exhibit 4: 2015E guidance**

| P&L                                 | 2015 guidance | 2014 guidance | 2014 Actual |
|-------------------------------------|---------------|---------------|-------------|
| Project completion (mn sqm)         | 12            | 10            | 10.8        |
| New project commencement (mn sqm)   | 13            | 12            | 9.2         |
| Property sales (HK\$m)              | 168           | 140           | 140.8       |
| New land acquisition (mn sqm)       | 10            | 10            | 9.0         |
|                                     |               |               |             |
| Total capex (HK\$bn)                | 114           | 110           | 97.4        |
| - Outstanding land payment (HK\$bn) | 13            | 14            | 12.9        |
| - New land acquisition(HK\$bn)      | 51            | 50            | 39.5        |
| - Project construction (HK\$bn)     | 50            | 46            | 45.0        |

Source(s): Company, ABCI Securities estimates

**Exhibit 5: COLI's FY15E NAV**

|                                | Attr. GFA   | Net assets value |             | Valuation Method                         | Implied value per sqm (HK\$) |
|--------------------------------|-------------|------------------|-------------|--|------------------------------|
|                                | (mn sqm)    | (HK\$ mn)        | % of total  |  |                              |
| <b>Property development</b>    |             |                  |             |  |                              |
| Hua Nan                        | 10.4        | 64,425           | 20%         | DCF at WACC of 6.9%                      | 6,193                        |
| Hua Dong                       | 11.3        | 65,075           | 20%         |  | 5,767                        |
| Hua Bei                        | 6.4         | 20,406           | 6%          |  | 3,195                        |
| Northern                       | 12.8        | 71,038           | 22%         |  | 5,535                        |
| Western                        | 7.8         | 53,607           | 17%         |  | 6,836                        |
| HK & Macau                     | 0.34        | 15,854           | 5%          |  | 46,172                       |
| <b>Subtotal</b>                | <b>49.1</b> | <b>290,405</b>   | <b>91%</b>  |  | <b>5,915</b>                 |
| Investment Properties          |             | 28,912           | 9%          | 5.0% cap rate on 2015E net rental income |                              |
| <b>Total 2015E GAV</b>         |             | <b>319,317</b>   | <b>100%</b> |  |                              |
|                                |             |                  |             |  |                              |
| 2015E Net debt                 |             | (28,317)         | -9%         |  |                              |
| <b>Total 2015E NAV</b>         |             | <b>291,000</b>   | <b>91%</b>  |  |                              |
| No. of share outstanding (mn)  |             | 9,861            |             |  |                              |
| <b>NAV per share (HK\$)</b>    |             | <b>29.5</b>      |             |  |                              |
| Target Premium/ (discount) (%) |             | 0%               |             |  |                              |
| <b>Target Price (HK\$)</b>     |             | <b>29.50</b>     |             |  |                              |
|                                |             |                  |             |  |                              |
| <b>WACC</b>                    | <b>6.9%</b> |                  |             |  |                              |
| Cost of Debt                   | 3.5%        |                  |             |  |                              |
| Cost of Equity                 | 10.0%       |                  |             |  |                              |
| <b>Debt/ (Debt + Equity)</b>   | <b>41%</b>  |                  |             |  |                              |

