

# Far East Consortium

## Earnings Update

### Foreseeable steady growth ahead

**1HFY18 net profit surged by 52% yoy to HK\$1.0bn (+52% yoy); interim DPS raised to 4 HK\$ cents from 3.5 HK\$ cents in 1HFY17**

Total revenue slightly decreased by 6% yoy to HK\$ 2.77bn. GPM of property development was improved by Guangzhou Riverside delivery, up to 59.4% from 39.1%. GPM of Hotel operations and management also improved from 27.8% in 1HFY17 to 39.8% in 1H18. Overall GPM increased from 37.6% in 1HFY17 to 50.6% in 1HFY18. Net profit surged by 51.6% yoy to HK\$ 1.03 bn driven by strong GPM and one-off gains from hotel disposal. DPS increased by 14.3% yoy to HK\$ 4 cents. We estimate contracted sales was very strong at HK\$ 4bn, vs HK\$6.8bn in FY17.

**Foreseeable steady growth ahead; HK\$ 13bn of unbooked presale & HK\$ 33.7 bn of saleable resource**

As of 30 Sept 2017, FEC had HK\$ 13bn of unbooked presales and HK\$ 33.7bn of saleable resource remains. HK\$ 4bn of presale in 1H18 was mainly contributed by Artra in Singapore/ Tower 4 of West Side Place in Australia/ Royal Riverside in Guangzhou. Price of Royal Riverside in Guangzhou has surged from around HK\$ 3,000 psf to over HK\$ 4,000 psf. FEC will gradually deliver Royal Riverside in Guangzhou & the FIFTH in Australia in 2HFY18; Aspen Crest, Marin Point & Tan Kwai Tsuen project in FY19. Therefore, we estimate the delivery pipeline from FY18 to FY20 will be HK\$ 3.4/4.9/7.2 bn, respectively. On the other hand, FEC has over HK\$ 33.7 bn of saleable resource planning to launch in next 5 years. FEC has sufficient resource for future sustainable growth.

**Hotel operation is strongly back on track**

Revenue of hotel segment improved by 12.8% yoy. Hong Kong & Mainland China are the keys for the recovery. Hong Kong hotel maintained at over 90% occupancy rate & RevPAR increased by 8.3% yoy. RevPAR of hotels in Mainland China surged by 16.2% yoy and occupancy rate enhanced from 60% in 1HFY17 to 69% in 1HFY18.

**Lower gearing ratio to only 30.8%**

As of Sep-17, net gearing ratio dropped to 30.8% from 31.5% at Sep-16 with decent cash inflow from property sales. In 1HFY18, FEC had acquired car parks in Budapest, Hungary. It cost EUR 21 million. 6 car parks totally contain 1,392 bays, which will further enhance its cash flow stream in future.

**Price target upgrade to HK\$5.34 (21% upside); hidden gem with deep NAV discount**

Improved GPM, foreseeable booking pipeline, sufficient saleable resource ahead, low gearing are reasons that we maintain 'Buy' for FEC. We upgrade our PT to HK\$5.34 from HK\$4.89 to reflect market price appreciation of development projects. Our PT is derived by using sum-of-the-parts method. Current share price implies a 61% discount to our estimated Sep-18 Net Asset Value (NAV).

Stock code: 35.HK

**Rating: Buy**

Price target (HK\$)	5.34
Previous Price target (HK\$)	4.89
Current price (HK\$, 27 Nov 2017)	4.43
Upside/downside %	21%
Market cap (HK\$ m)	10,142
Market cap (US\$ m)	1,300
Avg daily turnover (HK\$ m)	6.82

Source: Bloomberg, AMTD estimates

#### Key forecasts

(HK\$ m)	FY17	FY18e	FY19e	FY20e
Net profit	1,118	1,473	2,060	2,211
yoy %	52%	32%	40%	7%
Revenue	5,005	5,908	7,549	9,877
yoy %	25%	18%	28%	31%
EBITDA	2,051	2,654	3,496	3,694
Net gearing	31%	31%	31%	26%
EPS	0.51	0.66	0.92	0.99
BPS	4.82	5.26	5.88	6.52
DPS	0.18	0.22	0.30	0.35

