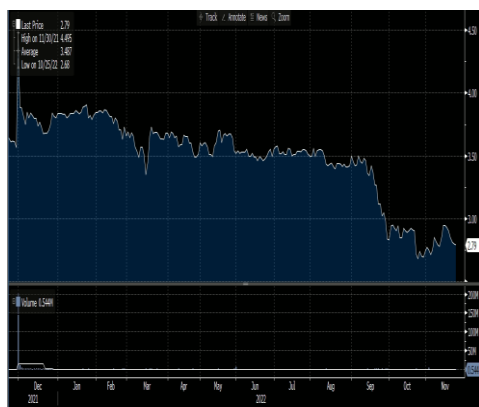


# Sun Hung Kai & Co Ltd (86\_HK)

Financials: Diversified

Target Price	HK\$ 7.94
Current Price	HK\$ 2.80
Upside Potential	184%
Rating	BUY

Market Cap.	HK\$ 5,490 mn US\$ 714 mn
Shares Outstanding	1,972.5 mn
Free Float (FF %)	26.48%
52 Week Range (HK\$)	4.98 / 2.63
Avg. Daily Value	HK\$ 6.45 mn US\$ 0.84 mn
HANG SENG Index Level	17,530
Insider Holding %	73.51%



Risk: Above Average

Forecasting and Valuations

(HK\$ mn except ratio)	FY2022E	FY2023E
Revenue	4124	4611
Net Income	994	3562
EPS	0.50	1.81
EPS Growth	-65%	258%
PE	5.5	1.6
P/B	0.25	0.22
Div Yield	10%	10%

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## Business Update

### Fundamentals Remain Strong Amidst Uncertainty

Sun Hung Kai & Co. recently announced that the unaudited consolidated loss for the ten months ended 31<sup>st</sup> October 2022 is expected to be approximately HK\$1.38 billion, as compared to a profit of approximately HK\$2.92 billion for the ten months ended 31<sup>st</sup> October 2021. The primary reason for the loss for the ten months ended 31<sup>st</sup> October is the marked-to-market losses on the financial instruments in the company's investment management business. The losses on the financial instruments are on account of a challenging and volatile economic and investment environment with interest rates being increased rapidly by central banks globally and China's zero-COVID policy. Hong Kong's Hang Seng index had declined 37% to 14,687 in the first ten months of 2022, its lowest levels since April 2009.

The first ten months period in 2022 has remained challenging not only for SHK & Co. but for the global financial services industry characterized by extreme volatility across all asset classes, spurt in inflation and interest rates, along with intermittent COVID-19 lockdowns, which resulted in sharp moves in markets and a drop in business activities across the world. The strengthening of the US Dollar, triggered by a hawkish central bank and steepening interest rates during the first ten months of FY2022 also contributed to the volatility in the investment environment.

Against this economic backdrop the company's financial performance for the first ten months was impacted in 2022, but due to their diversified businesses, SHK & Co. was able to cushion the impact from the market volatility. The company successfully maintained their market leadership in the Consumer Finance business through these headwinds. United Asia Finance (UAF), the Consumer Finance business company of SHK & Co. continued to lead in the Hong Kong unsecured loan market, ranking first amongst all money lenders and was one of the top five lenders amongst all market players including banks in terms of outstanding unsecured loan balance.

Despite the headwinds, the results announced a few months back for the 1<sup>st</sup> half of 2022 were above our expectations, as the revenue remained flat with a marginal decline of only 1.9%. The marginal decline indicates stable performance despite extended lockdown in 1H2022, in Hong Kong and China. The company reported revenue of HK\$2,056 million in 1HFY2022 as compared to HK\$2,096 million in the 1HFY2021, due to resilient Consumer Finance business in both Hong Kong and China.

Importantly, the book value per share continues to remain strong at HK\$12.10, resulting in the stock trading at an extremely discounted “deep value” 0.23x price/book multiple.

We believe that any sharp recovery in the markets in the near future would drastically reduce the marked-to-market losses for SHK & Co. and the interest cover would be back to normal levels seen previously.

The company’s BS and the Investment Management business are consistent with the company’s stated “cautious” and prudent outlook to financial markets and the overall economy. We believe this posture is appropriate, especially in light of the high inflation levels and rate hikes, escalation of geopolitical tensions, ongoing coronavirus pandemic and EM equity and currency volatility.

**HK\$7.94 PT = 184% Upside**

The stock is currently trading at just 0.25x tangible P/B and at 1.6x P/E on our FY2023 earnings estimate. We use a sum of the parts [SOTP] methodology to value SHK. We value the UAF [United Asia Finance] business at a conservative 0.65x 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\$5.44 bn for SHK’s 63% stake in the business.

We value the non-UAF business including Investment Management and Mortgage Loans at a conservative 0.65x 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\$10.24 bn. As a result, we arrive at a value of HK\$15.68 bn for SHK which equals HK\$7.94 per share, an upside of about 184% over the current stock price of HK\$2.80. Based on 1HFY2022 reported numbers, our price target implies a Price to Tangible Book of 0.65x and P/E of 4.4x on our FY2023 earnings estimate of HK181 cents. We have previously revised down our FY2023E earnings per share estimates to HK181 cents due to global uncertainty and volatility.

