



November 26, 2014
Company Report
Rating: BUY
TP: HK\$ 4.60

Share price (HK\$)	4.10
Est. share price return	12.2%
Est. dividend yield	4.6%
Est. total return	16.8%

Previous Rating & TP	BUY; HK\$ 4.80
Previous Report Date	November 6, 2014

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Key Data

52Wk H/L(HK\$)	4.99/1.7
Issued shares (mn)	7,759
Market cap (HK\$ mn)	31,948
3-mth avg daily turnover (HK\$ mn)	11.5
Major shareholder(s) (%):	
Cheng Chung Hing	32.15
Tencent	11.94

Source(s): Company, Bloomberg, ABCI Securities

FY14 Revenue breakdown (%)

Property development	95.1
Property investment	2.3
Property management	0.5
E-commerce	1.4
Others	0.7

Source(s): Company, ABCI Securities

Share performance (%)

	Absolute	Relative*
1-mth	12.4	8.9
3-mth	8.2	12.0
6-mth	17.9	13.9

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

China South City (1668 HK)
Upbeat O2O development; maintain BUY

- Core profit surged 43% YoY to HK\$ 887mn in 1HFY15
- The offline portion of O2O business performed well; rental revenue rose 140% to HK\$ 245mn; outlet revenue surged 124%YoY to HK\$ 41mn; logistics revenue jumped 119% YoY to HK\$ 25mn
- On the e-commerce front, focus will be on integration and service improvement instead of expansion in FY15
- Gross margin guidance was at the low end of the previous guidance range of 45%-55%; maintain BUY with lowered TP of HK\$ 4.60 (from HK\$ 4.80) based on a 50% discount to FY15E NAV

Fast growth maintained in 1HFY15. CSC reported its 1HFY15 results (ended in Sep). Core net profit surged 43% YoY to HK\$ 887mn, representing 23% of our full-year forecast as completion usually concentrates in 2H. While gross margin remained well above sector average, it declined 5ppt YoY to 47% (from 52%) on increasing contribution from new projects where discount pricing is usually offered. Management commented gross margin for FY15 should be at the low end of the previous guidance range of 45%-55%. Net gearing rose 21ppt HoH to 45% as at Sep 2014, mainly due to RMB 1.5bn of new land acquisition. Despite the lower-than-expected gross margin from property sales, we believe market should focus on CSC's O2O business that delivers 2 major positive surprises:

1) Fast rental revenue growth. Rental revenue surged 140% YoY to HK\$ 245mn, of which HOBA furniture stores contributed HK\$100mn while the rest was mainly from CSC Shenzhen. We believe the newly completed rental space in projects located in Nanning, Nanchang, Xi'an, Zhengzhou, and other regions will be the driver of its rental business over the next few years.

2) Momentum gathering for offline O2O business. Although the e-commerce segment seems to have slowed down (1HFY15 revenue: HK\$ 10mn vs HK\$ 189mn in FY14), other "offline" business performed well. E.g., revenue of logistics business jumped 119% YoY to HK\$ 25mn on swift development of logistics facilities. GFA of operating warehouse reached 168k sqm in Sep 2014, up 104% YoY. Also, about 21,000 individual truck drivers have joined CSC's sophisticated LIEP (logistic information exchange platform) system that helps to utilize empty-load trucks on return journeys. We expect scale of its logistics business to grow as the LIEP system expands into new cities from the current trial locations in Nanning and Shenzhen.

Outlet performed well; recurring revenue target achievable. Revenue of the outlet operation surged 124% YoY to HK\$ 41mn. CSC's Aolaigo website has been successful in boosting outlet retail sales, while Weixin payment services also improve shopping experience. CSC's 4 outlets in Shenzhen, Xi'an, Nanning and Nanchang currently operate a total GFA of 119k sqm; total registered online outlet users was 250,000 as of Oct 2014. In 1HFY15, CSC's total recurring revenue increased 140% YoY to HK\$ 369mn. We consider CSC's target to generate HK\$ 1.5-2.0bn in recurring revenue within 3 years to be achievable. (continue next page)

