

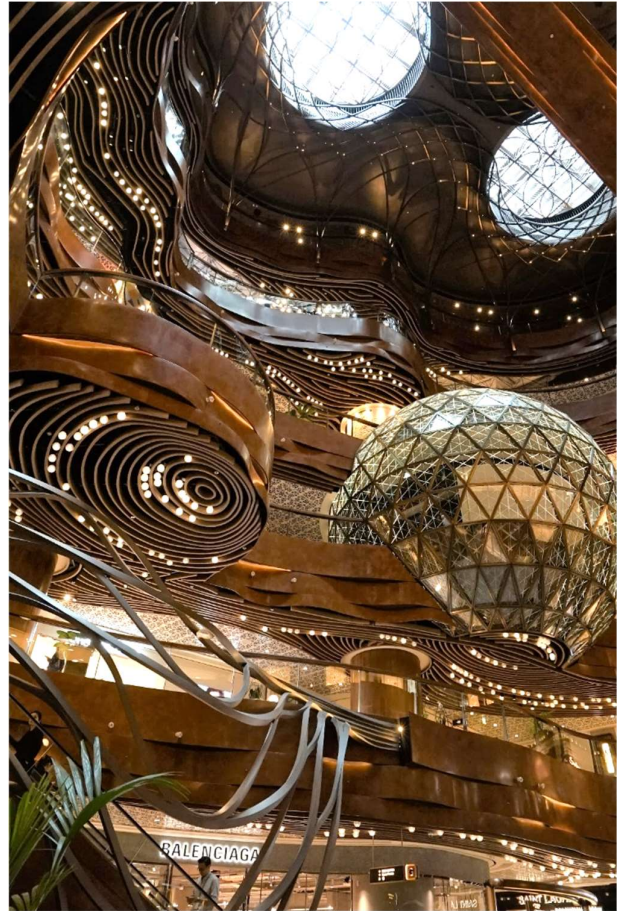
November 5, 2019

AMTD Equity Research

Company Report



**SPECIAL FOCUS:**  
**VICTORIA DOCKSIDE**  
**A Key Milestone that marks**  
**The Dawn of a New World**  
**New World Development (0017.HK)**



*This report marks the transfer of coverage of New World Dev (0017.HK) to Jacky Chan*

**Jacky Chan**  
**Analyst**  
+852 3163 3323  
Jacky.Chan@amtdgroup.com

**Brian Li**  
**Analyst**  
+852 3163 3384  
Brian.Li@amtdgroup.com

**Michelle Li**  
**Analyst**  
+852 3163-3383  
Michelle.Li@amtdgroup.com

## Execution warrants a Valuation Re-rating

When New World Development (0017.HK) announced plans to redevelop New World Centre back in 2009, it was greeted with skepticism by the financial markets. It was a redevelopment project with no potential GFA enhancement and economic conditions were still uncertain at the time amidst the Global Financial Crisis. Investment community found it difficult to justify the IRR for such an important CAPEX spend on the project.

Ten years on, ~HK\$26bn of CAPEX spent and following the Grand Opening of K11 Musea (The Mall) on 26<sup>th</sup> August 2019, the decade long redevelopment project is finally completed.

The outcome is a landmark project that will mark as a major milestone in New World Development's new product under the leadership of Mr. Adrian Cheng, who was re-designated as Executive Vice Chairman of New World Development in 2015.

**Figure 1: K11 Musea Grand Opening marks the Full Completion of Victoria Dockside**



Source: Company Website

### **Valuation should Re-rate as Victoria Dockside proves Execution Track Record**

Based on our estimations, we believe that the economics of the project justifies the capex spending, but more importantly, we believe investors should look at the development of this whole Victoria Dockside project as a mark of execution track record improvement demonstrated by the New World management team over the past 5-10 years.

Innovation in Real Estate Industry is very challenging and the attempt to create an innovative product incorporate Arts into a Commercial Complex could have gone wrong in many ways. It would have been very easy to become "just another mall/office/hotel", but to be able to create a product such as Victoria Dockside which could potentially attract tenants and customers into the complex for many years to come is no easy feat.

New World Development (0017.HK) has long been trading at deeper valuation discounts than peers, which we believe reflected investors' concerns over the execution track record of the company to grow and realise the NAV.