Source(s): Company, ABCI Securities estimates



**Consolidated income statement (2013A-2017E)**

| <b>FY Ended Dec 31 (HK\$ mn)</b>         | <b>2013A</b>   | <b>2014A</b>   | <b>2015E</b>   | <b>2016E</b>   | <b>2017E</b>   |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>                           | <b>82,469</b>  | <b>119,997</b> | <b>150,966</b> | <b>211,923</b> | <b>260,658</b> |
| Cost of sales                            | (55,647)       | (80,759)       | (103,455)      | (144,971)      | (175,991)      |
| <b>Gross Profit</b>                      | <b>26,822</b>  | <b>39,238</b>  | <b>47,510</b>  | <b>66,953</b>  | <b>84,667</b>  |
| SG&A expenses                            | (2,817)        | (3,570)        | (4,441)        | (5,934)        | (6,917)        |
| <b>EBIT</b>                              | <b>24,005</b>  | <b>35,667</b>  | <b>43,070</b>  | <b>61,019</b>  | <b>77,751</b>  |
| Finance cost                             | (290)          | (346)          | (412)          | (437)          | (437)          |
| Share of profit of associates            | 3,773          | 1,599          | 860            | 920            | 637            |
| Other income/ (expenses)                 | 904            | 1,578          | 1,775          | 2,009          | 2,693          |
| Fair value gain of investment properties | 3,438          | 5,169          | 0              | 0              | 0              |
| Disposal/one-off items                   | 1,458          | 0              | 0              | 0              | 0              |
| <b>Profit before tax</b>                 | <b>33,289</b>  | <b>43,667</b>  | <b>45,293</b>  | <b>63,510</b>  | <b>80,642</b>  |
| Tax                                      | (10,110)       | (15,462)       | (16,225)       | (20,549)       | (25,678)       |
| <b>Profit after tax</b>                  | <b>23,179</b>  | <b>28,205</b>  | <b>29,068</b>  | <b>42,961</b>  | <b>54,964</b>  |
| Minority interest                        | (135)          | (525)          | (1,789)        | (1,661)        | (1,924)        |
| <b>Reported net profit</b>               | <b>23,044</b>  | <b>27,680</b>  | <b>27,279</b>  | <b>41,300</b>  | <b>53,040</b>  |
| <i>Less: exceptional items</i>           | <i>(4,084)</i> | <i>0</i>       | <i>0</i>       | <i>0</i>       | <i>0</i>       |
| <b>Underlying net profit</b>             | <b>18,960</b>  | <b>23,830</b>  | <b>27,279</b>  | <b>41,300</b>  | <b>53,040</b>  |
| <b>Per share</b>                         |                |                |                |                |                |
| Underlying EPS (HKD)                     | 2.32           | 2.92           | 2.98           | 4.19           | 5.38           |
| DPS (HKD)                                | 0.47           | 0.55           | 0.60           | 0.84           | 1.08           |
| Payout ratio (%)                         | 20%            | 19%            | 20%            | 20%            | 20%            |
| BVPS (HKD)                               | 13.46          | 16.31          | 21.62          | 23.43          | 27.73          |
| <b>Growth %</b>                          |                |                |                |                |                |
| Revenue                                  | 27.7%          | 45.5%          | 25.8%          | 40.4%          | 23.0%          |
| Gross Profit                             | 8.5%           | 46.3%          | 21.1%          | 40.9%          | 26.5%          |
| EBIT                                     | 5.8%           | 48.6%          | 20.8%          | 41.7%          | 27.4%          |
| Underlying net profit                    | 20.0%          | 25.7%          | 14.5%          | 51.4%          | 28.4%          |
| <b>Margin %</b>                          |                |                |                |                |                |
| Gross margin                             | 32.5%          | 32.7%          | 31.5%          | 31.6%          | 32.5%          |
| Gross margin (post-LAT)                  | 28.9%          | 28.3%          | 27.9%          | 29.3%          | 30.3%          |
| EBIT margin                              | 29.1%          | 29.7%          | 28.5%          | 28.8%          | 29.8%          |
| Core net margin                          | 19.1%          | 18.9%          | 18.7%          | 19.8%          | 20.8%          |
| <b>Key assumptions</b>                   |                |                |                |                |                |
| Contracted Sales (HKDm)                  | 138,520        | 140,900        | 209,427        | 255,204        | 290,005        |
| GFA sold (m sqm)                         | 9.23           | 9.62           | 13.86          | 15.83          | 18.03          |
| ASP (HKD/sqm)                            | 15,008         | 14,652         | 15,105         | 16,122         | 16,085         |
| Booked Sales (HKD)                       | 78,615         | 11,620         | 146,706        | 207,064        | 255,101        |
| GFA delivered (m sqm)                    | 5.40           | 6.79           | 4.97           | 4.33           | 4.87           |
| Booked ASP (HKD/sqm)                     | 14,558         | 1,711          | 29,546         | 47,844         | 52,428         |

