



Company Report: China Aoyuan (03883 HK)

公司报告: 中国奥园 (03883 HK)

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Business Still on the Uptrend, Maintain "Buy"

业务仍处于上升通道, 维持“买入”

- **1H18 underlying net profit was in line with our expectation.** The Company's top line increased by 67.6% YoY to RMB13,667 mn in 1H18. Underlying net profit increased 53.5% YoY to RMB1,045 mn.
- **Contracted sales is likely to extend its uptrend.** From Jan. to Aug. 2018, the Company achieved RMB53.160 bn in contracted sales, up 144.9% YoY.
- **Disciplined land replenishment initiatives with strong project redevelopment capacity could constrain leverage expansion under the severe external environment.** 53% of the Company's land banks were in tier-1/ tier-2/ international cities. Its unit land cost amounted to RMB2,036 per sq.m., representing 19.9% of ASP in 1H18. This could protect the Company's gross margin.
- Average funding costs will increase and profitability could slightly deteriorate through exchange losses. The Company should justify a higher NAV discount to factor in the severe external environment and declining land bank quality. Therefore, we revise down our target price from HK\$9.55 to HK\$8.08, representing a 49% discount to 2018E NAV of HK\$15.72 per share, 8.0x 2018 underlying PER and 1.5x 2018 PBR. **We maintain "Buy".** Risk factors: lower-than-expected contracted sales, possible failure in operations activities of overseas projects and redevelopment projects.
- **2018年上半年核心净利符合预期。**2018年上半年总收入同比增长67.6%到人民币13,667百万元。核心净利同比上升53.5%到人民币1,045百万元。
- **合约销售延续上升势头。**2018年1-8月,公司录得人民币531.60亿元的合约销售,同比增长144.9%。
- **节制的土储补充以及强大的项目更新能力能够在严厉的外部环境下限制杠杆扩展。**公司53%的土储位于一线/二线/国际城市。且其单位地价为人民币2,036元每平方米,相当于2018年上半年销售均价的19.9%。这将保障公司的毛利率。
- 平均融资成本将会上升并且盈利能力将会被汇兑损益轻微损害。考虑到严厉的外部环境和下降的土储质量,公司应适用更高的每股净资产折让。因此,我们将我们的目标价从9.55港元下调至8.08港元,相当于较15.72港元的2018年每股净资产有49%的折让,也分别相当于8.0倍2018年核心市盈率和1.5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\$8.08

Revised from 原目标价:

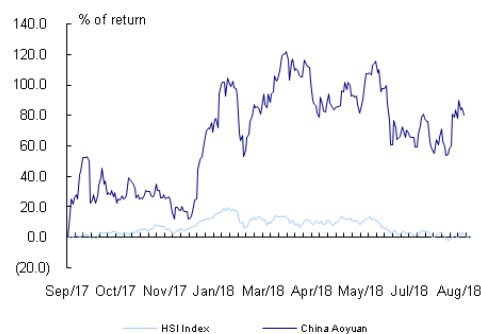
HK\$9.55

Share price 股价:

HK\$5.960

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 %	16.9	(11.7)	73.8
Rel. % to HS Index 相对恒指变动 %	15.8	(1.7)	72.9
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	16.5	3.270	1.6	0.150	2.8	10.3
2017A	19,115	1,640	0.613	89.8	8.1	3.795	1.3	0.250	5.0	17.2
2018F	29,461	2,340	0.873	42.4	5.9	4.590	1.1	0.262	5.1	20.8
2019F	39,873	3,159	1.178	34.9	4.4	5.705	0.9	0.357	7.0	22.9
2020F	48,768	3,681	1.373	16.6	3.7	7.060	0.7	0.429	8.4	21.5
Shares in issue (m) 总股数 (m)			2,682.0		Major shareholder 大股东		Asia Square Holdings Ltd. 54.1%			
Market cap. (HK\$ m) 市值 (HK\$ m)			15,982.2		Free float (%) 自由流通比率 (%)		45.9			
3 month average vol. 3 个月平均成交股数 ('000)			11,298.4		FY18 Net gearing (%) FY18 净负债/股东资金 (%)		49.7			
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)			7.900 / 3.380		FY18 Est. NAV (HK\$) FY18 每股估值 (港元)		15.7			

Source: the Company, Guotai Junan International.