Results and Valuation

FY ended Mar 31	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue (HK\$ mn)	7,488	13,468	18,603	23,640	25,534
Chg (% YoY)	104.0	79.9	38.1	27.1	8.0
Core net profit (HK\$ mn)	1,776	2,678	3,475	4,835	5,347
Chg (% YoY)	92.5	50.7	29.8	39.1	10.6
Underlying EPS (HK\$)	0.29	0.39	0.43	0.60	0.67
Chg (% YoY)	91.6	33.2	10.6	39.1	10.6
BVPS (HK\$)	2.63	2.89	2.82	3.09	3.45
Chg (% YoY)	21.7	9.9	(2.4)	9.4	11.9
Underlying PE (x)	13.9	10.5	9.5	6.8	6.1
P/B (x)	1.56	1.42	1.45	1.33	1.19
ROE (%)	11.2	13.4	15.9	19.6	19.3
ROA (%)	4.2	4.5	4.9	6.3	6.6
DPS (HK\$)	0.10	0.14	0.19	0.24	0.29
Dividend yield (%)	2.4	3.4	4.6	5.9	7.1
Net gearing (%)	31.6	23.5	11.0	(6.6)	(25.9)

*Net gearing=Net debt/Total Shareholders' equity

Source(s): Bloomberg, ABCI Securities estimates



“Online” e-commerce: A year of integration and service enhancement.

Management commented the online membership program will not expand to other cities this year, as CSC will focus on improving its existing operation in Zhengzhou. Only 2,000 out of 7,000 registered occupants conduct business online currently. Thus, the room for growth is still ample in Zhengzhou alone. CSC has conducted 44 training sessions for ~26,000 attendees and 25 online buyer-supplier matchmaking events to educate occupants in CSC Zhengzhou about its online services. We expect e-commerce revenue may remain flat at for FY15E, but its experience gathered will allow the program to replicate quickly in other cities going forward. Also CSC is working closely with Tencent to integrate with the recently acquired Makepolo, one of the largest B2B search engine in China. We believe synergy may occur later in 2015 once the integration is completed.

Maintain BUY but TP lowered to HK\$ 4.60 (from HK\$ 4.80). Overall, this set of results demonstrates CSC’s competence in developing its O2O business. Although management remains fully confident in achieving its sales target of HK\$ 18-20bn, the lower-than-expected margin guided for FY15 prompt us to reduce our earnings forecast on property business. We lower our FY15E core profit by 9%, and reduce our Mar-end FY15E NAV to HK\$ 9.11 (from HK\$ 9.59). Subsequently, TP is revised down to HK\$ 4.60 (from HK\$ 4.80), reflecting a 50% discount to NAV. CSC, a B2B story with an attractive valuation at 9.5x FY15 PE (vs. sector average of 10.0x for commercial developers, 30.9x for internet companies, and 25.0x for logistics operators), remains our top pick for China’s commercial property sector.

Risk factors: 1) Oversupply in 2nd-tier cities; 2) High level of unsold inventories may impede cash flow.