Source: Company, ABCI Securities estimates



**Consolidated balance sheet (2013A-2017E)**

| <b>As of Dec 31 (HK\$ mn)</b>      | <b>2013A</b>   | <b>2014A</b>   | <b>2015E</b>   | <b>2016E</b>   | <b>2017E</b>   |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Current assets</b>              | <b>241,216</b> | <b>284,021</b> | <b>383,345</b> | <b>449,633</b> | <b>507,514</b> |
| Cash                               | 41,411         | 51,215         | 66,046         | 166,047        | 287,159        |
| Trade & other receivables          | 2,431          | 2,431          | 2,431          | 2,431          | 2,431          |
| Property under development         | 164,362        | 196,385        | 280,878        | 247,164        | 183,933        |
| Other current assets               | 33,012         | 33,990         | 33,990         | 33,990         | 33,990         |
| <b>Non-current assets</b>          | <b>55,307</b>  | <b>66,916</b>  | <b>69,240</b>  | <b>71,624</b>  | <b>73,725</b>  |
| Property, plant & equipment        | 1,371          | 1,355          | 1,419          | 1,484          | 1,548          |
| Investment properties              | 32,532         | 44,755         | 46,255         | 47,755         | 49,255         |
| Investment in Associate and JCE    | 15,930         | 15,727         | 16,487         | 17,307         | 17,844         |
| Other non-current assets           | 5,473          | 5,079          | 5,079          | 5,079          | 5,079          |
| <b>Total Assets</b>                | <b>296,522</b> | <b>350,937</b> | <b>452,586</b> | <b>521,257</b> | <b>581,239</b> |
| <b>Current Liabilities</b>         | <b>110,928</b> | <b>135,910</b> | <b>171,190</b> | <b>205,210</b> | <b>220,886</b> |
| Short term borrowings              | 3,303          | 22,542         | 22,542         | 22,542         | 22,542         |
| Trade & other payables             | 21,523         | 35,420         | 35,420         | 35,420         | 35,420         |
| Pre-sales deposits                 | 61,414         | 46,848         | 82,129         | 116,149        | 131,824        |
| Other current assets               | 24,687         | 31,100         | 31,100         | 31,100         | 31,100         |
| <b>Non-current liabilities</b>     | <b>74,544</b>  | <b>78,219</b>  | <b>78,219</b>  | <b>78,219</b>  | <b>78,219</b>  |
| Long term borrowings               | 69,397         | 71,990         | 71,990         | 71,990         | 71,990         |
| Other payables                     | 582            | 739            | 739            | 739            | 739            |
| Other non-current assets           | 4,566          | 5,490          | 5,490          | 5,490          | 5,490          |
| <b>Total Liabilities</b>           | <b>185,472</b> | <b>214,129</b> | <b>249,410</b> | <b>283,430</b> | <b>299,105</b> |
| <b>Net Assets</b>                  | <b>111,050</b> | <b>136,808</b> | <b>203,176</b> | <b>237,827</b> | <b>282,133</b> |
| <b>Shareholders Equity</b>         | <b>109,971</b> | <b>133,334</b> | <b>197,963</b> | <b>231,003</b> | <b>273,435</b> |
| Minority Interest                  | 1,080          | 3,474          | 5,213          | 6,824          | 8,698          |
| <b>Total Equity</b>                | <b>111,050</b> | <b>136,808</b> | <b>203,176</b> | <b>237,827</b> | <b>282,133</b> |
| <b>Key ratio</b>                   |                |                |                |                |                |
| Gross debt (HKDm)                  | 72,700         | 94,532         | 94,532         | 94,532         | 94,532         |
| Net debt (HKDm)                    | 31,288         | 43,317         | 28,486         | (71,515)       | (192,627)      |
| Net gearing (%)                    | 28.2%          | 31.7%          | 14.0%          | -30.1%         | -68.3%         |
| Contracted sales/ Total assets (x) | 0.47           | 0.40           | 0.46           | 0.49           | 0.50           |