Housing sales growth rebounded. During Jan.-Jul. 2018, the YoY increase in commodity house sales expanded compared to that during Jan.-Jun. 2018. The YoY increase in investment increased slightly by 0.5 ppts. Moreover, land area sold increased 11.3% YoY during Jan.-Jul. 2018. Sources of funds for real estate development enterprises recorded YoY rebound. With the slight loosening of the credit environment, we expect steady investment. Housing sales amount remained high in absolute terms. In addition, saleable areas extended downside momentum. Subsequently, we argue steady fundamentals for the property market.

Figure 1: Cumulative House Sales Amount in China

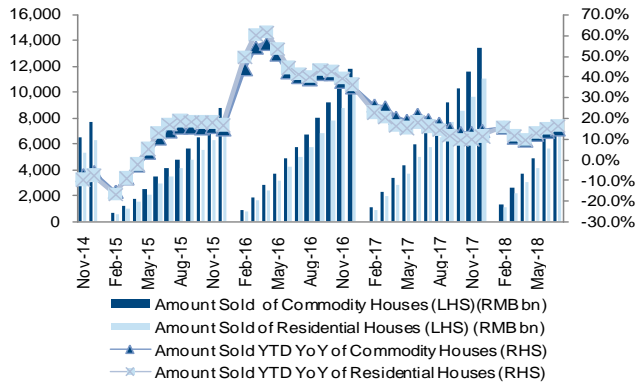
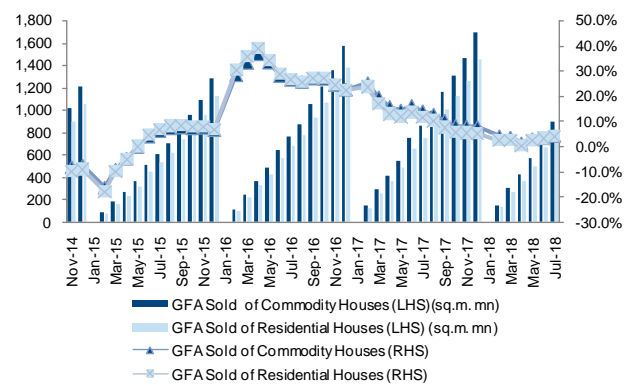


Figure 2: Cumulative House Sales GFA in China



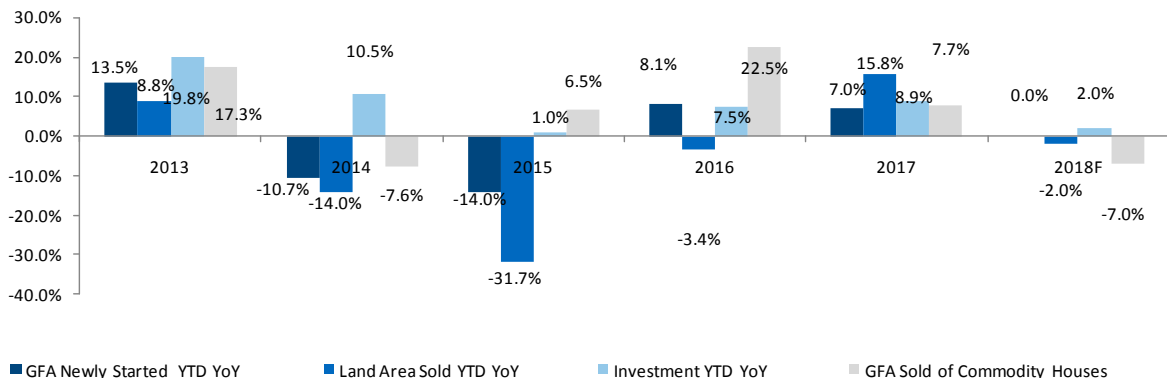
Source: National Bureau of Statistics of China, Guotai Junan International.