This is the time to change the perception and give credit where credit is due.

Following the Grand Opening of Victoria Dockside, we believe the Discount to NAV should narrow, driving a re-rating of the stock.

Our Target Price of HK\$14.13/sh is based on a 45% Disc. To NAV and offers ~28% upside to the current share price.

**Figure 2: Stock trading at 57% Disc to NAV**



Source: Bloomberg, AMTD estimates

**Figure 3: Stock trading at Deeply Disc. 0.51x P/B ratio**



Source: Bloomberg, AMTD estimates

## Creating Shareholders' Value at Victoria Dockside

The CAPEX spent on the redevelopment of New World Centre into Victoria Dockside as per press release announcements is at around ~HK\$26bn. This translates to approximately HK\$8,450/sqft.

Like most commercial complexes, the first rental contract (~approx 2019E-2022E) is likely to be a ramp up stage, in our view, and the second rental contract 2023E and beyond is when we believe to start seeing the true colours of the project.

We estimate that the project could eventually generate up to HK\$2.5bn in recurring rental revenues after the first rent review cycle. This is based on the following key assumptions, including

1. HK\$120/sqft/month average rents for the fully-leased out office,
2. HK\$160/sqft/month rents (including turnover rents) for the K11 Musea Shopping Mall while assuming a lettable area efficiency ratio of 40%.
3. K11 Artus Serviced Apartments achieving average rents of HK\$122/sqft/month with an average occupancy rate of 70%.
4. Rosewood Hotel + Residences achieving ADR of HK\$4,000/night and a 70% occupancy rate

We then made an estimation on what the Old New World Center would be achieving today in terms of rents if the redevelopment did not take place. We estimate that the Old New World Center will probably be achieving around HK\$1bn in gross rents p.a.

This means that the value created through the redevelopment capex is approx. HK\$1.5bn p.a. Based on the HK\$26bn CAPEX, this would mean that the Unleveraged Yield on Cost would be approximately 5.8%.

When compared to the developers' FY2019 weighted average interest rate of ~3.65%, this is a value accretive project.

**Figure 4: Victoria dockside unleveraged yield on cost could reach 5.8% by the end of first rent review cycle**

		Rents			Occupancy		Est. Annual	Est. Old NWC	Value
Type		GFA ('000 Ssqf)	Lettable Area (HK\$/sqft /month)	Rooms	ADR	Rate	Rents (HK\$m)	Rents p.a. (HK\$m)	Created (HK\$m)
K11 Atelier	Office	435	435	120		100%	626	157	470
K11 Musea	Mall	1,156	462	160		100%	888	555	333
K11 Artus	Serv Apt	380	380	122		70%	390	137	253
Rosewood	Hotel/Serv Apt	1,106	1,106	46	599	4,000	612	153	459
<b>Total</b>		<b>3,077</b>					<b>2,517</b>	<b>1,001</b>	<b>1,515</b>
CAPEX									26,000
<b>Unleveraged Yield on Cost</b>									<b>5.8%</b>

Source: AMTD Research Estimates

## Victoria Dockside – Unleashing Creativity

Victoria Dockside aims to become the art and design district for culture, creativity and innovation, connecting global millennials to collide. Over 100 Creative Talents were behind the development of this project to bring the vision to reality.

The whole commercial complex spanning across 3m sqft comprises of Office, Retail, Hotel and Serviced Apartments.

The project was built on the site formerly known as Holt's Wharf, which served as a global freight and logistics hub of Hong Kong. New World Development acquired the site in the 1970's and redeveloped it into New World Center, a vibrant commercial complex on the edge of the Victoria Harbour of Hong Kong.

In 2009, the company began the demolition of the East Wing Office Tower, paving way for the redevelopment of the site into the Victoria Dockside that we see today.

Figure 5: From The Old New World Center...



Source: Company Report

Figure 6: ... To Victoria Dockside



Source: Company Website

## K11 Musea: A Silicon Valley of Culture

Executive Vice Chairman Mr. Adrian Cheng has reiterated his vision to build "A Silicon Valley of Culture" at K11 Musea. Creative talents are at the heart to most of the products that we consume every day. Value are created when creative brains bring their visions to reality.

