



August 21, 2015  
Company Report  
Rating: BUY  
TP: HK\$ 1.90

Share price (HK\$) 1.50  
Est. share price return 26.7%  
Est. dividend yield 8.0%  
Est. total return 34.7%

Previous Rating & TP BUY; HK\$3.20  
Previous Report Date May 8, 2015

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**Key Data**

52Wk H/L(HK\$) 2.67/1.32  
Issued shares (mn) 6,766  
Market cap (HK\$ mn) 10,352  
3-mth avg daily turnover (HK\$ mn) 54.21  
Major shareholder(s) (%):  
Lin's family 53.17

Source(s): Company, Bloomberg, ABCI Securities

**FY14 Revenue breakdown (%)**

Property development 96.8  
Property management 3.0  
Property investment 0.3

Source(s): Company, ABCI Securities

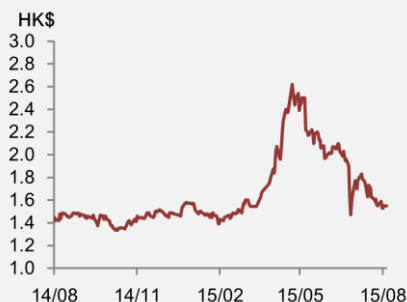
**Share performance (%)**

	Absolute	Relative*
1-mth	(14.5)	(7.7)
3-mth	(30.8)	(18.9)
6-mth	7.7	13.3

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

**1-Year stock performance (HK\$)**



Source(s): Bloomberg, ABCI Securities

**CIFI (884 HK)**

**Presales to accelerate in 2H15**

- 1H15 core profit dropped 3.6% YoY to RMB 623mn, representing 30% of our full-year forecast. Completion is likely to rebound in 2H15
- Adjusted gross margin fell 1.5ppt YoY to 24.9% due to intense pricing pressure during the market downturn in 2014
- CIFI acquired premium land sites in tier 1/2 cities in 1H15 at attractive pricing when the land market was inactive
- Total Forex debt of RMB9.9bn represents 52% of total debt. CIFI aims to increase the use of domestic borrowing by issuing RMB bond in PRC
- Maintain **BUY** with revised TP of HK\$ 1.90 (from HK\$ 3.20) based on a 60% discount to NAV (from 50% previously)

**1H15 core profit dropped 3.6% YoY to RMB 623mn.** CIFI's 1H15 core profit dropped 3.6% YoY to RMB 623m as booked revenue declined 3.2% to RMB 4,860mn and GFA delivery declined 35% YoY to 0.33mn sqm. CIFI expects completion to speed up in 2H15, hence profit growth should resume and be reflected in the full-year results. Gross margin dropped from 26.4% in 1H14 to 21.5% in 1H15 mainly due to: 1) completion of projects presold during market downturn in 2014; 2) higher proportion of mass residential projects than commercial ones; 3) increase in delivered properties that were recalculated at fair value. Excluding the accounting treatment on fair value re-measurement, gross margin was at 24.9%. We expect margin should improve in 2H15 given 1H15 presales ASP has stabilized. On the balance sheet side, net gearing increased from 58% in Dec 2014 to 73% in June 2015, as the Group spent RMB5.7bn to acquire premium sites in Shanghai, Beijing, Hangzhou, Suzhou and Chongqing in a relatively inactive land market. CIFI also announced its first interim dividend of HK¢ 3/share. The Group expects the full-year payout ratio to remain the same at 25-30%.

**Presales growth lagged behind peers in 1H15.** CIFI's presales rose 3.1% YoY to RMB 10.52bn in 1H15, as GFA presold grew 3.1% while ASP stayed flat. CIFI's growth is slower than the peer average of 11% YoY in 1H15 as some new projects were rescheduled to launch in 2H15 instead of 1H15. Five new projects were introduced in 1H15 while 14 new projects will start preselling in Sep-Dec. Management believes the deferral will help boost ASP as property market has resumed momentum on various supportive policies by the government.

