

Sun Hung Kai & Co Ltd (86_HK)

Financials: Diversified

Target Price	HK\$ 7.90
Current Price	HK\$ 4.34
Upside Potential	82%

Business Update

Positive Profit Alert; Expect Robust Performance for 1HFY2021

Sun Hung Kai & Co. had reported a solid set of numbers for the FY2020 amidst a tough external market environment with a staggering 23% EPS growth to HK128.30 cents in FY2020. The company has recently announced that for the four months ended 30 April 2021, the unaudited consolidated profit is approximately HK\$1.1 billion as compared to a small loss reported for the same period last year. The primary reasons for a significant improvement in the net profit were mark-to-market and realized gains in financial instruments in the company's Investment Management business, higher interest income and lower provisions for expected credit losses for the company's lending business due to improved business conditions. In the same period last year the company in its Investment Management business had faced mark to market losses as a result of significant market volatility. Business conditions were also unfavorable that resulted in lower interest income and higher provisions for expected credit losses last year.

The expected performance for the first four-month period of FY2021 indicates a robust performance primarily as a result of a resilient Consumer Finance business in Hong Kong and Mainland China where other companies continue to witness losses along with a liquidity crunch. The expected performance demonstrates that the company's core financing business continues to provide stable returns and strong cash flows.

In 2015, SHK & Co. entered the Investment Management space, growing its assets under management to over HK\$14.6 billion as on 31st December 2020. The Investment Management division has consistently contributed to generate net profit since its inception, and has recorded over HK\$4.5 billion in pre-tax profit over the last five years at a cagr of 71%.

We expect the Consumer Finance business to contribute to the steady growth in revenues and profitability for the company and the Investment Management business would continue to generate significant profitability going forward. Also, a greater focus for the company will be on its newly established Funds Management platform, Sun Hung Kai Capital Partners. The fund platform has announced 3 partnerships, which have also launched their respective funds. In addition, Sun Hung Kai Capital Partners has launched a real estate debt fund and is expecting to launch its fund of hedge funds in July.

Market Cap.	HK\$ 8,600 mn US\$ 1,118 mn
Shares Outstanding	1,982.4 mn
Free Float (FF %)	540.4 mn / 27.26%
52 Week Range (HK\$)	4.44 / 2.93
Avg. Daily Value	HK\$ 6.45 mn US\$ 0.84 mn
HANG SENG Index Level	29,298
Insider Holding %	72.74%


Risk: Above Average

Forecasting and Valuations

(HK\$ mn except ratio)	FY2020A	FY2021E
Revenue	3963	4148
Net Income	2548	2783
EPS	1.28	1.40
EPS Growth	22%	9%
PE	3.39	3.10
P/B	0.45	0.40
Div Yield	6%	6%

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Completed Disposal of its Brokerage Unit for HK\$1.24 bn

On the 1st of June 2021, SHK announced that it has sold its entire (remaining) stake in Everbright Sun Hung Kai Company Limited (EBSHKFGL) to Everbright Securities Company Limited (ESCL or Everbright Securities) for a sum of HK\$1.24bn thereby strengthening the capital position of SHK. SHK sold 90.36 mn Preference Shares in EBSHKCL bringing to a final close the company's involvement with EBSHKFGL. SHK intends to use the net proceeds for business expansion in Investment Management and Funds Management. (More transaction details in this report)

Funds Management Platform Updates

SHK had announced in April 2021, the launch of a real estate debt fund managed by its in-house real estate investment group, Multiple Capital Investment Partners (MCIP). The team is targeting to raise between US\$200 and US\$300 mn for the fund, which will invest in first and second mortgages for commercial and residential real estate in Asia-Pacific over its five-year life. SHK has committed US\$100 million of capital.

MCIP is focused on investing in high-quality mortgage loans in developed markets, for development, repositioning or refinancing of the properties. Target markets include Australia and New Zealand, Greater China, South Korea and Southeast Asia. The United Kingdom and selective European Union countries will also be considered on an opportunistic basis. The strategy aims to take advantage of Asia's secular growth trends while securing downside protection and generating yield, to provide investors carefully risk-managed access to the region's real estate markets.

The team is co-led by partners and portfolio managers Rai Katimansah and Simon Tozer, based in Singapore and Melbourne, respectively. Rai has more than two decades of real estate investment experience with various real estate funds and Standard Chartered Bank. Simon has likewise held several senior roles across 20 years, including with banks such as Nomura Securities and ABN AMRO Bank.

