



## Company Report: China Aoyuan (03883 HK)

公司报告: 中国奥园 (03883 HK)

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# Results in Line and Fast Growth Prospect, Maintain "Buy"

符合预期的业绩, 快速增长的预期, 维持“买入”

- **2017 underlying net profit was in line with our expectation.** The Company's top line increased by 61.6% YoY to RMB19,115 mn in 2017. Underlying net profit increased 37.5% YoY to RMB1,305 mn.
- **Contracted sales is likely to grow faster due to more competitive products and sufficient saleable resources.** From Jan. to Feb. 2018, the Company achieved RMB8.105 bn in contracted sales, up 113.7% YoY.
- **Quality land bank and proactive land replenishment initiatives could support fast growth prospect of contracted sales.** 70% of the Company's land banks were in tier-1/ tier-2/ international cities. Its unit land cost amounted to RMB2,131 per sq.m., representing 21.0% of ASP in 2017. This could protect the Company's gross margin.
- The Company's leverage ratio will remain at a healthy level. We revise up the underlying net profit. Therefore, we revise up our target price from HK\$8.87 to HK\$9.55, representing a 39% discount to 2018E NAV of HK\$15.66 per share, 9.9x 2018 underlying PER and 1.7x 2018 PBR. **We maintain "Buy"**. Risk factors: lower-than-expected contracted sales, possible failure in operations activities of overseas projects and redevelopment projects.
- **2017 年核心净利符合预期。** 2017 年总收入同比增长 61.6%到人民币 19,115 百万元。核心净利同比上升 37.5%到人民币 1,305 百万元。
- **由于更有竞争力的产品和充足的可售货源, 合约销售很有可能快速增长。** 2018 年 1-2 月, 公司录得人民币 81.05 亿元的合约销售, 同比增长 113.7%。
- **有质量的土储和积极的土储补充能够支持合约销售的快速增长预期。** 公司 70% 的土储位于一线/ 二线/ 国际城市。且其单位地价为人民币 2,131 元每平方米, 相当于 2017 年销售均价的 21.0%。这将保障公司的毛利率。
- 公司杠杆比率将会维持健康水平。我们上调了核心净利。因此, 我们将我们的目标价从 8.87 港元调高到 9.55 港元, 相当于较 15.66 港元的 2018 年每股净资产有 39% 的折让, 也分别相当于 9.9 倍 2018 年核心市盈率和 1.7 倍 2018 年市净率。**我们维持“买入”**。风险: 低于预期的合约销售, 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\$9.55**

Revised from 原目标价:

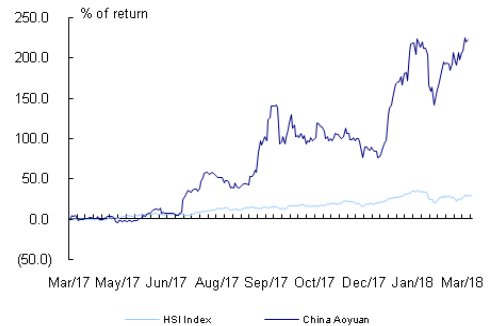
HK\$8.87

Share price 股价:

HK\$7.490

### 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 %	24.6	87.7	233.3
Rel. % to HS Index 相对恒指变动 %	23.4	80.0	203.7
Avg. Share price(HK\$) 平均股价 (港元)	6.6	6.0	3.9

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)	(%)	(%)
2016A	11,827	881	0.323	10.6	20.8	3.270	2.1	0.150	2.2	10.3
2017A	19,115	1,640	0.613	89.8	9.9	3.795	1.6	0.250	4.1	17.2
2018F	29,613	2,272	0.849	38.5	7.1	4.601	1.3	0.255	4.2	20.2
2019F	40,030	2,941	1.099	29.4	5.5	5.734	1.1	0.333	5.5	21.3
2020F	48,970	3,607	1.348	22.7	4.5	7.110	0.9	0.421	6.9	21.0
Shares in issue (m) 总股数 (m)				2,673.0	Major shareholder 大股东	Asia Square Holdings Ltd. 54.0%				
Market cap. (HK\$ m) 市值 (HK\$ m)				20,020.8	Free float (%) 自由流通比率(%)				46.0	
3 month average vol. 3 个月平均成交股数('000)				18,754.8	FY18 Net gearing (%) FY18 净负债/股东资金 (%)				60.8	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				7.700 / 2.169	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)				15.7	

Source: the Company, Guotai Junan International.

