



Company Report: China Aoyuan (03883 HK)

公司报告: 中国奥园 (03883 HK)

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Results In line and Fundamentals Improving, Maintain "Accumulate"

符合预期的业绩，基本面改善，维持“收集”

- **2016 underlying net profit was in line with our expectation.** Top line increased by 23.6% YoY to RMB11,827 mn in 2016. Due to exchange loss of RMB472 mn, net profit increased 8.5% YoY to RMB881 mn.
- **Contracted sales are likely to grow faster due to more competitive products and sufficient saleable resources.** From Jan. to Feb. 2017, the Company achieved RMB3.772 bn in contracted sales, up 57.8% YoY.
- **Quality land bank and disciplined land replenishment initiatives could be favorable under a policy tightening environment.** 80% of the Company's land banks were in tier-1/ tier-2/ international cities, and its unit land cost amounted to RMB1,855 per sq.m, representing 20.3% of ASP in 2016.
- The Company's fundamentals are gradually improving. We revise up the underlying net profit. Therefore, we revise up our target price from HK\$1.98 to HK\$2.63, representing a 61% discount to 2017E NAV of HK\$6.73 per share, 4.3x 2017 underlying PER and 0.6x 2017 PBR. The Company's share price is also undervalued. **Therefore, we maintain "Accumulate".** Risk factors: lower-than-expected contracted sales, possible failure in operations activities of overseas projects and further depreciation of RMB.
- **2016年核心净利符合预期。** 总收入同比增长 23.6%到人民币 11,827 百万元。由于人民币 472 百万元的汇兑损失，净利同比上升 8.5%到人民币 881 百万元。
- **由于更有竞争力的产品和充足的可售货源，合约销售很有可能延续较快增长。** 2017年 1-2 月，公司录得人民币 37.72 亿元的合约销售，同比增长 57.8%。
- **有质量的土储和有纪律的土储补充在政策收紧环境下是受欢迎的。** 公司 80%的土储位于一线/ 二线/ 国际城市且其单位地价为人民币 1,855 元每平方米，相当于 2016 年销售均价的 20.3%。
- 公司基本面正在逐渐改善。我们上调了核心净利。因此，我们将我们的目标价从 1.98 港元调高到 2.63 港元，相当于较 6.73 港元的 2017 年每股净资产有 61%的折让，也分别相当于 4.3 倍 2017 年核心市盈率 and 0.6 倍 2017 年市净率。公司股价也被低估。**因此，我们维持“收集”。** 风险：低于预期的合约销售，海外项目可能的运营失败和人民币的进一步贬值。

Rating: **Accumulate**
 Maintained

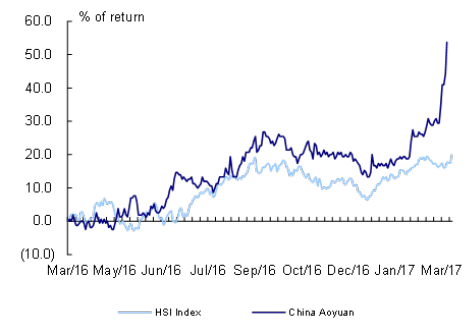
评级: **收集 (维持)**

6-18m TP 目标价: **HK\$2.63**
 Revised from 原目标价: HK\$1.98

Share price 股价: **HK\$2.320**

Stock performance

股价表现



Change in Share Price 股价变动	1 M 1 个月	3 M 3 个月	1 Y 1 年
Abs. % 绝对变动 %	24.1	34.1	46.8
Rel. % to HS index 相对恒指变动 %	23.3	23.8	26.9
Avg. share price(HK\$) 平均股价 (港元)	1.7	1.6	1.5

Source: Bloomberg, Guotai Junan International.

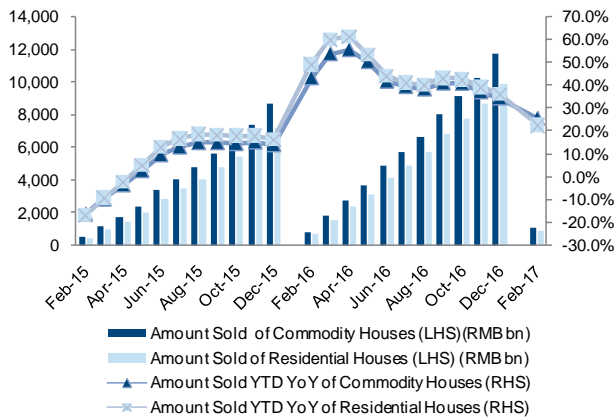
Year End 年结 12/31	Turnover 收入 (RMB m)	Net Profit 股东净利 (RMB m)	EPS 每股净利 (RMB)	EPS 每股净利变动 (Δ%)	PER 市盈率 (x)	BPS 每股净资产 (RMB)	PBR 市净率 (x)	DPS 每股股息 (RMB)	Yield 股息率 (%)	ROE 净资产收益率 (%)
2015A	9,572	778	0.280	3.3	7.0	2.961	0.7	0.105	5.4	10.2
2016A	11,827	950	0.348	24.5	5.9	3.270	0.6	0.150	7.3	10.3
2017F	18,970	1,492	0.547	57.1	3.8	3.694	0.6	0.244	11.8	16.8
2018F	22,129	1,713	0.628	14.8	3.3	4.220	0.5	0.258	12.5	17.3
2019F	25,668	2,007	0.736	17.2	2.8	4.830	0.4	0.304	14.7	17.7