The company had previously announced a partnership and seed commitment of US\$150 mn with East Point Asset Management and a partnership and commitment of US\$15 mn with global technology venture capital firm E15VC. East Point Asset Management is a newly established alternative asset management firm, led by CEO and CIO Simon Walsh, a former SHK & Co. employee. E15VC has demonstrated a strong track-record from its first fund of investing in entrepreneurs who focus on addressing significant problems in tech, healthcare and in deep tech. The Hong Kong-based firm has successfully invested in many innovative companies including Vicarious Surgical, Home Bay, Frankie and Auris Health.

SHK had also previously announced its commitment to the ActusRayPartners European Alpha Fund which launched on 18th March 2021. The fundraising target over the first few months is US\$100 million. This fund focuses on listed equities in the European time-zone markets. It covers all sectors and companies of all market capitalisations across the region. Based on over

thirty-five years of investment experience, ActusRayPartners employs a differentiated investment process called Discretionary Probabilistic Investing. The process has a quantitative base but with a discretionary edge to handle situations that may be problematic for a pure systematic process. Their work is underpinned by proprietary quantitative systems and analytical tools. The objective is to generate meaningful levels of alpha and strong risk-adjusted returns.

The company now has a strong pipeline of potential partnerships and fund launches planned for the second half of 2021 covering various strategies including fund of hedge funds, crypto, equity long/short and index arbitrage. SHK is expanding its external partnerships, including seeding and providing acceleration capital as it grows the fund management platform.

Redemption of 4.75% Notes by SHK

SHK has announced that they have totally redeemed the outstanding US\$249.768 mn 4.75% Notes on 31st May 2021, that were issued on 31st May 2016 under the US\$ 3bn Guaranteed Medium Term Note Programme. There are no outstanding Notes in issue now by the company with the delisting effective from the close of business on 31st May 2021.

HK\$7.90 PT = 82% Upside

The stock is currently trading at just 0.45x tangible P/B and at 3.1x P/E on our FY2021 earnings estimate. We use a sum of the parts [SOTP] methodology to value SHK. We value the UAF [United Asia Finance] business at 0.85x tangible loan book value taking into account the high net interest margin resulting in higher ROE and strong future growth prospects of the business. This provides us with a value of HK\$5.18 bn for SHK's 63% stake in the business.

We value the non-UAF business including Investment Management and Mortgage Loans at about 1.0x book value. Plus, the company also has a strong balance sheet with substantial amount of net cash and cash equivalents. Together, the value of cash and the non-UAF business comes to about HK\$11.46 bn. As a result, we arrive at a value of HK\$16.64 bn for SHK which equals HK\$7.90 per share, an upside of about 82% over the current stock price of HK\$4.34. Based on FY2020 reported numbers, our price target implies a Price to Tangible Book of 0.8x and P/E of 6x on our FY2021 earnings estimate of HK140 cents. We maintain our already revised FY2021E estimates to HK140 cents from the earlier HK134 cents due to robust growth of 23% in the earnings per share in FY2020.

0.45x P/B: 3.39x P/E

SHK is currently trading at only 0.45x tangible P/B. Similarly, the stock is cheap even on a P/E basis. The company's current P/E multiple on FY2020 actual reported EPS is 3.39x vs. its 5-year historical average ratio of 5.60x. Based on our FY2021 EPS forecast of HK140 cents, the P/E comes to 3.1x on the current stock price. In our view, the lower valuation is mainly a result of the difficulties faced by the company over the last couple of years, especially in its Mainland China consumer lending business. However, management has undertaken various strategic initiatives such as reducing small business exposure in China, cost rationalization by closing down

underperforming branches, exiting the brokerage business, scaling up its investment management business, etc. to revive the company's growth. We believe that these initiatives will help the company to deliver healthy and sustainable revenue and EPS growth in the next couple of years and reinstate investor confidence in the stock. This could likely result in a re-rating of the stock to its historical average multiples. Applying the historical average P/E multiple of 5.6x to our FY2021 EPS estimate of HK140 cents gives a stock price of HK\$7.90, which is about 82% higher than the current stock price. The book value per share at the end of FY2020 has already increased +12% to HK\$11.40, resulting in the stock trading at an extremely discounted "deep value" 0.45x price/book multiple.

The Transaction Background and Details

On 1st February 2015, SHK and ESFH entered into the Original Sale and Purchase Agreement for the sale and purchase of 70% equity interest in SHKFGL. Completion of the 70% disposal took place on 2nd June 2015. On the same date, SHK and ESFH entered into the Original Shareholders' Agreement to regulate the management of SHKFGL and their relationship with each other as shareholders. As part of the Original Shareholders' Agreement, SHK and ESFH agreed that SHK could during the Put Option Period, exercise the Put Right to require ESFH to buy part or all of the shares SHK holds in SHKFGL.