**Housing sales rebounded and investment remained strong.** During Jan.-Feb. 2018, the YoY increase in commodity house sales rebounded compared to that during Jan.-Dec. 2018. 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

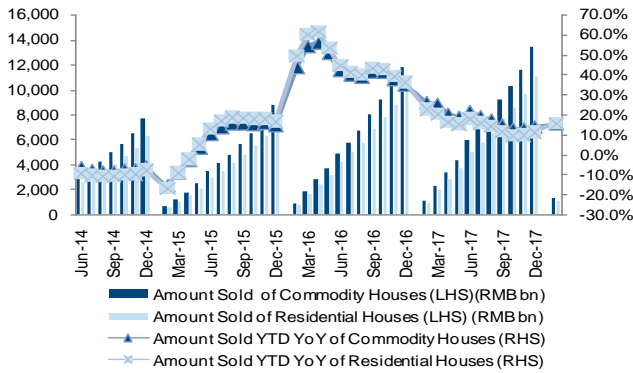
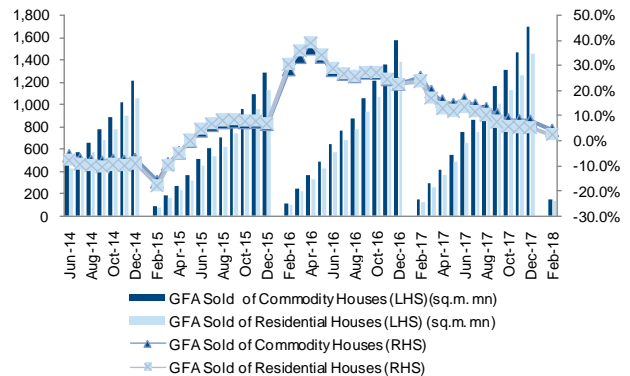


Figure 2: Cumulative House Sales GFA in China



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

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

**The property sector is helping to stabilize China's economy; we think that policy tightening may continue.** Currently, investment in real estate development occupied a large proportion of GDP. With deep structural adjustments in China's 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 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 eurozone property market as per the last round of policy easing which started on 30 Sep. 2014.

Figure 3: China Commodity House Sales and GDP

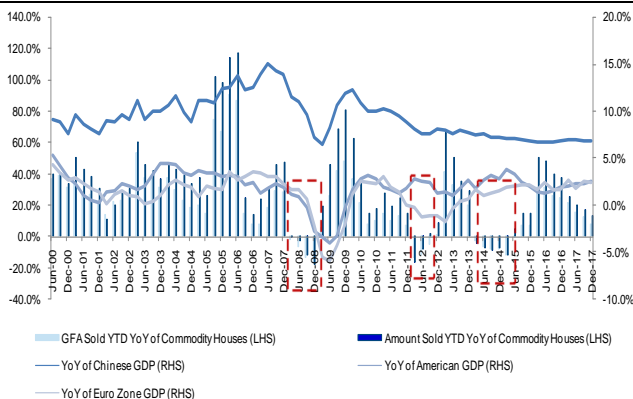
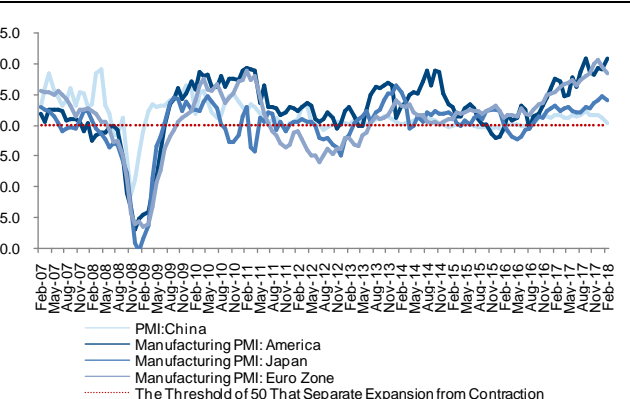