Shares in issue (m) 总股数 (m)	2,671.6	Major shareholder 大股东	Ace Rise Profits 55.1%
Market cap. (HK\$ m) 市值 (HK\$ m)	6,198.0	Free float (%) 自由流通比率 (%)	35.3
3 month average vol. 3 个月平均成交股数 ('000)	3,432.2	FY17 Net gearing (%) FY17 净负债/股东资金 (%)	47.7
52 Weeks high/low (HK\$) 52 周高/低	2.390 / 1.490	FY17 Est. NAV (HK\$) FY17 每股估值 (港元)	2.63

Source: the Company, Guotai Junan International.

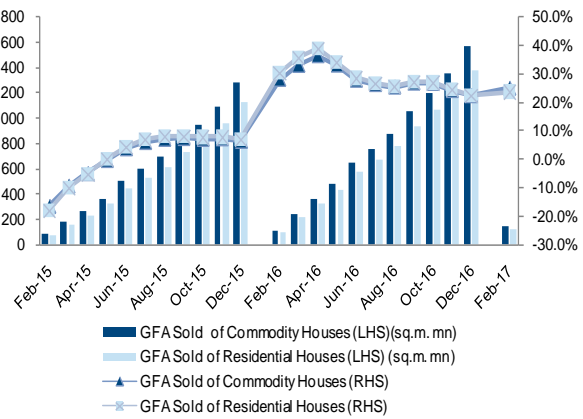
Housing sales growth continued to slow down, but investment growth rebounded. During Jan.-Feb. 2017, the YoY increase in commodity house sales continued to decrease compared to that during Jan.-Dec. 2016. In order to replenish inventories, growth in investment and land area sold rebounded in Jan.-Feb. 2017. In addition, saleable areas extended downside momentum.

Figure 1: Cumulative House Sales Amount in China



Source: NBS, Guotai Junan International.

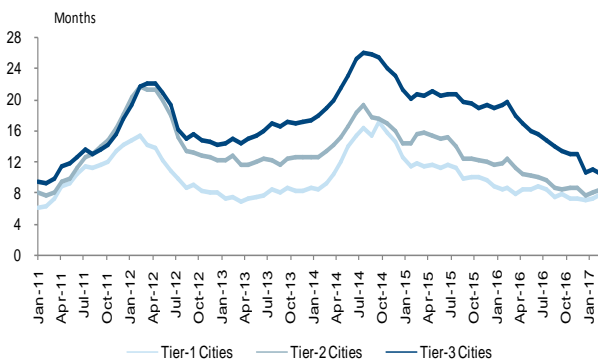
Figure 2: Cumulative House Sales GFA in China



Source: NBS, Guotai Junan International.

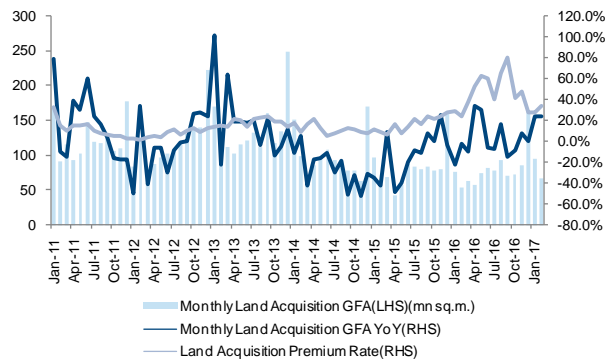
Targeted policies will be maintained to promote the steady and sound development of the property sector. We think that soaring ASP, low stock levels and numerous "land king" projects triggered policy tightening measures. These related policies have mainly involved an increase in minimum down payment and HPR upgrading. Policy tightening could curb investment demand and delay rigid demand, thus cooling the property market. With high ASP and low stock levels in tier-1, tier-2 and select tier-3 cities, policy tightening measures in these related cities will be maintained. On the other hand, lower-tier cities with high stock levels will be under a policy easing environment.

Figure 3 : Stocks-to-Sales Ratios by City Tier During Jan. 2011- Jan. 2017



Source: CRIC, Guotai Junan International.

Figure 4: Monthly Land Acquisition Amount in 100 Cities During Jan. 2011- Jan. 2017



Source: Wind, Guotai Junan International.

