

Company Report: China Aoyuan (03883 HK)

公司报告: 中国奥园 (03883 HK)

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Strategic Layout in the Big Bay Area and New Addition in the SZ-HK Stock Connect, Upgrade to "Buy"

大湾区的战略布局及深港通新晋标的, 上调至“买入”

- **1H17 underlying net profit was in line with our expectation.** Top line increased by 25.8% YoY to RMB8,154 mn in 1H17. Net profit increased 32.4% YoY to RMB750 mn.
- **Contracted sales are likely to maintain fast growth momentum.** From Jan. to Aug. 2017, the Company achieved RMB21.760 bn in contracted sales, up 65.0% YoY, achieving 65.3% of its 2017 sales target.
- **Quality land bank protects the Company's margins.** 76.1% of the Company's land bank was in tier-1/ tier-2/ international cities, and its unit land cost amounted to RMB1,897 per sq.m, representing 17.9% of ASP in 1H17.
- Strategic layout in the Big Bay Area offers a sustainable growth prospect to China Aoyuan. As the latest addition to the SZ-HK stock connect, the Company should justify a lower NAV discount. As we have revised up underlying net profit, we also revise up the target price from HK\$2.63 to HK\$5.45, representing a 55% discount to 2017E NAV of HK\$12.11 per share, 8.5x 2017 underlying PER and 1.3x 2017 PBR. **Therefore, we upgrade to "Buy".** Risk factors include lower-than-expected contracted sales, and possible failure in operations activities of overseas projects and redevelopment projects.
- **2017 年上半年核心净利符合预期。**总收入同比增长 25.8%到人民币 8,154 百万元。净利润同比上升 32.4%到人民币 750 百万元。
- **合约销售很有可能维持快速增长趋势。**2017 年 1-8 月, 公司录得人民币 217.60 亿元的合约销售, 同比增长 65.0%, 完成 2017 年销售目标的 65.3%。
- **有质量的土储保障公司利润率。**公司 76.1%的土储位于一线/ 二线/ 国际城市且其单位地价为人民币 1,897 元每平方米, 相当于 2017 年上半年销售均价的 17.9%。
- 大湾区的战略布局为中国奥园提供了一个可持续增长的前景。作为新晋深港通标的, 公司应适用更低的每股净资产折让。因为上调的核心净利, 我们将目标价从 2.63 港元上调至 5.45 港元, 相当于较 12.11 港元的 2017 年每股净资产有 55%的折让, 也分别相当于 8.5 倍 2017 年核心市盈率和 1.3 倍 2017 年市净率。**因此, 我们上调至“买入”。**风险: 低于预期的合约销售, 以及海外项目和旧改项目可能的运营失败。

Rating:

Buy

Upgraded

评级:

买入 (上调)

6-18m TP 目标价:

HK\$5.45

Revised from 原目标价:

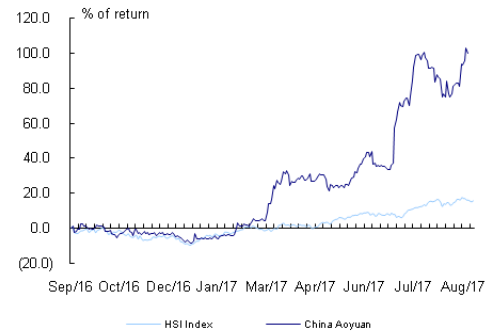
HK\$2.63

Share price 股价:

HK\$4.830

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	59.4	106.4	171.6
Rel. % to HS Index 相对恒指变动 %	57.5	99.1	151.8
Avg. share price(HK\$) 平均股价 (港元)	1.7	1.6	1.5

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2015A	9,572	812	0.292	3.3	13.8	2.961	1.4	0.105	2.6	7.9
2016A	11,827	881	0.323	24.5	13.4	3.270	1.3	0.150	3.5	6.7
2017F	19,196	1,698	0.635	60.7	6.6	3.797	1.1	0.265	6.3	10.0
2018F	25,146	2,087	0.781	29.8	5.4	4.422	1.0	0.293	7.0	10.2
2019F	30,632	2,488	0.931	19.6	4.5	5.164	0.8	0.353	8.4	11.0

Shares in issue (m) 总股数 (m)	2,671.6	Major shareholder 大股东	Asia Square Holdings Ltd. 54.1%
Market cap. (HK\$ m) 市值(HK\$ m)	12,903.7	Free float (%) 自由流通比率(%)	45.9
3 month average vol. 3 个月平均成交股数('000)	17,372.2	FY17 Net gearing(%) FY17 净负债/股东资金(%)	44.5
52 Weeks high/low (HK\$) 52 周高/低	4.830 / 1.612	FY17 Est. NAV (HK\$) FY17 每股估值 (港元)	12.1

Source: the Company, Guotai Junan International.

