August 20, 2015 Company Report Rating: BUY TP: HK\$ 29.50

Share price (HK\$) 23.00
Est. share price return 28.3%
Est. dividend yield 2.6%
Est. total return 30.9%

Previous Rating &TP HOLD; HK\$ 29.50
Previous Report Date May 6, 2015

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Key Data

 52Wk H/L(HK\$)
 34.05/19.8

 Issued shares (mn)
 9,861

 Market cap (HK\$mn)
 226,793

 3-mth avg daily turnover (HK\$ mn)
 579.17

 Major shareholder(s) (%):
 China State Construction

Engineering Corporation

Source(s): Company, Bloomberg, ABCI Securities

FY14 Revenue breakdown (%)

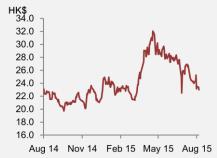
Property Development	96.9
Property Investment	1.0
Others	2.1
Source(s): Company, ABCI Securities	

Share performance (%)

	<u>Absolute</u>	Relative*
1-mth	(14.0)	(7.2)
3-mth	(18.8)	(4.9)
6-mth	(2.5)	2.6
*Relative to HSI		

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

COLI (688 HK)

Strong 1H15 results with skillful forex management; Upgrade to **BUY**

- Core profit rose 20.3% YoY to HK\$ 13.6bn, 13% higher than consensus
- 1H15 presales rose 17% YoY to HK\$ 85bn; management lifted full-year presales target to HK\$ 180bn from HK\$ 168bn
- COLI's net forex liability amounted to HK\$ 30bn only, translating to 10% of NAV.
 Forex risk is skillfully managed by overseas assets functioning as natural hedges as well as diversification of debt's denominating currency
- Upgrade to BUY from Hold; TP unchanged at HK\$ 29.50 with no discounts to NAV

Results exceed expectation. COLI announced its 1H15 results. Core profit rose 20.3% YoY to HK\$ 13.63bn in 1H15, 13% higher than consensus Gross margin remained stable at 32.2%, which is impressive when compared to 26.5% for Vanke, the No.1 developer in China by presales in 1H15. Management commented several low-margin projects in China were booked in 1H15, though its impacts were offset by the more profitable ventures in HK/Macau. Net gearing improved from 27% in Dec 2014 to 13% in June 2015, as balance sheet was strengthened after the equity issuance to parent company for asset injection (Please refer to our report on Mar 25, 2015 for details). Net debt also fell from 33% HoH to HK\$ 25bn, as new land acquisition in 1H15 amounted to only HK\$ 10.46bn, while cash collection of presales remained healthy at HK\$ 55.34bn. Overall, COLI's has been rather consistent in its performance so the latest results should not offer too much of a surprise to the market.

1H15 presales rose 17% YoY to HK\$85bn; The Group raises full-year sales target to HK\$ 180bn. COLI's 1H15 presales jumped 17% to HK\$ 85bn as GFA presold rose 31.7% YoY to 5.82mn; ASP declined 11.2% YoY to HK\$14,678/sqm. COLI's presales growth of 17% YoY in 1H15 is higher than that of its peers at 11% YoY. In July 2015, COLI registered HK\$10.45bn in presales (+12% YoY). 7M15 presales fulfilled 57% of the Group's previous full-year target of HK\$168bn. Hence, COLI decided to raise its full-year sales target to HK\$ 180bn. The Group estimates saleable resources to reach HK\$ 280bn for 2015, of which HK\$150bn will be available in 2H15.