We took a tour around the commercial complex recently and have witnessed a shopping mall that is very different from the other malls in the city.

Art pieces in the form of chairs and seats go a long way to help to retain customers' time spent inside the mall. This helps to grow the foot traffic and hence the retail sales for the retailers.



**Figure 7: A Muse by the Sea**

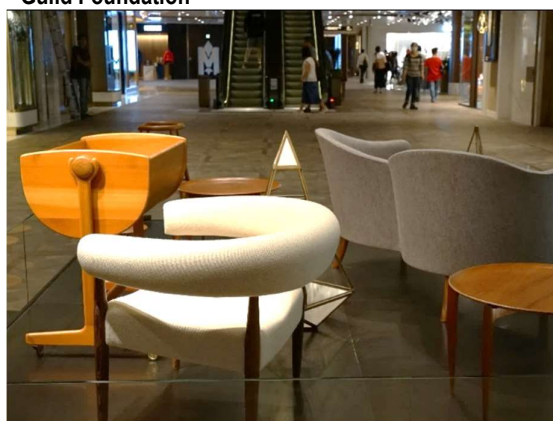
Source: AMTD Research

**Figure 8: An unique experience created by Artisans**

Source: AMTD Research

**Figure 9: Home to International Designer Brands**

Source: AMTD Research

**Figure 10: Exhibition in cooperation with K11 Craft & Guild Foundation**

Source: AMTD Research

**Unrivalled Exclusive facility for VIP customers**

There is a wealth of exclusivity for Super VIP customers who spend over HK\$300k p.a. at the mall, including a VIP bathroom, a private club (Gentry Club) and private suites where wealthy customers can enjoy their afternoon tea as well as trying on the latest fashion collection of the major designer brands.

No other malls in Hong Kong provide such a private exclusive shopping experience so far. We believe that this will go a long way to attract the wealthy individuals to spend their time and hang out.

Figure 11: Ultimate Shopping Experience - Private Suites for VIP's



Source: AMTD Research

Figure 12: Ultimate Shopping Experience - Private Bathroom for VIP's



Source: AMTD Research

**A Careful selection of Tasteful Retailers and Restaurants**

Overall, the mall houses over 250 international brands and flagship stores with an occupancy rate of over 95%. Many international brands which are new to the HK market such as MoMA Design Store opened their largest store in Asia, while other popular F&B brands such as Heytea, Chatterbox Café and Fortnum & Mason have also established their presence in the mall.

The combination of the F&B options and retailers will help the mall to attract and retain foot traffic so as to prolong the stay of each customer within the mall in order to drive the retail sales higher, in our view.

Figure 13: A rich collection of fashion boutiques/designer stores and exclusive dining experience



Source: Company Website

### Works of Art detailed in every Corner

Walking along the Mall, it is not difficult to spot the different art, crafts and antiques on display in the mall. New World Development work with the K11 Craft & Guild Foundation and K11 Art Foundation in making such exhibitions possible in the shopping mall.

Every detail from the public seating spaces to the ceiling lamp are all distinguished pieces of art which are uniquely created by artisans.

One of the ceiling lamps which mirrors the looks of railway tracks and chimneys was actually designed to commemorate the history of this land site, which was previously Holt's Wharf, and neighbouring a railway station.

Walking a little bit further down and we see some delicate public seating area designed by Mr. Zhang Enli, called the Parrots of Five Colours:

*"By gazing up in Parrots of Five Colours, visitors will see that the dome shape ceiling of the floating garden is painted with greenery. This together with the swirling patterns on the floor, suggesting an otherworldly fantasy of laying at the centre of a heavenly ocean. There were five birds which symbolizes the five elements of Chinese philosophy, reminding people of the interconnectedness of everything in the world."*

All of these offers consumers a brand new shopping experience, which is rather unique from any other shopping experience in other shopping malls across Hong Kong and China. We believe that such experiences will enhance the shoppers impression of the mall, as well as increasing the stickiness of its shoppers by prolonging their stay in the shopping mall. This should in turn raise the retail sales consumption of each consumer in the longer term compared to other shopping malls.