Source: Company, ABCI Securities estimates



**Consolidated cash flow statement (2013A-2017E)**

| <b>FY ended Dec 31 (HK\$ mn)</b>  | <b>2013A</b>    | <b>2014A</b>    | <b>2015E</b>    | <b>2016E</b>    | <b>2017E</b>    |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| EBITDA                            | 24,057          | 35,720          | 43,122          | 61,072          | 77,803          |
| Change in Working Capital         | (27,709)        | (38,992)        | (45,245)        | 71,946          | 83,118          |
| Tax payment                       | (10,110)        | (15,462)        | (16,225)        | (20,549)        | (25,678)        |
| <b>Operating Cashflow</b>         | <b>(13,762)</b> | <b>(18,734)</b> | <b>(18,347)</b> | <b>112,468</b>  | <b>135,243</b>  |
| Purchase of PP&E                  | (117)           | (117)           | (117)           | (117)           | (117)           |
| Addition of Investment Properties | (1,500)         | (1,500)         | (1,500)         | (1,500)         | (1,500)         |
| Others                            | 1,004           | 1,678           | 1,875           | 2,109           | 2,793           |
| <b>Investing Cashflow</b>         | <b>(612)</b>    | <b>61</b>       | <b>258</b>      | <b>492</b>      | <b>1,176</b>    |
| Debt raised                       | 31,248          | 36,802          | 10,000          | 10,000          | 10,000          |
| Debt repaid                       | (10,062)        | (106)           | (10,000)        | (10,000)        | (10,000)        |
| Interest expenses                 | (2,389)         | (3,672)         | (4,380)         | (4,649)         | (4,649)         |
| Equity raised                     | 0               | 0               | 42,806          | 0               | 0               |
| Dividend to shareholders          | (3,841)         | (4,496)         | (5,456)         | (8,260)         | (10,608)        |
| Others                            | (50)            | (50)            | (50)            | (50)            | (50)            |
| <b>Financing Cashflow</b>         | <b>14,905</b>   | <b>28,478</b>   | <b>32,920</b>   | <b>(12,959)</b> | <b>(15,307)</b> |
| <b>Net cash inflow/ (outflow)</b> | <b>531</b>      | <b>9,804</b>    | <b>14,831</b>   | <b>100,001</b>  | <b>121,112</b>  |
| Cash- beginning                   | 40,880          | 41,411          | 51,215          | 66,046          | 166,047         |
| <b>Cash- year-end</b>             | <b>41,411</b>   | <b>51,215</b>   | <b>66,046</b>   | <b>166,047</b>  | <b>287,159</b>  |

Source: Company, ABCI Securities estimates

## Disclosures

### Analyst Certification

I, Tung Yiu Kei Kenneth, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

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### Definition of equity rating

| Rating | Definition  |
|--------|---|
| Buy    | Stock return $\geq$ Market return rate                      |
| Hold   | Market return - 6% $\leq$ Stock return < Market return rate |
| Sell   | Stock return < Market return - 6%                           |

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2009-2013

Time horizon of share price target: 12-month

### Definition of share price risk

| Rating    | Definition   |
|-----------|--|
| Very high | $2.6 \leq$ 180 day volatility/180 day benchmark index volatility       |
| High      | $1.5 \leq$ 180 day volatility/180 day benchmark index volatility < 2.6 |
| Medium    | $1.0 \leq$ 180 day volatility/180 day benchmark index volatility < 1.5 |
| Low       | 180 day volatility/180 day benchmark index volatility < 1.0            |

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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**Office address: ABCI Securities Company Limited, 13/F Fairmont House,  
8 Cotton Tree Drive, Central, Hong Kong.**

**Tel: (852) 2868 2183**