On 17th November 2020, SHK, ESFH and SHKFGL entered into the Repurchase and Subscription Agreement to exercise the Put Right to require ESFH to buy the remaining 30% shareholding in SHKFGL held by SHK at the Consideration of (i) HK\$1,257,106,447 in cash; and (ii) HK\$1,156,000,000 in SHKFGL Preference Shares. SHK exercised the Put option and sold 90.36 mn SHKFGL shares which ESFH purchased, representing 30% of the entire issued share capital of SHKFGL along with all of SHK's rights, title and interest to the SHKFGL shares, free and clear of all encumbrances for a cash consideration of HK\$1.25 bn. The Preference shares were sold recently on 1st June 2021 according to the details mentioned previously.

5 Year Price Chart



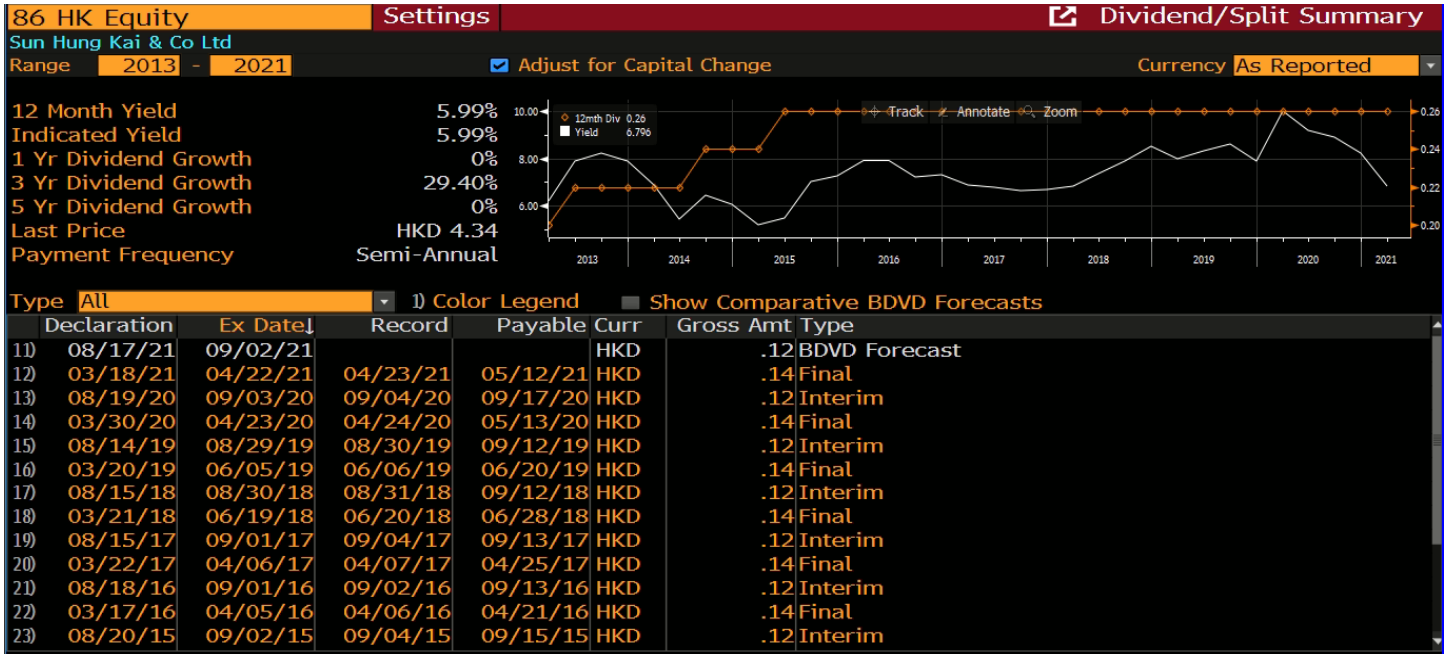
Source: Bloomberg

Key Ratios

86 HK Equity		96) Actions		97) Export		98) Settings		Financial Analysis	
39) ADJ Sun Hung Kai & Co Ltd IFRS 16 ? Acct Mixed						Periods 10 Annuals		Cur FRC (HKD)	
1) Key Stats		2) I/S		3) B/S		4) C/F		5) Ratios	
6) Segments		7) Addl		8) ESG		9) Custom		10) Multiples	
11) BBG Adj Highlights		12) BBG GAAP Highlights		13) Earnings		14) Enterprise Value		15) EV Ex Operating Leases	
In Millions of HKD except Per Share		2022 Y Est	2021 Y Est	Current	2020 Y	2019 Y~	2018 Y		
12 Months Ending		12/31/2022	12/31/2021	06/02/2021	12/31/2020	12/31/2019	12/31/2018		
P/E		2.78	3.10	3.38	2.55	3.55	6.58		
Average					3.07	6.47	5.36		
High					3.57	7.47	6.58		
Low					2.39	3.55	4.20		
P/Book		0.31	0.35	0.38	0.29	0.36	0.39		
Average					0.31	0.38	0.50		
High					0.37	0.44	0.58		
Low					0.24	0.34	0.39		
P/Tangible Book					0.34	0.43	0.47		
Average					0.37	0.46	0.60		
High					0.44	0.53	0.70		
Low					0.29	0.41	0.47		
P/Sales		1.94	2.07		0.96	1.21	1.61		
Average					1.05	1.59	1.90		
High					1.23	1.84	2.26		
Low					0.80	1.20	1.49		

Source: Bloomberg

Dividend History



Source: Bloomberg

Income Statement (HK\$ million)	1H2018	2H2018	1H2019	2H2019	1H2020	2H2020	1H2021E	2H2021E
Revenue	2,059	2,011.3	2,071.6	2,053.5	2,042.9	1,920.1	2,134.8	2,012.8
<i>y/y</i>			0.63%	2.1%	-1.4%	-6.5%	4.5%	4.8%
<i>q/q</i>			3.00%	-0.87%	-0.52%	-6.01%	11.18%	-5.72%
Direct costs and brokerage costs	-67	-73.2	-62.5	-85.6	-65.3	-89.8	-51.8	-51.8
Bad and doubtful debts/ Net impairment losses on financial instruments	-442.4	-459.3	-459.9	-564.5	-484.8	-567.8	-405.6	-397.8
<i>as a % of sales</i>	-21.5%	-22.8%	-22.2%	-27.5%	-23.7%	-29.6%	-19.0%	-19.8%
Other gains	207.2	201.7	21.2	85.0	6.7	163.1	90.7	85.9