**Raised HK\$1.3bn in May before stock market downturn.** CIFI's strategic timing of its fundraising activity has been impressive. On May 19, 2015, CIFI issued 600mn of new shares (9.0% of enlarged capital) at HK\$2.20 (12.0% discount to the last closing price), raising a total of HK\$1.32bn. The new equity raised have strengthened CIFI's balance sheet and provided capital for further land acquisition. Since then, the stock market has been correcting downwards and CIFI's current share price is currently low at HK\$1.50, 30% below its placement price. Moreover, CIFI raised USD400mn by issuing a USD bond due 2020 at 7.75% coupon (vs. 8.3% in previous issuance in Jan 2015) on May 27, 2015, showing that CIFI's solid credit outlook is well recognized by bond investors. The Group's average cost of debt dropped 8.3% in Dec 2014 to 7.9% in June 2015.

**Results and Valuation**

FY ended Dec 31	2013A	2014A	2015E	2016E	2017E
Revenue (RMB mn)	11,909	16,179	18,432	18,938	18,354
Chg (% YoY)	46.2	35.9	13.9	2.7	(3.1)
Underlying Net Income (RMB mn) <sup>1</sup>	1,519	1,939	2,119	2,438	2,736
Chg (% YoY)	64.9	27.6	9.3	15.1	12.2
Underlying EPS (RMB)	0.25	0.32	0.33	0.37	0.41
Chg (% YoY)	57.9	27.6	3.3	10.7	12.2
BVPS (RMB)	1.43	1.69	1.98	2.14	2.41
Chg (% YoY)	25.9	18.5	16.8	8.3	12.7
Underlying PE (x)	4.9	3.8	3.7	3.4	3.0
P/B (x)	0.9	0.7	0.6	0.6	0.5
ROE (%)	17.6	19.0	16.8	17.2	17.1
ROA (%)	3.9	4.5	4.2	4.4	4.6
DPS(HK\$)	0.07	0.11	0.12	0.13	0.14
Yield (%)	4.7	7.3	8.0	8.7	9.3
Net gearing <sup>2</sup> (%)	67.9	58.2	61.0	12.0	(37.2)

<sup>1</sup>Underlying net income = Net profit - revaluation gain of investment properties and one-off items

<sup>2</sup>Net gearing = Net debt/Total equity

Source(s): Bloomberg, ABCI Securities estimates



**Forex debt of RMB 9,956mn represents 52% of total debt.** As of June 2015, CIFI has a total forex debt of RMB 10bn, mostly denominated in USD and HKD. However, CIFI also had RMB 2.7bn of cash held in USD and HKD. Its net forex liability of RMB7.3bn translates to 28% of our NAV estimate (RMB 26bn). Hence, a 5% depreciation in RMB will result in ~1.4% decline in NAV. Going forward, the Group will increase its domestic borrowing. It has applied for the issuance of domestic corporate RMB bond totaling RMB 4bn in PRC. CIFI targets to achieve a coupon rate of 5.5% or lower in its first RMB bond issuance, whose application currently is pending approval from the authority.

**Maintain BUY with revised TP at HK\$ 1.90.** We factor in the value of the premium sites acquired in 1H15 and raise our NAV forecast by 19% to RMB 26bn. With the recent share placement, however, NAV per share is only enhanced by 5% to HK\$ 4.77 (from HK\$ 4.53). We also raise our NAV discount to 60% (average discount of small/mid-cap developers) from 50% due to the increased forex risk resulting from its significant exposure to USD-denominated debt. As a result, TP is reduced to HK\$ 1.90 (from HK\$ 3.20). Given its attractive valuation at 3.7x 2015E P/E with an 8.0% yield and accelerating presales in 2H15, CIFI remains our preferred pick among the small/mid cap developers in China.

**Risk factors:** 1) Expensive land acquisition may expand presales scale but erode margins; 2) Low daily turnover of the CIFI's shares; 3) Foreign exchange risk.

