



## Mar Sales Review

### Sector Update

#### China Property Sector

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#### Related report:

Jan Sales Performance of China Developers  
Dated on 14 Feb 2011

Nov Sales Performance of China Developers  
Dated on 14 Dec 2011

Oct Sales Performance of China Developers  
Dated on 15 Nov 2011

Sep Sales Performance of China Developers  
Dated on 13 Oct 2011

Most of China developers that we are tracking posted strong rebound of new home sales in Mar against Feb. The recovery of new home sales is strong and impressive, especially in first tier cities. With sales momentum picking up, property developers are able to unlock or cash out its assets on one hand and lower its financial risk on the other hand. The discount of stock price for property developers against NBV or NAV should narrow with risk profile improving.

In Mar, among 14 major China developers (11 listed in HK and 3 listed in China) that have released their sales performances, 80% of them posted MoM growth and 85.7% posted YoY growth.

We believe the strong recovery of new home sales in March is due to the following reasons.

- The market leader, China Overseas(688) continued to outperform. Its highly diversified geographical coverage, particularly the HK exposure provides an immunization to the group sales in Q1.
- Those sales laggards in 2011, which with high-end positioning such as Shimao Property(813), R&F Properties(2777) and KWG(1813) are reviving sales momentum by catering products to meet genuine demand and conducting flexible pricing strategy.
- The small scale developers, Kaisa(1638) and Sunac(1918) are sustaining their success in 2011 on relative low basis and quality products.

### Mar Sales performance of China developers

Code	Name	3/2012			1-3/2012		1-3/2012		1-3/2012	
		Contract sales			Contract sales		GFA sold		ASP	
		Rmbbn	YOY	MoM	Rmbbn	YoY	10Ksqm.	YoY	Rmb/sq.	YoY
688	China Overseas^	9.1	17%	-31%	26.1	32%	139.7	0.0%	18,678	32.0%
3333	Evergrande	4.0	-27%	99%	8.3	-58%	129.9	-54.5%	6,359	-8.4%
960	Longfor Properties	3.2	26%	51%	6.5	-34%	31.6	-	20,665	-33.9%
2007	Country Garden	3.5	38%	-	6.1	-34%	99.0	-31.3%	6,182	-4.3%
813	Shimao Property	4.3	115%	109%	7.3	15%	58.0	15.0%	12,590	0.0%
2777	R&F Properties	3.0	36%	25%	6.6	12%	54.5	49.0%	12,176	-24.8%
1813	KWG	1.0	-4%	72%	2.0	-38%	14.5	-	13,999	-
1638	Kaisa Group	1.1	101%	5%	2.7	124%	44.3	204.0%	6,130	-26.3%
1918	Sunac	2.0	221%	149%	3.5	132%	22.1	90.2%	15,611	22.0%
1777	Fantasia	0.7	74%	164%	1.0	-4%	13.2	11.1%	7,661	-13.2%
1224	C C Land	0.6	8%	118%	1.0	-42%	13.0	-32.1%	7,744	-14.7%
000002	Vanke A-share	11.5	23%	57%	31.1	-13%	300.9	-1.0%	10,326	-11.6%
600048	Poly A-share	9.7	47%	169%	14.9	6%	143.9	9.0%	10,330	-2.7%
600383	Gemdale A-share	3.0	114%	140%	4.6	24%	41.6	55.6%	11,010	-20.6%
Average			56.4%	61.8%		8.8%		26.3%		-7.1%
>0			85.7%	80.0%		50.0%		66.7%		13.3%
<0			14.3%	20.0%		50.0%		33.3%		86.7%

^contract sales unit is HK\$bn

Source: Companies' announcements and ABCI Securities



Mass market players, such as Vanke(000002), Evergrande(3333) and Country Garden(2007) are underperformed the overall market in Q1 as the rebound of pend-up demand was firstly seen in high tier cities

## Outlook and Valuation

We expect to see a more broad-based genuine demand recovery going forward, which indeed already seen in late Mar (details refer to morning notes dated 28 Mar). The sales of mass market players, such as Evergrande(3333;BUY;TP HK\$5.82) and Country Garden are expected to catch up. The sales laggards in 2011, such as Shimao Property(813), R&F Properties(2777) and KWG(1813;BUY;TP HK\$6.67) will continue their turnaround story.

On back of speeding up launch schedule, Sunac(1918;BUY;June 2012 TP HK\$2.92) will maintain its sales momentum and a further up revaluation from here is expected should the cash flow constraint eased (details refer to results review report morning notes dated 2 April)

Sector valuation now was at 1.1x PB, against 5-year average of 1.3x forward PB. A mean reversion means of 18.2% upside potential for the sector.

Company	Code	Price (HK\$)	MV (HK\$m)	1mth Chg.	YTD Chg.	2012 P/E	P/B	5-yr Avg PB
China Overseas	688	15.70	128,309	1.6%	19.1%	8.7	1.8	2.08
China Resources	1109	13.80	80,422	-0.6%	44.1%	11.8	1.3	1.45
Evergrande	3333	4.47	66,573	-2.4%	53.6%	5.4	1.7	2.28
Longfor Properties	960	11.72	60,417	8.7%	43.3%	8.8	2.2	2.78
Country Garden	2007	3.17	55,083	-2.2%	27.8%	6.9	1.5	1.71
Agile Property	3383	9.68	33,391	7.2%	54.9%	6.2	1.3	1.52
Shimao Property	813	9.02	31,292	4.8%	33.0%	5.7	0.9	0.99
R&F Properties	2777	9.96	32,095	-0.8%	46.0%	5.5	1.2	1.24
Poly HK	119	3.80	13,712	-13.6%	27.1%	6.3	0.6	0.84
KWG	1813	4.75	13,742	-0.8%	88.5%	5.4	0.8	0.95
Kaisa Group	1638	1.60	7,849	-7.0%	-1.8%	3.8	0.5	0.98
Sunac	1918	2.54	7,620	-5.9%	68.2%	2.5	1.2	1.19
Fantasia	1777	0.86	4,478	-8.5%	28.4%	3.6	0.6	0.92
Beijing Capital	2868	2.30	4,736	0.0%	49.4%	3.3	0.7	0.74
C C Land	1224	1.60	4,070	-10.1%	5.3%	7.0	0.3	0.49
Median						6.1	1.1	1.34
Average						5.7	1.2	1.19
+1.0SD						2.4	0.5	0.63
-1.0SD						8.5	1.6	1.98

Source: Bloomberg; ABCI Securities



農銀國際

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