### **0.25x P/B; 1.6x P/E**

SHK is currently trading at only 0.22x tangible P/B on our FY2023 estimates. Similarly, the stock is cheap even on P/E basis. The company's current P/E multiple on FY2021 actual reported EPS is 2.2x vs. its 5-year historical average ratio of 5.60x. Based on our FY2023 EPS forecast of HK181 cents, the P/E comes to 1.6x 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, after undertaking various strategic initiatives such as launch of the secured loan product in China, cost rationalization by closing down underperforming branches, moving business to online platforms, and scaling up its investment management business has revived the company's growth in FY2021.

Further, the company started to build out a funds management platform which is fully licensed to manage external capital and launched 8 partnerships/funds as on 30<sup>th</sup> June 2022. Despite the challenging macro economic and investment environment, certain strategies have been performing well and driving AUM growth to USD834 million in total at the end of 1H2022. These initiatives will deliver healthy and sustainable revenue and EPS growth after global business conditions revive in FY2023 and beyond. This could likely result in a re-rating of the stock to its historical average multiples. On a conservative basis, even if we assume a 4.4x multiple to our FY2023 EPS estimate of HK181 cents, gives a stock price of HK\$7.94, which is about 184% higher than the current stock price. The book value per share at the end of 1HFY2022 has remained stable at HK\$12.10, resulting in the stock trading at an extremely discounted "deep value" 0.23x price/book multiple.

### **Consistent Dividend Payout, 10% Annualized Yield**

The company gave an interim dividend of HK12 cents per share for the six months ended 30 June 2022. Considering consistent dividend paid out by the company historically, if a dividend of HK14 cents per share is paid in the second half of 2022, it would imply an annualized dividend yield of 10% for 2022 at the current stock price of HK\$ 2.80.

### **Discretionary Investment Management Agreement in October 2022**

As announced by SHK, on 19<sup>th</sup> October 2022, Mr. Lee (a connected person of each of SHK and AGL) and the Manager (an indirect subsidiary of each of SHK and AGL) entered into the Discretionary Investment Management Agreement, pursuant to which Mr. Lee has agreed to appoint the Manager to provide discretionary investment management services in respect of the Portfolio for a term of three years commencing from the date of the Discretionary Investment Management Agreement.

It is expected that the maximum daily balance of the investment amount by Mr. Lee (including any accrued investment returns and cash holdings) in the Portfolio shall not exceed US\$27,500,000 (equivalent to approximately HK\$215,875,000).

The funds management segment of SHK was launched in 2021 with the objective to further diversify SHK's products and strategies and to add additional revenue streams to SHK.

The Manager, which currently holds SFC Type 1, 4 and 9 licenses, was set up to be SHK's asset management platform to provide external asset management service and serve as a funds distribution channel.

By providing discretionary investment management service to Mr. Lee, the Manager will not only receive management fees and performance fees for services rendered, but can also increase its asset under management, build scale and promote the development of its asset management business. The appointment of the Manager by Mr. Lee to manage his assets will increase the asset under management of the Manager and support the asset management business of SHK.

Mr. Lee

Mr. Lee is an executive director of SHK, one of the trustees of the Lee and Lee Trust and a connected person of each of SHK and AGL.

AGL

AGL is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange. The principal business activity of AGL is investment holding. The principal business activities of its major subsidiaries are property development mainly comprising apartments, villas, office buildings and commercial properties, property investment, hospitality related activities, provision of elderly care services, property management, cleaning and security guarding services, logistics services, and the provision of finance, investments in listed and unlisted securities and funds management.

SHK

SHK is a company incorporated in Hong Kong with limited liability, the securities of which are listed on the main board of the Stock Exchange. The principal business activity of SHK is investment holding. The principal business activities of its major subsidiaries are financing which includes consumer finance, private credit & mortgage loans, and investment management & funds management. As at the date of this joint announcement, SHK is beneficially owned as to approximately 73.24% by AGL.