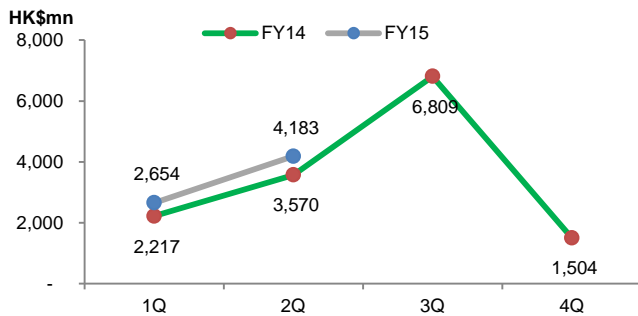


Exhibit 1: CSC's Sep-ended 1HFY15 results

P&L	1HFY15	1HFY14	YoY Chg	Operating statistics	1HFY15	1HFY14	YoY Chg
	HK\$ mn	HK\$ mn			HK\$ mn	HK\$ mn	
Turnover	5,141	3,197	61	Presales GFA (mn sqm)	0.72	0.63	15
Cost of Sales & direct operating costs	(2,716)	(1,548)	75	Presales ASP (HK\$/sqm)	9,486	9,231	3
Gross Profit	2,425	1,649	47	Presales (HK\$mn)	6,837	5,787	18
Gross Margin (%)	47.2	51.6		GFA Delivered (mn sqm)	0.55	0.34	62
Selling and distribution costs	(299)	(190)	57	Booked ASP (HK\$/sqm)	8,422	8,567	(2)
Administrative expense	(437)	(262)	67	Property sales booked (HK\$mn)	4,593	2,880	59
EBIT	1,689	1,197	41	Balance sheet	Sep-14	Mar-14	HoH %
EBIT Margin (%)	32.8	37.4			HK\$ mn	HK\$ mn	
Other income, gains and losses	220	12	1765	Gross debt	20,433	17,519	17
Fair value gain of investment properties	385	488	(21)	Cash	10,268	12,777	(20)
Other exceptional items	(18)	27	(166)	Net debt	10,165	4,742	114
Share of profit from JCE/ Associates	(3)	(0)	646	Net gearing (%)	45	24	+21ppt
Finance cost	(88)	(81)	8				
Profit before tax	2,185	1,642	33				
Tax	(890)	(459)	94				
- LAT	(456)	(380)	20				
- Enterprise tax	(434)	(79)	450				
Profit after tax	1,295	1,183	9				
Minority Interest	8	(219)	(104)				
Net profit	1,303	965	35				
Core profit (after Minority Interest)	887	620	43				
Core net margin	17.3%	19.4%					

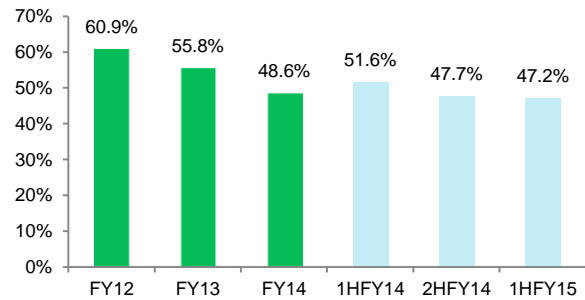
Source(s): Company

Exhibit 2: CSC's presales by quarter



Source(s): Company

Exhibit 3: CSC's Gross margin trend



Source(s): Company

Exhibit 4: 1HFY15 land acquisition

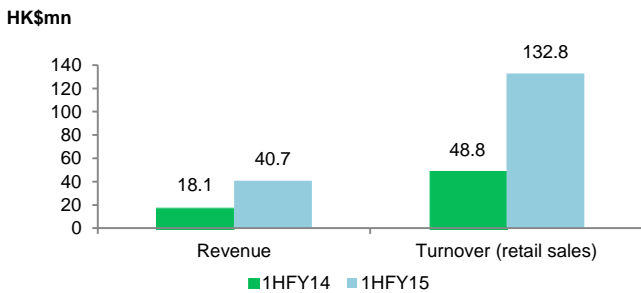
Project	Month	GFA ('000sqm)	Amount (RMBmn)	AV (RMB/sqm)
Hefei	Apr-14	902	208	231
Chongqing	May-14	581	87	150
Xi'an	Jun-14	613	496	809
Xi'an	Jul-14	348	290	833
Xi'an	Aug-14	688	373	542
1HFY15 total		3,132	1,454	464

Source(s): Company

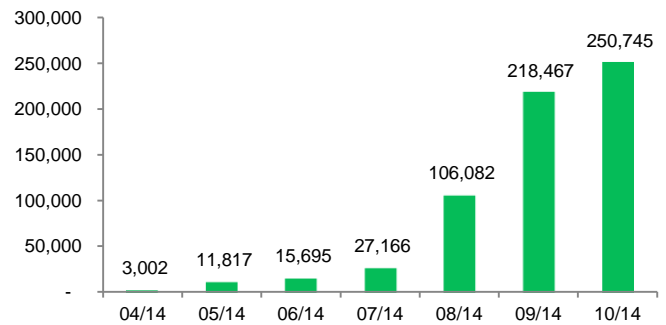
Exhibit 5: CSC's 1HFY15 revenue breakdown