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

Severe external environment will be maintained but policy should be moderately loose if the macro economy starts to deteriorate due to the Sino-US trade war. There should be no trigger for policy changes due to stable ASP, proper stock turnover and decreasing land auction premium. Tightening policies will be extended. Despite recent marginal loosening, the credit environment will follow a tightening trend in the long run. For the global market, the US has entered into an interest rate hike cycle, therefore, we expect that the PBOC will continue to reduce leverage and shrink its balance sheet in the long run. Monetary policy will be prudent and neutral, with the keynote of deleveraging.

We think that commodity housing sales will only experience limited decline. Urbanization, demand from housing replacement and monetization of squatter settlement rebuilding will lead to sustainable housing demand in 2018-2020. 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: Key Property Development and Sales Data



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

China Aoyuan's (the "Company") 1H18 underlying net profit was in line with our expectation. The Company's top line soared by 67.6% YoY to RMB13,667 mn in 1H18 due to strong contracted sales growth and more GFA delivered. Gross profit amounted to RMB3,902 mn, up 78.1% YoY. With exchange loss of RMB168 mn, net profit increased 62.1% YoY to RMB1,216 mn, which was in line with our expectation. If excluding fair value gains on investment properties and exchange loss, underlying net profit increased 53.5% YoY to RMB1,045 mn, in line with our expectation. GPM increased 1.7 ppts YoY to 28.6%. Net profit margin decreased 0.3 ppts YoY to 8.9%. Net gearing ratio declined 9.2 ppts comparing with the end of 2017.

Table 1: Comparison of the Company's Balance Sheet and Income Statement in 1H17 and 1H18

RMB mn	1H17	1H18	Change
Total revenue	8,154	13,667	67.6%
Gross profit	2,191	3,902	78.1%
GPM	26.9%	28.6%	1.7 pts
NP (Inc. after-tax fair value gains on IP and exchange losses)	750	1,216	62.1%
NP (Ex. after-tax fair value gains on IP and exchange losses)	681	1,045	53.5%
NPM (Inc. after-tax fair value gains on IP and exchange losses)	9.2%	8.9%	-0.3 pts
NPM (Ex. after-tax fair value gains on IP and exchange losses)	8.3%	7.6%	-0.7 pts
DPS (RMB)	N.A.	N.A.	N.A.
Underlying EPS (RMB)	25.5	39.0	53.0%

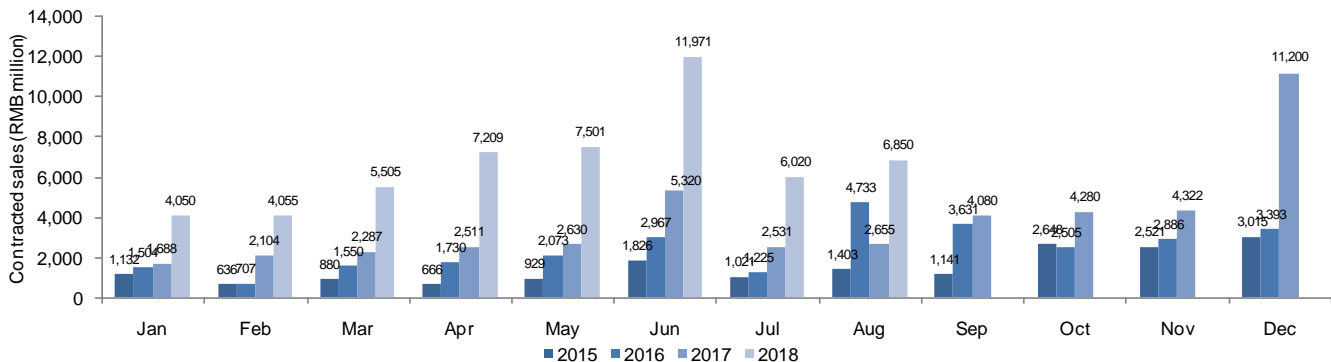
Source: the Company, Guotai Junan International.