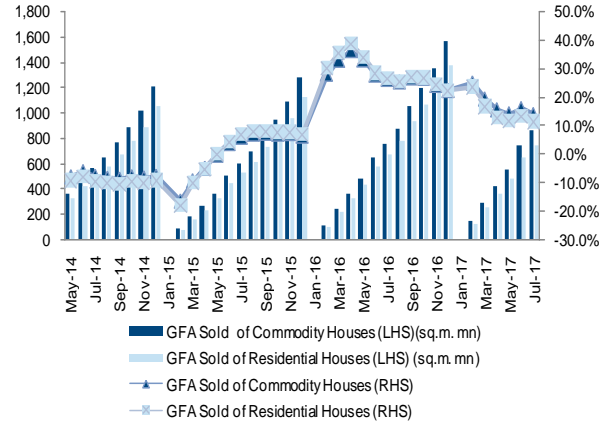
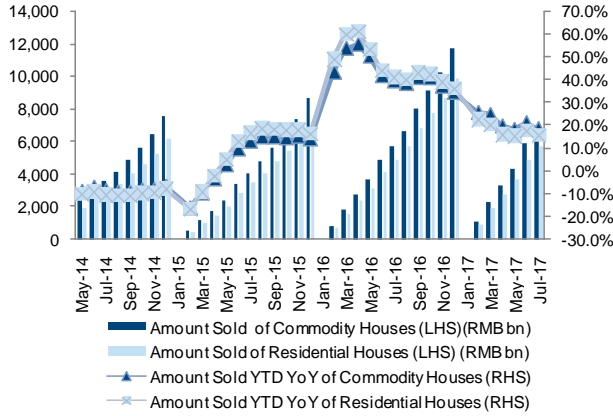
See the last page for disclaimer

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**Housing sales slowed down but healthy fundamentals remain.** During Jan.-Jul. 2017, the YoY increase in commodity house sales decreased compared to that during Jan.-Jun. 2017. As a result of replenishment of inventories, land area sold still recorded strong growth. Despite slowing down, investment remained high in absolute terms. In addition, saleable areas extended downside momentum. Subsequently, we now see a healthy property market.

**Figure 1: Cumulative House Sales Amount in China**

**Figure 2: Cumulative House Sales GFA in China**



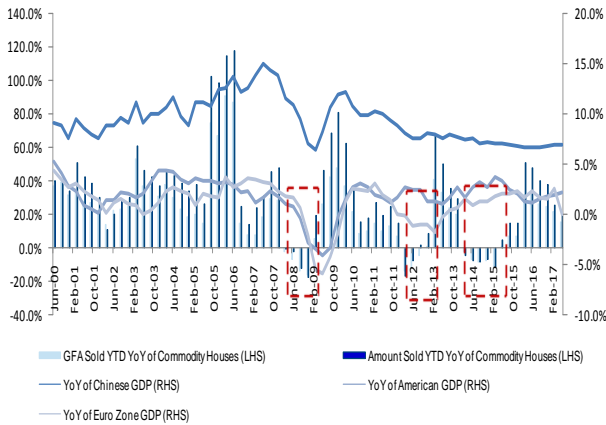
Source: National Bureau of Statistics of China, Guotai Junan International.

Source: National Bureau of Statistics of China, Guotai Junan International.

**The property sector should act as a stabilizer for the China economy. We think that policy tightening may continue and thus cool down the property market in 2017.** Currently, investment in real estate occupied a large proportion of GDP. With deep structural adjustments in the China economy, the proportion of real estate investment in GDP will decline; the property sector should not be the main economy engine for China. Nevertheless, the property sector will still play a critical role in the economy and could drive other sectors, such as steel, coal, machinery, cement, furniture, and household electrical appliances sectors, and so on. Therefore, we think that the property sector should act as a stabilizer for the China economy. With economic recovery, we expect a sustainable tightening environment. Therefore, policy tightening could be maintained. Moreover, liquidity should slightly tighten. Costs of liabilities of banking systems have increased and will be at least maintained, ultimately spreading to assets within banking systems. Therefore, we expect the weighted personal mortgage rate to increase, which will exert negative effects on housing sales. A contraction in demand could drive sales to slow down then cool down the property market. Nevertheless, we think that a key factor of policy should be the stability and sustainability of the property market.