HK\$m	1HFY15	1HFY14	YoY chg
Property sale	4,772	2,999	59%
- Trade centre	4,336	2,464	76%
- Residential	257	416	-38%
- Finance lease	179	118	51%
Recurring income	369	168	120%
- Rental	244	102	140%
- Property management	48	34	43%
- E-commerce	10	0	NA
- Outlet	41	18	125%
- Logistics and others	26	14	84%
Total revenue	5,141	3,166	62%

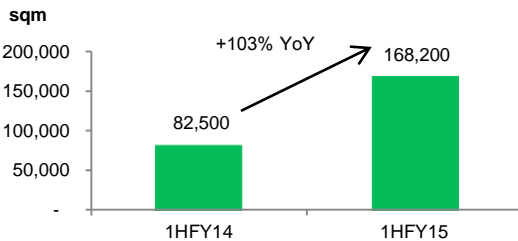
Source(s): Company

Exhibit 6: Outlet revenue and turnover


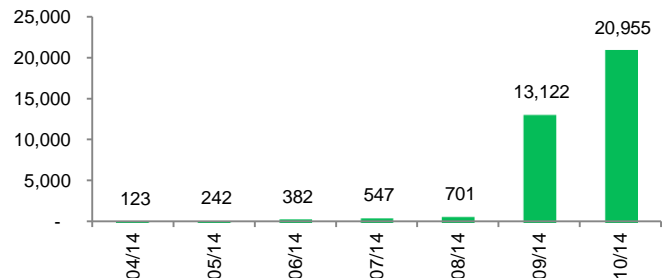
Source(s): Company

Exhibit 7: Number of registered online outlet user


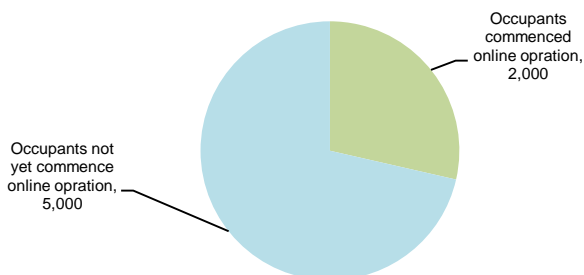
Source(s): Company

Exhibit 8: Logistics GFA in operation


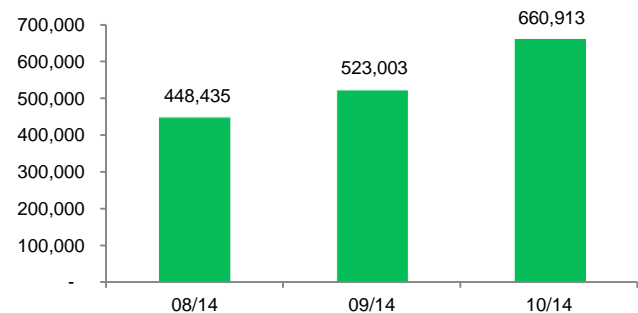
Source(s): Company

Exhibit 9: Registered LIEP carriers


Source(s): Company

Exhibit 10: Online membership program in Zhengzhou (Sep 2014)


Source(s): Company

Exhibit 11: Registered member in CSC86.com (Aug-Oct 2014)


Source(s): Company



Exhibit 12: CSC's FY15E NAV forecast

	Attr. GFA (Mn sqm)	Net assets value (HKD m)	% of total	Valuation Methodology	Implied value per sqm (HKD)
Property development					
Shenzhen	2.2	10,504	14%	DCF at WACC of 7.2%	4,878
Nanning	2.7	9,428	13%		3,519
Nanchang	3.7	14,724	20%		4,029
Xi'an	1.7	4,580	6%		2,759
Harbin	2.2	3,879	5%		1,739
Others	9.5	15,685	21%		1,654
Subtotal	21.9	58,801	80%		
Investment Properties & retail outlets		8,497	12%	5% cap rate on FY15E net rental income 30x 2015E PE on online platform operation	
Online Platform (E-commerce and logistics)		5,798	8%		
Total FY15E GAV		73,096	100%		
FY15E Net debt		(2,428)	-3%		
Total FY15E NAV		70,668	97%		
No. of share outstanding		7,759			
NAV per share (HKD)		9.11			
Target discount (%)		50%			
Target Price (HKD)		4.60			
WACC					
Cost of Debt	7.2%				
Cost of Equity	6.5%				
Debt/ (Debt + Equity)	10.0%				
	54%				