Figure 14: Works of Art Detailing every Corner



Source: AMTD Research

Figure 15: Works of Art Detailing every Corner



Source: AMTD Research



Figure 16: Works of Art Detailing every Corner



Source: AMTD Research

Figure 17: Works of Art Detailing every Corner



Source: AMTD Research

Figure 18: Works of Art Detailing every Corner



Source: AMTD Research

Figure 19: Works of Art Detailing every Corner



Source: AMTD Research

### Sustainable Green Architecture

Sustainability is at the heart of K11 MUSEA's design and development. The Project has achieved new green building pre-certifications including the U.S. LEED (Gold) and the Hong Kong BEAM Plus (Gold) standards.

Walking into the mall and it is not difficult to see the extensive greenery, which includes over 50,000 square feet of living walls, equivalent to the surface area of 18 tennis courts, K11 MUSEA sets a new benchmark for green design in Hong Kong. Its interior features natural materials such as limestone and wood.

Other highlight features at the K11 Musea include rainwater harvesting which provides 100% of irrigation water and a seawater-cooled, oil-free HVAC chiller system, which reduces annual energy consumption by over 12% compared to the baseline of the stringent U.S. ASHRAE 90.1 standard.

**Figure 20: Extensive Greenery can be found at K11 Musea**



Source: Company Website

### Nature Discovery Park – the Legend of Urban Farming

Inside the K11 Musea lies a Nature Discovery Park on its podium. It is Hong Kong's first urban biodiversity museum and sustainably-themed education park. Not only does this park showcase a variety of rare plants, it also features tropical and native plants, an aquarium and naturally attract butterflies.

Visitors can organize group events, meetings, lunches, cocktail gatherings or even wedding and birthday parties at this venue. Not only is it an eco-friendly feature to add to the complex, we believe it would be also an important feature to attract footfall to the mall.



**Figure 21: Nature Discovery Park**



Source: Company Website

**L'ÉCOLE School of Jewelry Arts, supported by Van Cleef & Arpels**

K11 Musea will also be the home to L'ÉCOLE, School of Jewelry Arts, and it will be their first outpost outside of Paris.

Founded in Paris in 2012, L'ÉCOLE, School of Jewelry Arts, with the support of the High Jewelry Maison Van Cleef & Arpels, is the first school established for the general public to learn about the history, culture, and savoir-faire of the bejeweled arts.

The school design itself was created by renowned architect Sou Fujimoto, a long-time friend of L'ÉCOLE, who imagined a modern identity for their Asian venue, with organic shapes, playing with natural day light of the site.

The School is scheduled to be opened in Fall 2019 and we believe it will add another unique feature that is unrivalled in Hong Kong for years to come.

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**Figure 22: L'ÉCOLE School of Jewelry Arts, supported by Van Cleef & Arpels**

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Source: AMTD Research

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**The Remaking of The Avenue of Stars**

During the redevelopment of the project site into Victoria Dockside, New World Development has also helped redeveloped the Avenue of The Stars neighbouring Victoria Dockside along the Harbour. It is a 457-meter waterfront that houses the handprints of celebrities, as well as a statue of martial arts legend Bruce Lee. It is one of the most visited tourist attractions in Hong Kong.

The site was first rebranded as the Avenue of Stars back in 2004, which is similar to the Walk of Fame in Los Angeles Hollywood.

After the redevelopment it now provides seven times more shade and eight times more greenery than the old Avenue of Stars.

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**Figure 23: Redevelopment of Avenue of Stars**

Source: Discover Hong Kong

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### Hong Kong's first MoMA Design store

The Museum of Modern Art has opened its first MoMA Design Store in K11 Musea and it is their largest store in Asia. Previously, MoMA Design Store has presence in US and Japan, and it has now selected K11 Musea for a 6,000 sqft shop area as their largest store in Asia.

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**Figure 24: Hong Kong's First MoMA Design Store**

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Source: AMTD Research

### K11 Artelier: 270 degrees view of the Harbour

The K11 Artelier is the office tower attached to the complex, occupying 7/F to the 21/F, while the floors from 22/F upwards is the Rosewood Hotel. Benefiting from the unrivalled location at the tip of the Kowloon Peninsula, the office building enjoys a 270 degrees view of the Victoria Harbour.