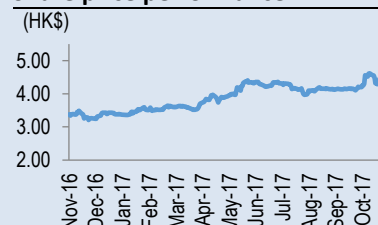
Source: Company data, AMTD estimates

#### Valuation

(HK\$ m)	FY17	FY18e	FY19e	FY20e
P/E (x)	9.3	7.0	5.0	4.7
P/BV (x)	0.95	0.87	0.78	0.70
Div yield	4.2%	4.9%	6.9%	7.8%
ROE	10.7%	17.7%	16.5%	15.9%
ROA	4.1%	6.7%	6.2%	5.6%

Source: Bloomberg, AMTD estimates

#### Share price performance



Source: Bloomberg

**Donald Yu**  
Analyst

+852 3163 3384

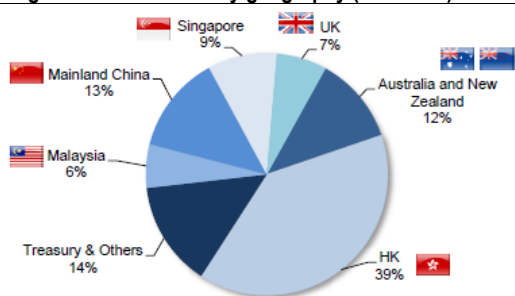
[Donald.Yu@amtd.com.hk](mailto:Donald.Yu@amtd.com.hk)

**Michelle Li**  
Analyst

+852 3163 3383

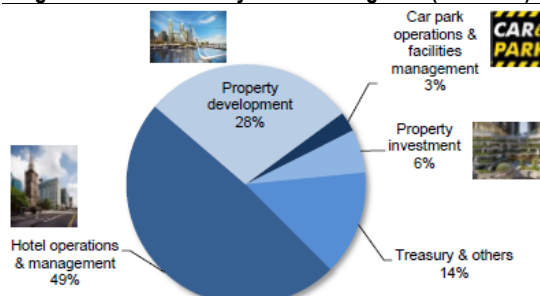
[Michelle.Li@amtd.com.hk](mailto:Michelle.Li@amtd.com.hk)