Source(s): Company, ABCI Securities estimates

Exhibit 13: Sector valuation– Property sector

China Property	Ticker	Rating	TP	Mkt cap	Share Price	Performance			Discount to NAV (%)	Valuation									
						3M	YTD	2013		P/E			Yield (%)			P/B			
				(HKD bn)	(local ccy)	% Chg	% Chg	% Chg	(%)	2013A	2014E	2015E	2013A	2014E	2015E	2013A	2014E	2015E	
Residential:																			
1	COLI	688 HK	HOLD	23.70	185	22.50	(2)	6	(4)	(14.44)	9.7	7.9	6.9	2.1	2.5	2.9	1.7	1.4	1.2
2	Vanke-H	2202 HK	NR		143	15.14	NA	NA	NA	(22.17)	11.5	7.5	6.4	3.4	4.1	4.7	1.7	1.4	1.2
3	CR Land	1109 HK	NR		111	18.90	4	1	(8)	(32.62)	11.9	9.7	8.2	2.3	2.7	3.1	1.3	1.2	1.0
4	Country Garden	2007 HK	NR		66	3.19	(11)	(26)	20	(52.95)	6.1	4.9	4.4	6.6	7.3	8.1	1.0	0.9	0.8
5	Shimao	813 HK	NR		62	17.34	10	4	26	(47.24)	6.7	5.5	4.9	4.6	5.5	6.2	1.1	1.0	0.9
6	Longfor	960 HK	NR		55	10.00	(3)	(5)	(27)	(48.00)	7.0	6.3	5.7	2.9	3.1	3.6	1.1	1.0	0.9
7	Evergrande	3333 HK	BUY	3.80	46	3.14	(7)	24	(27)	(67.36)	3.9	4.7	3.1	17.3	7.5	11.2	0.5	0.4	0.4
8	Guangzhou R&F	2777 HK	NR		30	9.03	(8)	(16)	(7)	(70.83)	4.1	4.5	3.9	8.7	7.1	8.1	0.7	0.6	0.5
9	Sino Ocean	3377 HK	NR		34	4.55	8	(5)	(8)	(49.54)	8.0	7.5	6.6	5.1	5.3	5.8	0.6	0.6	0.6
10	Agile	3383 HK	NR		17	4.36	(29)	(43)	(20)	(75.20)	3.0	2.9	2.9	11.0	8.7	8.8	0.4	0.4	0.3
11	Greentown	3900 HK	HOLD	8.50	17	7.95	(8)	(28)	(12)	(53.31)	3.6	3.8	3.9	6.8	6.4	6.4	0.6	0.5	0.5
12	Sunac	1918 HK	BUY	9.80	24	6.94	12	59	(21)	(71.61)	5.2	3.8	3.7	3.5	4.7	4.8	1.3	1.0	0.8
13	Yuexiu Properties	123 HK	NR		19	1.50	(6)	(12)	(18)	(66.29)	11.9	7.1	6.6	5.2	5.2	5.5	0.5	0.5	0.4
14	COGO	81 HK	NR		9	4.05	(20)	(44)	(20)	(68.77)	3.3	3.6	3.1	2.7	2.6	2.9	0.8	0.7	0.6
15	KWG	1813 HK	NR		17	5.64	(0)	42	(23)	(63.33)	5.8	4.6	3.9	6.5	6.5	7.6	0.7	0.7	0.6
16	Kaisa	1638 HK	BUY	5.00	16	3.06	6	29	4	(69.49)	5.3	4.3	3.8	4.9	5.2	7.1	0.8	0.7	0.6
17	CIFI	884 HK	BUY	2.30	9	1.57	1	0	21	(72.00)	4.9	3.9	3.3	4.5	5.6	6.6	0.9	0.8	0.6