Table 2: Comparison of the Company's Balance Sheet in 2017 and 1H18

RMB mn	2017	1H18	Change
Cash and cash equivalents	26,540	25,823	-2.7%
Total asset	125,806	153,258	21.8%
Properties under development	77,069	94,208	22.2%
Total debt	33,252	37,692	13.4%
Shareholders' equity	10,155	10,752	5.9%
ROE	17.2%	24.3%	7.1 pts
Net gearing ratio	51.0%	41.75%	-9.2 pts

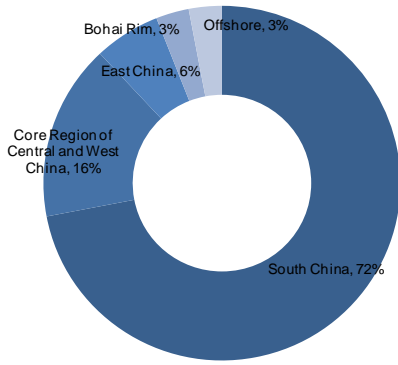
Source: the Company, Guotai Junan International.

Contracted sales is likely to stay on the uptrend. During 1H18, contracted sales reached RMB402.9 bn, up by 144% YoY, achieving 55% of the Company's 2018 sales target. Contracted GFA amounted to 3.938 mn sq.m., up by 152% YoY. The ASP in Jan.-Jul. 2018 was RMB10,231 per sq.m., down by 3.2% YoY. In addition, contracted sales attributable to shareholders accounted for around 84% of total contracted sales. Saleable resources in 2H18 was RMB82.3 bn (indicating 49.0% target sale-through rate). With competitive products, favorable location and low target sale-through rate, we believe that contracted sales will experience fast growth. During Jan.-Aug. 2017, China Aoyuan recorded RMB53.160 bn in contracted sales, up 145% YoY. The Company has already achieved 73% of its 2018 annual sales target.

Figure 4: Aoyuan Contracted Sales Comparison from 2015-Aug. 2018


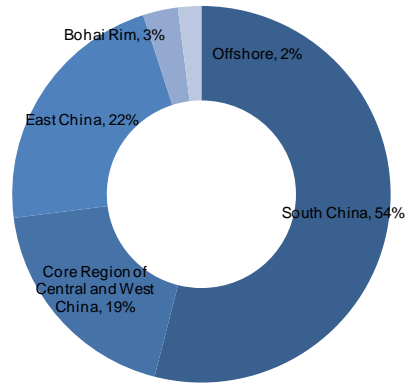
Source: the Company.

Figure 5: China Aoyuan's Contracted Sales Amount Breakdown by Region in 1H17



Source: the Company, Guotai Junan International.

Figure 6: China Aoyuan's Contracted Sales Amount Breakdown by Region in 1H18

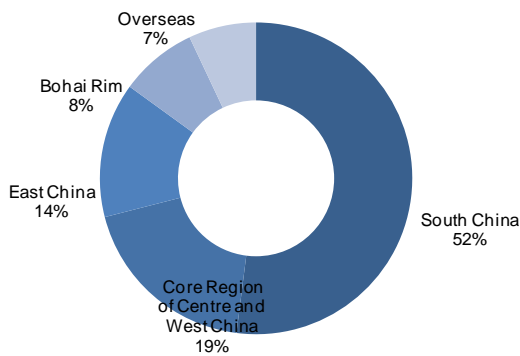


Source: the Company, Guotai Junan International.