## 5 Year Price Chart



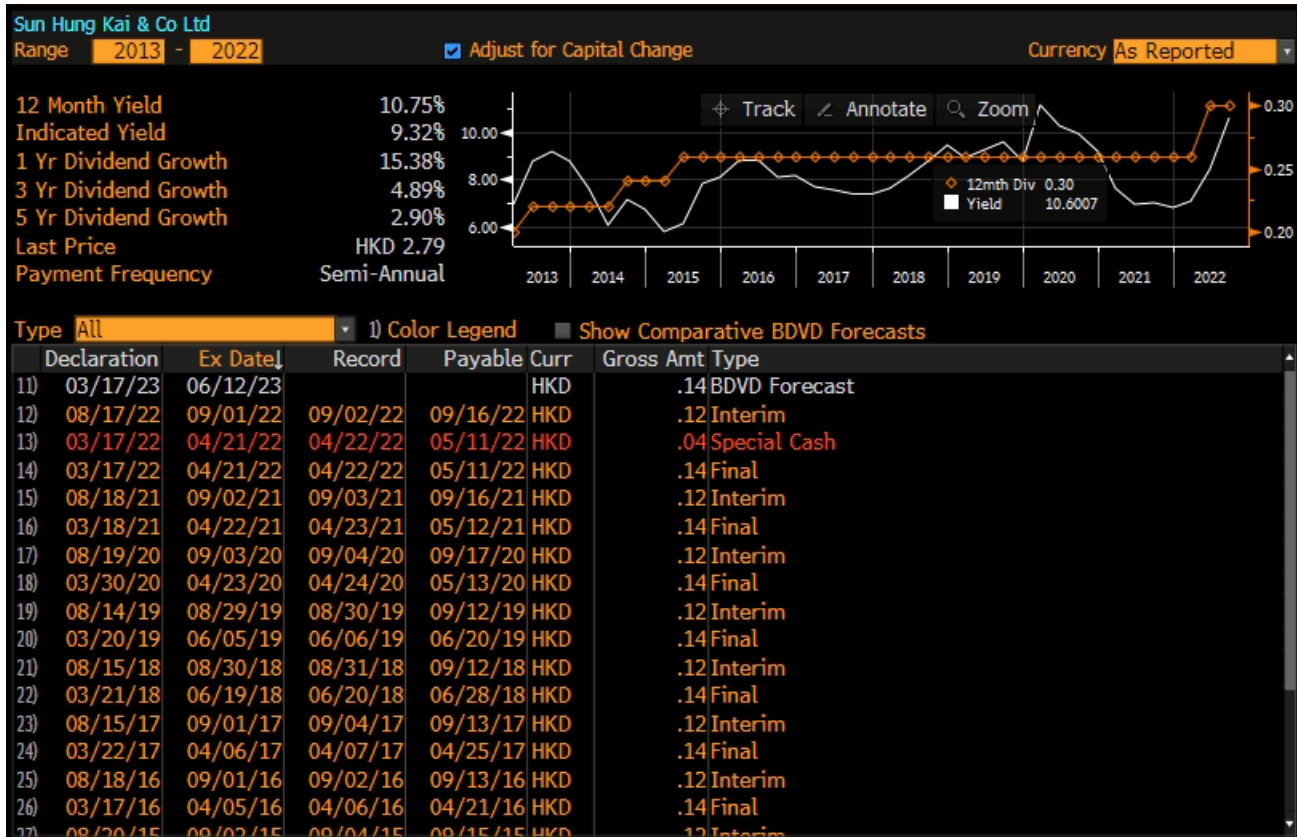
Source: Bloomberg

## Key Ratios

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In Millions of HKD except Per Share	2023 Y Est	2022 Y Est	Current	2021 Y	2020 Y	2019 Y~	2018 Y	2017 Y	2016 Y	2015 Y
12 Months Ending	12/31/2023	12/31/2022	11/23/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
P/E	1.55	5.58		2.92	2.55	3.55	6.58	5.94	9.54	17.11
Average				3.06	3.07	6.47	5.36	10.11	15.57	14.24
High				3.80	3.57	7.47	6.58	11.65	17.05	19.29
Low				2.48	2.39	3.55	4.20	5.94	9.54	10.33
P/Book	0.19	0.22	0.23	0.33	0.29	0.36	0.39	0.55	0.58	0.63
Average				0.34	0.31	0.38	0.50	0.62	0.58	0.94
High				0.43	0.37	0.44	0.58	0.71	0.63	1.27
Low				0.28	0.24	0.34	0.39	0.55	0.52	0.63
P/Tangible Book			0.27	0.38	0.34	0.43	0.47	0.66	0.71	0.77
Average				0.40	0.37	0.46	0.60	0.75	0.70	1.21
High				0.50	0.44	0.53	0.70	0.87	0.77	1.64
Low				0.33	0.29	0.41	0.47	0.66	0.64	0.77
P/Sales	1.19	1.33	1.55	1.17	0.96	1.21	1.61	2.11	2.38	2.18
Average				1.16	1.05	1.59	1.90	2.52	1.99	3.07
High				1.49	1.23	1.84	2.26	2.93	2.40	4.25
Low				0.93	0.80	1.20	1.49	2.09	1.79	2.17
P/Free Cash Flow				30.86	2.92	3.03	1.66	4.08	11.67	6.92
Average				3.62	2.62	1.64	3.67	12.34	6.32	8.82
High				30.86	3.05	3.03	4.30	14.24	11.67	11.97
Low				2.84	2.44	1.42	1.66	4.08	5.70	6.41