18	BJ Capital Land	2868 HK	NR		6	2.81	(4)	17	(12)	(48.91)	3.9	3.0	2.3	9.9	10.0	10.4	0.5	na	na
19	China Aoyuan	3883 HK	BUY	2.50	4	1.28	(6)	(15)	35	(76.83)	4.0	3.3	2.1	7.9	7.6	11.9	0.4	0.3	0.3
HK Listed Avg						(3)	(1)	(6)	(56.36)	6.3	5.2	4.5	6.1	5.7	6.6	0.9	0.8	0.7	0.7
- Large cap (>HKD30b) avg						(0)	(0)	(4)	(41.79)	8.1	6.7	5.8	5.5	4.8	5.7	1.1	1.0	0.9	0.9
- Small-mid cap (<HKD30b) avg						(6)	0	(11)	(65.97)	5.1	4.2	3.7	6.4	6.2	6.8	0.7	0.6	0.6	0.6
1	Vanke-A	000002 CH	NR		143	10.08	10	32	(15)	(34.55)	9.3	6.2	5.2	4.1	4.2	5.0	1.4	1.2	1.0
2	Poly-A	600048 CH	NR		90	6.56	16	24	(38)	(62.30)	8.2	5.3	4.4	3.0	3.8	4.3	1.3	1.1	0.9
3	China Merchants Property	000024 CH	NR		47	14.95	25	11	(30)	(55.68)	11.0	7.6	6.4	2.2	2.5	3.0	1.4	1.3	1.1
4	Gemdale	600383 CH	NR		48	8.37	(8)	28	(4)	(33.47)	10.2	9.6	7.9	1.0	1.9	2.0	1.3	1.2	1.0
A-share Listed Avg						11	24	(22)	(46.50)	9.7	7.2	6.0	2.6	3.1	3.6	1.4	1.2	1.0	1.0
Commercial:																			
1	SOHO China	410 HK	NR		30	5.85	(8)	(8)	13	(26.88)	5.4	11.1	19.6	5.4	5.4	5.2	0.6	0.6	0.6
2	HLP	101 HK	NR		105	23.55	(9)	(1)	(18)	(32.17)	20.9	16.8	16.6	3.2	3.2	3.3	0.8	0.8	0.8
3	China South City	1668 HK	BUY	4.60	32	4.10	6	93	97	(54.98)	10.5	9.5	6.8	3.4	4.6	5.9	1.4	1.5	1.3
4	Hui Xian REIT	87001 HK	NR		24	3.50	3	(3)	(1)	(20.00)	25.2	15.8	15.1	7.1	7.1	7.4	0.6	0.7	0.7
5	Franshion	817 HK	HOLD	2.00	20	2.16	1	(17)	(1)	(55.44)	7.2	6.7	5.8	4.4	5.6	7.4	0.7	0.7	0.6
6	Shui On Land	272 HK	NR		15	1.90	(10)	(18)	(30)	(46.85)	10.1	13.8	13.3	3.3	3.0	2.3	0.3	0.3	0.3
8	Yuexiu REIT	405 HK	NR		11	3.94	(1)	12	9	na	46.0	28.5	23.6	6.9	7.3	7.8	0.7	0.7	0.7
9	Zall	2098 HK	NR		9	2.69	(2)	(2)	(10)	na	26.8	na	na	0.0	na	na	1.1	na	na
10	Wuzhou	1369 HK	NR		8	1.84	10	46	51	na	18.7	9.6	6.5	1.9	2.6	4.2	2.8	na	na
Commercial Avg						(1)	10	12	(43.52)	17.4	12.7	12.2	4.5	5.7	6.5	1.0	0.8	0.7	0.7
- Developers						(3)	13	20	(46.04)	12.9	10.0	10.1	3.9	5.3	6.2	1.1	0.8	0.7	0.7
- Landlords/REIT						(0)	(3)	(1)	(44.17)	35.6	22.1	19.3	7.0	7.2	7.6	0.7	0.7	0.7	0.7