**Figure 1: Total assets by geography (Nov-2017)**



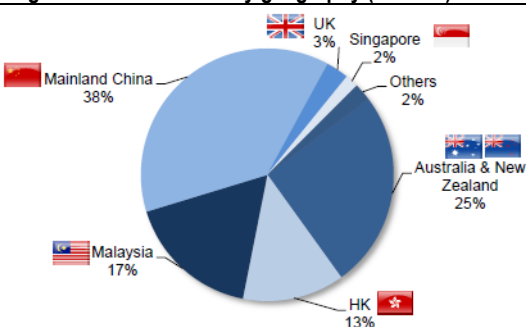
Source: Company data

**Figure 2: Total assets by business segment (Nov-2017)**



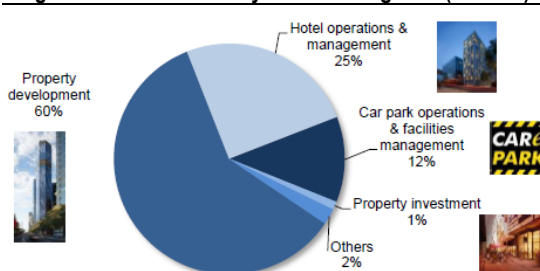
Source: Company data

**Figure 3: Total revenue by geography (1HFY18)**



Source: Company data

**Figure 4: Total revenue by business segment (1HFY18)**



Source: Company data

**Figure 5: Hotel performance back on track in 1H18**

	1HFY2018	1HFY2017	YoY change
<b>Hong Kong</b>			
Occupancy rate <sup>(i)</sup>	91.2%	87.2%	+4.0 ppts
Average room rate (HK\$) <sup>(i)</sup>	655	632	+3.6%
RevPAR (HK\$) <sup>(i)</sup>	597	551	+8.3%
<b>Malaysia</b>			
Occupancy rate	72.4%	68.3%	+4.1 ppts
Average room rate (MYR)	194	187	+3.7%
RevPAR (MYR)	140	128	+9.4%
<b>Mainland China</b>			
Occupancy rate	69.2%	59.7%	+9.5 ppts
Average room rate (RMB)	415	414	+0.2%
RevPAR (RMB)	287	247	+16.2%
<b>Singapore</b>			
Occupancy rate	85.9%	79.5%	+6.4 ppts
Average room rate (SGD)	173	187	-7.5%
RevPAR (SGD)	149	149	-
<b>United Kingdom</b>			
Occupancy rate	87.6%	89.4%	-1.8 ppts
Average room rate (GBP)	105	101	+4.0%
RevPAR (GBP)	92	91	+1.1%
<b>Group Total</b>			
Occupancy rate	81.8%	76.2%	+5.6 ppts
Average room rate (HK\$)	604	599	+0.8%
RevPAR (HK\$)	494	456	+8.3%
Revenue (HK\$ mn)	695	616	+12.8%

Source: Company data

Figure 6: Strong pipeline for sustainable growth

Projects under presale @30.9.2017	Location	Cumulative presales (HK\$ M)	Expected attr. SFA <sup>(1)</sup> (sq. ft.)	Expected attr. GDV <sup>(1)</sup> (HK\$ M)	Expected completion <sup>(2)</sup>	Cumulative presale as % of GDV %
1 Aspen Crest	Hong Kong	1,060	64,000	1,060	FY2019	100%
2 The FIFTH <sup>(3)</sup>	Melbourne	981	214,000	981	FY2018	100%
3 The Towers at Elizabeth Quay	Perth	1,908	366,000	2,816	FY2020	68%
4 West Side Place (Towers 1 and 2)	Melbourne	5,148	1,072,000	5,771	FY2021	89%
5 West Side Place (Tower 4)	Melbourne	1,295	565,000	2,987	FY2022	43%
6 Artra <sup>(4)</sup>	Singapore	1,076	290,000	2,709	FY2020	40%
7 Marin Point	Hong Kong	186	103,000	1,082	FY2019	17%
8 The Star Residences <sup>(5)</sup>	Gold Coast	213	98,000	549	FY2022	39%
9a Royal Riverside (Towers 1, 2, 3 and 4)	Guangzhou	1,173	477,000	1,507	FY2018/19	78%
<b>Total presales value</b>		<b>13,040</b>	<b>3,249,000</b>	<b>19,462</b>		<b>67%</b>
<b>Other active development pipeline</b>						
Active Projects	Location	Expected presale launch time <sup>(2)</sup>	Expected attr. SFA <sup>(1)</sup> (sq. ft.)	Expected attr. GDV <sup>(1)</sup> (HK\$ M)	Expected completion <sup>(2)</sup>	
9b Royal Riverside (Tower 5)	Guangzhou	FY2019	207,000	818	FY2019	
10 Tan Kwai Tsuen	Hong Kong	FY2018/19	48,000	628	FY2019	
11 Tai Wai	Hong Kong	FY2019	30,000	554	FY2019/20	
12 Sham Shui Po	Hong Kong	FY2018	20,000	396	FY2019/20	
13 Shatin Heights	Hong Kong	Planning	70,000	1,200	Planning	
14 West Side Place (Tower 3)	Melbourne	Planning	564,000	2,920	Planning	
15-17 Queen's Wharf <sup>(6)</sup>	Brisbane	Tower 4 FY2019	259,000	1,104	Planning	
		Tower 5 Planning	224,000	1,119	Planning	
		Tower 6 Planning	439,000	2,198	Planning	
18 Perth City Link - (Lot 2 and 3A)	Perth	FY2018/19	320,000	1,500	Planning	
19 Alpha Square	London	FY2019	388,000	4,452	Planning	
20 Hornsey Townhall	London	FY2018/19	105,000	1,039	Planning	
21 MeadowSide	Manchester	FY2018/19	554,000	2,487	FY2020/21	
22 Northern Gateway	Manchester	Planning	1,500,000	5,400	Planning	
<b>Subtotal (pipeline)</b>			<b>4,728,000</b>	<b>25,795</b>		
<b>Total (presales + pipeline)</b>			<b>7,977,000</b>	<b>45,257</b>		
<b>Completed development available for sale</b>						
1 King's Manor	Shanghai		59,000	374		
2 The Royal Crest II	Shanghai		91,000	508		
3 Dorsett Bukit Bintang	Kuala Lumpur		121,000	484		
4 Hong Kong projects	Hong Kong		4,000	124		
<b>Subtotal (completed development)</b>			<b>275,000</b>	<b>1,490</b>		
<b>Total (presales + pipeline + inventory)</b>			<b>8,252,000</b>	<b>46,747</b>		