<i>as a % of sales</i>	10.1%	10.0%	1.0%	4.1%	0.3%	8.5%	4.3%	4.3%
Selling, General & Admin Expense	-719.4	-607.0	-666.5	-632.9	-560.3	-833.9	-789.9	-669.3
<i>as a % of sales</i>	34.9%	30.2%	32.2%	30.8%	27.4%	43.4%	37.0%	33.3%
Other Operating expenses	-0.8	-0.8	-0.6	-178.4	-96.1	-70.5	-42.7	-148.9
<i>as a % of sales</i>	0.04%	0.04%	0.03%	8.69%	4.70%	3.67%	2.00%	7.40%
Operating Income	1,036.5	1,072.7	903.3	677.1	843.1	521.2	935.5	830.8
<i>y/y</i>			-12.9%	-36.9%	-6.7%	-23.0%	11.0%	59.4%
<i>Operating margin (%)</i>	50.3%	53.3%	43.6%	33.0%	41.3%	27.1%	43.8%	41.3%
Interest Expense	-294.5	-372.3	-374.9	-402.8	-438.3	-369.0	-402.2	-402.2
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity in (losses)income of affiliates	34.5	0.1	50.3	0.2	43.2	-1.0	22.1	22.1
Other recurring (expenses)income	608.7	-360.1	822.3	1,067.9	507.2	2,094.2	1,235.7	1,235.7
Amortization of intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non recurring (expenses) income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income (reported)	1,385.2	340.4	1,401.0	1,342.4	955.2	2,245.4	1,791.1	1,686.4
<i>y/y</i>			1.1%	294.4%	-31.8%	67.3%	87.5%	-24.9%
Pretax Income (adjusted)	1385.2	340.4	1401.0	1342.4	955.2	2245.4	1791.1	1686.4
<i>y/y</i>			1.1%	-4.2%	-28.8%	135.1%	-20.2%	-5.8%
- Income Tax Expense	-112.6	-108.1	-140.6	-88.2	-87.8	-183.9	-161.2	-151.8
<i>effective tax rate (%)</i>	8.1%	31.8%	10.0%	6.6%	9.2%	8.2%	9.0%	9.0%
- Minority Interests	-214.6	-212.2	-231.5	-197.9	-167.5	-213.7	-190.6	-190.6
Income Before XO Items	1058.0	20.1	1028.9	1056.3	699.9	1847.8	1439.3	1344.0
<i>y/y</i>			-2.8%	5155.2%	-32.0%	74.9%	105.6%	-27.3%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (reported)	1058.0	20.1	1028.9	1056.3	699.9	1847.8	1439.3	1344.0
<i>y/y</i>			-2.8%	5155.2%	-32.0%	74.9%	105.6%	-27.3%
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income (adjusted)	1,058.0	20.1	1,028.9	1,056.3	699.9	1,847.8	1,439.3	1,344.0
<i>y/y</i>			-2.8%	5155.2%	-32.0%	74.9%	105.6%	-27.3%
Basic EPS (reported)	0.50	0.01	0.515	0.53	0.35	0.93	0.72	0.68
Basic EPS (adjusted)	0.50	0.01	0.515	0.53	0.35	0.93	0.72	0.68
Basic Weighted Avg Shares	2,109.80	2,109.80	1,997.2	1,997.2	1,985.3	1,985.3	1,985.3	1,985.3
Diluted EPS (reported)	0.501	0.01	0.514	0.53	0.35	0.93	0.72	0.68
<i>y/y</i>			2.6%	5442.6%	-31.6%	75.9%	105.6%	-27.3%
Diluted EPS (adjusted)	0.501	0.01	0.514	0.53	0.35	0.93	0.72	0.68
<i>y/y</i>			2.6%	5442.6%	-31.6%	75.9%	105.6%	-27.3%
Diluted Weighted Avg Shares	2,109.80	2,109.80	2,000.4	2,000.4	1,989.8	1,989.8	1,989.8	1,989.8