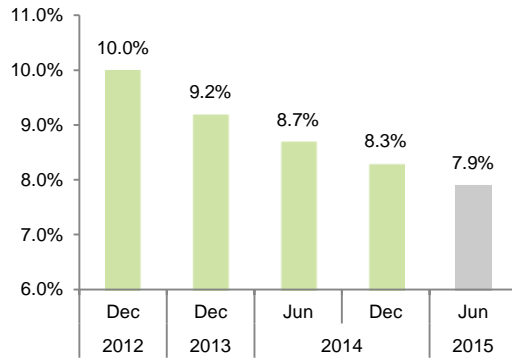
**Exhibit 1: CIFI's 1H15 results**

P&L	1H15	1H14	YoY Chg	Operating statistics	1H15	FY14	YoY Chg
	RMB mn	RMB mn	(%)				%
<b>Turnover</b>	<b>4,860</b>	<b>5,021</b>	<b>(3.2)</b>	Contracted GFA (mn sqm)	0.84	0.81	3.1
Cost of Sales	(3,813)	(3,698)	3.1	Contracted ASP (RMB/sqm)	12,519	12,515	0.0
<b>Gross Profit</b>	<b>1,047</b>	<b>1,323</b>	<b>(20.9)</b>	<b>Contracted Sales (RMB mn)</b>	<b>10,520</b>	<b>10,200</b>	3.1
<b>Gross Margin (%)</b>	<b>21.5</b>	<b>26.4</b>	<b>(4.8)</b>	GFA Delivered (mn sqm)	0.33	0.50	(34.7)
Selling and distribution costs	(114)	(132)	(14.2)	Booked ASP (RMB/sqm)	13,880	9,569	45.1
Administrative expense	(215)	(228)	(5.7)	<b>Property sales booked (RMB mn)</b>	<b>4,536</b>	<b>4,789</b>	<b>(5.3)</b>
<b>EBIT</b>	<b>718</b>	<b>963</b>	<b>(25.4)</b>	<b>Balance sheet</b>	<b>Jun-15</b>	<b>Dec-14</b>	<b>HoH chg</b>
<b>EBIT Margin (%)</b>	<b>14.8</b>	<b>19.2</b>	<b>(4.4)</b>		<b>RMB mn</b>	<b>RMB mn</b>	
Other income	306	169	81.4	Gross debt	19,303	13,861	39.3
Fair Value gains on IP and other exceptional items	328	207	na	Cash	10,144	7,124	42.4
Share of profit from JCE/ Associates	53	(19)	(376.8)	<b>Net debt</b>	<b>9,159</b>	<b>6,737</b>	36.0
Finance cost	(97)	(111)	(12.9)	<b>Net gearing (%)</b>	<b>73%</b>	<b>58%</b>	+14ppt
<b>Profit before tax</b>	<b>1,309</b>	<b>1,209</b>	8.3				
<b>Tax</b>	<b>(397)</b>	<b>(444)</b>	<b>(10.6)</b>				
- LAT	(196)	(238)	(17.8)				
- Enterprise tax	(201)	(206)	(2.3)				
<b>Profit after tax</b>	<b>912</b>	<b>764</b>	19.3				
Minority Interest	(109)	(16)	593.9				
<b>Net profit</b>	<b>802</b>	<b>749</b>	7.2				
<b>Core net profit</b>	<b>623</b>	<b>646</b>	<b>(3.6)</b>				
<b>Core net margin</b>	<b>12.8</b>	<b>12.9</b>					