(1) Approximate saleable residential floor areas and expected gross development value may vary subject to finalization of development plans

(2) Expected completion and launch time may vary subject to construction program and relevant authority permits obtained

(3) Project partially completed in 1H FY2018. Figures represent remaining units to be delivered before end of FY2018

(4) The Group has 70% interest in this development

(5) The Group has 33.3% interest in this development

(6) The Group has 50% interest in this development

(7) The saleable floor area and GDV figure is estimated based on land already acquired and expected number of units to be built. Further land acquisitions are expected and will increase both saleable floor area and GDV for the Northern Gateway development.

Source: Company data

Figure 7: FEC 1H18 earnings review – YoY comparisons and key ratios

P&L, HK\$ m	1HFY18	1HFY17	1H18 YoY %
Revenue	2,776	2,953	-6%
Property development	1,655	1,958	-15%
Hotel operations and management	695	616	13%
Car park operations and facilities management	333	309	8%
Others	93	69	35%
Cost of sales and services	-1,210	-1,697	-29%
D&A of hotel and car park assets	-161	-147	
Gross profit	1,405	1,109	27%
Property development	983	766	28%
Hotel operations and management	428	233	84%
Car park operations and facilities management	78	57	37%
Others	77	53	45%
Other income	12	7	88%
Other gains and losses	486	235	107%
Administrative expenses	-310	-307	
– Hotel operations and management	-186	-175	6%
– Others	-124	-132	-6%
Pre-opening expenses			
– Hotel operations and management	-6	-3	149%
Selling and marketing expenses	-86	-16	434%
EBIT	1,502	1,024	47%
Finance costs	-147	-105	39%
Profit before tax	1,353	921	47%
Income tax expense	-306	-233	31%
Profit for the period	1,046	688	52%
Attributable earnings for Shareholders	1,033	681	52%
<b>Ratios</b>	<b>1HFY18</b>	<b>1HFY17</b>	
Gross margin	51%	38%	
Gross debt	13,626	12,093	
Net debt	7,731	7,071	
EBIT	1,502	1,024	
EBITDA	1,663	1,172	
Gearing ratio ex. Hotel revaluation gains (x)	64%	68%	
Gearing ratio (x)	31%	32%	
Net debt/EBITDA (x)	4.6	6.0	
EBITDA cover (x)	11x	11x	
Selling and marketing expense % of revenue	3%	1%	
Admin expense % of revenue	11%	10%	
Avg interest cost	2%	2%	
<b>ROA</b>	<b>6.0%</b>	<b>4.5%</b>	
<b>ROE</b>	<b>8.6%</b>	<b>6.5%</b>	