Figure 4: PMI of Major Economies



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

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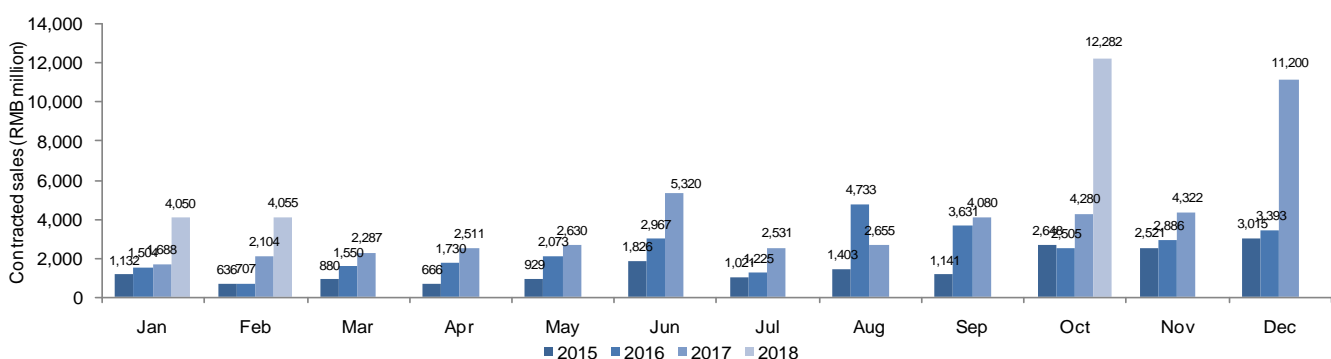
**China Aoyuan's ("the Company") 2017 underlying net profit was in line with our expectation.** The Company's top line soared by 61.6% YoY to RMB19,115 mn in 2017 due to strong contracted sales growth and more GFA delivered. Gross profit amounted to RMB5,111 mn, up 56.0% YoY. With exchange gain of RMB407 mn, net profit dramatically increased 81.9% YoY to RMB1,642 mn, which was in line with our expectation. If excluding fair value gains on investment properties and exchange loss, underlying net profit increased 37.5% YoY to RMB1,305 mn, in line with our expectation. GPM decreased 1.0 ppts YoY to 26.7%. Net profit margin increased 1.7 ppts YoY to 10.2%. Net gearing ratio slightly declined 0.2 ppts YoY. Cash balance rose 142.2% YoY to RMB26,540 mn due to more cash collection from contracted sales and total debt increasing.

**Table 1: Comparison of the Company's Balance Sheet and Income Statement in 2016 and 2017**

RMB mn	2016	2017	Change
Total revenue	11,827	19,115	61.6%
Gross profit	3,277	5,111	56.0%
GPM	27.7%	26.7%	- 1.0 ppts
NP (Inc. after-tax fair value gains on IP and exchange losses)	903	1,642	81.9%
NP (Ex. after-tax fair value gains on IP and exchange losses)	950	1,305	37.5%
NPM (Inc. after-tax fair value gains on IP and exchange losses)	8.5%	10.2%	1.7 ppts
NPM (Ex. after-tax fair value gains on IP and exchange losses)	8.0%	6.8%	- 1.2 ppts
DPS (RMB)	0.150	0.250	66.8%
Underlying EPS (RMB)	0.348	0.488	40.1%
Land appreciation tax	421	728	72.9%
Cash and cash equivalents	10,956	26,540	142.2%
Total asset	66,418	125,806	89.4%
Properties under development	43,513	77,207	77.4%
Total debt	18,380	40,370	119.6%
Shareholders' equity	8,918	10,155	13.9%
ROE	10.3%	17.2%	6.9 ppts
Net gearing ratio	50.7%	51.0%	0.2 ppts

Source: the Company, Guotai Junan International.

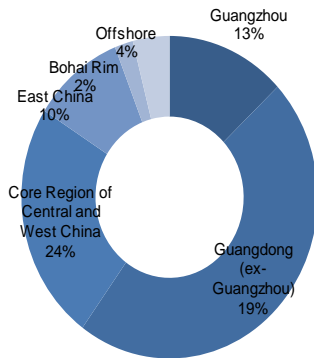
**Contracted sales is likely to grow fast.** In 2017, contracted sales reached RMB45.590 bn, up by 78.1% YoY, achieving 137% of the Company's 2016 sales target. Contracted GFA amounted to 4.487 mn sq.m., up by 50.6% YoY. The ASP in 2017 was RMB10,158 per sq.m., up by 18.2% YoY. In addition, attributable contracted sales accounted for 85% of contracted sales in 2017. Sales target and saleable resources in 2017 was RMB73.0 bn (indicating 60.1% YoY growth) and RMB121.5 bn (indicating 60.1% 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 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 fast growth. During Jan.-Feb. 2017, China Aoyuan recorded RMB8.105 bn in contracted sales, up 113.7% YoY. The Company has already achieved 11.1% of its 2018 annual sales target.

**Figure 5: Aoyuan Contracted Sales Comparison from 2015-Feb. 2018**


Source: the Company.