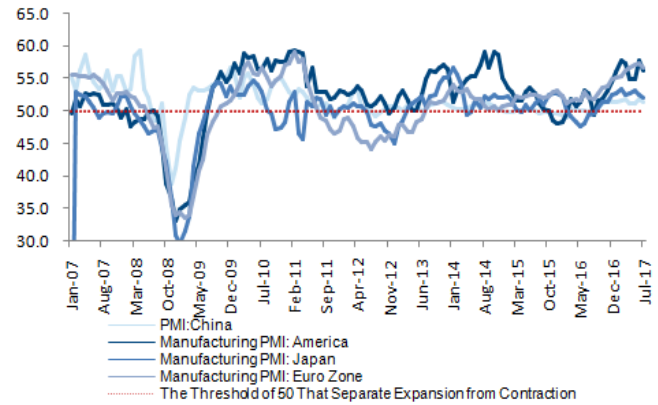
**However, we think that commodity housing sales will only experience limited decline due to recovery in the global economy and could remain at a considerable level in absolute value.** Since Jun. 2000, the property market in China has experienced five rounds of policy tightening. Commodity housing sales recorded YoY decrease during three separate periods, 2008-2009, 2012 and 2014. Even in 2005-2007, commodity housing sales still recorded strong growth within a tightening policy environment. Therefore, the macroeconomic environment could exert key effects on the China property market. Looking forward, the US has entered into an interest rate hike cycle, the eurozone is likely to recover, evidenced by consecutive expansion of PMI, China's economy is likely to retain stable GDP growth at mid-to-high speed. As a result, despite that the degree of tightening within the policy environment in some cities hit historical highs, we still think that commodity housing sales should perform better than in 2008 and 2014, and there will not be a crash for China's property market. In addition, urbanization, stocking of housing and monetization of squatter settlement rebuilding will lead to sustainable housing demand in 2017-2020. Moreover, commodity housing sales amount during Jan.-May 2017 was over 150% of commodity housing sales amount during the same period in 2013, 2014 and 2015. Commodity housing sales should still remain at a considerable level in absolute terms. Moreover, if the property market has started to slump, the policy and credit environment related to the property sector should ease again to stabilize the property market as per the last round of policy easing which started on 30 Sep. 2014.

**Figure 3: China Commodity Houses Sales and GDP**



Source: National Bureau of Statistics of China, Guotai Junan International.

**Figure 4: PMI of Major Economies**



Source: National Bureau of Statistics of China, Guotai Junan International.

**1H17 underlying net profit was in line with our expectation.** Top line increased by 25.8% YoY to RMB8,154 mn in 1H17 due to strong contracted sales growth. Gross profit amounted to RMB2,191 mn, up 35.1% YoY. Net profit slightly increased 32.4% YoY to RMB750 mn, which was in line with our expectation. However, if excluding fair value gains on investment properties and exchange loss, underlying net profit increased 5.8% YoY to RMB610 mn, in line with our expectation. GPM improved and increased 1.8 ppts YoY to 26.9%. Net profit margin increased 0.5 ppts YoY to 9.2%. Net gearing ratio declined 13.6 ppts YoY. Cash balance rose 45.1% YoY to RMB14,814 mn due to more cash collection from contracted sales and debt rising.

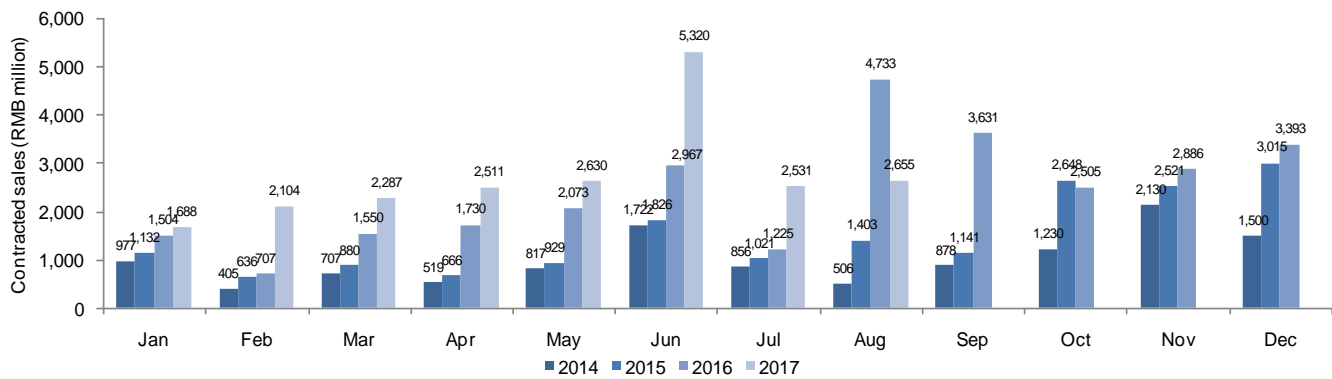
**Table 1: Comparison of the Company's Balance Sheet and Income Statement in 1H16 and 1H17**

RMB mn	1H16	1H17	Change
Total revenue	6,480	8,154	25.8%
Gross Profit	1,622	2,191	35.1%
GPM	25.0%	26.9%	1.8 ppts
Net Profit (Inc. after-tax fair value gains on IP)	567	750	32.4%
Net Profit (Ex. after-tax fair value gains on IP)	577	610	5.8%
NPM (Inc. after-tax fair value gains on IP)	8.7%	9.2%	0.5 ppts
NPM (Ex. after-tax fair value gains on IP)	8.9%	7.5%	-1.4 ppts
DPS (RMB cent)	N.A.	N.A.	N.A.
Underlying EPS (HKD cent)	20.8	22.8	9.7%
Cash and Cash Equivalents	10,211	14,814	45.1%
Total Asset	58,527	84,758	44.8%
Properties under development	38,866	55,265	42.2%
Total Debt	18,289	22,550	23.3%
Shareholders' equity	8,636	9,264	7.3%
Net Gearing Ratio	55.96%	42.32%	-13.6 ppts

Source: the Company, Guotai Junan International.