Income Statement (HK\$ million)	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E	CAGR (2020-23)
Revenue	3,511.3	3,795.6	4,070.0	4,125.1	3,963.0	4,147.6	4,430.4	4,720.0	6.00%
y/y	-15.9%	8.1%	7.2%	1.4%	-3.9%	4.7%	6.8%	6.5%	
Direct costs and brokerage costs	-88.0	-108.2	-140.0	-148.1	-155.1	-103.7	-110.8	-118.0	
Bad and doubtful debts/ Net impairment losses on financial instruments	-895.7	-386.7	-901.7	-1024.4	-1052.6	-803.5	-718.7	-763.7	
as a % of sales	-25.5%	-10.2%	-22.2%	-24.8%	-26.6%	-19.4%	-16.2%	-16.2%	
Other gains	178.9	142.5	315.5	106.2	169.8	176.6	183.7	183.7	
as a % of sales	5.1%	3.8%	7.8%	2.6%	4.3%	4.3%	4.1%	3.9%	
Selling, General & Admin Expense	-1,278.6	-1,353.7	-1,326.4	-1,299.4	-1,394.2	-1,459.2	-1,527.5	-1,594.7	
as a % of sales	36.4%	35.7%	32.6%	31.5%	35.2%	35.2%	34.5%	33.8%	
Other Operating expenses	-142.8	-177.7	-1.6	-179.0	-166.6	-191.6	-153.3	-153.3	
as a % of sales	4.1%	4.7%	0.0%	4.34%	4.2%	4.6%	3.5%	3.2%	
Operating Income	1,285.1	1,911.8	2,015.8	1,580.4	1,364.3	1,766.3	2,103.9	2,273.9	19%
y/y	222.8%	48.8%	5.4%	-21.6%	-13.7%	29.5%	19.1%	8.1%	
Operating margin (%)	36.6%	50.4%	49.5%	38.3%	34.4%	42.6%	47.5%	48.2%	
Interest Expense	-488.3	-544.3	-666.8	-777.7	-807.3	-804.4	-824.2	-845.0	
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Equity in (losses)/income of affiliates	-54.8	30.9	34.6	50.5	42.2	44.2	45.5	78.1	
Other recurring (expenses)/income	759.6	1,102.5	248.6	1,890.2	2,601.4	2,471.3	2,471.3	2,669.0	
Amortization of intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other non recurring (expenses) income	0.0	107.6	199.1	0.0	0.0	0.0	0.0	0.0	
Pretax Income (reported)	1,501.6	2,608.5	1,831.3	2,743.4	3,200.6	3,477.5	3,796.5	4,175.9	9%
y/y	54.3%	73.7%	-29.8%	49.8%	16.7%	8.7%	9.2%	10.0%	
Pretax Income (adjusted)	1501.6	2500.9	1632.2	2743.4	3200.6	3477.5	3796.5	4175.9	9%
y/y	54.3%	66.5%	-34.7%	68.1%	16.7%	8.7%	9.2%	10.0%	
- Income Tax Expense	-131.9	-294.6	-220.7	-228.8	-271.7	-313.0	-303.7	-334.1	
effective tax rate (%)	8.8%	11.3%	12.1%	8.3%	8.5%	9.0%	8.0%	8.0%	
- Minority Interests	-260.1	-489.6	-426.8	-429.4	-381.2	-381.2	-381.2	-381.2	
Income Before XO Items	1109.6	1824.3	1183.8	2085.2	2547.7	2783.3	3111.6	3460.7	11%
y/y	66.2%	64.4%	-35.1%	76.1%	22.2%	9.2%	11.8%	11.2%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Income (reported)	1109.6	1824.3	1183.8	2085.2	2547.7	2783.3	3111.6	3460.7	11%
y/y	-71.5%	64.4%	-35.1%	76.1%	22.2%	9.2%	11.8%	11.2%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Net Income (adjusted)	1,109.6	1,716.7	984.7	2,085.2	2,547.7	2,783.3	3,111.6	3,460.7	11%
y/y	66.2%	54.7%	-42.6%	111.8%	22.2%	9.2%	11.8%	11.2%	
Basic EPS (reported)	0.50	0.84	0.56	1.04	1.28	1.40	1.57	1.74	
Basic EPS (adjusted)	0.50	0.79	0.47	1.04	1.28	1.40	1.57	1.74	
Basic Weighted Avg Shares	2,207.8	2,172.5	2,109.8	1,997.2	1,985.3	1,985.3	1,985.3	1,985.3	
Diluted EPS (reported)	0.50	0.84	0.56	1.04	1.28	1.40	1.56	1.74	11%
y/y	-71.1%	67.0%	-33.2%	85.8%	22.8%	9.2%	11.8%	11.2%	
Diluted EPS (adjusted)	0.50	0.79	0.47	1.04	1.28	1.40	1.56	1.74	11%
y/y	68.7%	57.2%	-40.9%	123.3%	22.8%	9.2%	11.8%	11.2%	
Diluted Weighted Avg Shares	2,207.8	2,173.5	2,109.8	2,000.4	1,989.8	1,989.8	1,989.8	1,989.8	