Forex debt was hedged in multiple ways. As of June 15, COLl's total forex debt was HK\$ 84bn (mainly in USD and HKD), representing 80.6% of total borrowings. COLI had HK\$ 24bn in cash (held in USD and HKD) and HK\$ 30bn of property assets in HK/ Macau. Its net forex liability of HK\$30bn is equivalent to only 10% of our 2015E NAV estimate (HK\$ 291bn) only. Hence, for every 5% depreciation in RMB would result in 0.5% decline in our NAV estimate at most. (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)	9.9	7.9	7.7	5.5	4.3
PB (x)	1.7	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	2.4	2.6	3.6	4.7
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



COLI's foreign currency risk is effectively managed in the following ways: 1) Overseas assets as natural hedges. COLI generated HK\$4.38bn in presales from HK/Macau in 1H15 and HK\$ 5.06bn in 2014; 2) Diversified currency exposure with debts denominated in different currencies. In response to the strengthening USD, COLI diversified its debt portfolio by issuing the 4-year Euro bond amounting to € 600mn with a 1.75% coupon rate in July 2015. Forex risk should be mitigated by having debts denominated in different currencies. In this way, they can enjoy a more competitive interest rate where RMB debt alone cannot offer. Nonetheless, COLI is currently exploring opportunities in issuing domestic RMB bonds.

Upgrade to BUY with unchanged TP of HK\$ 29.50. The recent share price correction (COLI's share price was down 8.8% since Aug 11, 2015), which we believe to be mostly driven by concerns over COLI's forex debt exposure, has been overdone, given that the Group's debt size is small when compared to its NAV and its overseas asset exposure would function as natural hedges. We keep our earnings and NAV forecasts unchanged given 1H15 results are in line with our forecasts. Recent share price correction, combined with the Group's consistently solid performance, has prompted us to upgrade COLI to **BUY** from Hold with a TP of HK\$29.50 based on no discounts to NAV.

Risk factors: 1) Rising litigation risk across the sector; 2) Integration risk after asset injection; 3) Currency risks of FX debt exposure.

Exhibit 1: COLI's 1H15 results			
P&L	1H15	1H14	YoY Chg
	HK\$mn	HK\$mn	(%)
Turnover	64,849	54,275	19.5
Cost of Sales & direct operating costs	(43,938)	(36,755)	19.5
Gross Profit	20,910	17,520	19.3
Gross Margin (%)	32.2	32.3	(0.1ppt)
Selling and distribution costs	(937)	(529)	77.1
Administrative expense	(1,017)	(962)	5.8
EBIT	18,956	16,029	18.3
EBIT Margin (%)	29.2	29.5	(0.3ppt)
Other income	787	669	17.6
Fair Value gains on IP and other exceptional items	3,551	2,992	na
Share of profit from JCE/ Associates	544	1,106	(50.8)
Finance cost	(282)	(241)	17.2
Profit before tax	23,556	20,556	14.6
Тах	(6,839)	(6,798)	0.6
- LAT	(1,895)	(2,711)	(30.1)
- Enterprise tax	(4,944)	(4,087)	21.0
Profit after tax	16,717	13,757	21.5
Minority Interest	(400)	174	(329.9)
Net profit	16,317	13,931	17.1
Core net profit	13,630	11,330	20.3
Core net margin	21.0	20.9	0.1ppt
Source(s): Company, ABCI Securities			

Operating statistics	1H15	1H14	YoY
			Chg
			%
Contracted GFA (mn sqm)	5.82	4.42	31.7
Contracted ASP (HK\$/sqm)	14,678	16,521	(11.2)
Contracted Sales (HK\$ mn)	85,452	73,040	17.0
Balance sheet	Jun-15	Dec-14	НоН
			chg
	HK\$ mn	HK\$ mn	
Gross debt	103,655	97,358	6.5
Cash	78,611	59,848	31.4
Net debt	25,044	37,510	(33.2)
Net gearing (%)	13%	27%	-14ppt
Net gearing (70)	1070	21 /0	търс