**Contracted sales are likely to maintain fast growth momentum.** During Jan.-Aug. 2017, China Aoyuan recorded RMB21.760 bn in contracted sales, up 65.0% YoY. The Company has already achieved 65.3% of its 2017 annual sales target. 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. During Sep.-Dec. 2017, the Company's monthly contracted sales only need reach RMB2.885 bn to achieve its sales target. Therefore, we think the Company could reach its sales target in 2017, which indicated a 30.1% YoY increase. Despite policy tightening, we still believe that contracted sales will experience faster growth.

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



Source: the Company.

Figure 6: China Aoyuan's Contracted Sales Amount Breakdown by Region in 1H16

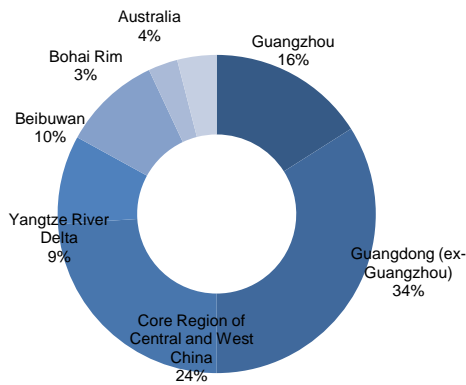
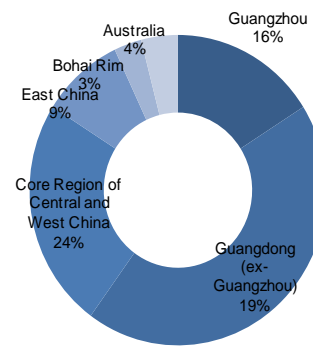


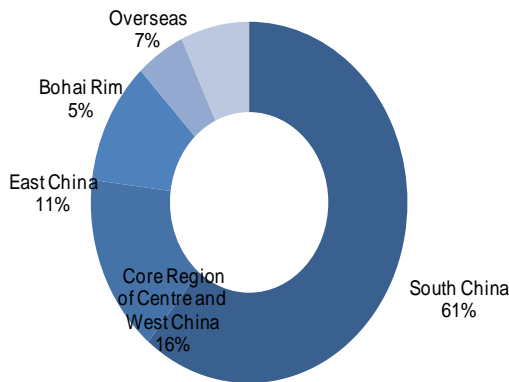
Figure 7: China Aoyuan's Contracted Sales Amount Breakdown by Region in 1H17



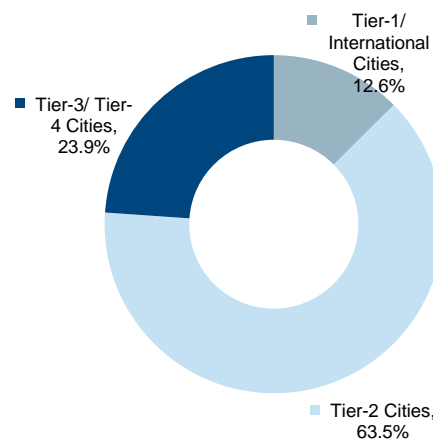
Source: the Company, Guotai Junan International.

Source: the Company, Guotai Junan International.

**Quality land reserves protect the Company's margins.** In 1H17, the Company acquired 20 land parcels. The total acquired GFA recorded 3,700,000 sq.m. with an attributable consideration of RMB8,375 mn. As at 30 Jun. 2017, the Company had a total GFA of approximately 17.12 million sq.m, 76.1% 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 in quality. According to the Company, its unit land cost amounted to RMB1,897 per sq.m, 17.9% of ASP in 1H17. 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.

**Figure 8: China Aoyuan's Land Exposure by Region as at 30 Jun. 2017**


Source: the Company, Guotai Junan International.

**Figure 9: China Aoyuan's Land Exposure by City Tier as at 30 Jun. 2017**


Source: the Company, Guotai Junan International.

**Strategic layout and sufficient redevelopment projects in Guangdong-Hong Kong-Macau Big Bay Area hint a sustainable growth prospect.** The Big Bay Area has high aggregation of people and industries, close connection to inland areas, open and accessible to the world and mass scale of economies, and holds huge potential for future development. Therefore, there will be huge and sustainable housing demands in the Big Bay Area. The Company has a strategic layout in the Big Bay Area with 40 projects. Total GFA and total saleable resources in the Big Bay Area are estimated to be approximately 4.80 mn sq.m. and RMB58.7 bn, respectively. In addition, the Company currently has 10 redevelopment projects in the Big Bay Areas with planned GFA of 4.22 sq.m. Abundant potential land bank reserves in the Big Bay Area where there are future sustainable housing demand hint a sustainable growth prospect.