Source(s): Company, ABCI Securities



Exhibit 2: CIFI's cost of debt by period



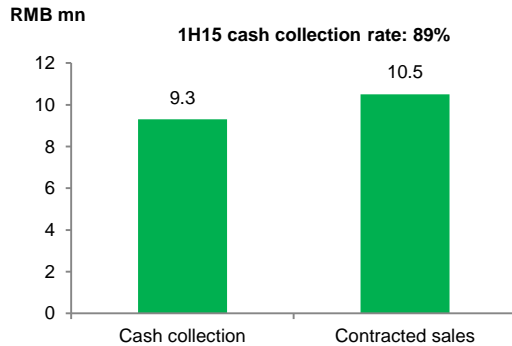
Source(s): Company, ABCI Securities

Exhibit 3: CIFI's cost of debt by borrowing type

	Amount (RMB mn)		% of total		Average interest cost (%)	
	Dec-14	Jun-15	Dec-14	Jun-15	Dec-14	Jun-15
<b>Onshore</b>						
Bank loans	7,759	8,808	56%	46%	7.0%	7.0%
Trust loans	810	539	6%	3%	9.4%	8.0%
<b>Offshore</b>						
Bank loans	935	1,920	7%	10%	6.0%	5.1%
Senior notes	4,357	8,036	31%	42%	11.0%	9.6%
<b>Total</b>	<b>13,861</b>	<b>19,303</b>	<b>100%</b>	<b>100%</b>	<b>8.3%</b>	<b>7.9%</b>

Source(s): Company, ABCI Securities

Exhibit 4: Cash collection 1H15



Source(s): Company, ABCI Securities

Exhibit 5: Capex guidance

	1H15 RMB bn	FY2015E RMB bn
<b>Cash outflow</b>		
Land acquisition	6.3	9.3
Construction	2.5	7.0
Tax	1.3	2.5
Interest	0.7	1.6
SG&A	0.4	1.0
<b>Total</b>	<b>11.2</b>	<b>21.4</b>

Source(s): Company, ABCI Securities estimates

Exhibit 6: CIFI's FY15E NAV

	Attr. GFA (M sqm)	Net assets value (RMB m)	% of total	Valuation Method	Implied value per sqm (RMB)
<b>Property development</b>					
Shanghai	1.4	8,383	23%	DCF at WACC of 9.8%	6,197
Suzhou	1.5	6,267	17%		4,195
Hangzhou	0.4	2,630	7%		6,129
Beijing	0.6	4,663	13%		8,393
Tianjin	1.2	3,282	9%		2,672
Chongqing	1.4	3,242	9%		2,398
Others	4.1	7,312	20%		1,783
<b>Subtotal</b>	<b>10.5</b>	<b>35,779</b>	<b>98%</b>		<b>3,403</b>
<b>Property investment &amp; management</b>		750	2%	6.0% cap rate on 2015E net rental income	
<b>Total 2015E GAV</b>		<b>36,529</b>	<b>100%</b>		
2015E Net debt		(10,483)	-29%		
<b>Total 2015E NAV</b>		<b>26,046</b>	<b>71%</b>		
No. of share outstanding (diluted)		6,627			
<b>NAV per share (RMB)</b>		<b>3.93</b>			
Ex rate		1.21			
<b>NAV per share (HKD)</b>		<b>4.77</b>			
Target discount (%)		60%			
<b>Target Price (HKD)</b>		<b>1.90</b>			

<b>WACC</b>	<b>9.8%</b>
Cost of Debt	8.0%
Cost of Equity	15.0%
<b>Debt / (Debt + Equity)</b>	<b>58%</b>