	Attr. GFA	Net assets value		Valuation	Implied value per sqm
	(M sqm)	(HKD m)	% of total	Method	(HK\$)
Property development					
Hua Nan	10.4	64,425	20%	·	6,193
Hua Dong	11.3	65,075	20%		5,767
Hua Bei	6.4	20,406	6%	DCF at WACC of	3,195
Northern	12.8	71,038	22%	6.9%	5,535
Western	7.8	53,607	17%		6,836
HK & Macau	0.34	15,854	5%		46,172
Subtotal	49.1	290,405	91%		5,915
Investment Properties		28,912	9%	5.0% cap rate on 20	15E net rental income
Total 2015E GAV		319,317	100%	·	
2015E Net debt		(28,486)	-9%		
Total 2015E NAV		290,831	91%		
No. of share outstanding (mn)		9,861			
NAV per share (HK\$)		29.5			
Target Premium/ (discount) (%)		0%			
Target Price (HK\$)		29.50			
WACC	6.9%				
Cost of debt	3.5%				
Cost of Equity	10.0%				
Debt/ (Debt + Equity)	41%				



Consolidated income statement (2013A-2017E)

FY Ended Dec 31 (HK\$ mn)	2013A	2014A	2015E	2016E	2017E
Revenue	82,469	119,997	150,966	211,923	260,658
Cost of sales	(55,647)	(80,759)	(103,455)	(144,971)	(175,991)
Gross Profit	26,822	39,238	47,510	66,953	84,667
SG&A expenses	(2,817)	(3,570)	(4,441)	(5,934)	(6,917)
EBIT	24,005	35,667	43,070	61,019	77,751
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	2.420	F 160	0	0	0
properties	3,438	5,169	U	U	0
Disposal/one-off items	1,458	0	0	0	0
Profit before tax	33,289	43,667	45,293	63,510	80,642
Tax	(10,110)	(15,462)	(16,225)	(20,549)	(25,678)
Profit after tax	23,179	28,205	29,068	42,961	54,964
Minority interest	(135)	(525)	(1,789)	(1,661)	(1,924)
Reported net profit	23,044	27,680	27,279	41,300	53,040
Less: exceptional items	(4,084)	0	0	0	0
Underlying net profit	18,960	23,830	27,279	41,300	53,040
Per share					
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
Growth %					
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%
Margin %					
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%
Key assumptions					
Contracted Sales (HKD mn)	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)

