



## Company Report: China Aoyuan (03883 HK)

公司报告: 中国奥园 (03883 HK)

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# Sustainable Quality Growth Prospect, Maintain "Buy"

持续且有质量的增长预期, 维持“买入”

- **China Aoyuan ("the Company") announced a positive profit alert.** The Company's net profit in 2017 is expected to record a significant increase of at least 75% YoY.
- **Strategic layout in the Big Bay Area with proper unit land cost hints at sustainable quality growth prospect.** 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 18.9% of ASP in 2017.
- **Contracted sales are likely to maintain fast growth momentum.** During 2017, the Company achieved RMB45.59 bn in contracted sales, up 78% YoY. With quality land bank exposure and a healthy financial position, sufficient saleable resources will be launched in 2018 and 2019.
- 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\$5.45 to HK\$8.87, representing a 37% discount to 2018E NAV of HK\$14.08 per share, 9.1x 2018 underlying PER and 1.7x 2018 PBR. **Therefore, we maintain "Buy".** Risk factors include lower-than-expected contracted sales and possible failure in operational activities of overseas projects and redevelopment projects.
- **中国奥园 ("公司") 已经宣布盈喜。** 公司 2017 年的净利润预计录得不少于同比 75% 的显著增长。
- **合理单位成本下大湾区的战略布局预示了持续且有质量的增长预期。** 公司 76.1% 的土地位于一线/ 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 年销售均价的 18.9%。
- **合约销售很有可能维持快速增长趋势。** 2017 年, 公司录得人民币 455.9 亿元的合约销售, 同比增长 78%。基于有质量的土地储备和健康的财务状况, 在 2018 年和 2019 年将会有更多的可售资源被推出。
- 公司应适用一个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 5.45 港元上调至 8.87 港元, 相当于较 14.08 港元的 2018 年每股净资产有 37% 的折让, 也分别相当于 9.1 倍 2018 年核心市盈率和 1.7 倍 2018 年市净率。因此, 我们维持“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**

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

**HK\$8.87**

Revised from 原目标价:

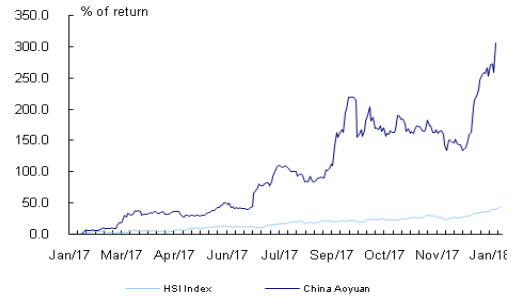
HK\$5.45

Share price 股价:

HK\$6.890

### 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 %	76.2	60.6	300.6
Rel. % to HS Index 相对恒指变动 %	64.8	44.2	257.6
Avg. Share price(HK\$) 平均股价 (港元)	1.7	1.6	1.5

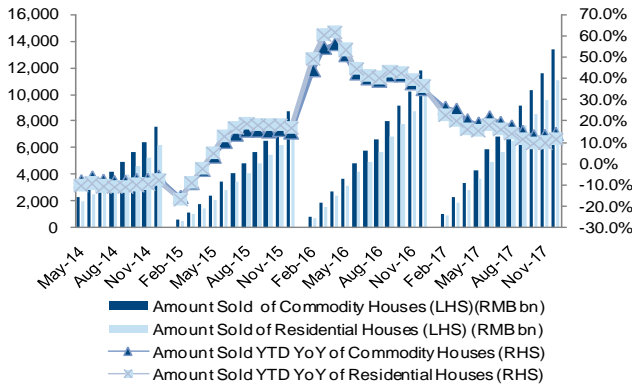
Source: Bloomberg, Guotai Junan International.