Source: Bloomberg

## Dividend History



Source: Bloomberg



Income Statement (HK\$ million)	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022E	CY 2023E	CY 2024E	CY 2025E	CY 2026E	CAGR (2021-26)
<b>Revenue</b>	3,511.3	3,795.6	4,070.0	4,125.1	3,963.0	4,133.4	4,123.6	4,611.2	4,901.6	5,203.7	5,518.5	5.95%
y/y	-15.9%	8.1%	7.2%	1.4%	-3.9%	4.3%	-0.2%	11.8%	6.3%	6.2%	6.1%	
Direct costs and brokerage costs	-88.0	-108.2	-140.0	-148.1	-155.1	-243.9	-247.4	-115.3	-122.5	-130.1	-138.0	
Bad and doubtful debts/ Net impairment losses on financial instruments	-895.7	-386.7	-901.7	-1024.4	-1052.6	-714.6	-695.4	-717.3	-762.7	-811.1	-862.5	
as a % of sales	-25.5%	-10.2%	-22.2%	-24.8%	-26.6%	-17.3%	-16.9%	-15.6%	-15.6%	-15.6%	-15.6%	
Other gains	178.9	142.5	315.5	106.2	169.8	302.4	302.4	302.4	302.4	302.4	302.4	
as a % of sales	5.1%	3.8%	7.8%	2.6%	4.3%	7.3%	7.3%	6.6%	6.2%	5.8%	5.5%	
Selling, General & Admin Expense	-1,278.6	-1,353.7	-1,326.4	-1,299.4	-1,394.2	-1,451.5	-1,419.1	-1,412.3	-1,471.3	-1,530.7	-1,590.8	
as a % of sales	36.4%	35.7%	32.6%	31.5%	35.2%	35.1%	34.4%	30.6%	30.0%	29.4%	28.8%	
Other Operating expenses	-142.8	-177.7	-1.6	-179.0	-166.6	-24.9	-19.9	-19.9	-19.9	-19.9	-19.9	
as a % of sales	4.1%	4.7%	0.0%	4.34%	4.2%	0.6%	0.5%	0.4%	0.4%	0.4%	0.4%	
<b>Operating Income</b>	<b>1,285.1</b>	<b>1,911.8</b>	<b>2,015.8</b>	<b>1,580.4</b>	<b>1,364.3</b>	<b>2,000.9</b>	<b>2,044.1</b>	<b>2,648.7</b>	<b>2,827.6</b>	<b>3,014.3</b>	<b>3,209.7</b>	10%
y/y	222.8%	48.8%	5.4%	-21.6%	-13.7%	46.7%	2.2%	29.6%	6.8%	6.6%	6.5%	
Operating margin (%)	36.6%	50.4%	49.5%	38.3%	34.4%	48.4%	49.6%	57.4%	57.7%	57.9%	58.2%	
Interest Expense	-488.3	-544.3	-666.8	-777.7	-807.3	-716.2	-742.0	-763.8	-786.7	-810.8	-836.1	
Interest income	0.0	0.0	0.0	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	-61.5	14.1	71.2	74.8	78.5	82.4	
Other recurring (expenses)/income	759.6	1,102.5	248.6	1,890.2	2,601.4	2,550.0	255.0	2,550.0	2,754.0	2,974.3	3,212.3	
Amortization of intangibles	0.0	0.0	0.0	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	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	0.0	0.0	0.0	
<b>Pretax Income (reported)</b>	<b>1,501.6</b>	<b>2,608.5</b>	<b>1,831.3</b>	<b>2,743.4</b>	<b>3,200.6</b>	<b>3,773.2</b>	<b>1,571.3</b>	<b>4,506.2</b>	<b>4,869.6</b>	<b>5,256.3</b>	<b>5,668.3</b>	8%
y/y	54.3%	73.7%	-29.8%	49.8%	16.7%	17.9%	-58.4%	186.8%	8.1%	7.9%	7.8%	
<b>Pretax Income (adjusted)</b>	<b>1501.6</b>	<b>2500.9</b>	<b>1632.2</b>	<b>2743.4</b>	<b>3200.6</b>	<b>3773.2</b>	<b>1571.3</b>	<b>4506.2</b>	<b>4869.6</b>	<b>5256.3</b>	<b>5668.3</b>	8%
y/y	54.3%	66.5%	-34.7%	68.1%	16.7%	17.9%	-58.4%	186.8%	8.1%	7.9%	7.8%	
- Income Tax Expense	-131.9	-294.6	-220.7	-228.8	-271.7	-474.1	-196.4	-563.3	-608.7	-657.0	-708.5	
effective tax rate (%)	8.8%	11.3%	12.1%	8.3%	8.5%	12.6%	12.5%	12.5%	12.5%	12.5%	12.5%	
- Minority Interests	-260.1	-489.6	-426.8	-429.4	-381.2	-485.4	-381.2	-381.2	-380.2	-379.2	-378.2	
<b>Income Before XO Items</b>	<b>1109.6</b>	<b>1824.3</b>	<b>1183.8</b>	<b>2085.2</b>	<b>2547.7</b>	<b>2813.7</b>	<b>993.6</b>	<b>3561.7</b>	<b>3880.7</b>	<b>4220.1</b>	<b>4581.6</b>	10%
y/y	66.2%	64.4%	-35.1%	76.1%	22.2%	10.4%	-64.7%	258.4%	9.0%	8.7%	8.6%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Net Income (reported)</b>	<b>1109.6</b>	<b>1824.3</b>	<b>1183.8</b>	<b>2085.2</b>	<b>2547.7</b>	<b>2813.7</b>	<b>993.6</b>	<b>3561.7</b>	<b>3880.7</b>	<b>4220.1</b>	<b>4581.6</b>	10%
y/y	-71.5%	64.4%	-35.1%	76.1%	22.2%	10.4%	-64.7%	258.4%	9.0%	8.7%	8.6%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Net Income (adjusted)</b>	<b>1,109.6</b>	<b>1,716.7</b>	<b>984.7</b>	<b>2,085.2</b>	<b>2,547.7</b>	<b>2,813.7</b>	<b>993.6</b>	<b>3,561.7</b>	<b>3,880.7</b>	<b>4,220.1</b>	<b>4,581.6</b>	10%
y/y	66.2%	54.7%	-42.6%	111.8%	22.2%	10.4%	-64.7%	258.4%	9.0%	8.7%	8.6%	
Basic EPS (reported)	0.50	0.84	0.56	1.04	1.28	1.43	0.50	1.81	1.97	2.14	2.32	
Basic EPS (adjusted)	0.50	0.79	0.47	1.04	1.28	1.43	0.50	1.81	1.97	2.14	2.32	
Basic Weighted Avg Shares	2,207.8	2,172.5	2,109.8	1,997.2	1,985.3	1,971.2	1,971.2	1,971.2	1,971.2	1,971.2	1,971.2	
<b>Diluted EPS (reported)</b>	<b>0.50</b>	<b>0.84</b>	<b>0.56</b>	<b>1.04</b>	<b>1.28</b>	<b>1.42</b>	<b>0.50</b>	<b>1.80</b>	<b>1.97</b>	<b>2.14</b>	<b>2.32</b>	10%
y/y	-71.1%	67.0%	-33.2%	85.8%	22.8%	11.3%	-64.7%	258.4%	9.0%	8.7%	8.6%	
<b>Diluted EPS (adjusted)</b>	<b>0.50</b>	<b>0.79</b>	<b>0.47</b>	<b>1.04</b>	<b>1.28</b>	<b>1.42</b>	<b>0.50</b>	<b>1.80</b>	<b>1.97</b>	<b>2.14</b>	<b>2.32</b>	10%
y/y	68.7%	57.2%	-40.9%	123.3%	22.8%	11.3%	-64.7%	258.4%	9.0%	8.7%	8.6%	
Diluted Weighted Avg Shares	2,207.8	2,173.5	2,109.8	2,000.4	1,989.8	1,974.6	1,974.6	1,974.6	1,974.6	1,974.6	1,974.6	