Current assets 241,216 284,021 383,345 449,633 507,514 Cash 41,411 51,215 66,046 166,047 287,159 Trade & other receivables 2,431 3,393 33,990 33,990 33,990 33,990 33,990 33,990 33,990 33,990 33,990 33,990 33,990 <	As of Dec 31 (HK\$ mn)	2013A	2014A	2015E	2016E	2017E
Trade & other receivables 2,431 2,431 2,431 2,431 2,431 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 33,990 349,225 46,255 47,525 49,225 19,255 Investment in Assets 19,257	Current assets	241,216	284,021	383,345	449,633	507,514
Property under development Other current assets 164,362 33,012 33,990 33,990 33,990 33,990 33,990 247,164 183,933 33,990 33,990 33,990 Non-current assets 55,307 66,916 69,240 71,624 73,725 Property, plant & equipment Investment properties 1,371 1,355 1,419 1,484 1,548 1,548 1,755 46,255 47,755 49,255 1,757 16,487 17,307 17,844 1,755 16,487 17,307 17,844 1,755 1,757 16,487 17,307 17,844 1,755 1,757 16,487 17,307 17,844 1,755 1,757 15,779 15,079 15	Cash	41,411	51,215	66,046	166,047	287,159
Other current assets 33,012 33,990 33,990 33,990 33,990 Non-current assets 55,307 66,916 69,240 71,624 73,725 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 Total Assets 296,522 350,937 452,586 521,257 581,239 Current Liabilities 110,928 135,910 171,190 205,210 220,886 Short term borrowings 3,303 22,542 22,54	Trade & other receivables	2,431	2,431	2,431	2,431	2,431
Non-current assets 55,307 66,916 69,240 71,624 73,725 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 Total Assets 296,522 350,937 452,586 521,257 581,239 Current Liabilities 110,928 135,910 171,190 205,210 220,886 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 Other current assets 61,414 46,848 82,129 116,149 131,824 Other current liabilities 74,544 78,219 78,219 78,219 78,219 Long term borrowings 69,397	Property under development	164,362	196,385	280,878	247,164	183,933
Property, plant & equipment Involvestment properties 1,371 1,355 1,419 1,484 1,548 Investment properties 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 296,522 350,937 452,586 521,257 581,239 Current Liabilities 110,928 135,910 171,190 205,210 220,886 Short term borrowings 3,303 22,542 21,523 35,420 35,420 35,420 35,420 35,420 35,420 35,420 31,100 31,100 31,100 31,100 31,100 31,100 31,100 31,100	Other current assets	33,012	33,990	33,990	33,990	33,990
Property, plant & equipment Involvestment properties 1,371 1,355 1,419 1,484 1,548 Investment properties 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 296,522 350,937 452,586 521,257 581,239 Current Liabilities 110,928 135,910 171,190 205,210 220,886 Short term borrowings 3,303 22,542 21,523 35,420 35,420 35,420 35,420 35,420 35,420 35,420 31,100 31,100 31,100 31,100 31,100 31,100 31,100 31,100						
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Investment in Associate and JCE 15,930 15,727 16,487 17,307 17,844 Other non-current assets 5,473 5,079 5,		•	,	,	,	
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Current Liabilities 110,928 135,910 171,190 205,210 220,886 Short term borrowings 3,303 22,542 22,542 22,542 22,542 22,542 22,542 22,542 22,542 22,542 22,542 22,542 22,542 22,542 22,542 22,542 22,542 22,542 35,420 31,00 31,100 31,100 31,100 31,100 31,100 31,100 31,100 31,100 31,100 31,100 31,199 71,990 71,990 71,990 71,990 71,990 71,990 71,99	Other non-current assets	5,473	5,079	5,079	5,079	5,079
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 Non-current liabilities 74,544 78,219 78,219 78,219 78,219 Long term borrowings 69,397 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 739 739 739 739 739 739 739 739 739 739 739 739 7490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,290 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,290 5,29	Total Assets	296,522	350,937	452,586	521,257	581,239
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 Non-current liabilities 74,544 78,219 78,219 78,219 78,219 Long term borrowings 69,397 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 739 739 739 739 739 739 739 739 739 739 739 739 7490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,290 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,490 5,290 5,29	Current Liabilities	110 028	135 010	171 100	205 210	220 886
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 Non-current liabilities 74,544 78,219 78,219 78,219 78,219 Long term borrowings 69,397 71,990 71,990 71,990 71,990 71,990 Other payables 582 739 739 739 739 739 Other non-current assets 4,566 5,490		•	•		•	
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 Non-current liabilities 74,544 78,219 78,219 78,219 78,219 Long term borrowings 69,397 71,990 71,990 71,990 71,990 71,990 Other payables 582 739 739 739 739 739 Other non-current assets 4,566 5,490 5,490 5,490 5,490 Net Assets 111,050 136,808 203,176 237,827 282,133 Shareholders' Equity 109,971 133,334 197,963 231,003 273,435 Minority Interest 1,080 3,474 5,213 6,824 8,698 Total Equity 111,050 136,808 203,176 237,827 282,133 Key ratio Total Equity 111,050 94,532 94,532 94,532 94,532 Net debt (HKDm) 72,700 </td <td>_</td> <td>•</td> <td>,</td> <td>,</td> <td>,</td> <td>,</td>	_	•	,	,	,	,