Source(s): Company, ABCI Securities estimates



**Exhibit 7: Valuation of Hong Kong-listed and PRC-listed developers**

China Property	Ticker	Rating	TP	Mkt cap	Share Price	Performance				Discount to NAV	Valuation													
						3M			YTD			2014			P/E			Yield (%)			P/B			
						(HKD bn)	(local ccy)	% Chg	% Chg		% Chg	% Chg	% Chg	% Chg	(%)	2014A	2015E	2016E	2014A	2015E	2016E	2014A	2015E	2016E
<b>Residential:</b>																								
1	Wanda	3699 HK	BUY	88.00	238.1	52.60	(22)	8	na	(64.12)	10.9	8.1	6.0	2.2	3.7	5.0	1.1	1.2	1.0					
1	COLI	688 HK	BUY	29.50	228.8	23.20	(19)	2	8	(21.34)	8.0	7.8	5.5	2.4	2.6	3.6	1.4	1.1	1.0					
2	Vanke-H	2202 HK	NR		191.8	17.60	(9)	5	30	(5.79)	15.0	8.9	7.7	3.4	3.9	4.5	1.8	1.6	1.4					
3	CR Land	1109 HK	NR		131.0	18.90	(22)	(6)	10	(32.62)	11.1	8.6	7.6	2.6	2.9	3.4	1.1	1.0	0.9					
4	Evergrande	3333 HK	HOLD	6.90	68.6	4.73	(25)	69	24	(45.04)	24.6	8.8	6.6	11.0	5.7	7.5	0.6	0.5	0.5					
5	Country Garden	2007 HK	NR		64.6	2.86	(28)	(3)	(28)	(57.82)	5.8	5.1	4.5	6.3	6.3	7.1	0.8	0.8	0.7					
6	Longfor	960 HK	NR		58.7	10.08	(20)	4	(5)	(47.58)	7.3	6.1	5.7	3.4	3.5	3.9	1.0	0.9	0.8					
7	Shimao	813 HK	NR		42.0	12.10	(30)	(28)	4	(63.18)	4.4	4.0	3.7	7.2	7.5	8.2	0.7	0.7	0.6					
8	Sino Ocean	3377 HK	NR		32.7	4.35	(23)	1	(8)	(51.76)	7.6	6.8	6.0	5.3	5.8	6.6	0.6	0.6	0.6					
9	Sunac	1918 HK	BUY	12.00	19.7	5.79	(41)	(25)	81	(76.06)	4.2	4.5	4.3	4.0	4.0	4.2	1.0	0.8	0.7					
10	Guangzhou R&F	2777 HK	NR		23.3	7.24	(24)	(24)	(11)	(76.61)	5.4	3.5	3.2	0.0	5.2	7.4	0.5	0.5	0.4					
11	Agile	3383 HK	NR		16.1	4.11	(36)	(3)	(43)	(76.62)	3.4	3.5	3.4	9.3	8.3	8.6	0.4	0.3	0.3					
12	Yuexiu Properties	123 HK	NR		16.9	1.36	(25)	(7)	(13)	(69.44)	8.8	7.6	6.7	5.4	6.2	6.6	0.5	0.5	0.4					
13	KWG	1813 HK	NR		14.4	4.82	(35)	(4)	33	(68.66)	4.3	3.7	3.2	8.3	8.9	10.2	0.6	0.5	0.5					
14	Greentown	3900 HK	HOLD	9.70	15.2	7.01	(37)	(9)	(30)	(42.47)	6.8	4.0	4.1	0.0	6.9	7.8	0.5	0.5	0.5					
15	Logan	3380 HK	BUY	4.60	16.5	3.30	9	41	7	(64.08)	7.7	5.7	4.4	3.3	3.9	4.5	1.2	1.0	0.9					
15	CIFI	884 HK	BUY	1.90	10.1	1.50	(32)	3	(2)	(69.47)	3.8	3.7	3.4	7.3	8.0	8.7	0.7	0.6	0.6					
16	BJ Capital Land	2868 HK	NR		6.7	3.32	(48)	20	22	(39.64)	4.3	3.6	2.9	9.1	8.6	9.7	0.6	na	na					