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	0.3	19.8	2.961	1.9	0.105	1.8	10.2
2016A	11,827	881	0.323	10.6	19.1	3.270	1.9	0.150	2.4	10.3
2017F	19,294	1,720	0.644	99.4	9.1	3.803	1.5	0.269	4.6	18.0
2018F	25,886	2,206	0.825	28.1	7.1	4.464	1.3	0.310	5.3	20.0
2019F	33,820	2,886	1.080	30.9	5.4	5.324	1.1	0.410	7.0	22.1
Shares in issue (m) 总股数 (m)				2,671.6	Major shareholder 大股东	Asia Square Holdings Ltd. 54.0%				
Market cap. (HK\$ m) 市值 (HK\$ m)				18,441.6	Free float (%) 自由流通比率 (%)	46.0				
3 month average vol. 3 个月平均成交股数 ('000)				16,243.9	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	59.7				
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				7.040 / 1.700	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)	14.1				

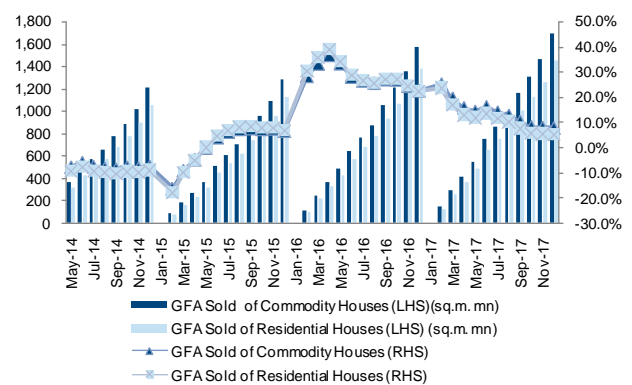
Source: the Company, Guotai Junan International.

**Housing sales slowed, but healthy fundamentals remain.** During Jan.-Dec. 2017, the YoY increase in commodity house sales remained stable compared to that during Jan.-Nov. 2017. Land area sold and investment remained strong. In addition, saleable areas extended downside momentum. Subsequently, we see a healthy property market.

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



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



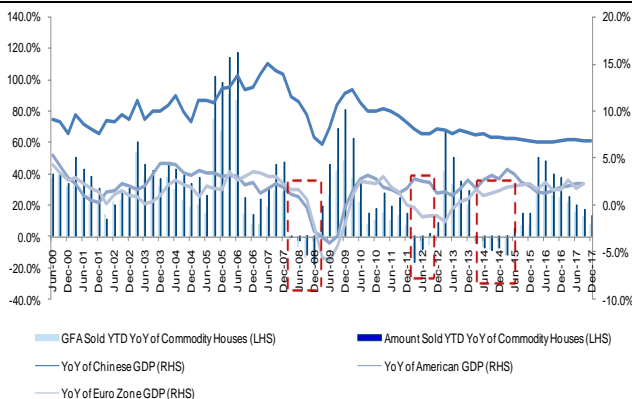
Source: National Bureau of Statistics of China, Guotai Junan International.

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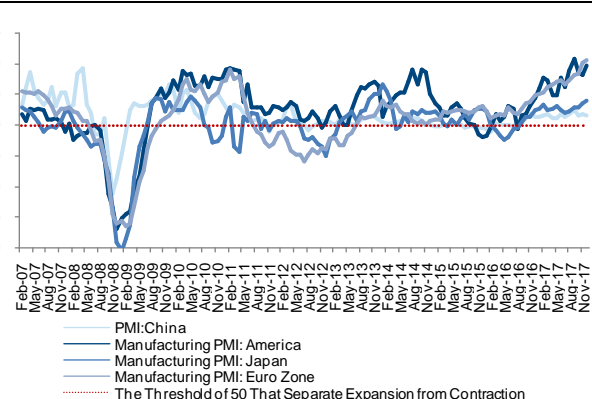
**The property sector is helping to stabilize China's economy; we think that policy tightening may continue.** Currently, investment in real estate occupied a large proportion of GDP. With deep structural adjustments in China's economy, the proportion of real estate investments in GDP will decline; the 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 to stabilize China's economy. With economic recovery underway, we expect a sustainable tightening environment. Moreover, liquidity should slightly tighten. Costs of liabilities of banking systems have increased and will be at least maintained and ultimately spread 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 key factors 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.** Since Jun. 2000, the property market in China experienced five rounds of policy tightening. Commodity housing sales recorded YoY decrease during three separate periods, in 2008-2009, 2012 and 2014. Even in the period 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. The US has entered into an interest rate hike cycle; looking forward, 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, there will not be a crash within 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, if the property market starts 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 House Sales and GDP**