K11 Artelier was completed and commenced operation back in 2H2017 and by June-2019, it has already been 80% leased out, boasting Mizuho Securities among its anchor tenant.

The K11 Artelier is also now a brand and product line that is seen on King's Road, Shanghai, Guangzhou and Victoria Dockside.

**Figure 25: K11 Artelier Offices**

Source: AMTD Research

**Figure 26: 270 degree office Sea View**

Source: AMTD Research

## K11 Artus: Unrivalled Serviced Apartments in Hong Kong

K11 Artus comprises of luxury hospitality and serviced apartments with 287 suites, ranging from studios to 3-4 bedroom units and pent houses. The property has made local headlines with achieved rents of up to HK\$150/sqft for its luxury pent houses and the leasing is currently on track with budget, as per management at the post FY 2019 results analyst briefing.

**Figure 27: K11 Artus Luxury Serviced Apartments**

Source: AMTD Research

**Figure 28: Serviced Apartments Interior**

Source: AMTD Research

## Rosewood Hotel & Residences: Redefining HK's 5-Star Hotels

Rosewood Hotel and Residences comprises of 413 Guest rooms and 186 Serviced Apartments. The hotel enjoys the luxury location of neighbouring the tourist area of Tsim Sha Tsui. Just right adjacent to the complex is the Stars Avenue, while next door is the Hong Kong Space Museum and Hong Kong Cultural Center.

The current political turmoil in Hong Kong has resulted in a ~30% drop in tourists during Aug 2019 and Rosewood Hotel takes the worse hit among all the different parts of the Victoria Dockside complex.

We estimate that Average Daily Room Rates for similar 5-Star Hotels in Hong Kong are around HK\$3,000/night, compared to the usual peak seasons in the past which could reach up to HK\$5,000/night.

Figure 29: Rosewood Hotel



Source: Company Website

Figure 30: Rosewood Hotel Rooms



Source: Company Website



## Valuation Methodology

### Sum-Of-The-Parts Methodology to derive Target Price of HK\$14.13/sh

We adopt a Sum-of-the-parts approach for New World Development considering its diversified business model including Property Development, Property Investment, Hotels and Infrastructure Business.

Our Sum-of-The-Parts NAV is at HK\$25.69/sh, and our Target Price of HK\$14.13 is derived based on a 45% Disc. To NAV and offers a target upside of 28% to current share price.