Reference Items	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022E	CY 2023E	CY 2024E	CY 2025E	CY 2026E
EBITDA	1346.7	1968.9	2071.4	1712.7	1514.3	2174.4	2244.0	2868.2	3067.9	3276.8	3495.7
Dividends per Share	0.26	0.26	0.26	0.26	0.26	0.30	0.24	0.24	0.24	0.24	0.24
Dividend payout ratio	51.7%	32.9%	55.7%	24.9%	20.3%	21.1%	47.7%	13.3%	12.2%	11.2%	10.3%
Dep & Amor.	61.6	57.1	55.6	132.3	150.0	173.5	199.8	219.5	240.3	262.5	286.0
as a % of sales	1.8%	1.5%	1.4%	3.2%	3.8%	4.2%	4.8%	4.8%	4.9%	5.0%	5.2%
as a % of gross fixed assets	9.1%	8.0%	7.3%	16.1%	16.3%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
Balance Sheet (HK\$ million)	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022E	CY 2023E	CY 2024E	CY 2025E	CY 2026E
<b>Assets</b>											
+ Cash & Near Cash Items	6,452.2	2,911.4	4,995.9	5,726.2	7,257.9	6,000.7	5,567.1	6,867.5	8,994.5	11,506.1	14,779.3
+ Short-Term Investments	2,979.1	6,188.4	4,378.6	4,285.6	4,461.5	6,676.4	7,344.0	7,931.6	8,439.2	8,871.3	8,871.3
+ Accounts & Notes Receivable	3,679.8	3,549.3	3,323.9	2,775.1	1,890.8	1,453.7	1,668.3	1,865.6	1,983.0	2,105.2	2,232.6
+Loans and advances	5,752.2	7,718.1	9,048.2	9,999.2	9,295.6	9,541.4	11,368.3	12,119.0	12,898.1	13,707.3	0.3
+ Other Current Assets	66.4	149.0	102.1	72.3	15.4	174.5	178.0	181.5	185.2	188.9	192.7
<b>Total Current Assets</b>	<b>18,929.7</b>	<b>20,516.2</b>	<b>21,848.7</b>	<b>22,858.4</b>	<b>22,921.2</b>	<b>23,846.7</b>	<b>26,125.8</b>	<b>28,965.2</b>	<b>32,499.9</b>	<b>36,378.8</b>	<b>26,076.2</b>
+ Long-Term Investments	6,359.3	8,457.5	9,783.5	11,032.1	11,479.6	14,163.2	14,729.7	15,318.9	15,931.7	16,568.9	17,231.7
+ Gross Fixed Assets	669.7	761.1	772.6	870.0	967.4	1,070.7	1,173.8	1,289.1	1,411.6	1,541.7	1,679.7
- Accumulated Depreciation	-247.8	-304.9	-360.5	-492.8	-642.8	-816.3	-1,016.1	-1,235.6	-1,476.0	-1,738.4	-2,024.4
+ Net Fixed Assets	421.9	456.2	412.1	377.2	436.5	492.8	157.7	53.5	-64.3	-196.7	-344.7
L-T accounts receivable	359.9	505.8	56.0	70.0	571.8	89.7	94.2	98.9	103.8	109.0	114.5
+ Other Long-Term Assets	701.5	654.0	733.9	905.5	1,103.9	931.3	968.6	1,007.3	1,047.6	1,089.5	1,133.1
+ Goodwill & other Intangible Assets	3,267.4	3,266.6	3,274.2	3,277.2	3,288.4	3,296.8	3,296.8	3,296.8	3,296.8	3,296.8	3,296.8
Loans and advances	2,521.2	3,565.9	4,575.7	4,041.2	4,281.8	5,969.6	4,872.1	5,193.8	5,527.7	5,874.5	20,783.5
<b>Total Long-Term Assets</b>	<b>13,631.2</b>	<b>16,906.0</b>	<b>18,835.4</b>	<b>19,703.2</b>	<b>21,162.0</b>	<b>24,943.4</b>	<b>24,119.1</b>	<b>24,969.2</b>	<b>25,843.3</b>	<b>26,742.1</b>	<b>42,214.8</b>
<b>Total Assets</b>	<b>32,560.9</b>	<b>37,422.2</b>	<b>40,684.1</b>	<b>42,561.6</b>	<b>44,083.2</b>	<b>48,790.1</b>	<b>50,244.8</b>	<b>53,934.4</b>	<b>58,343.2</b>	<b>63,120.9</b>	<b>68,291.0</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
+ Accounts Payable	239.1	329.1	236.9	338.4	494.1	811.1	662.0	308.5	327.9	348.1	369.1
+ Short-Term Borrowings	4,357.1	4,346.9	7,190.5	6,615.6	8,096.6	10,648.2	11,180.6	11,739.6	12,326.6	12,943.0	13,590.1
+ Other Short-Term Liabilities	348.2	513.8	1,225.4	1,333.5	656.8	740.5	755.3	770.4	785.8	801.5	817.6
<b>Total Current Liabilities</b>	<b>4,944.4</b>	<b>5,189.8</b>	<b>8,652.8</b>	<b>8,287.5</b>	<b>9,247.5</b>	<b>12,199.8</b>	<b>12,597.9</b>	<b>12,818.5</b>	<b>13,440.3</b>	<b>14,092.6</b>	<b>14,776.8</b>
+ Long-Term Borrowings	5,765.1	8,652.2	9,009.1	10,526.4	8,517.5	7,634.8	7,634.8	7,634.8	7,634.8	7,634.8	7,634.8
+ Other Long-Term Liabilities	195.6	181.7	177.1	171.1	365.9	416.3	416.3	416.3	416.3	416.3	416.3
<b>Total Liabilities</b>	<b>10,905.1</b>	<b>14,023.7</b>	<b>17,839.0</b>	<b>18,985.0</b>	<b>18,130.9</b>	<b>20,250.9</b>	<b>20,649.0</b>	<b>20,869.6</b>	<b>21,491.4</b>	<b>22,143.7</b>	<b>22,827.9</b>
+ Total Preferred Equity	0.0	0.0	0.0	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	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	16,322.9	16,842.6	19,930.4	23,337.2	27,083.4	31,191.1
<b>Total Shareholders' Equity</b>	<b>18,077.0</b>	<b>19,426.7</b>	<b>19,039.2</b>	<b>20,381.7</b>	<b>22,625.2</b>	<b>25,075.2</b>	<b>25,594.9</b>	<b>28,682.7</b>	<b>32,089.5</b>	<b>35,835.7</b>	<b>39,943.4</b>
+ Minority Interest	3,578.8	3,971.8	3,805.9	3,194.9	3,327.1	3,464.0	4,000.9	4,382.1	4,762.3	5,141.5	5,519.7
<b>Total Liabilities &amp; Equity</b>	<b>32,560.9</b>	<b>37,422.2</b>	<b>40,684.1</b>	<b>42,561.6</b>	<b>44,083.2</b>	<b>48,790.1</b>	<b>50,244.8</b>	<b>53,934.4</b>	<b>58,343.2</b>	<b>63,120.9</b>	<b>68,291.0</b>