Source: Company data, AMTD Equity Research estimates

Figure 8: FEC price target derivation

HK\$ m	2018 NAV	NAV per share (HK\$)	Multiple applied	Target valuation	Valuation per share (HK\$)
Property development	21,355	10.02	55% discount	9,610	4.51
Hotel	8,409	3.94	15% discount	7,568	3.55
Car parks	725	0.34	9.3x PE	725	0.34
Property investment	1,596	0.75	20% discount	1,277	0.60
<b>Total valuation</b>	<b>32,084</b>	<b>15.05</b>	<b>0</b>	<b>19,179</b>	<b>9.00</b>
Net debt	(7,789)	(3.65)	0	(7,789)	(3.65)
<b>Net valuation (Mar-18)</b>	<b>24,294</b>	<b>11.40</b>		<b>11,389</b>	<b>5.34</b>
<b>Price target (Mar-18)</b>					<b>5.34</b>
Current share price (HK\$, 14 June 2017)					4.43
<b>Implied upside</b>					21%
<b>Share price discount to NAV</b>					-61%

Source: AMTD Equity Research estimates

Figure 9: FEC P&amp;L forecast

P&L	HK\$ m						YoY growth %				
	FY15	FY16	FY17	FY18e	FY19e	FY20e	FY16	FY17	FY18e	FY19e	FY20e
<b>Revenue</b>	<b>5,110</b>	<b>3,995</b>	<b>5,005</b>	<b>5,908</b>	<b>7,549</b>	<b>9,877</b>	<b>-22%</b>	<b>25%</b>	<b>18%</b>	<b>28%</b>	<b>31%</b>
Property development	2,962	1,971	2,937	3,416	4,920	7,153	-33%	49%	16%	44%	45%
Hotel	1,454	1,285	1,309	1,655	1,753	1,802	-12%	2%	26%	6%	3%
Car park	616	623	641	674	707	743	1%	3%	5%	5%	5%
Property investment	56	59	55	64	69	79	5%	-8%	16%	8%	15%
Others	78	58	64	100	100	100	-25%	10%	57%	0%	0%
Cost of sales and services	(2,884)	(1,990)	(2,709)	(3,020)	(3,540)	(5,261)	-31%	36%	11%	17%	49%
Depreciation & amortization of hotel & car park assets	(279)	(299)	(307)	(329)	(329)	(329)	7%	3%	7%	0%	0%
<b>Gross profit</b>	<b>1,946</b>	<b>1,706</b>	<b>1,990</b>	<b>(309)</b>	<b>(309)</b>	<b>(309)</b>	<b>-12%</b>	<b>17%</b>	<b>29%</b>	<b>44%</b>	<b>8%</b>
Property development	1,086	1,002	1,272	(21)	(21)	(21)	-8%	27%	26%	66%	9%
Hotel	691	541	518	2,558	3,680	3,957	-22%	-4%	39%	8%	4%
Car park	124	117	114	1,602	2,653	2,886	-6%	-3%	5%	5%	5%
Leasing and others	45	46	86	717	778	809	2%	88%	38%	3%	6%
Other income	39	23	25	0	0	0	-40%	8%	n.a.	n.a.	n.a.
Other gains and losses	299	181	368	486	300	300	-39%	103%	32%	-38%	0%
Administrative expenses	(642)	(598)	(584)	(602)	(662)	(695)	-7%	3%	5%	10%	5%
Selling and marketing expenses	(93)	(105)	(46)	(118)	(151)	(198)	14%	-56%	154%	28%	31%
<b>EBIT</b>	<b>1,536</b>	<b>1,206</b>	<b>1,744</b>	<b>2,325</b>	<b>3,167</b>	<b>3,364</b>	<b>-21%</b>	<b>45%</b>	<b>33%</b>	<b>36%</b>	<b>6%</b>
Finance costs	(224)	(228)	(173)	(284)	(319)	(308)	2%	-24%	64%	13%	-4%
<b>Profit before tax</b>	<b>1,328</b>	<b>979</b>	<b>1,567</b>	<b>2,041</b>	<b>2,847</b>	<b>3,057</b>	<b>-26%</b>	<b>60%</b>	<b>30%</b>	<b>40%</b>	<b>7%</b>
Income tax expense	(330)	(221)	(434)	(551)	(769)	(825)	-33%	96%	27%	40%	7%
<b>Profit for the year</b>	<b>998</b>	<b>758</b>	<b>1,133</b>	<b>1,490</b>	<b>2,079</b>	<b>2,231</b>	<b>-24%</b>	<b>49%</b>	<b>32%</b>	<b>40%</b>	<b>7%</b>
Minority interest	41	24	15	17	18	20	-43%	-36%	10%	10%	10%
<b>Attributable net profit</b>	<b>957</b>	<b>734</b>	<b>1,118</b>	<b>1,473</b>	<b>2,060</b>	<b>2,211</b>	<b>-23%</b>	<b>52%</b>	<b>32%</b>	<b>40%</b>	<b>7%</b>
Tax rate	24.9%	22.6%	27.7%	27%	27%	27%	0%	0%	0%	0%	0%
Adjusted cash profit	836	853	1,424	1,802	2,390	2,541	2%	67%	27%	33%	6%
Dividend payout ratio	34%	47%	37%	33%	33%	35%					
DPS	0.16	0.16	0.18	0.22	0.30	0.35	0%	15%	18%	40%	14%
EPS	0.48	0.37	0.51	0.66	0.92	0.99	-23%	41%	28%	40%	7%