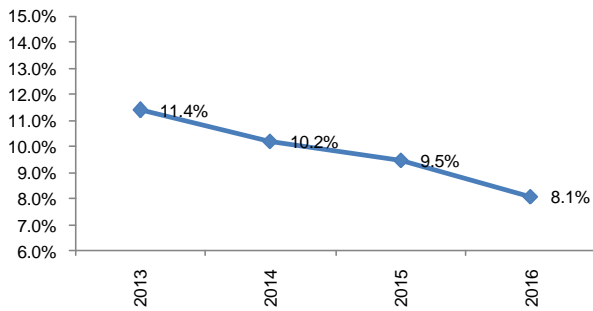
**Table 2: The Company's Redevelopment Projects in the Big Bay Area**

Project	City	Status	Planned GFA (sq.m.)
Guangzhou Panyu Nitrogen Fertilizer Plant	Panyu, Guangzhou	Confirm Redevelopment Plan	310,000
Guangzhou Caihe Village Industrial Park	Panyu, Guangzhou	Coopeartion Agreement	360,000
Zhuhai Yfang Building	Xiangzhou, Zhuhai	Redevelopment Planning Application	90,000
Zhuhai Yuexiang and Dahua Fctory	Pingzhou, Zhuhai	Redevelopment Planning Application	460,000
Zhuhai Cuiwei Village	Xiangzhou, Zhuhai	Redevelopment Planning Application	1,000,000
Zhuhai Xiaxu Village	Zhuhai High Tech Zone	Redevelopment Planning Application	230,000
Zhuhai Gongbei Guanzha Village	Xiangzhou, Zhuhai	Redevelopment Planning Application	780,000
Zhuhai Shuiwengkeng Village	Xiangzhou, Zhuhai	Redevelopment Planning Application	240,000
Dongguan Pailouji Village	Wanjiang, Dongguan	Decision on Early-stage Partner	250,000
Dongguan Jiangshimei Village	Wanjiang, Dongguan	Decision on Early-stage Partner	500,000
Total			4,220,000

Source: the Company, Guotai Junan International.

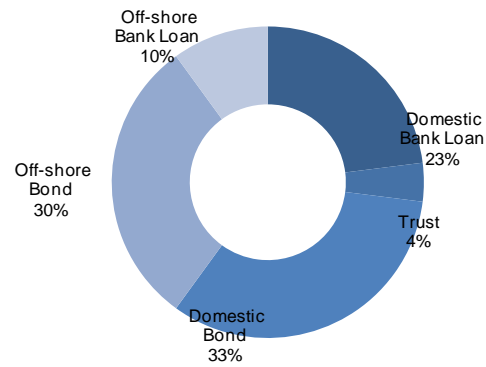
**Despite high average funding costs, we expect average funding costs to decline.** Average financial costs declined by 0.5 ppts to 7.6% in 1H17. When comparing to average funding costs of the sector leaders, the Company's average funding costs were high. Average funding costs are likely to further decline due to the replacing of high-yield debts. On 6 Sep. 2017, the Company issued senior notes amounting to USD250 mn, with a coupon rate of 5.375%. With faster growth in contracted sales and disciplined land replenishment initiatives, we believe that net gearing ratios will gradually 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. Due to strategic layout in the Big Bay Area, we expect a sustainable growth prospect for the Company. Therefore, We revise up the 2017F, 2018F and 2019F total revenue by 1.2%, 13.6% and 19.3% to RMB19,196 mn, RMB25,146 mn and RMB30,632 mn, respectively. We expect stable GPM. Overall, we revise up 2017F, 2018F and 2019F underlying net profit by 0.2%, 13.3% and 15.6% to RMB1,495 mn, RMB1,941 mn and RMB2,321 mn, respectively. Due to disciplined land replenishment activities and more cash generated from increasing contracted sales, we revise down net gearing ratio in 2017, 2018 and 2019 by 3.2 ppts, 3.9 ppts and 9.0 ppts, respectively.

**Table 3: Revisions to 2017-2019 Profit Estimations**

RMB mn	New estimation			Old estimation			Change		
	2017F	2018F	2019F	2017F	2018F	2019F	2017F	2018F	2019F
Total revenue	19,196	25,146	30,632	18,970	22,129	25,668	1.2%	13.6%	19.3%
Gross profit	5,413	6,997	8,282	5,348	6,064	7,090	1.2%	15.4%	16.8%
Operating profit	4,054	5,245	6,111	4,027	4,632	5,406	0.7%	13.2%	13.1%
Net profit	1,940	2,456	2,927	1,824	2,137	2,495	6.4%	14.9%	17.3%
Underlying profit	1,495	1,941	2,321	1,492	1,713	2,007	0.2%	13.3%	15.6%
Gross margin	28.2%	27.8%	27.0%	28.2%	27.4%	27.6%	0.0 ppts	0.4 ppts	-0.6 ppts
Operating profit margin	21.1%	20.9%	20.0%	21.2%	20.9%	21.1%	-0.1 ppts	-0.1 ppts	-1.1 ppts
Net profit margin	10.1%	9.8%	9.6%	9.6%	9.7%	9.7%	0.5 ppts	0.1 ppts	-0.2 ppts
Underlying net profit margin	7.8%	7.7%	7.6%	7.9%	7.7%	7.8%	-0.1 ppts	0.0 ppts	-0.2 ppts
ROE	10.0%	10.2%	11.0%	16.8%	17.3%	17.7%	-6.8 ppts	-7.1 ppts	-6.7 ppts
ROCE	4.4%	4.5%	5.0%	6.1%	6.9%	7.6%	-1.7 ppts	-2.4 ppts	-2.6 ppts
ROA	2.2%	2.3%	2.6%	2.3%	2.5%	2.8%	-0.1 ppts	-0.2 ppts	-0.2 ppts
Net gearing ratio	44.5%	40.7%	34.5%	47.7%	44.6%	43.5%	-3.2 ppts	-3.9 ppts	-9.0 ppts