**Figure 4: PMI of Major Economies**



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

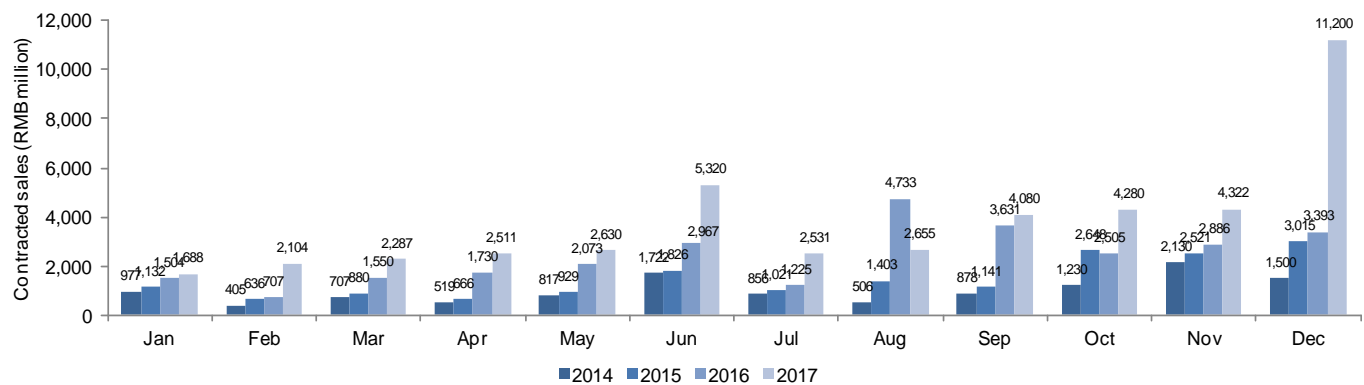
Source: National Bureau of Statistics of China, Guotai Junan International.

**China Aoyuan (“the Company”) announced a positive profit alert.** The Company’s net profit in 2017 is expected to record a significant increase of at least 75% YoY. The increase was primarily attributable to the improvements in the Company’s total GFA delivered to buyers and the ASP of properties delivered in 2017. This increase of net profit is in line with our estimations.

**Strategic layout in the Guangdong-Hong Kong-Macau Big Bay Area with proper unit land cost hints at sustainable and quality growth prospects.** The Big Bay Area has a high aggregation of people and industries, close connections to inland areas, open and accessible to the world and abundant amounts of economies of scale, and holds huge potential for future development. Therefore, there will be a huge amount of sustainable housing demand 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, as at 30 Jun. 2017, the Company had 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., 18.9% of ASP in 2017. 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.

**Contracted sales are likely to maintain fast growth momentum.** During 2017, China Aoyuan recorded RMB45.59 bn in contracted sales, up 78% YoY. The Company has already achieved 137% 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. With quality land bank exposure and a healthy financial position, sufficient saleable resources will be launched in 2018 and 2019. Therefore, contracted sales are likely to maintain fast growth momentum over 30.0% in 2018 and 2019.

**Figure 5: Aoyuan Contracted Sales Comparison from 2014-2017**



Source: the Company.

**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 the strategic layout in the Big Bay Area with proper unit land cost, we expect sustainable quality growth prospects for the Company. Therefore, We revise up the 2017F, 2018F and 2019F total revenue by 0.5%, 2.9% and 10.4% to RMB19,294 mn, RMB25,886 mn and RMB33,820 mn, respectively. We expect stable GPM. Overall, we revise up 2017F, 2018F and 2019F underlying net profit by 1.4%, 6.1% and 17.1% to RMB1,516 mn, RMB2,059 mn and RMB2,719 mn, respectively. To support fast contracted sales growth, more capital investment will be used to bring more saleable resources. Therefore, we revise up net gearing ratio in 2017F, 2018F and 2019F by 12.9 ppts, 19.0 ppts and 22.8 ppts, respectively. But we think that the leverage ratio remains within healthy levels.