17	COGO	81 HK	NR		6.3	2.74	(40)	(30)	(46)	(78.87)	5.0	3.5	2.8	1.8	2.5	3.0	0.5	0.4	0.4					
<b>HK Listed Avg</b>							<b>(26)</b>	<b>3</b>	<b>1</b>	<b>(52.89)</b>	<b>7.7</b>	<b>5.6</b>	<b>4.7</b>	<b>4.9</b>	<b>5.6</b>	<b>6.5</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>					
<b>- Large cap (&gt;HKD50b) avg</b>							<b>(21)</b>	<b>11</b>	<b>7</b>	<b>(39.19)</b>	<b>11.8</b>	<b>7.6</b>	<b>6.2</b>	<b>4.5</b>	<b>4.1</b>	<b>5.0</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>					
<b>- Small-mid cap (&lt;HKD50b) avg</b>							<b>(30)</b>	<b>(2)</b>	<b>(2)</b>	<b>(60.27)</b>	<b>5.4</b>	<b>4.5</b>	<b>3.9</b>	<b>5.2</b>	<b>6.3</b>	<b>7.2</b>	<b>0.6</b>	<b>0.6</b>	<b>0.5</b>					
<b>Commercial:</b>																								
1	SOHO China	410 HK	NR		20	3.94	(28)	(26)	(14)	(50.75)	9.7	22.2	19.1	7.7	7.5	6.3	0.4	0.4	0.4					
2	HLP	101 HK	NR		84	18.80	(27)	(12)	(8)	(45.85)	8.4	13.5	13.9	4.0	4.1	4.1	0.6	0.6	0.6					
3	China South City	1668 HK	BUY	3.20	19	2.37	(24)	(33)	67	(55.52)	6.0	10.2	8.5	5.9	5.9	8.0	0.8	0.7	0.7					
4	Hui Xian REIT	87001 HK	NR		21	3.29	(6)	2	(3)	(24.80)	26.7	14.3	13.5	7.6	8.4	8.9	0.6	0.6	0.6					
5	Franshion	817 HK	BUY	4.50	23	2.15	(28)	1	(14)	(71.02)	5.9	5.7	4.5	5.3	5.8	7.4	0.6	0.6	0.5					
6	Shui On Land	272 HK	NR		14	1.75	(35)	(3)	(21)	(51.05)	na	27.7	11.4	3.3	3.4	3.3	0.3	0.3	0.3					
8	Yuexiu REIT	405 HK	NR		12	4.18	(3)	11	11	na	38.1	24.4	21.0	6.9	7.3	7.7	0.7	0.7	0.8					
9	Zall	2098 HK	NR		16	4.40	66	76	(2)	na	63.3	na	na	0.0	na	na	1.6	na	na					
10	Wuzhou	1369 HK	NR		6	1.26	(30)	(14)	(21)	na	56.5	20.8	na	0.0	na	na	1.9	na	na					
<b>Commercial Avg</b>							<b>(16)</b>	<b>(5)</b>	<b>(1)</b>	<b>(55.01)</b>	<b>24.0</b>	<b>15.6</b>	<b>11.6</b>	<b>6.2</b>	<b>8.7</b>	<b>9.9</b>	<b>0.8</b>	<b>0.6</b>	<b>0.5</b>					
<b>- Developers</b>							<b>(29)</b>	<b>(15)</b>	<b>5</b>	<b>(57.08)</b>	<b>21.6</b>	<b>14.5</b>	<b>9.7</b>	<b>5.9</b>	<b>8.9</b>	<b>10.4</b>	<b>0.9</b>	<b>0.5</b>	<b>0.5</b>					
<b>- Landlords/REIT</b>							<b>(25)</b>	<b>(25)</b>	<b>(3)</b>	<b>(55.43)</b>	<b>32.4</b>	<b>19.4</b>	<b>17.3</b>	<b>7.2</b>	<b>7.8</b>	<b>8.3</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>					