Source: Company data, AMTD Equity Research estimates

Figure 10: FEC balance sheet forecast

Balance sheet, HK\$ m	FY15	FY16	FY17	FY18e	FY19e	FY20e
<b>Non-current Assets</b>	<b>12,031</b>	<b>12,460</b>	<b>12,509</b>	<b>12,524</b>	<b>12,762</b>	<b>13,060</b>
Investment properties	3,154	3,304	3,002	3,161	3,404	3,731
Property, plant and equipment	7,492	7,720	7,482	7,337	7,332	7,304
Prepaid lease payments	541	522	486	486	486	486
Goodwill	68	68	68	68	68	68
Others	775	845	1,470	1,470	1,470	1,470
<b>Current Assets</b>	<b>10,185</b>	<b>13,701</b>	<b>15,891</b>	<b>18,149</b>	<b>22,955</b>	<b>29,863</b>
Properties for sale	5,452	8,640	9,170	11,064	16,631	23,580
Completed properties	201	584	280	280	280	280
Properties for/under development	5,252	8,056	8,890	10,783	16,350	23,299
Debtors, deposits and prepayments	393	527	375	375	375	375
Deposits receivable from stakeholders	417	587	252	252	252	252
Investment securities	1,150	1,218	1,466	1,466	1,466	1,466
Pledged deposits	273	25	25	25	25	25
Restricted bank deposits	51	162	268	268	268	268
Bank balances and cash	2,274	2,358	3,882	4,246	3,485	3,444
Others	174	183	452	452	452	452
<b>Total assets</b>	<b>22,216</b>	<b>26,161</b>	<b>28,400</b>	<b>30,673</b>	<b>35,716</b>	<b>42,923</b>
<b>Current Liabilities</b>	<b>6,103</b>	<b>6,471</b>	<b>6,181</b>	<b>6,950</b>	<b>10,972</b>	<b>17,721</b>
Creditors and accruals	737	829	889	889	889	889
Customers' deposits received	575	2,460	2,110	2,879	6,901	13,650
Obligations under finance leases	4	3	4	4	4	4
Tax payable	333	183	359	359	359	359
Bank borrowings	3,087	2,933	2,755	2,755	2,755	2,755
Bonds	1,250	-	-	-	-	-
Others	116	63	64	64	64	64
<b>Non-current Liabilities</b>	<b>5,852</b>	<b>9,422</b>	<b>11,275</b>	<b>11,775</b>	<b>11,398</b>	<b>10,398</b>
Bank borrowings	4,468	7,863	7,376	7,876	8,376	6,876
Obligations under finance leases	5	5	8	8	8	8
Amounts due to shareholders of non-wholly owned subsidiaries	-	247	247	247	247	247
Bonds	1,005	868	3,131	3,131	2,254	2,754
Derivative financial instruments	59	77	119	119	119	119
Deferred tax liabilities	315	362	395	395	395	395
<b>Total liabilities</b>	<b>11,955</b>	<b>15,893</b>	<b>17,456</b>	<b>18,725</b>	<b>22,370</b>	<b>28,119</b>
<b>Equity</b>						
Share capital	191	213	224	224	224	224
Share premium	2,982	3,731	4,034	4,034	4,034	4,034
Reserves	5,970	6,196	6,534	7,521	8,902	10,339
<b>Shareholder's equity</b>	<b>9,144</b>	<b>10,140</b>	<b>10,792</b>	<b>11,779</b>	<b>13,159</b>	<b>14,596</b>
Minority interest	1,117	127	152	169	187	207
<b>Total equity</b>	<b>10,261</b>	<b>10,267</b>	<b>10,944</b>	<b>11,947</b>	<b>13,346</b>	<b>14,804</b>
Hotel revaluation surplus	10,976	10,732	13,354	13,354	13,354	13,354
Adjusted shareholder's equity	21,237	20,999	24,298	25,301	26,700	28,158