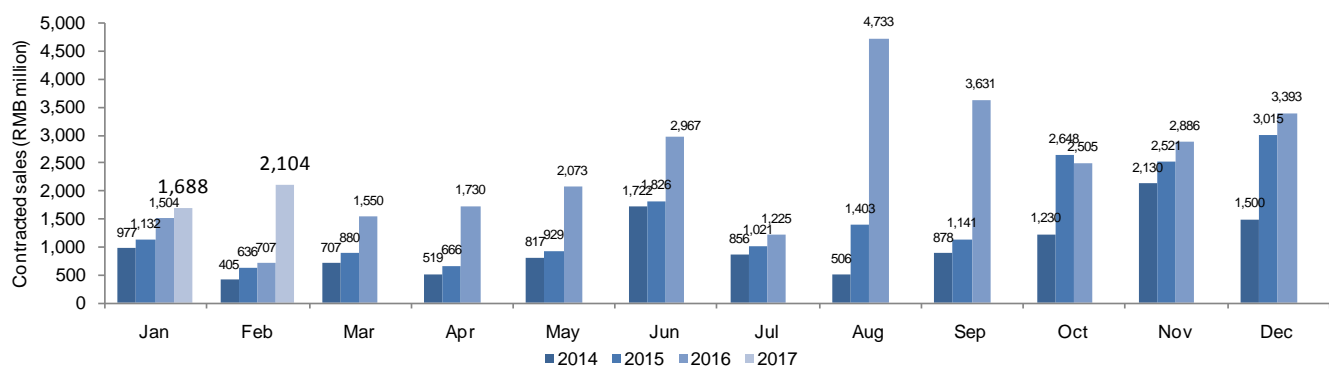
2016 underlying net profit was in line with our expectation. Top line increased by 23.6% YoY to RMB11,827 mn in 2016 due to strong contracted sales growth. Gross profit amounted to RMB3,277 mn, up 23.8% YoY. Due to exchange loss of RMB472 mn, net profit slightly increased 8.5% YoY to RMB881 mn, which missed our expectation. However, if excluding fair value gains on investment properties and exchange loss, underlying net profit increased 22.0% YoY to RMB950 mn, in line with our expectation. GPM remained at a stable level and increased 0.1 ppts YoY to 27.7%. Net profit margin slightly declined 0.1 ppts YoY to 8.0%. Net gearing ratio significantly declined 21.8 ppts YoY. Cash balance rose 21.3% YoY to RMB10,956 mn due to more cash collection from contracted sales.

Table 1: Comparison of the Company's Balance Sheet and Income Statement in 2015 and 2016

RMB mn	1H15	1H16	Change
Total revenue	9,572	11,827	23.6%
Gross profit	2,646	3,277	23.8%
GPM	27.6%	27.7%	- 0.1 pts
NP (Inc. after-tax fair value gains on IP and exchange losses)	812	881	8.5%
NP (Ex. after-tax fair value gains on IP and exchange losses)	778	950	22.0%
NPM (Inc. after-tax fair value gains on IP and exchange losses)	9.5%	8.5%	- 1.0 pts
NPM (Ex. after-tax fair value gains on IP and exchange losses)	8.1%	8.0%	- 0.1 pts
DPS (RMB cent)	0.105	0.150	42.7%
Underlying EPS (HKD cent)	0.280	0.348	24.5%
Land appreciation tax	372	421	13.2%
Cash and cash equivalents	9,036	10,956	21.3%
Total asset	48,827	66,418	36.0%
Properties under development	31,792	43,513	36.9%
Total debt	16,298	16,872	3.5%
Shareholders' equity	8,243	8,918	8.2%
ROE	10.2%	10.3%	0.1 pts
Net gearing ratio	88.1%	66.3%	-21.8 pts

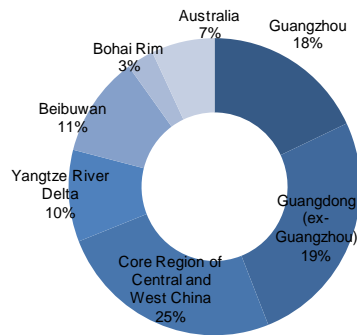
Source: the Company, Guotai Junan International.

Contracted sales are likely to grow faster. In 2016, contracted sales reached RMB25.602 bn, up by 68.8% YoY, achieving the Company's 2016 sales target. Contracted GFA amounted to 2.980 mn sq.m, up by 57.8% YoY. The ASP in 2016 was RMB9,130 per sq.m, up by 13.6% YoY. Sales target and saleable resources in 2016 was RMB33.3 bn (indicating 30.1% YoY growth) and RMB54.0 bn (indicating 61.7% target sale-through rate), respectively. The Company will provide more pleasantly decorated apartments and mainly focus on rigid demand. Saleable resources will be mainly in tier-1 cities, core tier-2 cities and lower-tier cities directly surrounding metropolitan cities. In addition, the Company is likely to operate well in Australia and Canada through localization strategies. We think that the Company's products are more competitive. Despite that the Company's target sale-through rate may be hard to achieve due to policy tightening, We still believe that contracted sales will experience faster growth. During Jan.-Feb. 2017, China Aoyuan recorded RMB3.772 bn in contracted sales, up 70.6% YoY. The Company has already achieved 11.3% of its 2017 annual sales target.