Source: Guotai Junan International.

**Upgrade to "Buy".** 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. Moreover, strategic layout in the Big Bay Area offers a sustainable growth prospect to China Aoyuan. As the latest addition in the SZ-HK stock connect, the Company should justify a lower NAV discount. As we have revised up underlying net profit, we also revise up our target price from HK\$2.63 to HK\$5.45, representing a 55% discount to 2017E NAV of HK\$12.11 per share, 8.5x 2017 underlying PER and 1.3x 2017 PBR. Therefore, we upgrade China Aoyuan's investment rating from "Accumulate" to "Buy". Risk factors include lower-than-expected contracted sales, and possible failure in operations activities of overseas projects and redevelopment projects.

**Table 4: Breakdown of China Aoyuan’s 2017 NAV**

NAV summary results	2017F
Development properties (RMB mn)	34,885
Investment properties (RMB mn)	2,025
<b>Total gross asset value (RMB mn)</b>	<b>36,911</b>
(Net debt)/net cash(RMB mn)	(8,642)
NAV (RMB mn)	28,268
<b>NAV/share (RMB)</b>	<b>10.58</b>
<b>NAV/share (HK\$)</b>	<b>12.11</b>
TP discount to NAV	55%
Target price (HK\$)	5.45

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 5: 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			
<b>HK listed large developers with major revenue from mainland</b>												
China Overseas Land & Invest	00688 HK	299,104.3	27.300	8.4	7.4	6.5	1.2	1.1	1.0	3.2	15.2	6.1
Evergrande Real Estate Group	03333 HK	338,846.5	25.800	10.1	8.5	7.2	4.1	3.1	2.6	3.3	40.6	9.5
China Resources Land Ltd	01109 HK	173,273.5	25.000	9.2	7.9	7.0	1.3	1.2	1.0	3.2	15.7	6.7
Bbmg Corporation-H	02009 HK	77,542.3	4.180	11.4	8.3	8.0	0.8	0.7	0.7	1.6	7.3	13.6
Country Garden Holdings Co	02007 HK	272,733.1	12.780	14.4	10.5	7.5	2.8	2.3	1.9	2.3	21.1	9.8
Longfor Properties	00960 HK	115,835.4	19.660	9.9	8.1	6.8	1.4	1.2	1.1	3.7	15.1	9.4
Agile Property Holdings Ltd	03383 HK	44,967.7	11.480	8.7	7.6	6.8	0.9	0.9	0.8	4.7	10.9	5.7
Soho China Ltd	00410 HK	25,685.6	4.940	71.5	62.8	43.6	0.7	0.6	0.6	4.9	1.2	21.6
Shimao Property Holdings Ltd	00813 HK	55,005.2	16.240	6.5	5.5	4.8	0.8	0.7	0.6	5.5	12.5	8.4
Guangzhou R&F Properties - H	02777 HK	60,064.9	18.640	6.3	5.2	4.6	1.0	0.9	0.8	6.7	16.6	8.5
Sino-Ocean Land Holdings	03377 HK	39,331.1	5.220	8.5	7.0	6.3	0.7	0.7	0.6	4.7	8.5	8.0
Franshion Properties	00817 HK	44,834.4	4.200	10.6	8.6	6.8	1.1	1.0	0.9	5.0	11.6	9.7
Shui On Land Ltd	00272 HK	15,235.3	1.890	6.7	7.4	6.1	0.3	0.3	0.3	2.8	4.2	7.9
Kwg Property Holding Ltd	01813 HK	26,471.8	8.390	6.1	5.1	4.1	0.8	0.7	0.6	6.0	13.9	14.3