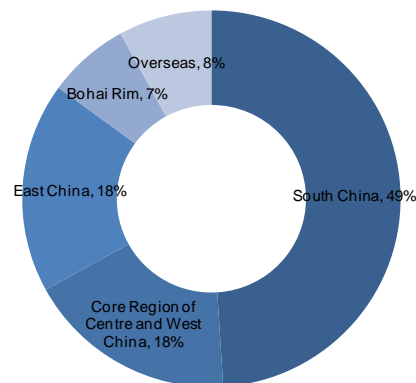
Disciplined land replenishment initiatives with strong project redevelopment capacity could constrain leverage expansion under the severe external environment. The Company will invest around 50.0% of contracted sales amount in land replenishment in 2018. This will provide enough saleable resources to support contracted sales growth, as well as limit the Company's solvency risks. China Aoyuan owned 15 redevelopment projects with total GFA and saleable resources of 8 mn sq.m. and amounting RMB129 bn.

Abundant land bank alongside low unit land costs will support contracted sales growth and protect gross margins, but land bank quality has declined somewhat. In 1H18, the Company acquired 31 land parcels. Total acquired GFA recorded 7.27 mn sq.m. with a total consideration of RMB12,925 mn, hinting at unit land cost of RMB2,065 per sq.m. As at 30 Jun. 2018, the Company had a total GFA of approximately 30.01 million sq.m. (attributable: 81%). Its unit land cost amounted to RMB2,036 per sq.m., 19.9% of ASP in 1H18. However, approximately 53% of its land banks were in tier-1/ tier-2/ international cities. We have seen that the Company's land bank quality has been decreasing, owing to increasing portion of land bank in lower-tier cities.

Figure 7: China Aoyuan's Land Exposure by Land Cost as at 1H18 **Figure 8: China Aoyuan's Land Exposure by Saleable Resources as at 1H18**

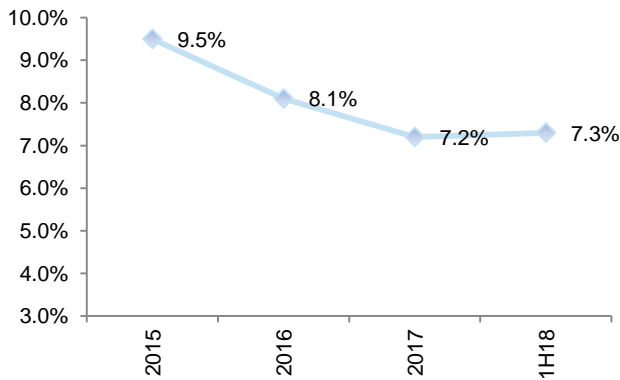


Source: the Company, Guotai Junan International.

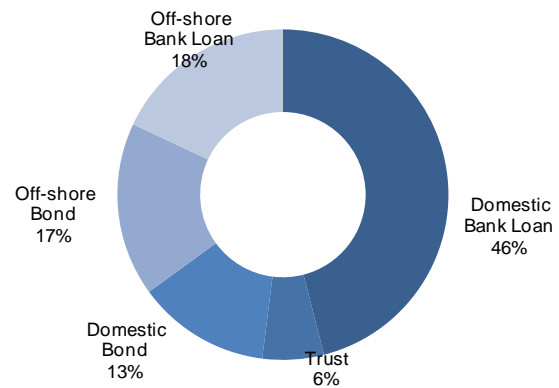


Source: the Company, Guotai Junan International.

Average funding costs will increase and profitability could slightly deteriorate due to exchange loss. Average financial costs increased by 0.1 ppts to 7.3% in 1H18. When comparing to average funding costs of the sector leaders, the Company's average funding costs was a little high. With expected tightening up of monetary environment, we expect average funding costs to slightly increase. Offshore loans accounted for 35% of total loans. Along with considerable offshore projects, the net offshore debt exposure should be limited, thus slight profitability deterioration due to exchange loss. With forecasted faster growth in contracted sales and disciplined land replenishment initiatives, we believe that net gearing ratios will remain at healthy levels.

Figure 9: China Aoyuan's Average Funding Costs


Source: the Company, Guotai Junan International.