Figure 5: Aoyuan Contracted Sales Comparison from 2014-Feb. 2017


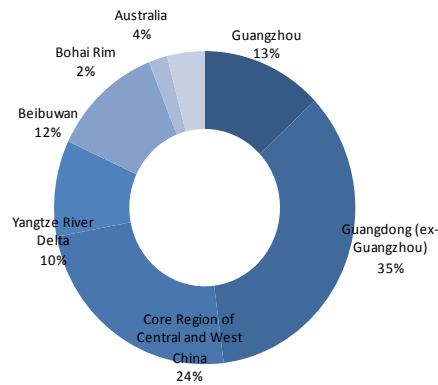
Source: the Company.

Figure 6: China Aoyuan's Contracted Sales Amount Breakdown by Region in 2015



Source: the Company, Guotai Junan (HK).

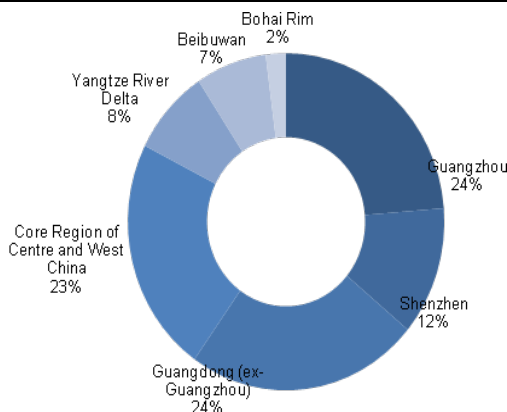
Figure 7: China Aoyuan's Contracted Sales Amount Breakdown by Region in 2016



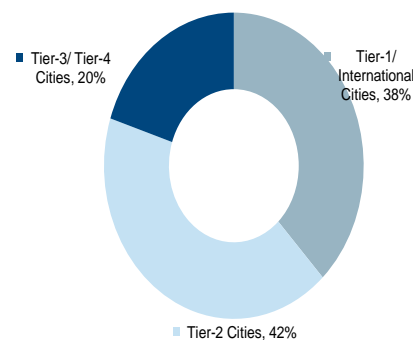
Source: the Company, Guotai Junan (HK).

Quality land reserves with disciplined land replenishment initiatives are favorable under the policy tightening environment. In 2016, the Company acquired 17 land parcels. The total acquired GFA recorded 3,138,700 sq.m. with a total consideration of RMB8,472 mn. In addition, China Aoyuan has entered into the Shenzhen property market for the first time. As at 31 Dec. 2016, the Company had a total GFA of approximately 14.65 million sq.m, 80% of its land banks are located in tier-1/ tier-2/ international cities. We have seen that the Company's land bank has remained high quality. According to the Company, its unit land cost amounted to RMB1,855 per sq.m, 20.3% of ASP in 2016. We think that this quality land bank and proper unit land cost could provide sufficient saleable resources for future development and protect the Company's gross margins. In addition, the Company will possess disciplined land replenishment initiatives in which the Company will invest no more than one third of contracted sales amounts in land replenishment in 2017. This will decrease operational risks and improve fundamentals amongst the policy tightening environment.

Figure 8: China Aoyuan's Land Exposure by Region in 2016 **Figure 9: China Aoyuan's Land Exposure by City Tier in 2016**



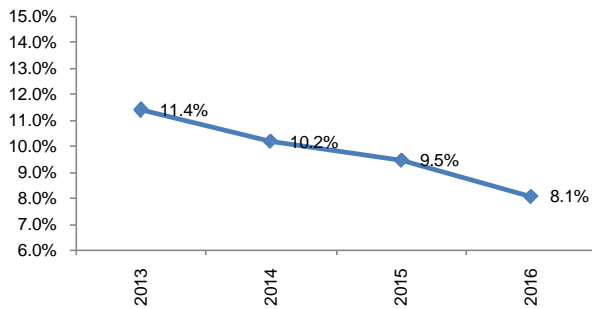
Source: the Company, Guotai Junan International.



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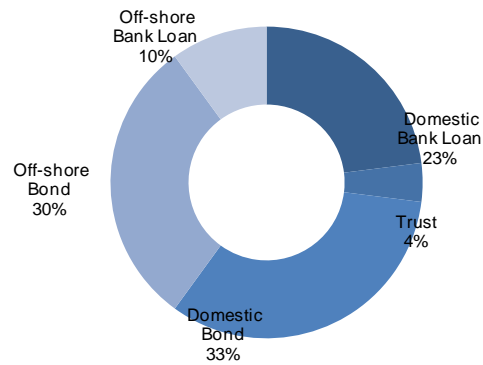
Despite high average funding costs, we expect average funding costs to decline; debt structure is improving. Average financial costs declined by 1.4 ppts to 8.1% in 2016. When comparing to average funding costs of the sector leaders (less 5.0% for COLI and CR Land in 1H16), the Company's average funding costs were high. Average funding costs are likely to further decline due to the repayment of high-yield debts. In Jan.-Feb. 2017, the Company issued senior notes amounting to USD250 mn, with a coupon rate of 6.35%. Meanwhile, the Company redeemed senior notes amounting to USD300 mn, with coupon rates of 11.25%. With faster growth in contracted sales and disciplined land replenishment initiatives, we believe that net gearing ratios will gradually decline. In addition, the Company will continue to hedge offshore debt. Therefore, the risk exposure to RMB depreciation is likely to decline.