**Table 1: Revisions to 2017-2019 Profit Estimations**

RMB mn	New estimation			Old estimation			Change		
	2017F	2018F	2019F	2017F	2018F	2019F	2017F	2018F	2019F
Total revenue	19,294	25,886	33,820	19,196	25,146	30,632	0.5%	2.9%	10.4%
Gross profit	5,445	7,331	9,463	5,413	6,997	8,282	0.6%	4.8%	14.3%
Operating profit	4,077	5,515	7,020	4,054	5,245	6,111	0.6%	5.1%	14.9%
Net profit	1,966	2,595	3,396	1,940	2,456	2,927	1.3%	5.7%	16.0%
Underlying profit	1,516	2,059	2,719	1,495	1,941	2,321	1.4%	6.1%	17.1%
Gross margin	28.2%	28.3%	28.0%	28.2%	27.8%	27.0%	0.0 ppts	0.5 ppts	1.0 ppts
Operating profit margin	21.1%	21.3%	20.8%	21.1%	20.9%	20.0%	0.0 ppts	0.4 ppts	0.8 ppts
Net profit margin	10.2%	10.0%	10.0%	10.1%	9.8%	9.6%	0.1 ppts	0.2 ppts	0.4 ppts
Underlying net profit margin	7.9%	8.0%	8.0%	7.8%	7.7%	7.6%	0.1 ppts	0.3 ppts	0.4 ppts
ROE	10.1%	10.8%	12.6%	10.0%	10.2%	11.0%	0.1 ppts	0.6 ppts	1.6 ppts
ROCE	4.5%	4.7%	5.7%	4.4%	4.5%	5.0%	0.1 ppts	0.2 ppts	0.7 ppts
ROA	2.2%	2.3%	2.7%	2.2%	2.3%	2.6%	0.0 ppts	0.0 ppts	0.1 ppts
Net gearing ratio	57.4%	59.7%	57.3%	44.5%	40.7%	34.5%	12.9 ppts	19.0 ppts	22.8 ppts

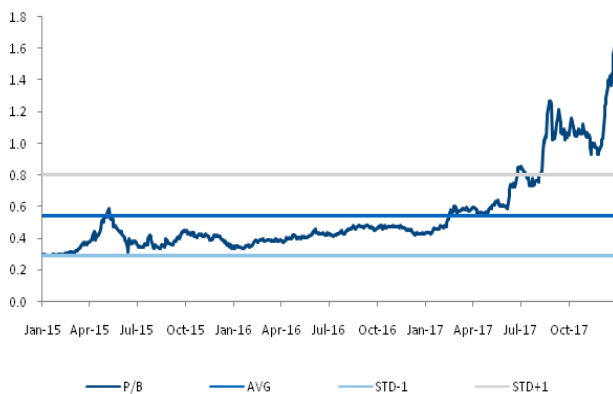
Source: Guotai Junan International.

**Maintain "Buy".** The Company's contracted sales are expected to maintain fast growth. Land reserves are mainly exposed to tier-1/ tier-2/ international cities. The debt structure is improving. Moreover, the strategic layout in the Big Bay Area offers sustainable quality growth prospects to China Aoyuan. Sustainable quality growth prospects should justify a lower NAV discount. As we have revised up underlying net profit, we also revise up our target price from HK\$5.45 to HK\$8.87, representing a 37% discount to 2018E NAV of HK\$14.08 per share, 9.1x 2018 underlying PER and 1.7x 2018 PBR. Therefore, we maintain China Aoyuan's investment rating as "Buy". Risk factors include lower-than-expected contracted sales and possible failure in operations activities of overseas projects and redevelopment projects.

**Table 2: Breakdown of China Aoyuan's 2018 NAV**

NAV summary results	2018F
Development properties (RMB mn)	40,181
Investment properties (RMB mn)	6,419
<b>Total gross asset value (RMB mn)</b>	<b>46,600</b>
(Net debt)/net cash(RMB mn)	(14,599)
NAV (RMB mn)	32,001
<b>NAV/share (RMB)</b>	<b>11.97</b>
<b>NAV/share (HK\$)</b>	<b>14.08</b>
TP discount to NAV	37%
Target price (HK\$)	<b>8.87</b>

Source: the Company, Guotai Junan International.

**Figure 6: China Aoyuan 3-Year Historical P/B**


Source: Bloomberg, Guotai Junan International.

**Figure 7: China Aoyuan 3-Year Historical P/E**


Source: Bloomberg, Guotai Junan International.