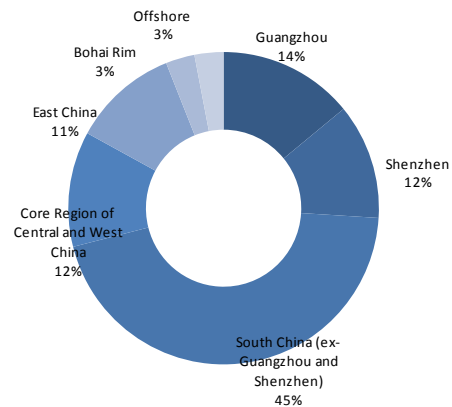
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**Figure 6: China Aoyuan's Contracted Sales Amount Breakdown by Region in 2016**



Source: Bloomberg, Guotai Junan International.

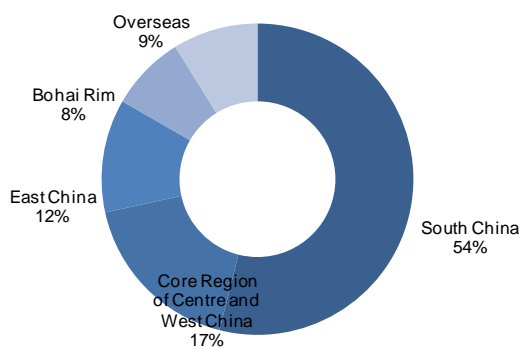
**Figure 7: China Aoyuan's Contracted Sales Amount Breakdown by Region in 2017**



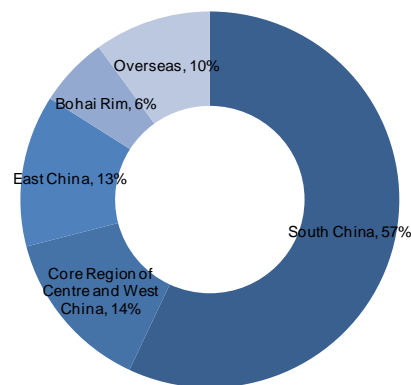
Source: Bloomberg, Guotai Junan International.

**Quality land reserves with proactive land replenishment initiatives will support the fast growth prospect of contracted sales.** In 2017, the Company acquired 58 land parcels. Total acquired GFA recorded 12,861,278 sq.m. with a total consideration of RMB31,458 mn. As at 31 Dec. 2017, the Company had a total GFA of approximately 24.87 million sq.m. (attributable: 80%), approximately 70.0% 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 RMB2,131 per sq.m., 21.0% 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. In addition, the Company will possess proactive land replenishment initiatives in which the Company will invest around 50.0% of contracted sales amount in land replenishment in 2018. This will provide sufficient saleable resources in the future to support the fast growth prospect of contracted sales.

**Figure 8: China Aoyuan's Land Exposure by Land Cost in 2017**      **Figure 9: China Aoyuan's Land Exposure by Saleable Resources in 2017**



Source: Bloomberg, Guotai Junan International.

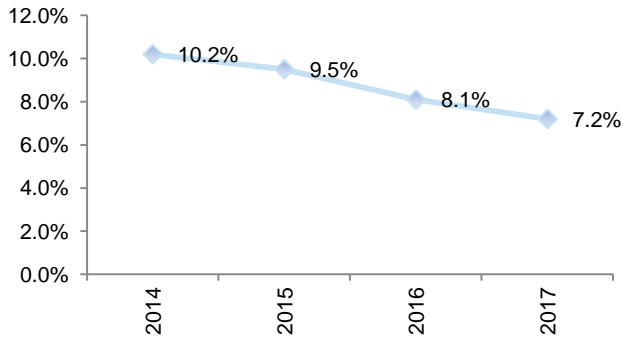


Source: Bloomberg, Guotai Junan International.

**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 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. Total GFA and total saleable resources in the Big Bay Area are estimated to be approximately 7.53 mn sq.m. and RMB98.0 bn, respectively.

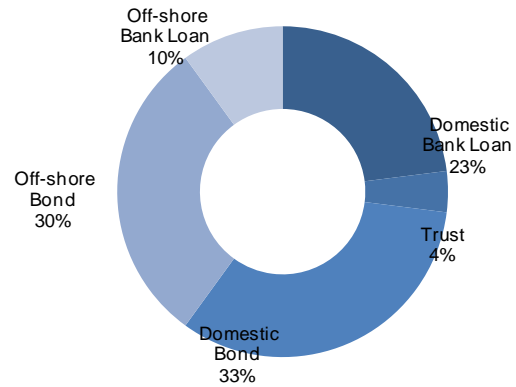
**Average funding costs may slightly increase, but healthy leverage ratio is likely to be maintained.** Average financial costs declined by 0.9 ppts to 7.2% in 2017. When comparing to average funding costs of the sector leaders, the Company's average funding costs were high. With expected tightening up of monetary environment, we expect average funding costs to slightly increase. With forecasted faster growth in contracted sales and proactive land replenishment initiatives, we believe that net gearing ratios will increase. However, net gearing ratios will still remain at healthy levels.