Figure 10: China Aoyuan's Average Funding Costs



Source: the Company, Guotai Junan International.

Figure 11: China Aoyuan's Debt Structure in 2016



Source: the Company, Guotai Junan International.

We revise up underlying profit estimations. We expect that China Aoyuan's contracted sales will maintain fast growth due to increasingly competitive products, sufficient saleable resources and quality land reserves. With strong contracted sales in 2016, sufficient cash on hand and disciplined land replenishment initiatives, we expect more GFA to be delivered in 2017. We revise up the 2017F and 2018F total revenue by 4.1% and 5.9% to RMB18,970 mn and RMB22,129 mn, respectively. We expect stable GPM, thus we slightly revise up the GPM in 2017F and 2018F. Overall, we revise up 2017F and 2018F underlying net profit by 11.3% and 3.1% to RMB1,492 mn and RMB1,713 mn, respectively. Due to disciplined land replenishment activities, we revise down net gearing ratio in 2017 and 2018 by 17.4 ppts and 4.6 ppts, respectively.

Table 2: Revision of 2017-2019 Profit Estimations

	New estimation			Old estimation			Change		
	2017F	2018F	2019F	2017F	2018F	2019F	2017F	2018F	2019F
Total revenue	18,970	22,129	25,668	18,218	20,903	n.a.	4.1%	5.9%	n.a.
Gross profit	5,348	6,064	7,090	4,640	5,455	n.a.	15.3%	11.2%	n.a.
Operating profit	4,027	4,632	5,406	3,437	4,175	n.a.	17.2%	10.9%	n.a.
Net profit	1,824	2,137	2,495	1,633	2,041	n.a.	11.7%	4.7%	n.a.
Underlying profit	1,492	1,713	2,007	1,340	1,661	n.a.	11.3%	3.1%	n.a.
Gross margin	28.2%	27.4%	27.6%	25.5%	26.1%	n.a.	2.7 ppts	1.3 ppts	n.a.
Operating profit margin	21.2%	20.9%	21.1%	18.9%	20.0%	n.a.	2.4 ppts	1.0 ppts	n.a.
Net profit margin	9.6%	9.7%	9.7%	9.0%	9.8%	n.a.	0.7 ppts	-0.1 ppts	n.a.
Underlying net profit margin	7.9%	7.7%	7.8%	7.4%	7.9%	n.a.	0.5 ppts	-0.2 ppts	n.a.
ROE	16.8%	17.3%	17.7%	10.9%	12.3%	n.a.	5.9 ppts	5.0 ppts	n.a.
ROCE	6.1%	6.9%	7.6%	4.8%	5.7%	n.a.	1.3 ppts	1.2 ppts	n.a.
ROA	2.3%	2.5%	2.8%	2.4%	2.8%	n.a.	-0.2 ppts	-0.3 ppts	n.a.
Net gearing ratio	47.7%	44.6%	43.5%	65.1%	49.2%	n.a.	-17.4 ppts	-4.6 ppts	n.a.

Source: Guotai Junan International.

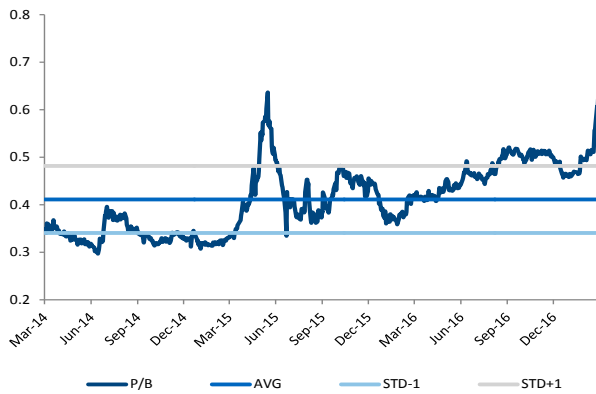
Maintain "Accumulate" investment rating for China Aoyuan. The Company's contracted sales are expected to maintain fast growth under the policy tightening environment. Land reserves are mainly exposed to tier-1/ tier-2/ international cities. The debt structure is improving and we expect average funding costs to decline, decreasing its risk exposure to RMB depreciation and financial costs. The Company's fundamentals are gradually improving. As a result, we revise up our target price from HK\$1.98 to HK\$2.63, representing a 61% discount to 2017E NAV of HK\$6.73 per share, 4.3x 2017 underlying PER and 0.6x 2017 PBR. Moreover, the Company's share price is undervalued as the last price implies that PBR in 2016, 2017 and 2018 is only 0.6x, 0.5x and 0.4x, respectively. Therefore, we rate China Aoyuan as "Accumulate". Risk factors include lower-than-expected contracted sales, possible failure in operations activities of overseas projects and further depreciation of RMB.

