

Key Data

Share price (HK\$)	4.20
Target price (HK\$)	4.86
Upside potential (%)	15.7
52Wk H/L(HK\$)	4.33/ 1.40
Issued shares (mn)	3,002
Market cap (HK\$mn)	12,790
30-day avg vol (HK\$mn)	22.09
Major shareholder (%):	
Sun Hongbin	51.85
Bain Capital	10.01
China Diamond	8.51

Source: Company, Bloomberg, ABCI Securities

Revenue composition in FY11 (%)

Property development:	98.4
Rental income	0.2
Property management	1.4

Source: Company

Share performance (%)

	Absolute	Relative*
1-mth	9.5	4.5
3-mth	31.6	19.9
6-mth	74.9	63.1

Source: Bloomberg

*Relative to Hang Seng Index

1 year price performance



Source: Bloomberg

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Sunac (1918 HK) –Buy Real Estate Development Industry

Growing big

Up until October, the sales of Sunac have recorded positive YoY growth for 18 consecutive months due to its niche positioning and execution capability. Land acquisitions are expected to increase by leveraging on JV platform with Greentown (3900 HK) and newly addition of US\$400mn cash through bond issue. The aggressive land additions and encouraging balance sheet deleverage sales enable the group to expand quickly in market downturn. Maintain our BUY rating on the stock with TP at HK\$4.86.

Flourishing sales, new launch in late November. Despite of the weak Golden Week (1-7 October), October witnessed another strong month for the group. Contracted sales were Rmb3.6bn, up 22.0% YoY, or 21.6% MoM. YTD contracted sales reached Rmb22.8bn, up 62.1% YoY, fulfilling 76.0% of upward-revised target of Rmb30.0bn and there are Rmb3.0bn subscription sales pending for contracted as of Oct. Consistently strong monthly sales, i.e.Rmb2.0-4.0bn are expected for November-December. Brand new project in Beijing, Jinmao with ASP ~Rmb50,000/sq.m. is scheduled to launch in late November and may fetch Rmb1.0bn sales for the group.

Speeding up land acquisitions, more to come. Sunac has acquired a piece of land in October in Shanghai with AGFA at 29K/sq.m and A.V at Rmb17,676/sq.m.. After the set-up of the JV with Greentown in June, it bought 4 pieces of land with AGFA at 228K/sq.m, or 3.0% of current land bank and land cost at Rmb2.6bn. The Management is eager to expand its land portfolio in a bid to surmount scale constraint of land reserve and we are expecting more M&As to come through this JV platform.

Temporary removal of overhang from equity raising: The group has issued 12.5% senior note due in 2017 and raised US\$400mn in mid-October. The funds will be mainly used for financing land acquisitions. Strong cash level of est. Rmb5.0bn as of Oct is adequate for targeted land acquisitions in our view. In the near term, we see low probability for the group to further raise capital through equity.

Risk factors: Slower-than-expected sales; high gearing

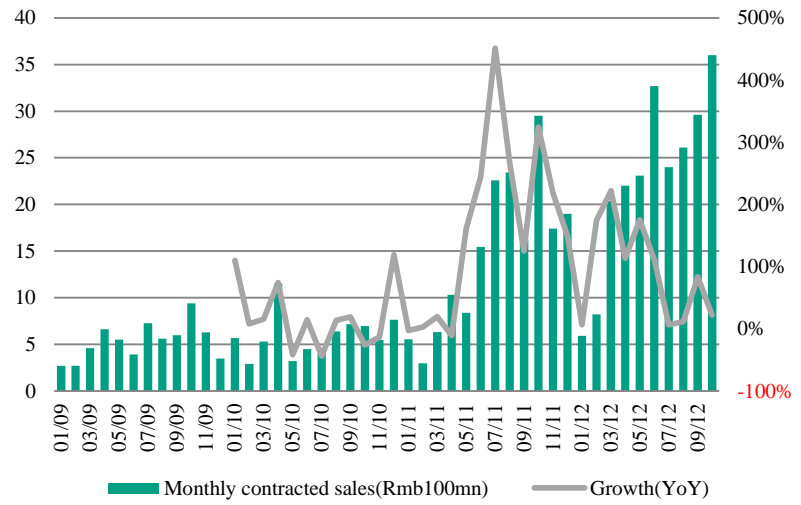
Forecast and Valuation

FY ended Dec 31	FY09A	FY10A	FY11A	FY12E	FY13E
Revenue (Rmbmn)	4,795	6,654	10,604	19,171	25,018
YoY chg(%)	-	38.8	59.4	80.8	30.5
Core net profit (Rmbmn)	785	1,542	1,793	1,972	2,852
YoY chg(%)	-	96.4	16.3	10.0	44.6
Core EPS (Rmb)	0.349	0.514	0.597	0.657	0.951
YoY chg(%)	0.0	47.3	16.1	10.1	44.6
BVPS(Rmb)	0.6	1.6	2.4	2.9	3.8
PE(x)	-	-	5.7	5.2	3.6
PB(x)	-	-	1.5	1.2	0.9
ROAE(%)	60.2	51.1	40.2	24.9	28.3
Dividend yield (%)	-	-	2.5	2.3	2.9

@Rmb0.8121/HK\$; Source: Company, Bloomberg, ABCI Securities estimates

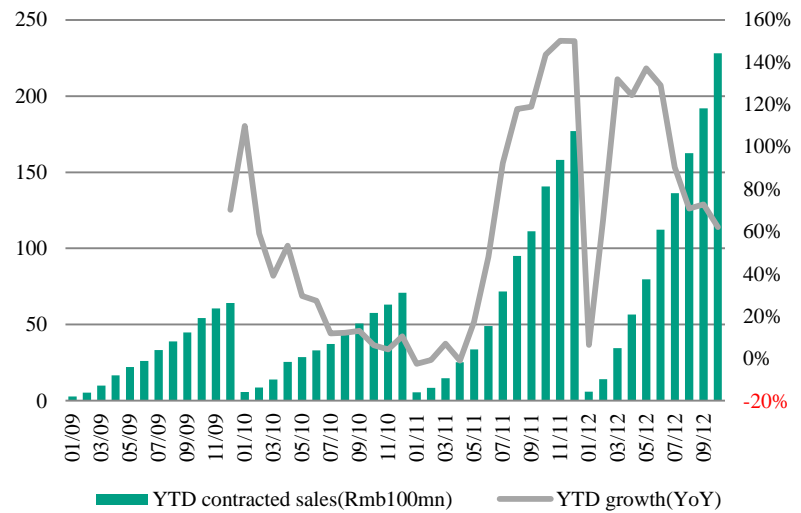


Monthly sales of Sunac



Source: Company data and ABCI Securities

Accumulative sales of Sunac



Source: Company data and ABCI Securities



Disclosures

Analyst Certification

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