Source: Company data, AMTD Equity Research estimates

**Figure 11: FEC cash flow forecast**

Cash flow forecasts, HK\$ m	FY15	FY16	FY17	FY18e	FY19e
Property sales	3,053	3,784	4,377	4,646	7,203
EBIT from hotel operation	166	221	342	333	382
EBIT from investment properties	95	164	119	123	131
Tax paid	-140	-372	-551	-769	-825
Depreciation	279	299	309	309	309
<b>Cash flow from operation (CFFO)</b>	<b>3,454</b>	<b>4,096</b>	<b>4,596</b>	<b>4,642</b>	<b>7,199</b>
Capex	-2,527	-5,270	-4,162	-8,363	-12,104
Acquisition of assets	-	-403	-	-	-
Others	-51	88	-	-	-
<b>Free operating cash flow (FOCF)</b>	<b>875</b>	<b>-1,489</b>	<b>434</b>	<b>-3,721</b>	<b>-4,905</b>
Interest paid	-393	-380	-455	-543	-516
Dividend	-107	-79	-100	-100	-100
Dividends paid to shareholders of non-wholly owned subsidiaries	-37	-19	-20	-20	-20
<b>FCF</b>	<b>338</b>	<b>-1,966</b>	<b>-141</b>	<b>-4,384</b>	<b>-5,541</b>
Equity issuance	14	6	-	-	-
Share buyback	-	-82	-	-	-
New debt	2,776	6,193	3,000	7,000	8,000
Repayment of debt	-2,660	-4,251	-1,500	-3,377	-2,500
Shareholder loan	-	246	-	-	-
Others	-2	-28	-	-	-
Change in FX	-55	-33	-	-	-
<b>Change in cash position</b>	<b>377</b>	<b>85</b>	<b>1,359</b>	<b>-761</b>	<b>-41</b>
Cash balance - period beginning	1,829	2,274	2,887	4,246	3,485
Cash balance - period end	2,274	2,358	4,246	3,485	3,444

Source: Company data, AMTD Equity Research estimates

**Figure 12: FEC key ratios**

Ratios	FY15	FY16	FY17	FY18e	FY19e	FY20e
Gross margin	38%	43%	40%	43%	49%	40%
Gross debt	9,815	11,669	13,270	13,770	13,393	12,393
Net debt	6,340	7,931	7,654	7,789	8,174	7,215
EBIT	1,536	1,206	1,744	2,325	3,167	3,364
EBITDA	1,815	1,505	2,051	2,654	3,496	3,694
Gearing ratio ex. Hotel revaluation gains (x)	69%	78%	71%	66%	62%	49%
Gearing ratio (x)	30%	38%	31%	31%	31%	26%
Net debt/EBITDA (x)	3.5	5.3	3.7	2.9	2.3	2.0
EBITDA cover (x)	8.1	6.6	11.8	9.4	10.9	12.0
Selling and marketing expense % of revenue	1.8%	2.6%	1.8%	2.0%	2.0%	2.0%
Admin expense % of revenue	13%	15%	12%	10%	9%	7%
Avg interest cost	4.0%	3.5%	2.6%	3.5%	4.0%	4.0%
ROA	4.3%	3.0%	4.1%	6.7%	6.2%	5.6%
ROE	10.7%	7.6%	10.7%	17.7%	16.5%	15.9%