Figure 10: China Aoyuan's Average Funding Costs



Source: Bloomberg, Guotai Junan International.

Figure 11: China Aoyuan's Debt Structure in 2017



Source: Bloomberg, 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 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 2018F and 2019F total revenue by 12.7% and 16.2% to RMB29,613 mn and RMB40,030 mn, respectively. We expect stable GPM but GPM in 2017 was lower than our previous assumptions. We revise down GPM in 2018F and 2019F. Overall, we revise up 2018F and 2019F underlying net profit by 0.8% and 7.4% to RMB2,101 mn and RMB2,757 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 2018F and 2019F by 15.2 ppts and 18.3 ppts, respectively. But we think that leverage ratio will remain within healthy levels.

Table 2: Revisions to 2018-2020 Profit Estimations

RMB mn	New estimation			Old estimation			Change		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Total revenue	29,613	40,030	48,970	26,277	34,456	n.a.	12.7%	16.2%	n.a.
Gross profit	7,790	10,497	13,097	7,642	9,508	n.a.	1.9%	10.4%	n.a.
Operating profit	5,636	7,450	9,308	5,884	7,087	n.a.	-4.2%	5.1%	n.a.
Net profit	2,840	3,922	4,809	2,631	3,214	n.a.	8.0%	22.0%	n.a.
Underlying profit	2,101	2,757	3,403	2,085	2,567	n.a.	0.8%	7.4%	n.a.
Gross margin	26.3%	26.2%	26.7%	29.1%	27.6%	n.a.	-2.8 ppts	-1.4 ppts	n.a.
Operating profit margin	19.0%	18.6%	19.0%	22.4%	20.6%	n.a.	-3.4 ppts	-2.0 ppts	n.a.
Net profit margin	9.6%	9.8%	9.8%	10.0%	9.3%	n.a.	-0.4 ppts	0.5 ppts	n.a.
Underlying net profit margin	7.1%	6.9%	6.9%	7.9%	7.4%	n.a.	-0.8 ppts	-0.6 ppts	n.a.
ROE	21.3%	21.0%	0.0%	20.2%	20.9%	n.a.	1.1 ppts	0.1 ppts	n.a.
ROCE	3.9%	4.4%	0.0%	3.6%	4.1%	n.a.	0.3 ppts	0.3 ppts	n.a.
ROA	1.9%	2.2%	0.0%	1.7%	2.0%	n.a.	0.2 ppts	0.2 ppts	n.a.
Net gearing ratio	60.8%	63.2%	61.8%	45.6%	44.9%	n.a.	15.2 ppts	18.3 ppts	n.a.

Source: Guotai Junan International.

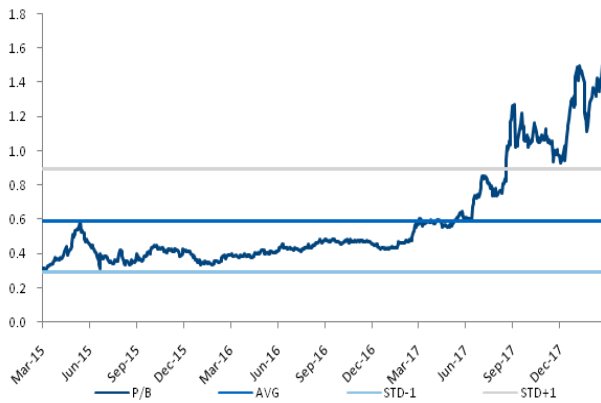
**Maintain "Buy".** The Company's contracted sales is expected to maintain fast growth. Quality land bank alongside proactive land replenishment initiatives and proper unit land costs support fast growth with a stable gross margin. Moreover, the strategic layout in the Big Bay Area offers sustainable quality growth prospects to China Aoyuan. We also expect healthy leverage ratio. 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\$8.87 to HK\$9.55, representing a 39% discount to 2018E NAV of HK\$15.66 per share, 9.9x 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 3: Breakdown of China Aoyuan’s 2018 NAV**