Reference Items	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E
EBITDA	1346.7	1968.9	2071.4	1712.7	1514.3	1852.0	2198.4	2377.9
Dividends per Share	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26
Dividend payout ratio	51.7%	32.9%	55.7%	24.9%	20.3%	18.6%	16.6%	14.9%
Dep & Amor.	61.6	57.1	55.6	132.3	150.0	85.7	94.5	104.0
as a % of sales	1.8%	1.5%	1.4%	3.2%	3.8%	2.1%	2.1%	2.2%
as a % of gross fixed assets	9.1%	8.0%	7.3%	16.1%	16.3%	8.0%	8.0%	8.0%

Balance Sheet (HK\$ million)	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E
Assets								
+ Cash & Near Cash Items	6,452.2	2,911.4	4,995.9	5,726.2	7,257.9	7,186.4	8,364.2	9,905.0
+ Short-Term Investments	2,979.1	6,188.4	4,378.6	4,285.6	4,461.5	4,729.2	5,202.1	5,618.3
+ Accounts & Notes Receivable	3,679.8	3,549.3	3,323.9	2,775.1	1,890.8	2,272.7	2,427.6	2,586.3
+Loans and advances	5,752.2	7,718.1	9,048.2	9,999.2	9,295.6	10,787.7	11,527.7	12,296.3
+ Other Current Assets	66.4	149.0	102.1	72.3	15.4	16.0	16.3	16.7
Total Current Assets	18,929.7	20,516.2	21,848.7	22,858.4	22,921.2	24,991.9	27,538.0	30,422.6
+ Long-Term Investments	6,359.3	8,457.5	9,783.5	11,032.1	11,479.6	11,938.8	12,416.3	12,913.0
+ Gross Fixed Assets	669.7	761.1	772.6	870.0	967.4	1,071.1	1,181.9	1,299.9
- Accumulated Depreciation	-247.8	-304.9	-360.5	-492.8	-642.8	-728.5	-823.0	-927.0
+ Net Fixed Assets	421.9	456.2	412.1	377.2	436.5	342.6	358.8	372.8
L-T accounts receivable	359.9	505.8	56.0	70.0	571.8	600.4	630.4	661.9
+ Other Long-Term Assets	701.5	654.0	733.9	905.5	1,103.9	1,148.1	1,194.0	1,241.7
+ Goodwill & other Intangible Assets	3,267.4	3,266.6	3,274.2	3,277.2	3,288.4	3,288.4	3,288.4	3,288.4
Loans and advances	2,521.2	3,565.9	4,575.7	4,041.2	4,281.8	4,623.3	4,940.4	5,269.8
Total Long-Term Assets	13,631.2	16,906.0	18,835.4	19,703.2	21,162.0	21,941.5	22,828.4	23,747.7
Total Assets	32,560.9	37,422.2	40,684.1	42,561.6	44,083.2	46,933.5	50,366.3	54,170.3
Liabilities & Shareholders' Equity								
+ Accounts Payable	239.1	329.1	236.9	338.4	494.1	278.4	297.4	316.8
+ Short-Term Borrowings	4,357.1	4,346.9	7,190.5	6,615.6	8,096.6	8,501.4	8,926.5	9,372.8
+ Other Short-Term Liabilities	348.2	513.8	1,225.4	1,333.5	656.8	669.9	683.3	697.0
Total Current Liabilities	4,944.4	5,189.8	8,652.8	8,287.5	9,247.5	9,449.8	9,907.2	10,386.6
+ Long-Term Borrowings	5,765.1	8,652.2	9,009.1	10,526.4	8,517.5	8,517.5	8,517.5	8,517.5
+ Other Long-Term Liabilities	195.6	181.7	177.1	171.1	365.9	330.9	330.9	330.9
Total Liabilities	10,905.1	14,023.7	17,839.0	18,985.0	18,130.9	18,298.2	18,755.6	19,235.0
+ Total Preferred Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Share Capital & APIC	8,752.3	8,752.3	8,752.3	8,752.3	8,752.3	8,752.3	8,752.3	8,752.3
+ Retained Earnings & Other Equity	9,324.7	10,674.4	10,286.9	11,629.4	13,872.9	16,138.8	18,733.1	21,676.4
Total Shareholders' Equity	18,077.0	19,426.7	19,039.2	20,381.7	22,625.2	24,891.1	27,485.4	30,428.7
+ Minority Interest	3,578.8	3,971.8	3,805.9	3,194.9	3,327.1	3,744.2	4,125.4	4,506.6
Total Liabilities & Equity	32,560.9	37,422.2	40,684.1	42,561.6	44,083.2	46,933.5	50,366.3	54,170.3