Figure 10: China Aoyuan's Debt Structure in 2017


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 and sufficient saleable resources. Due to the strategic layout in the Big Bay Area with proper unit land cost, we expect the Company to stay in the uptrend channel. As 1H18 top line was in line with our previous expectation, we slightly adjust the 2018F, 2019F and 2020F total revenue by -0.5%, -0.4% and -0.4% to RMB29,461 mn, RMB39,873 mn and RMB48,768 mn, respectively. We expect stable GPM. We slightly adjust GPM in 2018F, 2019F and 2020F. Overall, we revise up 2018F, 2019F and 2020F underlying net profit by 10.5%, 7.2% and 1.9% to RMB2,322 mn, RMB2,956 mn and RMB3,468 mn, respectively. We expect gearing ratio to gradually increase on the grounds of sale-through rate increasing under the severe external environment. Net gearing ratio in 1H18 was lower than our previous expectation. Thus, we revise down net gearing ratio in 2018F, 2019F and 2020F by 11.0 ppts, 10.9 ppts and 5.2 ppts, respectively.

Table 3: Revisions to 2018-2020 Profit Estimations

RMB mn	New estimation			Old estimation			Change		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Total revenue	29,461	39,873	48,768	29,613	40,030	48,970	-0.5%	-0.4%	-0.4%
Gross profit	8,145	10,712	12,826	7,790	10,497	13,097	4.6%	2.1%	-2.1%
Operating profit	5,722	7,666	9,041	5,636	7,450	9,308	1.5%	2.9%	-2.9%
Net profit	2,853	3,949	4,781	2,840	3,922	4,809	0.4%	0.7%	-0.6%
Underlying profit	2,322	2,956	3,468	2,101	2,757	3,403	10.5%	7.2%	1.9%
Gross margin	27.6%	26.9%	26.3%	26.3%	26.2%	26.7%	1.3 ppts	0.6 ppts	-0.4 ppts
Operating profit margin	19.4%	19.2%	18.5%	19.0%	18.6%	19.0%	0.4 ppts	0.6 ppts	-0.5 ppts
Net profit margin	9.7%	9.9%	9.8%	9.6%	9.8%	9.8%	0.1 ppts	0.1 ppts	0.0 ppts
Underlying net profit margin	7.9%	7.4%	7.1%	7.1%	6.9%	6.9%	0.8 ppts	0.5 ppts	0.2 ppts
ROE	20.8%	22.9%	21.5%	20.2%	21.3%	21.0%	0.6 ppts	1.6 ppts	0.5 ppts
ROCE	3.3%	4.2%	4.4%	3.2%	3.9%	4.4%	0.1 ppts	0.3 ppts	0.0 ppts
ROA	1.7%	1.9%	2.1%	1.7%	1.9%	2.2%	0.0 ppts	0.0 ppts	-0.1 ppts
Net gearing ratio	49.7%	52.3%	56.6%	60.8%	63.2%	61.8%	-11.0 ppts	-10.9 ppts	-5.2 ppts

Source: Guotai Junan International.

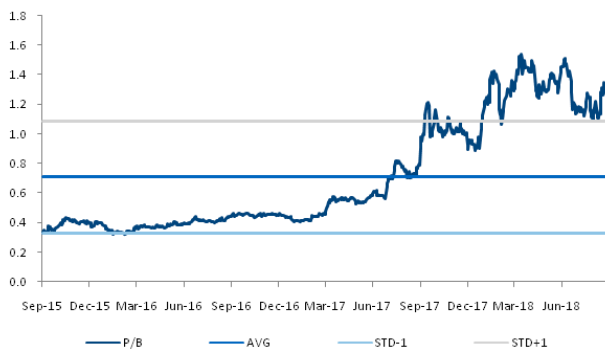
Maintain "Buy". The Company's contracted sales is expected to maintain fast growth. Disciplined land replenishment initiatives with strong redevelopment capacity could constrain leverage expansion under the severe external environment. Abundant land bank alongside low unit land costs will support contracted sales growth and protect gross margins, but land bank quality has declined somewhat. The Company should justify a higher NAV discount to factor in the severe external environment and declining land bank quality. Thus, we revise down our target price from HK\$9.55 to HK\$8.08, representing a 49% discount to 2018E NAV of HK\$15.72 per share, 8.0x 2018 underlying PER and 1.5x 2018 PBR. We still 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 4: Breakdown of China Aoyuan’s 2018 NAV