Table 3: Breakdown of China Aoyuan's 2017 NAV

NAV summary results	2017F
Development properties (RMB mn)	19,148
Investment properties (RMB mn)	2,003
Total gross asset value (RMB mn)	21,152
(Net debt)/net cash(RMB mn)	(4,807)
NAV (RMB mn)	16,345
NAV/share (RMB)	5.99
NAV/share (HK\$)	6.73
TP discount to NAV	61%
Target price (HK\$)	2.63

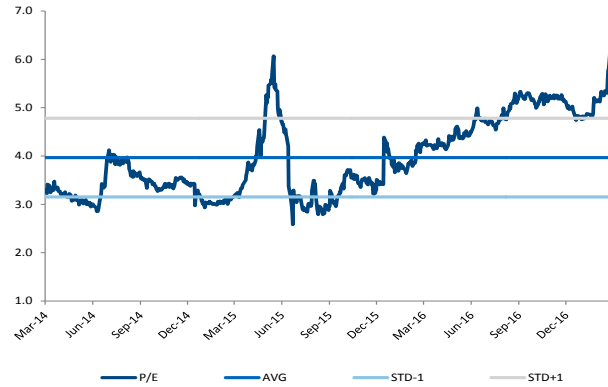
Source: the Company, Guotai Junan International.

Figure 12: China Aoyuan 3-Year Historical P/B



Source: Bloomberg, Guotai Junan International.

Figure 13: China Aoyuan 3-Year Historical P/E



Source: Bloomberg, Guotai Junan International.

Table 4: Peers Comparison

Company	Stock Code	Mkt Cap (HK\$ m)	Last Price HK\$	PE			PB			D/Y%	ROE EV/EBITDA	
				2017F	2018F	2019F	2017F	2018F	2019F		2017F	2017F
HK listed large developers with major revenue from mainland												
China Overseas Land & Invest	00688 HK	277,191.9	25.300	7.3	6.4	5.6	1.0	0.9	0.8	3.3	15.2	5.2
Evergrande Real Estate Group	03333 HK	94,283.4	6.880	11.1	8.4	12.0	1.5	1.4	n.a.	5.5	13.0	10.5
China Resources Land Ltd	01109 HK	157,332.3	22.700	8.2	7.2	6.6	1.1	1.0	n.a.	3.4	14.3	5.8
Bbmg Corporation-H	02009 HK	54,701.0	3.880	10.5	9.9	9.6	0.8	0.8	0.7	0.9	7.9	10.7
Country Garden Holdings Co	02007 HK	144,992.6	6.790	10.2	8.8	5.3	1.7	1.4	n.a.	3.0	16.9	8.8
Longfor Properties	00960 HK	79,367.3	13.580	7.3	6.6	5.3	1.0	0.9	n.a.	3.8	14.4	7.5
Agile Property Holdings Ltd	03383 HK	25,852.5	6.600	6.9	6.1	4.9	0.6	0.5	0.5	5.4	8.4	5.9
Soho China Ltd	00410 HK	22,098.0	4.250	51.7	41.9	n.a.	0.6	0.6	n.a.	4.6	1.3	27.4
Shimao Property Holdings Ltd	00813 HK	44,505.5	13.140	5.8	5.3	3.8	0.7	0.6	n.a.	5.5	11.8	7.6
Guangzhou R&F Properties - H	02777 HK	42,986.4	13.340	5.2	4.7	4.2	0.8	0.7	0.6	7.7	15.6	8.0
Sino-Ocean Land Holdings	03377 HK	32,535.1	4.330	7.2	6.4	4.3	0.6	0.6	n.a.	4.8	8.5	8.2
Franshion Properties	00817 HK	27,853.4	2.610	7.0	6.1	4.7	0.6	0.6	n.a.	4.4	9.7	7.9
Shui On Land Ltd	00272 HK	15,170.3	1.890	7.0	6.0	2.9	0.3	0.3	n.a.	2.5	4.4	8.9
Kwg Property Holding Ltd	01813 HK	16,521.1	5.410	4.2	3.9	2.8	0.5	0.5	0.4	7.5	13.3	9.0
Yuexiu Property Co Ltd	00123 HK	17,113.8	1.380	9.4	8.3	7.8	0.5	0.5	0.4	4.5	5.1	9.4
Shenzhen Investment Ltd	00604 HK	28,072.4	3.670	7.9	7.2	n.a.	0.7	0.6	n.a.	5.7	9.3	4.3
Hopson Development Holdings	00754 HK	17,136.8	7.700	22.0	20.3	n.a.	n.a.	n.a.	n.a.	1.3	n.a.	n.a.
Beijing North Star Co Ltd-H	00588 HK	19,953.9	3.190	8.1	n.a.	n.a.	0.5	n.a.	n.a.	2.1	6.6	n.a.
Yuexiu Real Estate Investmen	00405 HK	13,389.0	4.560	24.5	21.9	23.0	1.0	1.0	1.0	6.5	4.0	21.1
Greentown China Holdings	03900 HK	17,889.7	8.270	7.4	7.0	n.a.	0.6	0.6	n.a.	2.2	7.7	12.1
China Vanke Co Ltd-H	02202 HK	263,758.2	23.500	9.3	8.1	5.7	1.8	1.6	n.a.	4.7	20.3	5.2
Median				7.9	7.1	5.3	0.7	0.6	0.6	4.5	9.5	8.2
Simple Average				11.4	10.0	6.8	0.8	0.8	0.7	4.3	10.4	9.7
Weighted Average				9.4	8.0	5.8	1.2	1.0	0.2	4.0	14.2	7.2
HK listed mid-small developers with major revenue from mainland												
China Overseas Grand Oceans	00081 HK	7,074.9	4.470	6.5	5.4	n.a.	0.7	0.7	n.a.	0.7	13.0	7.3
Poly Property Group Co Ltd	00119 HK	12,778.8	3.490	40.6	23.9	n.a.	0.5	0.5	n.a.	0.7	1.3	17.6
Shind Urban	00563 HK	9,670.7	2.010	15.5	14.4	n.a.	0.7	0.7	n.a.	2.0	4.3	n.a.
Modern Land China Co Ltd	01107 HK	3,554.8	1.420	3.7	3.2	n.a.	0.6	0.5	n.a.	7.8	20.7	n.a.
Powerlong Real Estate Holdin	01238 HK	12,431.6	3.110	4.6	4.0	n.a.	0.4	0.4	n.a.	4.2	11.8	n.a.
China Aoyuan Property Group	03883 HK	6,198.0	2.320	4.4	3.7	n.a.	n.a.	n.a.	n.a.	8.2	13.3	n.a.
C C Land Holdings Ltd	01224 HK	5,461.2	2.110	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fantasia Holdings Group Co	01777 HK	7,317.5	1.270	6.6	6.1	n.a.	0.6	0.5	n.a.	5.6	9.1	n.a.
Yuzhou Properties Co	01628 HK	12,021.7	3.150	4.6	3.8	n.a.	0.8	0.7	n.a.	7.6	19.4	3.0
Central China Real Estate	00832 HK	4,664.7	1.910	3.7	2.8	n.a.	0.5	0.4	n.a.	8.0	14.1	2.9
China Sce Property Holdings	01966 HK	10,340.0	3.020	6.0	4.9	n.a.	1.0	0.9	n.a.	5.2	17.9	5.8
Top Spring International Hld	03688 HK	2,959.5	2.500	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Beijing Capital Land Ltd-H	02868 HK	11,778.8	3.890	6.2	4.4	n.a.	0.7	0.6	n.a.	6.1	19.3	9.3
Zhong An Real Estate Ltd	00672 HK	1,573.6	0.670	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kaisa Group Holdings Ltd	01638 HK	8,011.3	1.560	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Glorious Property Holdings	00845 HK	7,403.0	0.950	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Median				6.0	4.4	n.a.	0.6	0.6	n.a.	5.6	13.3	6.6
Simple Average				9.3	7.0	n.a.	0.7	0.6	n.a.	5.1	13.1	7.6
Weighted Average				8.7	6.3	n.a.	0.5	0.4	n.a.	3.7	10.0	4.0