Cash Flow (HK\$ million)	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E
+ Net Income	1,369.7	1,824.3	1,183.8	2,085.2	2,547.7	2,783.3	3,111.6	3,460.7
+ Depreciation & Amortization	61.6	57.1	55.6	132.3	150.0	85.7	94.5	104.0
+ Other Non-Cash Adjustments	577.2	489.6	-537.6	-833.6	381.2	381.2	381.2	381.2
+ Changes in Working Capital	-1,385.2	-2,853.0	-998.4	357.7	381.4	-2,447.2	-1,210.0	-1,255.5
Cash From Operating Activities	623.3	-482.0	-296.6	1,741.6	3,460.3	802.9	2,377.3	2,690.4
+ Disposal of Fixed Assets	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Capital Expenditures	-28.8	-91.4	-11.5	-97.4	-97.4	-103.7	-110.8	-118.0
+ Increase in Investments	-253.3	-5,260.0	403.9	-1,327.2	-821.8	-771.0	-996.4	-960.6
+ Decrease in Investments	90.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	-139.1	193.1	-7.6	-3.0	-11.2	0.0	0.0	0.0
Cash From Investing Activities	-330.8	-5,158.3	384.8	-1,427.6	-930.4	-874.7	-1,107.2	-1,078.6
+ Dividends Paid	-642.0	-567.3	-548.5	-520.1	-517.3	-517.3	-517.3	-517.3
+ Change in Short-Term Borrowings	-2,486.0	-10.2	2,843.6	-574.9	1,481.0	404.8	425.1	446.3
+ Increase in Long-Term Borrowing	2,826.7	2,887.1	356.9	1,517.3	-2,008.9	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	-135.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase in Capital Stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Capital Stocks	-169.9	-196.2	-651.1	0.0	0.0	0.0	0.0	0.0
+ Other Financing Activities	0.0	-13.9	-4.6	-6.0	194.8	-35.0	0.0	0.0
Cash from Financing Activities	-606.3	2,099.5	1,996.3	416.3	-850.4	-147.5	-92.3	-71.0
Effect of Exchange Rate Changes	-139.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Changes in Cash	-453.1	-3,540.8	2,084.5	730.3	1,679.5	-219.3	1,177.9	1,540.8
Opening cash		6,452.2	2,911.4	4,995.9	5,726.2	7,405.7	7,186.4	8,364.2
Closing cash		2,911.4	4,995.9	5,726.2	7,405.7	7,186.4	8,364.2	9,905.0