**Figure 31: Redevelopment of Avenue of Stars**

Business	Valuation Methodology	Attri GFA (sq ft)	(HK\$/sq ft)	Fwd NAV (HK\$ mn)	HK\$/sh	%
<b>Hong Kong Development property</b>	DCF@8%	<b>5,050,770</b>	<b>7,576</b>	<b>38,266</b>	<b>3.74</b>	<b>10.7%</b>
Luxury residential		540,581	9,834	5,316	0.52	1.5%
Mass residential		3,460,659	7,530	26,060	2.55	7.3%
Others		1,049,530	6,566	6,891	0.67	1.9%
<b>Hong Kong Investment property</b>	Cap rate@4.75%-5.75%	<b>9,599,881</b>	<b>12,062</b>	<b>115,789</b>	<b>11.33</b>	<b>32.4%</b>
Luxury residential		503,828	19,853	10,003	0.98	2.8%
HK Retail		3,100,380	15,078	46,747	4.57	13.1%
HK Office		2,805,155	12,762	35,799	3.50	10.0%
HK Industrials & others		3,190,518	4,797	15,306	1.50	4.3%
CP	Various room values			7,934	0.78	2.2%
<b>Hong Kong Hotels</b>	Various room values			<b>18,251</b>	<b>1.79</b>	<b>5.1%</b>
<b>Hong Kong Farmerland</b>		<b>16,995,000</b>	<b>1,101</b>	<b>18,711</b>	<b>1.83</b>	<b>5.2%</b>
Business	Valuation Methodology	Attri GFA (sq m)	(RMB/sq m)	Fwd NAV (HK\$ mn)		
<b>China Development property</b>	DCF@10%	<b>6,107,397</b>	<b>9,221</b>	<b>64,733</b>	<b>6.33</b>	<b>18.1%</b>
Southern		2,132,417	10,985	26,925	2.63	7.5%
Central		1,189,381	6,130	8,380	0.82	2.3%
Eastern		272,946	9,135	2,866	0.28	0.8%
Northern		549,158	23,152	14,614	1.43	4.1%
Northeastern		1,963,495	5,294	11,948	1.17	3.3%
<b>China Investment property</b>	Cap rate@6.50%-9.00%	<b>1,012,392</b>	<b>37,388</b>	<b>43,508</b>	<b>4.26</b>	<b>12.2%</b>
Luxury residential		49,293	13,625	772	0.08	0.2%
China Retail		662,636	40,964	31,200	3.05	8.7%
China Office		256,076	9,580	2,820	0.28	0.8%
CP	Various room values			8,716	0.85	2.4%
<b>China Hotels</b>	Various room values			<b>8,631</b>	<b>0.84</b>	<b>2.4%</b>
Business	Valuation Methodology	Attri No. of rooms/CP	Per room/CP (HK\$ mn)	Fwd NAV (HK\$ mn)		
<b>Hotels</b>				<b>27,675</b>	<b>2.71</b>	<b>7.8%</b>
Hong Kong		2,836	6.44	18,251	1.79	5.1%
Mainland China		3,137	2.75	8,631	0.84	2.4%
Southeast Asia		665	1.19	794	0.08	0.2%
<b>CP</b>				<b>16,650</b>	<b>1.63</b>	<b>4.7%</b>
Hong Kong		4,232	1.87	7,934	0.78	2.2%
Mainland China		44,387	0.20	8,716	0.85	2.4%
Listed shares	Valuation Methodology	Shares (mn)	HK\$/share			
<b>NWS (60.99%) (659 HK)</b>	@60.99% mkt cap	<b>2,380</b>	<b>19.40</b>	<b>46,177</b>	<b>4.52</b>	<b>12.9%</b>
<b>NWDS (74.99%) (825 HK)</b>	@74.99% mkt cap	<b>1,264</b>	<b>1.75</b>	<b>2,213</b>	<b>0.22</b>	<b>0.6%</b>
<b>Gross Asset Value (GAV)</b>				<b>357,073</b>	<b>34.94</b>	<b>100.0%</b>
Net Cash / (debt)				(92,603)	(9.06)	
Associate debt				(1,900)	(0.19)	
<b>Net Asset Value (NAV)</b>				<b>262,570</b>	<b>25.69</b>	
NAV discount					45%	
<b>Target price</b>					<b>14.13</b>	<b>28.2%</b>
<b>Current price</b>					<b>11.02</b>	