NAV summary results	2018F
Development properties (RMB mn)	45,129
Investment properties (RMB mn)	6,951
<b>Total gross asset value (RMB mn)</b>	<b>52,079</b>
(Net debt)/net cash(RMB mn)	(18,136)
NAV (RMB mn)	33,943
<b>NAV/share (RMB)</b>	<b>12.68</b>
<b>NAV/share (HK\$)</b>	<b>15.66</b>
TP discount to NAV	38%
Target price (HK\$)	<b>9.55</b>

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	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	307,321.5	28.050	7.4	6.4	6.1	1.1	1.0	0.8	3.6	15.6	5.5
Evergrande Real Estate Group	03333 HK	342,550.8	26.000	7.1	6.1	n.a.	2.3	2.0	n.a.	8.8	41.4	5.6
China Resources Land Ltd	01109 HK	198,918.0	28.700	8.8	7.6	6.7	1.3	1.2	1.0	3.3	16.3	6.0
Bbma Corporation-H	02009 HK	62,415.7	3.890	8.1	7.5	6.8	0.7	0.6	0.6	1.9	7.9	9.3
Country Garden Holdings Co	02007 HK	360,012.6	16.560	10.0	7.5	7.2	2.6	2.1	1.6	3.2	28.1	7.0
Lonafor Properties	00960 HK	140,788.5	23.800	9.2	7.5	n.a.	1.4	1.3	n.a.	3.9	17.0	7.3
Agile Property Holdings Ltd	03383 HK	59,304.1	15.140	8.4	7.0	n.a.	1.1	1.0	n.a.	5.0	13.1	3.9
Soho China Ltd	00410 HK	25,321.7	4.870	55.5	44.7	n.a.	0.6	0.6	n.a.	4.3	1.3	28.3
Shimao Property Holdings Ltd	00813 HK	78,578.9	23.200	7.1	5.8	4.7	1.0	0.9	0.7	5.1	14.1	7.2
Guanazhou R&F Properties - H	02777 HK	64,318.5	19.960	5.3	4.6	n.a.	0.9	0.8	n.a.	7.6	17.9	7.1
Sino-Ocean Land Holdings	03377 HK	46,504.6	6.130	7.6	6.4	n.a.	0.7	0.7	n.a.	5.7	10.0	5.8
Franshion Properties	00817 HK	57,536.1	4.970	9.5	7.4	n.a.	1.2	1.1	n.a.	4.3	13.1	9.1
Shui On Land Ltd	00272 HK	18,461.7	2.290	8.1	7.3	n.a.	0.3	0.3	n.a.	2.5	4.1	7.7
Kwa Property Holding Ltd	01813 HK	41,080.1	13.020	7.1	5.6	n.a.	1.1	0.9	n.a.	5.0	16.0	11.4
Yuxiu Property Co Ltd	00123 HK	23,686.5	1.910	7.6	6.2	4.4	0.6	0.5	0.5	5.2	7.5	8.5
Shenzhen Investment Ltd	00604 HK	27,238.2	3.380	7.6	6.9	n.a.	0.7	0.6	n.a.	5.9	9.1	4.5
Hopson Development Holdings	00754 HK	20,096.8	9.030	14.3	14.1	n.a.	n.a.	n.a.	n.a.	2.1	n.a.	n.a.
Beijing North Star Co Ltd-H	00588 HK	17,111.8	2.660	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Yuzhou Properties Co	01628 HK	22,682.8	5.420	5.0	3.6	3.3	1.1	0.9	n.a.	7.0	23.0	2.4
Greentown China Holdings	03900 HK	28,006.4	12.920	10.8	9.8	n.a.	0.8	0.8	n.a.	1.8	6.7	13.2
China South City	01668 HK	15,456.6	1.930	9.3	8.1	6.4	0.5	0.5	0.4	3.5	10.5	15.0
China Aoyuan Property Group	03883 HK	20,066.2	7.490	6.9	5.1	3.9	1.3	1.1	0.9	4.9	21.8	5.0
Kaisa Group Holdings Ltd	01638 HK	27,893.2	4.600	8.2	4.4	n.a.	n.a.	n.a.	n.a.	1.5	6.8	n.a.
China Vanke Co Ltd-H	02202 HK	437,838.5	34.550	9.0	7.6	n.a.	2.0	1.7	n.a.	4.5	23.1	4.3
Median				8.1	7.0	6.1	1.1	0.9	0.8	4.3	13.6	7.1
Simple Average				10.3	8.6	5.5	1.1	1.0	0.8	4.4	14.8	8.3
Weighted Average				8.8	7.3	5.0	1.6	1.4	0.7	4.6	21.4	6.2
<b>HK listed mid-small developers with major revenue from mainland</b>												
China Overseas Grand Oceans	00081 HK	14,994.3	4.380	6.3	4.8	n.a.	0.8	0.7	n.a.	1.1	13.9	4.1
Poly Property Group Co Ltd	00119 HK	15,854.5	4.330	8.0	8.3	n.a.	0.6	0.6	n.a.	3.2	7.0	8.2
Shind Urban	00563 HK	9,333.3	1.940	13.4	10.2	n.a.	0.7	0.7	n.a.	2.6	5.7	n.a.
Modern Land China Co Ltd	01107 HK	5,358.8	1.930	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Powerlong Real Estate Holding	01238 HK	17,028.5	4.260	5.5	4.2	n.a.	0.5	0.5	n.a.	6.5	10.0	n.a.
C C Land Holdings Ltd	01224 HK	7,492.9	1.930	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fantasia Holdings Group Co	01777 HK	8,643.1	1.500	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.8	n.a.	n.a.
Yuxiu Real Estate Investment	00405 HK	16,407.0	5.420	14.6	17.5	17.5	0.9	0.9	1.0	6.9	6.5	21.4
Central China Real Estate	00832 HK	8,450.0	3.450	6.2	4.3	4.0	0.8	0.7	0.7	4.4	13.3	3.7
China Sca Property Holdings	01966 HK	17,589.7	4.600	5.5	4.1	2.9	1.0	0.9	0.7	5.8	18.9	2.8
Top Spring International Hld	03688 HK	5,010.5	3.620	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	16,169.3	5.340	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.3	n.a.	n.a.
Zhong An Real Estate Ltd	00672 HK	4,029.3	0.690	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Glorious Property Holdings	00845 HK	5,766.6	0.740	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Median				6.3	4.8	4.0	0.8	0.7	0.7	4.8	10.0	4.1
Simple Average				8.5	7.6	8.2	0.8	0.7	0.8	4.6	10.8	8.0
Weighted Average				5.4	5.0	2.5	0.5	0.5	0.2	3.9	7.2	4.1