Cash Flow (HK\$ million)	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022E	CY 2023E	CY 2024E	CY 2025E	CY 2026E
+ Net Income	1,369.7	1,824.3	1,183.8	2,085.2	2,547.7	2,813.7	993.6	3,561.7	3,880.7	4,220.1	4,581.6
+ Depreciation & Amortization	61.6	57.1	55.6	132.3	150.0	173.5	199.8	219.5	240.3	262.5	286.0
+ Other Non-Cash Adjustments	577.2	489.6	-537.6	-833.6	381.2	485.4	381.2	381.2	380.2	379.2	378.2
+ Changes in Working Capital	-1,385.2	-2,853.0	-998.4	357.7	381.4	-772.8	-1,086.3	-1,616.3	-1,204.2	-1,251.2	-1,301.5
<b>Cash From Operating Activities</b>	<b>623.3</b>	<b>-482.0</b>	<b>-296.6</b>	<b>1,741.6</b>	<b>3,460.3</b>	<b>2,699.8</b>	<b>488.4</b>	<b>2,546.0</b>	<b>3,297.0</b>	<b>3,610.6</b>	<b>3,944.2</b>
+ Disposal of Fixed Assets	0.2	0.0	0.0	0.0	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	-103.3	-103.1	-115.3	-122.5	-130.1	-138.0
+ Increase in Investments	-253.3	-5,260.0	403.9	-1,327.2	-821.8	-4,725.9	-1,271.4	-1,215.5	-1,160.7	-1,111.3	-706.3
+ Decrease in Investments	90.2	0.0	0.0	0.0	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	-8.4	0.0	0.0	0.0	0.0	0.0
<b>Cash From Investing Activities</b>	<b>-330.8</b>	<b>-5,158.3</b>	<b>384.8</b>	<b>-1,427.6</b>	<b>-930.4</b>	<b>-4,837.6</b>	<b>-1,374.5</b>	<b>-1,330.7</b>	<b>-1,283.2</b>	<b>-1,241.3</b>	<b>-844.3</b>
+ Dividends Paid	-642.0	-567.3	-548.5	-520.1	-517.3	-592.4	-473.9	-473.9	-473.9	-473.9	-473.9
+ Change in Short-Term Borrowings	-2,486.0	-10.2	2,843.6	-574.9	1,481.0	2,551.6	532.4	559.0	587.0	616.3	647.1
+ Increase in Long-Term Borrowing	2,826.7	2,887.1	356.9	1,517.3	-2,008.9	-882.7	0.0	0.0	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	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	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	0.0	0.0	0.0
+ Other Financing Activities	0.0	-13.9	-4.6	-6.0	194.8	50.4	0.0	0.0	0.0	0.0	0.0
<b>Cash from Financing Activities</b>	<b>-606.3</b>	<b>2,099.5</b>	<b>1,996.3</b>	<b>416.3</b>	<b>-850.4</b>	<b>1,126.9</b>	<b>58.5</b>	<b>85.1</b>	<b>113.1</b>	<b>142.4</b>	<b>173.2</b>
<b>Effect of Exchange Rate Changes</b>	<b>-139.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Changes in Cash</b>	<b>-453.1</b>	<b>-3,540.8</b>	<b>2,084.5</b>	<b>730.3</b>	<b>1,679.5</b>	<b>-1,010.9</b>	<b>-827.6</b>	<b>1,300.4</b>	<b>2,126.9</b>	<b>2,511.7</b>	<b>3,273.2</b>
Opening cash		6,452.2	2,911.4	4,995.9	5,726.2	7,405.7	6,394.7	5,567.1	6,867.5	8,994.5	11,506.1
Closing cash		2,911.4	4,995.9	5,726.2	7,405.7	6,394.7	5,567.1	6,867.5	8,994.5	11,506.1	14,779.3