* Data as at 25 Nov 2014

Source(s): Company, ABCI Securities estimates, Bloomberg

Exhibit 14: Sector valuation– Logistics and Internet sectors

Ticker	Mkt cap	Share Price	Performance			Valuation										
			1M	3M	2013	P/E			Yield (%)			P/B				
		(HKD bn)	(local ccy)	% Chg	% Chg	% Chg	2013A	2014E	2015E	2013A	2014E	2015E	2013A	2014E	2015E	
Internet:																
1	Tencent	700 HK	1,169	124.70	0	4	99	59.7	38.5	29.5	0.2	0.3	0.4	12.4	11.6	8.7
2	Alibaba	BABA US	2,169	113.47	(0)	18	na	74.4	51.4	37.8	0.0	0	0	13.9	13.0	9.9
3	HT International	2280 HK	6	8.80	(0)	(12)	231	30.2	20.1	13.9	0.0	na	na	4.6	3.9	3.0
4	Boyaa	434 HK	5	6.88	(0)	(4)	na	18.8	13.5	9.9	1.6	na	na	3.4	2.8	2.3
Internet average				(0)	2	165	45.8	30.9	22.8	0.5	0.2	0.2	8.6	7.8	6.0	
Logistics:																
1	Kerry Logistics	636 HK	21	12.32	1	(0)	na	23.7	19.8	18.2	0.9	1.0	1.1	1.3	1.4	1.3
2	Global Logistics Properties	GLP SP	77	2.63	2	(2)	5	39.8	40.3	32.1	1.8	1.7	1.9	1.1	1.1	1.1
3	Mapletree Industrial Trust	MINT SP	15	1.47	1	1	5	15.3	14.9	14.7	6.7	6.8	6.8	1.2	1.2	1.2
Logistic average				1	(0)	5	26.2	25.0	21.7	3.1	3.1	3.2	1.2	1.2	1.2	

* Data as at 25 Nov 2014

Source(s): Company, ABCI Securities estimates, Bloomberg



Consolidated income statement (FY13A-FY17E)

FY Ended Mar 31 (HK\$ mn)	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue	7,488	13,468	18,603	23,640	25,534
Cost of sales	(3,311)	(6,921)	(9,705)	(10,981)	(11,659)
Gross Profit	4,177	6,547	8,898	12,659	13,876
SG&A expenses	(826)	(1,444)	(2,093)	(2,961)	(3,183)
EBIT	3,351	5,103	6,805	9,698	10,693
Finance cost	(133)	(153)	(251)	(291)	(291)
Share of profit of associates	1	(1)	-	-	-
Other income/ (expenses)	52	188	87	121	145
Fair value gain of investment properties	1,251	1,266	-	-	-
Disposal/one-off items	(49)	(235)	-	-	-
Profit before tax	4,473	6,169	6,641	9,528	10,546
Tax	(1,606)	(2,472)	(3,166)	(4,693)	(5,199)
Profit after tax	2,867	3,696	3,475	4,835	5,347
Minority interest	(117)	(202)	-	-	-
Reported net profit	2,750	3,494	3,475	4,835	5,347
Less: exceptional items	(973)	(817)	-	-	-
Underlying net profit	1,776	2,678	3,475	4,835	5,347
Per share					
Underlying EPS (HK\$)	0.29	0.39	0.43	0.60	0.67
DPS (HK\$)	0.10	0.14	0.19	0.24	0.29
Payout ratio (%)	34%	36%	44%	40%	43%
BVPS (HK\$)	2.63	2.89	2.82	3.09	3.45
Growth %					
Revenue	104.0%	79.9%	38.1%	27.1%	8.0%
Gross Profit	86.8%	56.8%	35.9%	42.3%	9.6%
EBIT	97.4%	52.3%	33.4%	42.5%	10.3%
Underlying net profit	92.5%	50.7%	29.8%	39.1%	10.6%
Margin %					
Gross margin	55.8%	48.6%	47.8%	53.6%	54.3%
Gross margin (post-LAT)	48.2%	39.2%	37.0%	40.7%	41.3%
EBIT margin	44.8%	37.9%	36.6%	41.0%	41.9%
Core net margin	26.2%	21.7%	18.7%	20.5%	20.9%
Key assumptions					
Presales (HK\$m)	8,205	14,106	19,052	25,396	25,385
GFA sold (m sqm)	0.71	1.75	1.93	2.23	2.19
ASP (HK\$/sqm)	11,573	8,083	9,877	11,401	11,581
Booked Sales (HK\$)	6,899	12,813	17,629	22,387	23,928
GFA delivered (m sqm)	0.66	1.62	1.92	2.12	2.18
Booked ASP (HK\$/sqm)	10,409	7,910	9,177	10,571	10,962