Source: the Company, Guotai Junan International.

**Financial Statements and Ratios**

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F	Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
Total Revenue	11,827	19,115	29,613	40,030	48,970	Investment Properties	5,425	6,360	7,433	8,627	9,900
Sales of Properties	11,240	17,960	27,930	37,789	46,200	Property, Plant and Equipment	506	719	905	1,103	1,316
Other Income	587	1,155	1,683	2,241	2,770	Other Non-current Assets	658	2,616	2,724	2,818	2,926
Cost of Sales	(8,550)	(14,004)	(21,823)	(29,534)	(35,873)	Total Non-current Assets	6,589	9,696	11,062	12,548	14,142
Gross Profit	3,277	5,111	7,790	10,497	13,097	Cash & Cash Equivalents	10,471	24,769	21,655	18,970	17,208
- Change in Fair Value of IPs	310	332	372	431	495	Properties for Sale	43,513	77,207	96,262	109,455	117,574
- SG&A	(1,082)	(1,726)	(2,674)	(3,614)	(4,421)	Trade and Other Receivables	3,604	7,407	9,096	10,341	11,537
- Other Gains, Net	(231)	292	149	136	137	Restricted Cash	486	1,771	2,754	3,726	4,555
Operating Profit	2,275	4,010	5,636	7,450	9,308	Other Current Assets	1,756	4,956	3,917	4,000	4,090
- Finance Income/(costs), Net	(157)	(268)	(403)	(406)	(409)	Total Current Assets	59,830	116,110	133,683	146,492	154,964
- Share Profits of JVs	(32)	(116)	(128)	(141)	(155)	Total Assets	66,418	125,806	144,744	159,040	169,107
- Losses on Sales of a Subsidiary	0	0	0	0	0	Trade and Other Payables	6,795	14,579	18,399	22,125	24,780
Profit before Tax	2,085	3,626	5,106	6,903	8,744	Deposits Received	20,524	34,760	44,468	48,960	49,394
Income Tax	(1,078)	(1,674)	(2,265)	(2,981)	(3,934)	Short-term Bank Loans	2,997	13,371	13,639	13,912	14,190
Profit after Tax	1,007	1,952	2,840	3,922	4,809	Provision	1,430	1,103	1,048	995	946
Non-controlling Interest	(126)	(312)	(568)	(980)	(1,202)	Current Income Tax Liabilities	2,593	3,172	3,267	3,365	3,466
Shareholders' Profit / Loss	881	1,640	2,272	2,941	3,607	Other Current Liabilities	1,804	8,587	9,302	10,031	10,727
Adjusted Net Profit	950	1,305	2,101	2,757	3,403	Total Current Liabilities	36,143	75,573	90,123	99,388	103,503
Basic EPS	0.323	0.613	0.849	1.099	1.348	Current Assets Less Current Liabilities	23,687	40,537	43,560	47,104	51,461
Underlying EPS (RMB)	0.348	0.488	0.785	1.030	1.272	Total Assets Less Current Liabilities	30,276	50,233	54,621	59,652	65,603
<b>Cash Flow Statement</b>						Bank and Other Borrowings	3,795	14,423	15,865	16,658	17,491
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F	Senior Notes	10,079	5,457	5,566	5,678	5,791