Yuexiu Property Co Ltd	00123 HK	18,974.0	1.530	8.9	7.7	6.6	0.5	0.5	0.5	4.7	5.7	9.2
Shenzhen Investment Ltd	00604 HK	29,091.0	3.660	8.1	7.0	6.2	0.8	0.7	0.7	5.6	9.8	4.8
Hopson Development Holdings	00754 HK	16,602.7	7.460	21.3	19.6	n.a.	n.a.	n.a.	n.a.	1.3	n.a.	n.a.
Beijing North Star Co Ltd-H	00588 HK	22,456.1	3.250	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Yuzhou Properties Co	01628 HK	18,597.6	4.850	5.8	4.5	3.7	1.3	1.1	0.9	5.9	22.7	4.5
Greentown China Holdings	03900 HK	21,998.9	10.160	9.4	8.7	8.1	0.7	0.7	0.6	1.7	7.0	15.8
China Vanke Co Ltd-H	02202 HK	355,628.9	27.600	9.8	8.3	7.2	2.0	1.7	1.5	4.2	21.1	6.4
Median				9.0	7.8	6.8	0.9	0.9	0.8	4.4	12.5	8.5
Simple Average				12.6	10.8	8.3	1.2	1.1	0.9	4.1	13.7	9.5
Weighted Average				10.7	8.8	7.2	1.9	1.6	1.4	3.5	19.8	8.3
<b>HK listed mid-small developers with major revenue from mainland</b>												
China Overseas Grand Oceans	00081 HK	7,074.9	5.480	8.2	6.6	5.2	1.1	1.0	0.8	0.7	14.5	6.0
Poly Property Group Co Ltd	00119 HK	16,074.1	4.390	42.6	22.6	18.4	0.6	0.6	0.6	0.3	1.9	14.2
Sh Ind Urban	00563 HK	8,756.0	1.820	16.5	15.2	14.0	0.7	0.7	0.6	2.0	4.7	n.a.
Modern Land China Co Ltd	01107 HK	4,457.9	1.780	4.4	3.8	3.0	0.8	0.8	0.7	6.1	19.3	n.a.
Powerlong Real Estate Holdin	01238 HK	15,909.3	3.980	6.0	5.1	4.3	0.5	0.5	0.4	5.5	10.8	5.8
China Aoyuan Property Group	03883 HK	12,903.7	4.830	7.7	5.9	4.9	1.1	1.0	0.8	4.5	14.9	6.7
C C Land Holdings Ltd	01224 HK	6,638.8	1.710	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fantasia Holdings Group Co	01777 HK	6,223.0	1.080	6.5	4.8	3.9	0.5	0.4	0.4	5.5	6.9	n.a.
Yuexiu Real Estate Investmen	00405 HK	14,947.8	5.070	16.4	15.8	19.3	1.0	1.0	1.0	6.5	5.5	20.1
Central China Real Estate	00832 HK	8,363.6	3.420	6.4	5.1	4.9	0.9	0.8	0.7	4.6	15.3	4.3
China Sce Property Holdings	01966 HK	17,245.5	4.510	7.4	4.9	4.0	1.3	1.1	0.9	4.2	18.9	8.1
Top Spring International Hld	03688 HK	5,165.5	4.330	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	13,958.9	4.610	6.9	5.0	n.a.	0.7	0.7	n.a.	5.7	19.3	9.6
Zhong An Real Estate Ltd	00672 HK	6,566.2	2.250	14.5	11.1	9.0	0.4	0.4	n.a.	n.a.	4.0	n.a.
Kaisa Group Holdings Ltd	01638 HK	25,039.5	4.510	25.2	6.9	4.5	n.a.	n.a.	n.a.	0.0	n.a.	n.a.
Glorious Property Holdings	00845 HK	6,857.5	0.880	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Median				7.7	5.9	4.9	0.8	0.7	0.7	4.6	12.6	7.4
Simple Average				13.0	8.7	8.0	0.8	0.7	0.7	3.8	11.3	9.3
Weighted Average				13.6	8.1	6.8	0.6	0.6	0.5	3.0	8.5	6.0

Source: the Company, Guotai Junan International.