**Table 3: Peers Comparison**

Company	Stock Code	Mkt Cap (HK\$ m)	Last Price	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	334,712.0	30.550	9.3	8.1	7.1	1.3	1.2	1.1	2.9	15.5	6.9
Evergrande Real Estate Group	03333 HK	375,295.4	28.500	9.8	7.9	6.8	3.3	2.6	2.2	2.5	42.1	8.5
China Resources Land Ltd	01109 HK	215,205.7	31.050	11.4	9.6	8.5	1.6	1.4	1.3	2.5	15.5	7.9
Bbma Corporation-H	02009 HK	69,790.8	3.930	10.2	7.7	7.0	0.7	0.7	0.6	1.6	7.3	12.5
Country Garden Holdings Co	02007 HK	357,076.5	16.780	15.6	11.0	8.1	3.5	2.8	2.2	2.1	23.5	10.4
Lonafor Properties	00960 HK	145,781.2	24.650	12.0	9.6	7.9	1.7	1.5	1.3	3.0	15.3	10.8
Agile Property Holdings Ltd	03383 HK	55,935.4	14.280	9.9	8.2	7.0	1.1	1.0	1.0	4.3	11.5	5.8
Soho China Ltd	00410 HK	24,801.7	4.770	54.0	63.7	43.2	0.6	0.6	0.6	13.1	1.3	27.1
Shimao Property Holdings Ltd	00813 HK	81,627.2	24.100	9.2	7.6	6.4	1.1	1.0	0.9	3.9	12.6	9.7
Guanazhou R&F Properties - H	02777 HK	73,147.7	22.700	7.5	6.1	5.3	1.1	1.0	0.9	5.7	16.5	9.0
Sino-Ocean Land Holdings	03377 HK	49,396.9	6.530	10.0	8.3	7.1	0.9	0.8	0.7	4.3	8.6	8.7
Franshion Properties	00817 HK	56,143.4	4.850	11.7	9.4	7.5	1.3	1.2	1.0	4.5	11.7	11.6
Shui On Land Ltd	00272 HK	18,379.8	2.280	8.4	9.2	7.3	0.3	0.3	0.3	2.7	4.3	7.7
Kwa Property Holding Ltd	01813 HK	40,953.9	12.980	9.0	7.2	5.7	1.2	1.1	0.9	4.1	14.1	16.9
Yuexiu Property Co Ltd	00123 HK	21,082.2	1.700	9.2	7.9	6.6	0.5	0.5	0.5	4.4	5.7	9.7
Shenzhen Investment Ltd	00604 HK	28,928.7	3.590	7.9	7.6	6.9	0.8	0.7	0.7	5.8	10.4	4.7
Hopson Development Holdings	00754 HK	18,939.5	8.510	14.4	13.5	13.3	n.a.	n.a.	n.a.	2.1	n.a.	n.a.
Beijing North Star Co Ltd-H	00588 HK	19,659.7	2.960	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Yuzhou Properties Co	01628 HK	24,942.7	5.960	7.0	5.3	4.2	1.4	1.2	1.0	5.1	21.6	5.2
Greentown China Holdings	03900 HK	29,668.4	13.700	12.4	11.6	10.6	0.9	0.9	0.7	1.4	7.0	18.2
China South City	01668 HK	17,297.4	2.160	11.4	10.4	9.1	0.6	0.6	0.5	3.7	n.a.	16.7
China Aoyuan Property Group	03883 HK	18,441.6	6.890	9.5	6.5	5.0	1.5	1.2	1.0	3.9	15.4	8.2
Kaisa Group Holdings Ltd	01638 HK	31,531.4	5.200	20.7	9.3	5.0	n.a.	n.a.	n.a.	-	6.1	n.a.
China Vanke Co Ltd-H	02202 HK	545,134.9	41.200	13.7	11.1	9.5	2.8	2.4	2.0	2.9	20.7	9.1
Median				10.0	8.3	7.1	1.1	1.0	0.9	3.7	12.6	9.1
Simple Average				12.8	11.2	8.9	1.4	1.2	1.0	3.8	13.6	10.7
Weighted Average				12.0	9.8	8.1	2.1	1.8	1.5	3.0	20.0	9.1
<b>HK listed mid-small developers with major revenue from mainland</b>												
China Overseas Grand Oceans	00081 HK	16,945.6	4.950	7.2	7.0	5.1	1.0	0.9	0.7	0.7	14.1	6.6
Poly Property Group Co Ltd	00119 HK	16,184.0	4.420	19.0	9.4	9.7	0.6	0.6	0.6	1.3	3.6	13.8
Shind Urban	00563 HK	9,285.2	1.930	16.1	13.3	10.2	0.7	0.7	0.7	2.1	4.8	n.a.
Modern Land China Co Ltd	01107 HK	5,563.8	2.010	5.3	4.6	3.6	1.0	1.0	0.8	5.1	19.3	n.a.
Powerlong Real Estate Holding	01238 HK	17,108.5	4.280	7.1	5.5	4.2	0.6	0.5	0.5	5.2	13.1	n.a.
C C Land Holdings Ltd	01224 HK	6,949.4	1.790	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fantasia Holdings Group Co	01777 HK	7,951.6	1.380	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.4	n.a.	n.a.
Yuexiu Real Estate Investment	00405 HK	15,644.1	5.190	14.6	20.1	13.2	0.9	0.9	1.0	6.8	5.3	22.2
Central China Real Estate	00832 HK	9,135.7	3.730	6.5	5.2	4.7	1.0	0.8	0.7	4.6	15.8	4.4
China Sca Property Holdings	01966 HK	16,213.1	4.240	6.9	4.8	3.8	1.2	1.0	0.9	4.5	19.3	8.6
Top Spring International Hld	03688 HK	5,492.3	3.970	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	15,624.3	5.160	7.5	5.4	n.a.	0.8	0.7	n.a.	5.2	19.3	9.8
Zhong An Real Estate Ltd	00672 HK	4,610.9	0.790	9.9	7.6	5.9	0.3	0.3	n.a.	n.a.	4.0	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				7.4	6.2	5.1	0.9	0.8	0.7	4.5	13.6	9.2
Simple Average				10.0	8.3	6.7	0.8	0.8	0.7	4.0	11.8	10.9
Weighted Average				8.4	7.0	5.0	0.7	0.6	0.5	3.3	10.0	6.6