\* Share price as at Aug 20, 2015

Source(s): Bloomberg, ABCI Securities estimates



**Consolidated income statement (2013A-2017E)**

<b>FY Ended Dec 31 (RMB mn)</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
<b>Revenue</b>	<b>11,909</b>	<b>16,179</b>	<b>18,432</b>	<b>18,938</b>	<b>18,354</b>
Cost of sales	(8,841)	(11,993)	(12,996)	(13,371)	(12,844)
<b>Gross Profit</b>	<b>3,069</b>	<b>4,187</b>	<b>5,435</b>	<b>5,567</b>	<b>5,509</b>
SG&A expenses	(822)	(849)	(891)	(1,005)	(1,047)
<b>EBIT</b>	<b>2,246</b>	<b>3,338</b>	<b>4,545</b>	<b>4,562</b>	<b>4,463</b>
Finance cost	(188)	(386)	(119)	(133)	(147)
Share of profit of associates	(14)	(119)	370	657	894
Other income/ (expenses)	75	103	65	105	212
Fair value gain of investment properties	757	245	-	-	-
Disposal/one-off items	100	143	-	-	-
<b>Profit before tax</b>	<b>2,975</b>	<b>3,325</b>	<b>4,862</b>	<b>5,191</b>	<b>5,421</b>
Tax	(934)	(1,325)	(1,940)	(1,970)	(1,979)
<b>Profit after tax</b>	<b>2,041</b>	<b>2,000</b>	<b>2,921</b>	<b>3,221</b>	<b>3,443</b>
Minority interest	(147)	(138)	(803)	(783)	(707)
<b>Reported net profit</b>	<b>1,894</b>	<b>1,861</b>	<b>2,119</b>	<b>2,438</b>	<b>2,736</b>
<i>Less: exceptional items</i>	<i>(375)</i>	<i>78</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Underlying net profit</b>	<b>1,519</b>	<b>1,939</b>	<b>2,119</b>	<b>2,438</b>	<b>2,736</b>
<b>Per share</b>					
Underlying EPS (RMB)	0.25	0.32	0.33	0.37	0.41
DPS (RMB)	0.07	0.11	0.12	0.13	0.14
Payout ratio (%)	28%	34%	36%	35%	34%
BVPS (RMB)	1.43	1.69	1.98	2.14	2.41
<b>Growth %</b>					
Revenue	46.2%	35.9%	13.9%	2.7%	-3.1%
Gross Profit	59.3%	36.4%	29.8%	2.4%	-1.0%
EBIT	63.2%	48.6%	36.2%	0.4%	-2.2%
Underlying net profit	64.9%	27.6%	9.3%	15.1%	12.2%
<b>Margin %</b>					
Gross margin	25.8%	25.9%	29.5%	29.4%	30.0%
Gross margin (post-LAT)	23.7%	23.7%	24.1%	24.0%	24.4%
EBIT margin	18.9%	20.6%	24.7%	24.1%	24.3%
Core net margin	11.9%	11.3%	13.8%	13.5%	13.9%
<b>Key assumptions</b>					
Contracted Sales (RMB mn)	15,319	21,205	24,877	31,337	32,341
GFA sold (mn sqm)	1.43	1.73	1.89	2.15	1.95
ASP (RMB/sqm)	10,725	12,236	13,155	14,603	16,605
Booked Sales (RMB mn)	11,579	15,654	17,878	18,356	17,741
GFA delivered (mn sqm)	1.24	1.42	1.45	1.44	1.31
Booked ASP (RMB/sqm)	9,346	11,048	12,362	12,740	13,573