**Financial Statements and Ratios**

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2015A	2016A	2017F	2018F	2019F	Year end 31 Dec (RMB m)	2015A	2016A	2017F	2018F	2019F
Total Revenue	9,572	11,827	19,196	25,146	30,632	Investment Properties	4,505	5,425	5,951	6,850	7,806
Sales of Properties	9,295	11,240	18,230	23,854	29,027	Property, Plant and Equipment	494	506	485	465	447
Other Income	278	587	965	1,292	1,605	Other Non-current Assets	630	658	1,346	1,328	1,320
Cost of sales	(6,926)	(8,550)	(13,782)	(18,148)	(22,350)	Total Non-current Assets	5,629	6,589	7,783	8,643	9,573
Gross Profit	2,646	3,277	5,413	6,997	8,282	Cash & Cash Equivalents	7,769	10,471	16,658	16,741	17,433
- Change in Fair Value of IPs	356	310	298	343	390	Properties for Sale	31,792	43,513	55,983	59,949	63,213
- SG&A	(890)	(1,082)	(1,708)	(2,151)	(2,621)	Trade and Other Receivables	1,753	3,604	4,456	4,906	5,326
- Other Gains, Net	(131)	(231)	52	56	60	Restricted Cash	1,267	486	788	1,031	1,254
Operating Profit	1,981	2,275	4,054	5,245	6,111	Other Current Assets	617	1,756	2,371	2,411	2,457
- Finance income/(costs), net	(91)	(157)	(204)	(253)	(248)	Total Current Assets	43,198	59,830	80,256	85,037	89,684
- Share profits of JVs	28	(32)	(35)	(39)	(43)	Total Assets	48,827	66,418	88,038	93,680	99,257
- Losses on sales of a subsidiary	(33)	0	0	0	0	Trade and Other Payables	5,348	6,795	8,338	10,369	11,332
Profit before Tax	1,884	2,085	3,814	4,953	5,820	Deposits received	9,823	20,524	26,579	27,553	29,126
Income Tax	(977)	(1,078)	(1,875)	(2,497)	(2,894)	Short-term bank loans	2,570	2,997	5,995	6,115	6,237
Profit after Tax	907	1,007	1,940	2,456	2,927	Provision	1,597	1,430	1,358	1,290	1,226
Non-controlling Interest	(95)	(126)	(242)	(368)	(439)	Current income tax liabilities	2,202	2,593	2,463	2,537	2,613
Shareholders' Profit / Loss	812	881	1,698	2,087	2,488	Other Current Liabilities	1,228	1,804	1,885	1,965	2,049
Adjusted net profit	778	950	1,495	1,941	2,321	Total Current Liabilities	22,770	36,143	46,618	49,829	52,583
Basic EPS	0.292	0.323	0.635	0.781	0.931	Current assets less current liabilities	20,428	23,687	33,637	35,208	37,101
Underlying EPS (RMB)	0.280	0.348	0.559	0.726	0.868	Total assets less current liabilities	26,057	30,276	41,420	43,851	46,673
<b>Cash Flow Statement</b>						<b>Financial Ratios</b>					
Year end 31 Dec (RMB m)	2015A	2016A	2017F	2018F	2019F		2015A	2016A	2017F	2018F	2019F
Operating activities						Revenue Growth (%)	37.2	23.6	62.3	31.0	21.8
Profit Before Taxation	1,884	2,085	3,814	4,953	5,820	Gross Profit Growth (%)	28.0	23.8	65.2	29.3	18.4
Finance Costs	91	157	204	253	248	Reported Net Profit Growth (%)	0.3	8.5	92.7	22.9	19.2
D&A	34	42	42	43	43	Underlying EPS Growth (%)	3.3	22.0	57.5	29.8	19.6
Changes in Fair Value of IPs	(356)	(310)	(298)	(343)	(390)	Gross Margin (%)	27.6	27.7	28.2	27.8	27.0
Others	173	293	(174)	(17)	(7)	Operating Profit Margin (%)	20.7	19.2	21.1	20.9	20.0
Changes in Working Capital:	(3,170)	6,092	(3,229)	(23)	(169)	Adjusted Net Margin (%)	8.1	8.0	7.8	7.7	7.6
Net Cash from Operations	(1,342)	8,360	361	4,866	5,545	ROA (%)	1.9	1.5	2.2	2.3	2.6
Income Taxes Paid	(1,681)	(2,415)	(3,159)	(3,959)	(4,102)	ROCE (%)	3.4	3.0	4.4	4.5	5.0
Cash from Operating Activities	(3,023)	5,945	(2,799)	907	1,443	ROE (%)	7.9	6.7	10.0	10.2	11.0
Investing activities						Net Gearing Ratio	62.7	40.4	44.5	40.7	34.5
Purchase of investment properties	(849)	(791)	(608)	(927)	(986)	Debt to Equity Ratio	140.8	115.3	134.4	123.6	112.8
Increase in restricted bank deposits	(202)	781	(302)	(243)	(223)	Current Ratio	189.7	165.5	172.2	170.7	170.6
Other investing cash flow	126	(4,059)	(148)	(136)	(125)	Cash / Total Assets	15.9	15.8	18.9	17.9	17.6
Cash from Investing Activities	(924)	(4,069)	(1,058)	(1,306)	(1,335)	Underlying P/E (x)	14.47	12.42	7.54	5.81	4.86
Financing activities						P/E (Basic) (x)	13.86	13.39	6.64	5.40	4.53
Debt Raised/(Repaid)	4,849	1,442	9,216	415	423	P/E (Diluted) (x)	13.86	13.39	6.64	5.40	4.53
Dividend Paid	(292)	(245)	(709)	(784)	(944)	P/B (x)	1.37	1.32	1.11	0.95	0.82
Other Financing Cash Flow	2,247	(389)	1,527	853	1,105	Dividend Yield (%)	2.60	3.46	6.29	6.96	8.38
Cash from Financing Activities	6,804	808	10,035	484	584						
Net Changes in Cash	2,856	2,683	6,178	84	692						
Cash at Beg of Year	4,852	7,769	10,471	16,658	16,741						
Exchange Losses	61	18	9	(2)	0						
Cash at End of Year	7,769	10,471	16,658	16,741	17,433						

Source: the Company, Guotai Junan International.

### Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	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	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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