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	19,294	25,886	33,820	Investment Properties	4,505	5,425	5,951	6,850	7,806
Sales of Properties	9,295	11,240	18,329	24,594	32,215	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)	(13,849)	(18,555)	(24,357)	Total Non-current Assets	5,629	6,589	7,783	8,643	9,573
Gross Profit	2,646	3,277	5,445	7,331	9,463	Cash & Cash Equivalents	7,769	10,471	14,139	13,521	12,999
- Change in Fair Value of IPs	356	310	298	343	390	Properties for Sale	31,792	43,513	59,896	71,127	78,175
- SG&A	(890)	(1,082)	(1,717)	(2,215)	(2,893)	Trade and Other Receivables	1,753	3,604	4,461	4,945	5,493
- Other Gains, Net	(131)	(231)	52	56	60	Restricted Cash	1,267	486	792	1,062	1,392
Operating Profit	1,981	2,275	4,077	5,515	7,020	Other Current Assets	617	1,756	2,371	2,411	2,457
- Finance Income/(costs), Net	(91)	(157)	(204)	(257)	(259)	Total Current Assets	43,198	59,830	81,658	93,066	100,516
- Share Profits of JVs	28	(32)	(35)	(39)	(43)	Total Assets	48,827	66,418	89,441	101,708	110,089
- Losses on Sales of a Subsidiary	(33)	0	0	0	0	Trade and Other Payables	5,348	6,795	8,370	10,610	12,265
Profit before Tax	1,884	2,085	3,837	5,219	6,718	Deposits Received	9,823	20,524	27,931	34,248	37,068
Income Tax	(977)	(1,078)	(1,871)	(2,624)	(3,322)	Short-term Bank Loans	2,570	2,997	5,995	6,115	6,237
Profit after Tax	907	1,007	1,966	2,595	3,396	Provision	1,597	1,430	1,358	1,290	1,226
Non-controlling Interest	(95)	(126)	(245)	(389)	(509)	Current Income Tax Liabilities	2,202	2,593	2,463	2,537	2,613
Shareholders' Profit / Loss	812	881	1,720	2,206	2,886	Other Current Liabilities	1,228	1,804	1,885	1,965	2,049
Adjusted Net Profit	778	950	1,516	2,059	2,719	Total Current Liabilities	22,770	36,143	48,002	56,766	61,459
Basic EPS	0.292	0.323	0.644	0.825	1.080	Current Assets Less Current Liabilities	20,428	23,687	33,657	36,300	39,058
Underlying EPS (RMB)	0.280	0.348	0.567	0.770	1.017	Total Assets Less Current Liabilities	26,057	30,276	41,439	44,943	48,630
<b>Cash Flow Statement</b>						Bank and Other Borrowings	4,803	3,795	10,627	11,690	12,274
Year end 31 Dec (RMB m)	2015A	2016A	2017F	2018F	2019F	Senior Notes	8,924	10,079	9,466	9,656	9,849
Operating activities						Other Non-current Liabilities	754	1,770	1,918	2,014	2,114
Profit Before Taxation	1,884	2,085	3,837	5,219	6,718	Total Non-current Liabilities	14,481	15,645	22,011	23,359	24,237