Operating activities						Other Non-current Liabilities	1,770	3,226	3,337	3,451	3,570
Profit Before Taxation	2,085	3,626	5,106	6,903	8,744	Total Non-current Liabilities	15,645	23,106	24,768	25,788	26,853
Finance Costs	157	268	403	406	409	Total Liabilities	51,787	98,680	114,891	125,176	130,356
D&A	42	42	43	43	43	Total Shareholders' Equity	8,918	10,155	12,314	15,344	19,028
Changes in Fair Value of IPs	(310)	(332)	(372)	(431)	(495)	Minority Interest	5,713	16,971	17,539	18,520	19,722
Others	293	(364)	44	70	86	Total Equity	14,631	27,126	29,853	33,864	38,750
Changes in Working Capital:	6,092	(7,695)	(6,262)	(5,860)	(5,991)	<b>Financial Ratios</b>					
Net Cash from Operations	8,360	(4,456)	(1,039)	1,130	2,797		2016A	2017A	2018F	2019F	2020F
Income Taxes Paid	(2,415)	(3,010)	(4,360)	(4,787)	(5,231)	Revenue Growth (%)	23.6	61.6	54.9	35.2	22.3
Cash from Operating Activities	5,945	(7,465)	(5,399)	(3,656)	(2,434)	Gross Profit Growth (%)	23.8	56.0	52.4	34.7	24.8
Investing Activities						Reported Net Profit Growth (%)	8.5	86.2	38.6	29.4	22.6
Purchase of Investment Properties	(791)	(1,064)	(1,117)	(1,242)	(1,325)	Underlying EPS Growth (%)	0.0	0.0	0.0	0.0	0.0
Increase in Restricted Bank Deposits	781	(1,285)	(983)	(972)	(829)	Gross Margin (%)	27.7	26.7	26.3	26.2	26.7
Other Investing Cash Flow	(4,059)	(262)	(357)	(373)	(393)	Operating Profit Margin (%)	19.2	21.0	19.0	18.6	19.0
Cash from Investing Activities	(4,069)	(2,612)	(2,457)	(2,588)	(2,547)	Adjusted Net Margin (%)	8.0	6.8	7.1	6.9	6.9
Financing Activities						ROA (%)	1.5	1.7	1.7	1.9	2.2
Debt Raised/(Repaid)	1,442	16,380	1,819	1,177	1,225	ROCE (%)	2.9	3.3	3.2	3.9	4.4
Dividend Paid	(245)	(401)	(682)	(891)	(1,126)	ROE (%)	10.3	17.2	20.2	21.3	21.0
Other Financing Cash Flow	(389)	8,387	3,606	3,273	3,120	Net Gearing Ratio	50.7	51.0	60.8	63.2	61.8
Cash from Financing Activities	808	24,366	4,743	3,559	3,219	Debt to Equity Ratio	125.6	148.8	142.5	130.2	118.0
Net Changes in Cash	2,683	14,289	(3,113)	(2,685)	(1,762)	Current Ratio	165.5	153.6	148.3	147.4	149.7
Cash at Beg of Year	7,769	10,471	24,769	21,655	18,970	Cash / Total Assets	15.8	19.7	15.0	11.9	10.2
Exchange Losses	18	9	(2)	0	(0)	Underlying P/E (x)	19.3	12.4	7.7	5.9	4.8
Cash at End of Year	10,471	24,769	21,655	18,970	17,208	P/E (Basic) (x)	20.8	9.9	7.1	5.5	4.5
						P/E (Diluted) (x)	20.8	9.9	7.1	5.5	4.5
						P/B (x)	2.1	1.6	1.3	1.1	0.9
						Dividend Yield (%)	2.2	4.1	4.2	5.5	6.9

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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