Ratio Analysis	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E
Growth Ratios %								
Revenue	-15.9%	8.1%	7.2%	1.4%	-3.9%	4.7%	6.8%	6.5%
EBITDA	178.2%	46.2%	5.2%	-17.3%	-11.6%	22.3%	18.7%	8.2%
Operating Income	222.8%	48.8%	5.4%	-21.6%	-13.7%	29.5%	19.1%	8.1%
Net income reported	-71.5%	64.4%	-35.1%	76.1%	22.2%	9.2%	11.8%	11.2%
Net income adjusted	66.2%	54.7%	-42.6%	111.8%	22.2%	9.2%	11.8%	11.2%
Diluted EPS reported	-71.1%	67.0%	-33.2%	85.8%	22.8%	9.2%	11.8%	11.2%
Diluted EPS adjusted	69%	57%	-41%	123%	23%	9%	12%	11%
Dividend per share	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Per Share Data (HK\$)								
Basic EPS (adjusted)	0.50	0.79	0.47	1.04	1.28	1.40	1.57	1.74
Diluted EPS (adjusted)	0.50	0.79	0.47	1.04	1.28	1.40	1.56	1.74
Dividend per share (DPS)	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26
Book Value per share (BVPS)	8.19	8.94	9.02	10.19	11.37	12.51	13.81	15.29
Margins (%)								
Operating Margin	36.6%	50.4%	49.5%	38.3%	34.4%	42.6%	47.5%	48.2%
EBITDA Margin	38.4%	51.9%	50.9%	41.5%	38.2%	44.7%	49.6%	50.4%
Pre-Tax Margin (adjusted)	42.8%	65.9%	40.1%	66.5%	80.8%	83.8%	85.7%	88.5%
Net Income Margin (adjusted)	31.6%	45.2%	24.2%	50.5%	64.3%	67.1%	70.2%	73.3%
Return Ratios								
Dupont ROE (%)	6.1%	8.8%	5.2%	10.2%	11.3%	11.2%	11.3%	11.4%
Margin (%)	31.6%	45.2%	24.2%	50.5%	64.3%	67.1%	70.2%	73.3%
Turnover (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Leverage (x)	1.8	1.9	2.1	2.1	1.9	1.9	1.8	1.8
Return on Assets	3.4%	4.6%	2.4%	4.9%	5.8%	5.9%	6.2%	6.4%
Return on Capital Employed	4.7%	5.9%	6.3%	4.6%	3.9%	4.7%	5.2%	5.2%
Return on Invested Capital	3.9%	5.3%	2.8%	5.6%	6.5%	6.6%	6.9%	7.2%
Net Cash calculation (mn HK\$)								
Cash + short term investments + long term investments	18,999.9	15,747.5	19,065.0	21,219.8	23,466.7	24,327.2	26,398.9	22,818.0
Less: long term debt + ST debt	-10,122.2	-12,999.1	-16,199.6	-17,142.0	-16,614.1	-17,018.9	-17,444.0	-17,890.3
Net Cash	8,877.7	2,748.4	2,865.4	4,077.8	6,852.6	7,308.3	8,954.9	4,927.7
Net cash per share	4.0	1.3	1.4	2.0	3.4	3.7	4.5	2.5

Valuation ratio's	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E
P/B	0.65	0.58	0.58	0.51	0.45	0.40	0.36	0.32
P/E	8.64	5.49	9.30	4.16	3.39	3.10	2.78	2.50
P/S	2.47	2.29	2.13	2.10	2.19	2.09	1.96	1.84
EV/sales	5.08	4.70	4.38	4.33	4.50	4.30	4.03	3.78
EV/EBITDA	13.25	9.06	8.62	10.42	11.79	9.64	8.12	7.51
EV/EBIT	13.89	9.33	8.85	11.29	13.08	10.10	8.48	7.85
Dividend Yield (%)	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%
Leverage Ratios	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021E	CY 2022E	CY 2023E
Debt / equity	56%	67%	85%	84%	73%	68%	63%	59%
Net cash (debt) / equity	49%	14%	15%	20%	30%	29%	33%	16%
Net cash (debt) / mkt cap	102%	32%	33%	47%	79%	84%	103%	57%
Net cash (debt) / capital	31%	8%	8%	11%	17%	17%	20%	10%
Interest coverage [EBIT]	2.6	3.5	3.0	2.0	1.7	2.2	2.6	2.7
Earnings Quality Ratios								
Net operating assets/liab [NOA]	22,347	27,298	29,670	30,707	30,847	33,739	35,488	37,302
Average NOA	22,219	24,822	28,484	30,189	30,777	32,293	34,614	36,395
B/S accrual ratio	0.01	0.20	0.08	0.03	0.00	0.09	0.05	0.05
CF accrual ratio	0.04	0.30	0.03	0.06	0.00	0.09	0.05	0.05
Enterprise Value Calculation	Current							
Market Cap.	8,682							
+ Minority Interest	3,327							
+Total Debt (ST & LT Debt)	16,614							
- Cash & Equivalents	7,258							
Enterprise Value	21,365							

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