Source: AMTD Research

## Financials

Figure 32: Income Statement

P&L (HK\$ mn)	FY17	FY18	FY19	FY20E	FY21E	FY21E
Property development	25,968	23,381	36,894	36,456	40,747	35,123
Property investment	2,411	3,110	3,434	4,038	4,918	7,332
Hotel operations	1,422	1,479	1,728	1,722	1,867	2,046
Service	20,556	25,912	26,559	27,356	28,177	29,022
Infrastructure	2,411	2,815	2,885	2,972	3,061	3,152
Department stores	3,389	3,671	3,744	3,819	3,896	3,974
Others	473	322	328	335	341	348
<b>Total Revenue</b>	<b>56,629</b>	<b>60,689</b>	<b>76,764</b>	<b>76,698</b>	<b>83,007</b>	<b>80,997</b>
Cost of Goods Sold	(38,413)	(40,125)	(51,742)	(52,154)	(56,445)	(54,268)
<b>Gross Profit</b>	<b>18,216</b>	<b>20,563</b>	<b>25,022</b>	<b>24,543</b>	<b>26,562</b>	<b>26,729</b>
<b>EBIT</b>	<b>9,430</b>	<b>11,338</b>	<b>16,562</b>	<b>15,580</b>	<b>16,461</b>	<b>15,534</b>
Total Financial Costs	(2,152)	(2,180)	(2,473)	(2,681)	(2,681)	(2,681)
<b>Profit before taxes</b>	<b>15,230</b>	<b>33,354</b>	<b>29,129</b>	<b>19,416</b>	<b>20,681</b>	<b>19,633</b>
Income Tax Expense	(4,756)	(6,272)	(7,490)	(7,796)	(8,074)	(7,844)
<b>Profit after tax</b>	<b>10,079</b>	<b>26,545</b>	<b>20,836</b>	<b>11,620</b>	<b>12,607</b>	<b>11,789</b>
Minority Interest	(2,403)	(3,207)	(2,676)	(2,674)	(2,894)	(2,824)
<b>Net Income</b>	<b>7,676</b>	<b>23,338</b>	<b>18,160</b>	<b>8,947</b>	<b>9,713</b>	<b>8,965</b>
Exceptionals	542	15,361	9,346	0	0	0
<b>Underlying profit</b>	<b>7,133</b>	<b>7,978</b>	<b>8,814</b>	<b>8,947</b>	<b>9,713</b>	<b>8,965</b>
Underlying EPS	0.73	0.78	0.86	0.88	0.95	0.88
DPS	0.46	0.48	0.51	0.53	0.57	0.57
<i>Dividend payout ratio - Underlying</i>	<i>63%</i>	<i>61%</i>	<i>59%</i>	<i>60%</i>	<i>60%</i>	<i>65%</i>
<b>Gross margin</b>	<b>32.2%</b>	<b>33.9%</b>	<b>32.6%</b>	<b>32.0%</b>	<b>32.0%</b>	<b>33.0%</b>
<b>EBIT margin</b>	<b>16.7%</b>	<b>18.7%</b>	<b>21.6%</b>	<b>20.3%</b>	<b>19.8%</b>	<b>19.2%</b>
<b>Underlying profit margin</b>	<b>12.6%</b>	<b>13.1%</b>	<b>11.5%</b>	<b>11.7%</b>	<b>11.7%</b>	<b>11.1%</b>

Source: Company data, AMTD Research

Figure 33: Balance Sheet

Balance sheet (HK\$ mn)	FY17	FY18	FY19	FY20E	FY21E	FY22E
Cash At Bank	66,986	63,388	63,729	73,967	79,137	65,574
Debtors Deposits And Prepayments	27,864	25,520	25,722	25,722	25,722	25,722
Property Held For Sales (Short-Term)	34,531	42,301	23,130	24,287	24,894	25,516
Property Under Development - Current	48,530	37,171	34,146	33,374	31,710	34,954
Inventories	756	832	806	965	1,045	1,004
<b>Current assets</b>	<b>178,981</b>	<b>172,055</b>	<b>150,165</b>	<b>160,947</b>	<b>165,140</b>	<b>155,403</b>
Property Plant & Equipment - Net	30,808	29,940	31,024	29,640	30,007	26,451
Real Estate Investments	105,760	149,728	173,327	179,721	185,195	196,066
Prepaid Lease Payments	1,715	1,064	1,214	1,214	1,214	1,214
Total Intangible Assets - Net	15,266	15,186	13,438	12,457	11,477	10,497
Equity Investments In Associates/Affiliates	26,402	24,708	25,332	26,598	27,928	29,325
Investments In Joint Controlled Entities	49,317	49,136	50,866	53,409	54,744	56,113
Property Under Development - Noncurrent	18,284	19,656	28,922	28,269	26,859	29,608
<b>Non-current assets</b>	<b>258,075</b>	<b>309,400</b>	<b>353,120</b>	<b>360,307</b>	<b>366,423</b>	<b>378,271</b>
<b>Total assets</b>	<b>437,056</b>	<b>481,455</b>	<b>503,285</b>	<b>521,254</b>	<b>531,563</b>	<b>533,674</b>
Short-Term Borrowings	6,367	8,778	15,855	15,855	15,855	15,855
Current Portion of Long-Term Debt	14,858	11,852	25,921	25,921	25,921	25,921
Accounts Payable and Accrued Expenses	50,735	65,059	48,753	60,368	65,335	62,815
<b>Current liabilities</b>	<b>79,501</b>	<b>94,681</b>	<b>101,248</b>	<b>112,864</b>	<b>117,830</b>	<b>115,310</b>
Long Term Debt	125,895	120,124	114,559	114,559	114,559	114,559
Other Noncurrent Liabilities	757	807	1,192	1,192	1,192	1,192
Derivative Liabilities (Long-Term)	631	366	542	542	542	542
Deferred Income Taxes (Liabilities)	9,327	10,288	10,371	10,890	11,162	11,441
<b>Non-current liabilities</b>	<b>136,611</b>	<b>131,584</b>	<b>126,664</b>	<b>127,182</b>	<b>127,455</b>	<b>127,734</b>
Total Share Capital	73,234	77,526	77,875	77,875	77,875	77,875
Retained Earnings (Accumulated Deficit)	104,697	123,586	130,851	134,430	138,315	141,453
Accumulated Other Comprehensive Income	8,161	15,138	15,138	15,895	16,292	16,700
<b>Attributable shareholders' equity</b>	<b>186,091</b>	<b>216,250</b>	<b>223,865</b>	<b>228,200</b>	<b>232,483</b>	<b>236,028</b>
Preferred Stock	9,452	9,452	21,506	21,506	21,506	21,506
Minority/Non Controlling Int (Stckhldrs Eqty)	25,402	29,480	29,995	31,494	32,282	33,089
<b>Total Shareholders Equity</b>	<b>220,945</b>	<b>255,182</b>	<b>275,365</b>	<b>281,200</b>	<b>286,270</b>	<b>290,622</b>