NAV summary results	2018F
Development properties (RMB mn)	44,802
Investment properties (RMB mn)	6,268
Total gross asset value (RMB mn)	51,069
(Net debt)/net cash(RMB mn)	(14,811)
NAV (RMB mn)	36,258
NAV/share (RMB)	13.52
NAV/share (HK\$)	15.72
TP discount to NAV	49%
Target price (HK\$)	8.08

Source: the Company, Guotai Junan International.

Figure 11: China Aoyuan 3-Year Historical P/B



Source: Bloomberg, Guotai Junan International.

Figure 12: 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	PE			PB			D/Y%	ROE	EV/EBITDA
				2017F	2018F	2019F	2017F	2018F	2019F			
HK listed large developers with major revenue from mainland												
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
HK listed mid-small developers with major revenue from mainland												
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 Holdin	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 Investmen	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 Sce 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 Sprinq 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	29,461	39,873	48,768	Investment Properties	5,425	6,360	7,433	8,627	9,900
Sales of Properties	11,240	17,960	27,777	37,632	45,998	Property, Plant and Equipment	506	719	1,390	1,531	1,687
Other Income	587	1,155	1,683	2,241	2,770	Other Non-current Assets	658	2,616	6,136	6,267	6,417
Cost of Sales	(8,550)	(14,004)	(21,316)	(29,161)	(35,941)	Total Non-current Assets	6,589	9,696	14,959	16,426	18,004
Gross Profit	3,277	5,111	8,145	10,712	12,826	Cash & Cash Equivalents	10,471	24,769	24,883	24,213	23,231
- Change in Fair Value of IPs	310	332	446	474	495	Properties for Sale	43,513	77,207	96,668	109,825	119,376
- SG&A	(1,082)	(1,726)	(2,769)	(3,808)	(4,584)	Trade and Other Receivables	3,604	7,407	9,088	10,333	11,527
- Other Gains, Net	(231)	292	(100)	287	303	Restricted Cash	486	1,771	2,739	3,711	4,535
Operating Profit	2,275	4,010	5,722	7,666	9,041	Other Current Assets	1,756	4,956	7,848	7,980	8,120
- Finance Income/(costs), Net	(157)	(268)	(412)	(419)	(447)	Total Current Assets	59,830	116,110	141,226	156,062	166,790
- Share Profits of JVs	(32)	(116)	(128)	(141)	(155)	Total Assets	66,418	125,806	156,185	172,487	184,794
- Losses on Sales of a Subsidiary	0	0	92	97	102	Trade and Other Payables	6,795	14,579	20,639	22,588	25,056
Profit before Tax	2,085	3,626	5,274	7,203	8,540	Contract liabilities	20,524	34,760	53,726	60,723	61,394
Income Tax	(1,078)	(1,674)	(2,421)	(3,254)	(3,759)	Short-term Bank Loans	2,997	13,371	14,709	15,885	17,474
Profit after Tax	1,007	1,952	2,853	3,949	4,781	Provision	1,430	1,103	993	943	896
Non-controlling Interest	(126)	(312)	(514)	(790)	(1,100)	Current Income Tax Liabilities	2,593	3,172	3,997	4,117	4,240
Shareholders' Profit / Loss	881	1,640	2,340	3,159	3,681	Other Current Liabilities	1,804	8,587	9,296	10,025	10,720
Adjusted Net Profit	950	1,305	2,322	2,956	3,468	Total Current Liabilities	36,143	75,573	103,359	114,281	119,779