Source: Company, ABCI Securities estimates



Consolidated balance sheet (FY13A-FY17E)

As of Mar 31 (HK\$ mn)	FY13A	FY14A	FY15E	FY16E	FY17E
Current assets	18,428	30,042	39,356	43,416	48,948
Bank balances and cash	6,778	12,777	22,091	26,151	31,683
Trade receivables	937	2,806	2,806	2,806	2,806
Properties held for sale	9,953	13,701	13,701	13,701	13,701
Other current assets	760	759	759	759	759
Non-current assets	23,917	29,919	31,354	32,765	31,583
Properties under development	2,382	2,933	4,302	5,832	4,783
Property, plant and equipment	601	659	551	431	299
Investment properties	19,426	24,034	24,034	24,034	24,034
Investment in Associate and JCE	6	13	188	188	188
Other non-current assets	1,502	2,279	2,279	2,279	2,279
Total Assets	42,345	59,961	70,710	76,182	80,531
Current Liabilities	15,374	24,243	33,124	35,815	37,273
Short term borrowings	4,418	5,842	12,842	12,842	12,842
Trade and other payables	4,373	8,871	8,871	8,871	8,871
Pre-sale deposits	3,793	5,120	7,001	9,692	11,150
Other current liabilities	2,790	4,411	4,411	4,411	4,411
Non-current liabilities	10,928	15,573	15,573	15,573	15,573
Long term borrowings	7,435	11,677	11,677	11,677	11,677
Other payables	-	-	-	-	-
Other non-current liabilities	3,493	3,896	3,896	3,896	3,896
Total Liabilities	26,302	39,817	48,698	51,389	52,846
Net Assets	16,043	20,144	22,013	24,793	27,684
Shareholders Equity	15,853	19,970	21,888	24,718	27,660
Minority Interest	190	175	125	75	25
Total Equity	16,043	20,144	22,013	24,793	27,684
Key ratio:					
Gross debt (HK\$ mn)	11,853	17,519	24,519	24,519	24,519
Net debt (HK\$ mn)	5,076	4,742	2,428	(1,633)	(7,164)
Net gearing (%)	32%	24%	11%	-7%	-26%
Presales/ Total assets (x)	0.19	0.24	0.27	0.33	0.32

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (FY13A-FY17E)

FY ended Mar 31 (HK\$ mn)	FY13A	FY14A	FY15E	FY16E	FY17E
EBITDA	3,378	5,173	6,923	9,828	10,835
Change in Working Capital	(554)	2,245	1,935	2,812	4,159
Tax payment	(200)	(2,472)	(3,166)	(4,693)	(5,199)
Operating Cashflow	2,624	4,945	5,692	7,947	9,795
Purchase of PP&E	(10)	(10)	(10)	(10)	(10)
Addition of Investment Properties	0	0	0	0	0
Investment in Associate/ JCE	0	0	0	0	0
Proceeds from Disposals	0	0	0	0	0
Others	0	188	(88)	121	145
Investing Cashflow	(10)	178	(98)	111	135
Debt raised	2,000	10,000	10,000	10,000	10,000
Debt repaid	(500)	(9,815)	(3,000)	(10,000)	(10,000)
Interest expenses	(719)	(1,208)	(1,674)	(1,943)	(1,943)
Equity raised	0	3,328	0	0	0
Convertible securities raised	0	0	0	0	0
Dividend to shareholders	(449)	(1,049)	(1,556)	(2,005)	(2,405)
Others	0	(380)	(50)	(50)	(50)
Financing Cashflow	332	877	3,720	(3,998)	(4,398)
Net cash inflow/ (outflow)	2,946	5,999	9,314	4,060	5,532
Cash- beginning	3,832	6,778	12,777	22,091	26,151
Cash- year-end	6,778	12,777	22,091	26,151	31,683

Source(s): Company, ABCI Securities estimates

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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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