Source: Company, ABCI Securities estimates



**Consolidated balance sheet (2013A-2017E)**

<b>As of Dec 31 (RMB mn)</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
<b>Current assets</b>	<b>29,829</b>	<b>30,052</b>	<b>32,419</b>	<b>36,292</b>	<b>39,986</b>
Cash	7,061	7,094	5,868	15,131	27,239
Restricted cash	100	30	30	30	30
Trade & other receivables	3,370	5,017	5,017	5,017	5,017
Property under development	16,996	15,223	18,816	13,426	5,012
Other current assets	2,302	2,688	2,688	2,688	2,688
<b>Non-current assets</b>	<b>9,277</b>	<b>13,487</b>	<b>18,616</b>	<b>18,853</b>	<b>19,138</b>
Property, plant & equipment	47	48	54	60	66
Investment properties	4,650	5,206	5,206	5,206	5,206
Investment in Associate and JCE	4,299	7,907	13,031	13,262	13,541
Other non-current assets	281	325	325	325	325
<b>Total Assets</b>	<b>39,106</b>	<b>43,539</b>	<b>51,035</b>	<b>55,145</b>	<b>59,124</b>
<b>Current Liabilities</b>	<b>18,632</b>	<b>20,111</b>	<b>22,849</b>	<b>24,708</b>	<b>26,272</b>
Short term borrowings	3,017	3,035	5,035	7,035	9,035
Trade & other payables	6,330	10,110	10,110	10,110	10,110
Pre-sales deposits	8,068	5,016	5,754	5,613	5,177
Other current assets	1,218	1,950	1,950	1,950	1,950
<b>Non-current liabilities</b>	<b>11,318</b>	<b>11,845</b>	<b>11,845</b>	<b>11,845</b>	<b>11,845</b>
Long term borrowings	10,357	10,825	10,825	10,825	10,825
Other payables	-	-	-	-	-
Other non-current assets	961	1,019	1,019	1,019	1,019
<b>Total Liabilities</b>	<b>29,951</b>	<b>31,956</b>	<b>34,694</b>	<b>36,553</b>	<b>38,117</b>
<b>Net Assets</b>	<b>9,155</b>	<b>11,583</b>	<b>16,341</b>	<b>18,593</b>	<b>21,007</b>
<b>Shareholders' Equity</b>	<b>8,611</b>	<b>10,205</b>	<b>12,615</b>	<b>14,192</b>	<b>16,000</b>
Perpetual capital instrument	-	586	521	463	411
Minority Interest	544	792	3,206	3,938	4,596
<b>Total Equity</b>	<b>9,155</b>	<b>11,583</b>	<b>16,341</b>	<b>18,593</b>	<b>21,007</b>
<b>Key ratio</b>					
Gross debt (RMB mn)	13,374	13,861	15,861	17,861	19,861
Net debt (RMB mn)	6,213	6,737	9,963	2,700	(7,408)
Net gearing (%)	68%	58%	61%	12%	-37%
Contracted sales/ Total assets (x)	39%	49%	49%	57%	55%

Source(s): Company, ABCI Securities estimates



**Consolidated cash flow statement (2013A-2017E)**

<b>FY ended Dec 31 (RMB mn)</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
EBITDA	2,259	3,352	4,559	4,576	4,477
Change in Working Capital	1,545	2,035	(1,784)	6,446	9,305
Tax payment	(817)	(1,325)	(1,940)	(1,970)	(1,979)
<b>Operating Cash flow</b>	<b>2,988</b>	<b>4,062</b>	<b>834</b>	<b>9,052</b>	<b>11,804</b>
Purchase of PP&E	(17)	(20)	(20)	(20)	(20)
Addition of Investment Properties	35	-	-	-	-
Others	(4,233)	(3,135)	(4,688)	531	827
<b>Investing Cash flow</b>	<b>(4,214)</b>	<b>(3,155)</b>	<b>(4,708)</b>	<b>511</b>	<b>807</b>
Debt raised	11,288	10,000	10,000	10,000	10,000
Debt repaid	(6,825)	(9,508)	(8,000)	(8,000)	(8,000)
Interest expenses	(1,065)	(1,436)	(1,189)	(1,330)	(1,474)
Equity raised	308	-	1,056	-	-
Dividend to shareholders	(185)	(663)	(765)	(861)	(928)
Others	175	732	1,546	(108)	(101)
<b>Financing Cash flow</b>	<b>3,696</b>	<b>(874)</b>	<b>2,648</b>	<b>(300)</b>	<b>(503)</b>
<b>Net cash inflow/ (outflow)</b>	<b>2,470</b>	<b>33</b>	<b>(1,226)</b>	<b>9,263</b>	<b>12,108</b>
Cash- beginning	4,591	7,061	7,094	5,868	15,131
<b>Cash- year-end</b>	<b>7,061</b>	<b>7,094</b>	<b>5,868</b>	<b>15,131</b>	<b>27,239</b>

Source(s): Company, ABCI Securities estimates



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### Definition of equity rating

Rating	Definition
Buy	Stock return $\geq$ Market return rate
Hold	Market return – 6% $\leq$ Stock return < Market return rate
Sell	Stock return < Market return – 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2009-2013

Time horizon of share price target: 12-month

### Definition of share price risk

Rating	Definition
Very high	$2.6 \leq 180$ day volatility/180 day benchmark index volatility
High	$1.5 \leq 180$ day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq 180$ day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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