Ratio Analysis	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022E	CY 2023E	CY 2024E	CY 2025E	CY 2026E
<b>Growth Ratios %</b>											
Revenue	-15.9%	8.1%	7.2%	1.4%	-3.9%	4.3%	-0.2%	11.8%	6.3%	6.2%	6.1%
EBITDA	178.2%	46.2%	5.2%	-17.3%	-11.6%	43.6%	3.2%	27.8%	7.0%	6.8%	6.7%
Operating Income	222.8%	48.8%	5.4%	-21.6%	-13.7%	46.7%	2.2%	29.6%	6.8%	6.6%	6.5%
Net income reported	-71.5%	64.4%	-35.1%	76.1%	22.2%	10.4%	-64.7%	258.4%	9.0%	8.7%	8.6%
Net income adjusted	66.2%	54.7%	-42.6%	111.8%	22.2%	10.4%	-64.7%	258.4%	9.0%	8.7%	8.6%
Diluted EPS reported	-71.1%	67.0%	-33.2%	85.8%	22.8%	11.3%	-64.7%	258.4%	9.0%	8.7%	8.6%
Diluted EPS adjusted	69%	57%	-41%	123%	23%	11%	-65%	258%	9%	9%	9%
Dividend per share	0.00%	0.00%	0.00%	0.00%	0.00%	15.38%	-20.00%	0.00%	0.00%	0.00%	0.00%
<b>Per Share Data (HK\$)</b>											
Basic EPS (adjusted)	0.50	0.79	0.47	1.04	1.28	1.43	0.50	1.81	1.97	2.14	2.32
Diluted EPS (adjusted)	0.50	0.79	0.47	1.04	1.28	1.42	0.50	1.80	1.97	2.14	2.32
Dividend per share (DPS)	0.26	0.26	0.26	0.26	0.26	0.30	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	12.70	12.96	14.53	16.25	18.15	20.23
<b>Margins (%)</b>											
Operating Margin	36.6%	50.4%	49.5%	38.3%	34.4%	48.4%	49.6%	57.4%	57.7%	57.9%	58.2%
EBITDA Margin	38.4%	51.9%	50.9%	41.5%	38.2%	52.6%	54.4%	62.2%	62.6%	63.0%	63.3%
Pre-Tax Margin (adjusted)	42.8%	65.9%	40.1%	66.5%	80.8%	91.3%	38.1%	97.7%	99.3%	101.0%	102.7%
Net Income Margin (adjusted)	31.6%	45.2%	24.2%	50.5%	64.3%	68.1%	24.1%	77.2%	79.2%	81.1%	83.0%
<b>Return Ratios</b>											
<b>Dupont ROE (%)</b>	<b>6.1%</b>	<b>8.8%</b>	<b>5.2%</b>	<b>10.2%</b>	<b>11.3%</b>	<b>11.2%</b>	<b>3.9%</b>	<b>12.4%</b>	<b>12.1%</b>	<b>11.8%</b>	<b>11.5%</b>
Margin (%)	31.6%	45.2%	24.2%	50.5%	64.3%	68.1%	24.1%	77.2%	79.2%	81.1%	83.0%
Turnover (x)	0.1	0.1	0.1	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	2.0	1.9	1.8	1.8	1.7
Return on Assets	3.4%	4.6%	2.4%	4.9%	5.8%	5.8%	2.0%	6.6%	6.7%	6.7%	6.7%
Return on Capital Employed	4.7%	5.9%	6.3%	4.6%	3.9%	5.5%	5.4%	6.4%	6.3%	6.1%	6.0%
Return on Invested Capital	3.9%	5.3%	2.8%	5.6%	6.5%	6.5%	2.2%	7.4%	7.5%	7.5%	7.5%
<b>Net Cash calculation (mn HK\$)</b>											
Cash + short term investments + long term investments	18,999.9	15,747.5	19,065.0	21,219.8	25,413.9	27,507.9	28,228.4	22,186.5	24,926.1	28,075.1	32,011.0
Less: long term debt + ST debt	-10,122.2	-12,999.1	-16,199.6	-17,142.0	-16,614.1	-18,283.0	-18,815.4	-19,374.4	-19,961.4	-20,577.8	-21,224.9
<b>Net Cash</b>	<b>8,877.7</b>	<b>2,748.4</b>	<b>2,865.4</b>	<b>4,077.8</b>	<b>8,799.8</b>	<b>9,224.9</b>	<b>9,413.0</b>	<b>2,812.0</b>	<b>4,964.7</b>	<b>7,497.3</b>	<b>10,786.1</b>
Net cash per share	4.0	1.3	1.4	2.0	4.4	4.7	4.8	1.4	2.5	3.8	5.5