Finance Costs	91	157	204	257	259	Total Liabilities	37,251	51,787	70,013	80,125	85,696
D&A	34	42	42	43	43	Total Shareholders' Equity	8,243	8,918	10,165	11,931	14,232
Changes in Fair Value of IPs	(356)	(310)	(298)	(343)	(390)	Minority Interest	3,333	5,713	9,263	9,652	10,161
Others	173	293	(174)	(17)	(7)	Total Equity	11,576	14,631	19,428	21,583	24,393
Changes in Working Capital:	(3,170)	6,092	(4,981)	775	(1,007)	<b>Financial Ratios</b>					
Net Cash from Operations	(1,342)	8,360	(1,369)	5,934	5,615		2015A	2016A	2017F	2018F	2019F
Income Taxes Paid	(1,681)	(2,415)	(3,165)	(4,069)	(4,426)	Revenue Growth (%)	37.2	23.6	63.1	34.2	30.7
Cash from Operating Activities	(3,023)	5,945	(4,534)	1,865	1,189	Gross Profit Growth (%)	28.0	23.8	66.1	34.6	29.1
Investing Activities						Reported Net Profit Growth (%)	0.3	8.5	95.3	28.2	30.9
Purchase of Investment Properties	(849)	(791)	(608)	(927)	(986)	Underlying EPS Growth (%)	3.3	22.0	59.7	35.8	32.0
Increase in Restricted Bank Deposits	(202)	781	(306)	(271)	(329)	Gross Margin (%)	27.6	27.7	28.2	28.3	28.0
Other Investing Cash Flow	126	(4,059)	(148)	(136)	(125)	Operating Profit Margin (%)	20.7	19.2	21.1	21.3	20.8
Cash from Investing Activities	(924)	(4,069)	(1,062)	(1,334)	(1,441)	Adjusted Net Margin (%)	8.1	8.0	7.9	8.0	8.0
Financing Activities						ROA (%)	1.9	1.5	2.2	2.3	2.7
Debt Raised/(Repaid)	4,849	1,442	9,216	1,372	900	ROCE (%)	3.4	3.0	4.5	4.7	5.7
Dividend Paid	(292)	(245)	(718)	(829)	(1,096)	ROE (%)	10.2	10.3	18.0	20.0	22.1
Other Financing Cash Flow	2,247	(389)	756	(1,690)	(75)	Net Gearing Ratio	62.7	40.4	57.4	59.7	57.3
Cash from Financing Activities	6,804	808	9,254	(1,147)	(271)	Debt to Equity Ratio	140.8	115.3	134.3	127.2	116.3
Net Changes in Cash	2,856	2,683	3,658	(616)	(522)	Current Ratio	189.7	165.5	170.1	163.9	163.6
Cash at Beg of Year	4,852	7,769	10,471	14,139	13,521	Cash / Total Assets	15.9	15.8	15.8	13.3	11.8
Exchange Losses	61	18	9	(2)	0	Underlying P/E (x)	20.64	17.72	10.32	7.60	5.76
Cash at End of Year	7,769	10,471	14,139	13,521	12,999	P/E (Basic) (x)	19.78	19.10	9.10	7.10	5.42
						P/E (Diluted) (x)	19.78	19.10	9.10	7.10	5.42
						P/B (x)	1.95	1.89	1.54	1.31	1.10
						Dividend Yield (%)	1.82	2.43	4.59	5.30	7.00

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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