Source: Company data, AMTD Equity Research estimates

---

## IMPORTANT DISCLOSURES

---

### AMTD Investment Ratings

#### Stock Rating

<b>Buy</b>	Stock with potential return of over 20% over the next 12 months
<b>Hold</b>	Stock with potential return of -20% to +20% over the next 12 months
<b>Sell</b>	Stock with potential loss of over 20% over the next 12 months

### Analyst Certification

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

### Firm Disclosure

AMTD Asset Management Limited has an investment banking relationship with FEC and/or its affiliate(s) within the past 12 months.

### AMTD Asset Management Limited

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

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

---

## GENERAL DISCLOSURES

---

The research report is prepared by AMTD Asset Management Limited ("AMTD") and is distributed to its selected clients.

This research report provides general information only and is not to be construed as an offer to sell or a solicitation of an offer to buy any security in any jurisdiction where such offer or solicitation would be illegal. It does not (i) constitute a personal advice or recommendation, including but not limited to accounting, legal or tax advice, or investment recommendations; or (ii) take into account any specific clients' particular needs, investment objectives and financial situation. AMTD does not act as an adviser and it accepts no fiduciary responsibility or liability for any financial or other consequences. This research report should not be taken in substitution for judgment to be exercised by clients. Clients should consider if any information, advice or recommendation in this research report is suitable for their particular circumstances and seek legal or professional advice, if appropriate.

This research report is based on information from sources that we considered reliable. We do not warrant its completeness or accuracy except with respect to any disclosures relative to AMTD and/or its affiliates. The value or price of investments referred to in this research report and the return from them may fluctuate. Past performance is not reliable indicator to future performance. Future returns are not guaranteed and a loss of original capital may occur.

The facts, estimates, opinions, forecasts and any other information contained in the research report are as of the date hereof and are subject to change without prior notification. AMTD, its group companies, or any of its or their directors or employees ("AMTD Group") do not represent or warrant, expressly or impliedly, that the information contained in the research report is correct, accurate or complete and it should not be relied upon. AMTD Group will accept no responsibilities or liabilities whatsoever for any use of or reliance upon the research report and its contents.

This research report may contain information from third parties, such as credit ratings from credit ratings agencies. The reproduction and redistribution of the third party content in any form by any means is forbidden except with prior written consent from the relevant third party. Third party content providers do not guarantee the timeliness, completeness, accuracy or availability of any information. They are not responsible for any errors or omissions, regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability of fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities for investment purposes, and should not be relied on as investment advice.

To the extent allowed by relevant and applicable law and/or regulation: (i) AMTD, and/or its directors and employees may deal as principal or agent, or buy or sell, or have long or short positions in, the securities or other instruments based thereon, of issuers or securities mentioned herein; (ii) AMTD may take part or make investment in financing transactions with, or provide other services to or solicit business from issuer(s) of the securities mentioned in the research report; (iii) AMTD may make a market in the securities in respect of the issuer mentioned in the research report; (iv) AMTD may have served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this research report or may be providing, or have provided within the previous 12 months, other investment banking services, or investment services in relation to the investment concerned or a related investment.

AMTD controls information flow and manages conflicts of interest through its compliance policies and procedures (such as, Chinese Wall maintenance and staff dealing monitoring).

**The research report is strictly confidential to the recipient. No part of this research report may be reproduced or redistributed in any form by any means to any other person without the prior written consent of AMTD Asset Management Limited.**