Financial Statements and Ratios

Income Statement					
Year End Dec (RMB mn)	2015A	2016A	2017F	2018F	2019F
Total revenue	9,572	11,827	18,970	22,129	25,668
yoy	37.2%	23.6%	60.4%	16.7%	16.0%
Sales of Properties	9,295	11,240	18,230	21,290	24,749
Other Income	278	587	740	839	919
Cost of Sales	(6,926)	(8,550)	(13,623)	(16,065)	(18,578)
Gross Profit	2,646	3,277	5,348	6,064	7,090
yoy	28.0%	23.8%	63.2%	13.4%	16.9%
- Fair value gains on Ips	356	310	346	370	422
- SG&A	(890)	(1,082)	(1,688)	(1,893)	(2,196)
- Other gains net	(131)	(231)	22	91	90
Operating profit	1,981	2,275	4,027	4,632	5,406
- Finance income/(costs), net	(91)	(157)	(164)	(163)	(158)
- Share profits of JVs	28	(32)	(31)	(30)	(29)
- Losses on sales of a subsidiary	(33)	0	0	0	0
Profit before income tax	1,884	2,085	3,833	4,438	5,218
- Income tax expense	(977)	(1,078)	(2,009)	(2,302)	(2,723)
Profit for the period	907	1,007	1,824	2,137	2,495
Profit attributable to					
- Shareholders (Net income)	812	881	1,596	1,870	2,183
yoy	0.3%	8.5%	81.2%	17.1%	16.8%
- Minority interest	95	126	228	267	311
- Shareholders (Underlying Profit)	778	950	1,492	1,713	2,007
EPS (RMB)	0.29	0.32	0.59	0.69	0.80
Underlying EPS (RMB)	0.28	0.35	0.55	0.63	0.74
yoy	3.3%	24.5%	57.1%	14.8%	17.2%
DPS (RMB)	0.11	0.15	0.24	0.26	0.30
Dividend payout ratio	36.0%	46.4%	41.8%	37.6%	38.0%