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Non-current liabilities 74,544 78,219 78,219 78,219 78,219 78,219 78,219 78,219 78,219 78,219 78,219 78,219 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 739	•	· ·				•
Long term borrowings 69,397 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 71,990 739 7490 283,430 299,105 237,827 282,133 282,133 231,333 2	Other current assets	24,007	31,100	31,100	31,100	31,100
Other payables 582 739 739 739 739 Other non-current assets 4,566 5,490 5,490 5,490 5,490 Total Liabilities 185,472 214,129 249,410 283,430 299,105 Net Assets 111,050 136,808 203,176 237,827 282,133 Shareholders' Equity 109,971 133,334 197,963 231,003 273,435 Minority Interest 1,080 3,474 5,213 6,824 8,698 Total Equity 111,050 136,808 203,176 237,827 282,133 Key ratio 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	Non-current liabilities	74,544	78,219	78,219	78,219	78,219
Other non-current assets 4,566 5,490 5,490 5,490 5,490 Total Liabilities 185,472 214,129 249,410 283,430 299,105 Net Assets 111,050 136,808 203,176 237,827 282,133 Shareholders' Equity 109,971 133,334 197,963 231,003 273,435 Minority Interest 1,080 3,474 5,213 6,824 8,698 Total Equity 111,050 136,808 203,176 237,827 282,133 Key ratio 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	Long term borrowings	69,397	71,990	71,990	71,990	71,990
Net Assets 111,050 136,808 203,176 237,827 282,133 Shareholders' Equity 109,971 133,334 197,963 231,003 273,435 Minority Interest 1,080 3,474 5,213 6,824 8,698 Total Equity 111,050 136,808 203,176 237,827 282,133 Key ratio 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	Other payables	582	739	739	739	739
Net Assets 111,050 136,808 203,176 237,827 282,133 Shareholders' Equity 109,971 133,334 197,963 231,003 273,435 Minority Interest 1,080 3,474 5,213 6,824 8,698 Total Equity 111,050 136,808 203,176 237,827 282,133 Key ratio 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	Other non-current assets	4,566	5,490	5,490	5,490	5,490
Net Assets 111,050 136,808 203,176 237,827 282,133 Shareholders' Equity 109,971 133,334 197,963 231,003 273,435 Minority Interest 1,080 3,474 5,213 6,824 8,698 Total Equity 111,050 136,808 203,176 237,827 282,133 Key ratio 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	Total Liabilities	105 472	214 120	240 440	202 420	200 105
Shareholders' Equity 109,971 133,334 197,963 231,003 273,435 Minority Interest 1,080 3,474 5,213 6,824 8,698 Total Equity 111,050 136,808 203,176 237,827 282,133 Key ratio 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	Total Liabilities	105,472	214,129	249,410	203,430	299,105
Minority Interest 1,080 3,474 5,213 6,824 8,698 Total Equity 111,050 136,808 203,176 237,827 282,133 Key ratio Service of the contraction	Net Assets	111,050	136,808	203,176	237,827	282,133
Minority Interest 1,080 3,474 5,213 6,824 8,698 Total Equity 111,050 136,808 203,176 237,827 282,133 Key ratio Service of the contraction	Shareholders' Equity	109.971	133.334	197.963	231.003	273.435
Key ratio 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		•	•	•	•	
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	· · · · · · · · · · · · · · · · · · ·		•		·	
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		•		·		
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						
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	, ,	•	•		,	,
Contracted sales/ Total assets (x) 0.47 0.40 0.46 0.49 0.50	, ,	· ·			, ,	, ,
	G G ()	28.2%				
	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)

Consolidated Cash flow Statement (2013A-2017E)					
FY ended Dec 31 (HK\$ mn)	2013A	2014A	2015E	2016E	2017E
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)
Operating Cash Flow	(13,762)	(18,734)	(18,347)	112,468	135,243
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
Investing Cash Flow	(612)	61	258	492	1,176
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)
Financing Cash Flow	14,905	28,478	32,920	(12,959)	(15,307)
Net cash inflow/ (outflow)	531	9,804	14,831	100,001	121,112
Cash- beginning	40,880	41,411	51,215	66,046	166,047
Cash- year-end	40,660 41,411	51,215	66,046	166,047	287,159
Casii- yeai-eiiu	71,411	31,213	00,040	100,047	201,133

Source: Company, ABCI Securities estimates



Disclosures

Analyst Certification

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Definition of equity rating

Rating	Definition
Buy	Stock return ≥ Market return rate
Hold	Market return – 6% ≤ 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 ≤180 day volatility/180 day benchmark index volatility
High	1.5 ≤ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	1.0 ≤180 day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0
Ma magail	re chare price rick by its veletility relative to veletility of benchmark

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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