Valuation ratio's	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022E	CY 2023E	CY 2024E	CY 2025E	CY 2026E
P/B	0.42	0.38	0.37	0.33	0.29	0.25	0.25	0.22	0.19	0.17	0.15
P/E	5.57	3.55	6.00	2.69	2.19	1.96	5.56	1.55	1.42	1.31	1.21
P/S	1.57	1.46	1.36	1.34	1.40	1.34	1.34	1.20	1.13	1.06	1.00
EV/sales	5.08	4.70	4.38	4.33	4.50	4.32	4.33	3.87	3.64	3.43	3.23
EV/EBITDA	13.25	9.06	8.62	10.42	11.79	8.21	7.95	6.22	5.82	5.45	5.11
EV/EBIT	13.89	9.33	8.85	11.29	13.08	8.92	8.73	6.74	6.31	5.92	5.56
Dividend Yield (%)	9.29%	9.29%	9.29%	9.29%	9.29%	10.71%	9.29%	9.29%	9.29%	9.29%	9.29%

Leverage Ratios	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022E	CY 2023E	CY 2024E	CY 2025E	CY 2026E
Debt / equity	56%	67%	85%	84%	73%	73%	74%	68%	62%	58%	53%
Net cash (debt) / equity	49%	14%	15%	20%	39%	37%	37%	10%	15%	21%	27%
Net cash (debt) / mkt cap	161%	50%	52%	74%	159%	167%	170%	49%	88%	133%	192%
Net cash (debt) / capital	31%	8%	8%	11%	22%	21%	21%	6%	9%	13%	17%
Interest coverage [EBIT]	2.6	3.5	3.0	2.0	1.7	2.8	2.8	3.5	3.6	3.7	3.8

#### Earnings Quality Ratios

Net operating assets/liab [NOA]	22,347	27,298	29,670	30,707	30,847	34,145	35,500	37,640	39,380	41,178	43,037
Average NOA	22,219	24,822	28,484	30,189	30,777	32,496	34,823	36,570	38,510	40,279	42,107
B/S accrual ratio	0.01	0.20	0.08	0.03	0.00	0.10	0.04	0.06	0.05	0.04	0.04
CF accrual ratio	0.04	0.30	0.03	0.06	0.00	0.15	0.05	0.06	0.05	0.05	0.04

Enterprise Value Calculation	Current
Market Cap.	5,529
+ Minority Interest	3,464
+Total Debt (ST & LT Debt)	18,283
- Cash & Equivalents	6,001
<b>Enterprise Value</b>	<b>21,275</b>

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