Balance Sheet					
Year End Dec (RMB mn)	2015A	2016A	2017F	2018F	2019F
Investment Properties	4,505	5,425	5,765	6,486	7,272
PPE	494	506	485	465	447
Other current assets	630	658	535	514	504
Total non-current assets	5,629	6,589	6,786	7,464	8,222
Properties for Sale	31,792	43,513	49,787	53,617	56,283
Trade and other receivables	1,753	3,604	3,417	3,632	3,860
Restricted Cash	1,267	486	788	920	1,069
Bank balances and cash	7,769	10,471	10,729	10,270	9,528
Other non-current assets	617	1,756	1,645	1,677	1,716
Total current assets	43,198	59,830	66,365	70,116	72,456
Total assets	48,827	66,418	73,151	77,580	80,678
Trade and other payables	5,348	6,795	8,338	9,536	10,080
Deposits received	9,823	20,524	24,909	26,264	26,639
Short-term bank loans	2,570	2,997	2,907	2,820	2,736
Provision	1,597	1,430	1,358	1,290	1,226
Current income tax liabilities	2,202	2,593	2,463	2,537	2,613
Other current liabilities	1,228	1,804	1,885	1,965	2,049
Total current liabilities	22,770	36,143	41,860	44,412	45,344
Long-term bank loans	4,803	3,795	3,682	3,571	3,464
Senior notes	8,924	10,079	9,734	9,929	10,127
Other non-current liabilities	754	1,770	1,858	1,951	2,049
Total non-current liabilities	14,481	15,645	15,274	15,451	15,640
Total liabilities	37,251	51,787	57,134	59,864	60,984
Total common equity	8,243	8,918	10,075	11,509	13,175
Minority interest	3,333	5,713	5,941	6,208	6,519
Total equity & liabilities	48,827	66,418	73,151	77,580	80,678

Source: the Company, Guotai Junan International.

Cash Flow Statement					
Year End Dec (RMB mn)	2015A	2016A	2017F	2018F	2019F
Profit before taxation	1,884	2,085	3,833	4,438	5,218
- Adjustments for:					
- Finance costs	91	157	164	163	158
- Depreciation	34	35	35	36	36
- Fair value gain on IPs	(356)	(310)	(346)	(370)	(422)
- Others	173	444	66	(31)	(29)
After above adjustments:	1,827	2,411	3,751	4,236	4,962
Changes in working capital:	(3,170)	2,091	1,096	(152)	(1,174)
Net cash from operations	(1,342)	4,502	4,848	4,085	3,788
Income taxes and interest paid	(1,681)	(2,287)	(2,704)	(2,836)	(2,951)
CFO	(3,023)	2,215	2,143	1,249	837
Purchase of investment properties	(849)	(835)	(368)	(744)	(812)
Increase in restricted bank deposits	(202)	781	(302)	(132)	(149)
Other investing cash flow	126	(1,195)	(112)	(96)	(81)
CFI	(924)	(1,249)	(781)	(973)	(1,042)
Debt raised/(repaid)	4,849	574	(549)	(3)	7
Dividend Paid	(292)	(409)	(667)	(703)	(829)
Other financing cash flow	2,247	1,540	96	(26)	285
CFF	6,804	1,705	(1,119)	(732)	(537)
Net cash increase (decrease)	2,856	2,672	243	(456)	(742)
Beginning cash balance	4,852	7,769	10,471	10,729	10,270
Exchange losses	61	30	15	(3)	1
Ending cash balance	7,769	10,471	10,729	10,270	9,528

Ratios					
	2015A	2016A	2017F	2018F	2019F
ROE	10.2%	10.3%	16.8%	17.3%	17.7%
ROCE	3.7%	3.5%	6.1%	6.9%	7.6%
ROA	1.9%	1.5%	2.3%	2.5%	2.8%
Net Gearing Ratio	88.1%	66.3%	47.7%	44.6%	43.5%
Debt to Equity Ratio	197.7%	189.2%	162.0%	141.8%	123.9%
Current Ratio	189.7%	165.5%	158.5%	157.9%	159.8%
Cash / Total Assets	15.9%	15.8%	14.7%	13.2%	11.8%

Valuation					
	2015A	2016A	2017F	2018F	2019F
Underlying PER (Diluted) (x)	6.95	5.93	3.78	3.29	2.81
PER (Basic) (x)	6.66	6.39	3.53	3.01	2.58
PER (Diluted) (x)	6.66	6.39	3.53	3.01	2.58
PBR (x)	0.66	0.63	0.56	0.49	0.43
Dividend Yield (%)	5.40	7.26	11.84	12.48	14.72

Margins					
	2015A	2016A	2017F	2018F	2019F
Gross Margin	27.6%	27.7%	28.2%	27.4%	27.6%
Operating Profit Margin	20.7%	19.2%	21.2%	20.9%	21.1%
Underlying Net Profit Margin	8.1%	8.0%	7.9%	7.7%	7.8%
EBIT Margin	20.7%	19.2%	21.2%	20.9%	21.1%

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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