Source: Company data, AMTD Research

Figure 34: Cash Flow Statement

Cash flow (HK\$ mn)	FY17	FY18	FY19	FY20E	FY21E	FY21E
Net Loss/Profit	7,676	23,338	18,160	8,947	9,713	8,965
Depreciation	200	522	874	1,502	1,626	1,586
Amortization of Intangibles	917	980	980	980	980	980
Revaluation/Impairment Invest Property (Oper)	(1,364)	(15,367)	(8,180)	0	0	0
Change of OWC	2,609	17,626	(22,129)	12,242	7,626	(8,816)
- net operating working capital	66,042	48,417	70,545	58,303	50,677	59,492
<b>Operating cash flow</b>	<b>10,038</b>	<b>27,099</b>	<b>(10,294)</b>	<b>23,671</b>	<b>19,945</b>	<b>2,716</b>
CapEx	(7,135)	345	(1,958)	(118)	(1,993)	1,970
Real Estate Investments	(17,800)	(28,600)	(15,419)	(6,394)	(5,474)	(10,871)
Equity Investments In Associates/Affiliates	(7,345)	1,694	(624)	(1,267)	(1,330)	(1,396)
Investments In Joint Controlled Entities	1,036	182	(1,730)	(2,543)	(1,335)	(1,369)
<b>Investing cash flow</b>	<b>(22,663)</b>	<b>(35,282)</b>	<b>(7,035)</b>	<b>(10,322)</b>	<b>(10,132)</b>	<b>(11,666)</b>
Proceeds from ST debt	1,135	(596)	21,147	0	0	0
Proceeds from LT debt	20,505	(5,772)	6,489	0	0	0
Dividend paid	(4,276)	(4,449)	(10,895)	(5,368)	(5,828)	(5,828)
Share issuance / (repurchases)	3,634	4,292	349	0	0	0
Minority	4,080	4,079	514	1,500	787	807
Change of reserves	(516)	6,977	0	757	397	407
<b>Financing cash flow</b>	<b>24,561</b>	<b>4,532</b>	<b>17,604</b>	<b>(3,111)</b>	<b>(4,643)</b>	<b>(4,613)</b>
<b>Net cash flow</b>	<b>11,936</b>	<b>(3,650)</b>	<b>276</b>	<b>10,237</b>	<b>5,170</b>	<b>(13,563)</b>

Source: Company data, AMTD Research



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**IMPORTANT DISCLOSURES**


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We, Jacky Chan, Brian Li and Michelle Li, hereby certify that (i) all of the views expressed in this research report reflect accurately our personal views about the subject company or companies and its or their securities; and (ii) no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed by us in this research report, nor is it tied to any specific investment banking transactions performed by AMTD Global Markets Limited.

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**AMTD Global Markets Limited**

**Address:** 23/F - 25/F, Nexus Building, No. 41 Connaught Road Central, Central, Hong Kong

**Tel:** (852) 3163-3288 **Fax:** (852) 3163-3289

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