Basic EPS	0.323	0.613	0.873	1.178	1.373	Current Assets Less Current Liabilities	23,687	40,537	37,867	41,781	47,011
Underlying EPS (RMB)	0.348	0.488	0.866	1.103	1.293	Total Assets Less Current Liabilities	30,276	50,233	52,826	58,206	65,015
Cash Flow Statement						Bank and Other Borrowings	3,795	14,423	13,702	15,072	16,579
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F	Senior Notes	10,079	5,457	6,549	6,680	7,147
Operating activities						Other Non-current Liabilities	1,770	3,226	2,784	2,883	2,984
Profit Before Taxation	2,085	3,626	5,274	7,203	8,540	Total Non-current Liabilities	15,645	23,106	23,035	24,634	26,711
Finance Costs	157	268	412	419	447	Total Liabilities	51,787	98,680	126,394	138,915	146,490
D&A	42	53	54	54	55	Total Shareholders' Equity	8,918	10,155	12,306	15,298	18,930
Changes in Fair Value of IPs	(310)	(337)	(446)	(474)	(495)	Minority Interest	5,713	16,971	17,485	18,275	19,374
Others	293	(127)	478	103	113	Total Equity	14,631	27,126	29,791	33,572	38,304
Changes in Working Capital:	6,092	(6,926)	3,637	(5,529)	(7,688)	Financial Ratios					
Net Cash from Operations	8,360	(3,443)	9,409	1,776	972		2016A	2017A	2018F	2019F	2020F
Income Taxes Paid	(2,415)	(3,320)	(4,566)	(5,090)	(5,656)	Revenue Growth (%)	23.6	61.6	54.1	35.3	22.3
Cash from Operating Activities	5,945	(6,763)	4,843	(3,315)	(4,683)	Gross Profit Growth (%)	23.8	56.0	59.3	31.5	19.7
Investing Activities						Reported Net Profit Growth (%)	8.5	86.2	42.7	35.0	16.5
Purchase of Investment Properties	(791)	(1,597)	(627)	(720)	(778)	Underlying EPS Growth (%)	0.0	0.0	0.0	0.0	0.0
Increase in Restricted Bank Deposits	781	(1,285)	(968)	(972)	(825)	Gross Margin (%)	27.7	26.7	27.6	26.9	26.3
Other Investing Cash Flow	(4,059)	(7,061)	(3,704)	(91)	(118)	Operating Profit Margin (%)	19.2	21.0	19.4	19.2	18.5
Cash from Investing Activities	(4,069)	(9,944)	(5,299)	(1,782)	(1,721)	Adjusted Net Margin (%)	8.0	6.8	7.9	7.4	7.1
Financing Activities						ROA (%)	1.5	1.7	1.7	1.9	2.1
Debt Raised/(Repaid)	1,442	20,726	1,707	2,678	3,563	ROCE (%)	2.9	3.3	3.3	4.2	4.4
Dividend Paid	(245)	(401)	(702)	(957)	(1,149)	ROE (%)	10.3	17.2	20.8	22.9	21.5
Other Financing Cash Flow	(389)	10,721	(482)	2,684	2,997	Net Gearing Ratio	50.7	51.0	49.7	52.3	56.6
Cash from Financing Activities	808	31,046	524	4,404	5,411	Debt to Equity Ratio	125.6	148.8	142.4	135.5	129.1
Net Changes in Cash	2,683	14,339	69	(693)	(993)	Current Ratio	165.5	153.6	136.6	136.6	139.2
Cash at Beg of Year	7,769	10,471	24,769	24,883	24,213	Cash / Total Assets	15.8	19.7	15.9	14.0	12.6
Exchange Losses	18	(41)	45	23	11	Underlying P/E (x)	15.3	10.2	5.9	4.6	4.0
Cash at End of Year	10,471	24,769	24,883	24,213	23,231	P/E (Basic) (x)	16.5	8.1	5.9	4.4	3.7
						P/E (Diluted) (x)	16.5	8.1	5.9	4.4	3.7
						P/B (x)	1.6	1.3	1.1	0.9	0.7
						Dividend Yield (%)	2.8	5.0	5.1	7.0	8.4

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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