



# Company Report

## Sunac (1918 HK)

June 6, 2013

**Rating: Buy**  
**TP: HK\$7.10**

### Key data

Share price (HK\$)	5.92
Target price (HK\$)	7.10
Upside potential (%)	19.9
52Wk H/L(HK\$)	7.26/2.14
Issued shares (mn)	3,015
Market cap (HK\$mn)	19,641
30-day avg vol (HK\$mn)	102
Major shareholder (%)	
SUN Hongbin	47.1

Source: Company & Bloomberg

### Revenue breakdown by segment (2012) (%)

Property development	99.2
Property management	0.8

Source: Company

### Share performance (%)

	Absolute	Relative*
1-mth	(6.9)	(3.4)
3-mth	7.6	11.1
6-mth	13.4	14.4

\*Relative to Hang Seng Index

Source: Bloomberg

### 1 year price performance



Source: Bloomberg

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Previous report: N/A (Initiation)

### Market leader in the making

Despite short listing history, Sunac's track record was truly impressive- Contracted Sales was five-fold in four years; ASP rose from RMB9k/sqm in 2009 to RMB18k/sqm in 2012; Share price was up 70% since IPO. Consistent improvement in product mix, credit strength and share price performance should convince bond/equity investors that Sunac will be next Top-tier player.

**Rising brand awareness from home buyers.** Sunac has improved its brand awareness among home buyers: 1) upgrading product mix from low to high-end: Sunac's ASP rose from RMB9k/sqm in 2009 to RMB17.8k/sqm in 2012; 2) enhancing local market share: Sunac was focused in delivering growth at city-level. In particular, Sunac's contracted sales in Beijing rose 182% YoY to RMB10b in 2012; 3) Establishing JV with Greentown, a well-known luxury name in YRD area, to perform high profile land- acquisitions in Shanghai. The above efforts have led to better brand recognition for Sunac. In fact, Sunac's contracted sales were more than five-fold over last 4 years.

**Rising interests from bond & equity investors.** Sunac issued an USD500m USD bond in Mar 2013 at a coupon of 9.35% (vs 12.5% in Oct 2012); Sunac's average daily trading turnover in 2013 was up 7x compared to 2012. Rising awareness from bond/ equity investors should drive Sunac's valuation and narrow its deep discount to NAV in future.

**Strong fundamentals yet cheap valuation.** Despite supreme fundamentals comparable to large cap players, Sunac currently trades at a depressed valuation of 4.2x 2013PE, comparable to small-cap only.

**Initiate with Buy rating at TP HKD7.10.** Given short listing history and high exposure to Beijing (which subject to tight policy control), we conservatively applied 55% discount to our NAV estimates of HKD15.80, to derive TP of HKD7.10 (20% upside), implying 5.0x 2013E PE or 1.3x 2013E PB. We believe consistently strong sales performance (5M13: RMB15.5b, +94% YoY) will be re-rating catalyst for Sunac's share price.

**Risk factors:** 1) More exposed to policy risks given significant sales from Beijing, city with tightest property price control in China; 2) Overly aggressive in land acquisition could lead to margin erosion

### Results and valuation

(FY ended Dec 31)	FY11A	FY12A	FY13E	FY14E	FY15E
Revenue (RMB mn)	10,604	20,843	25,470	24,707	21,568
Y-Y Chg (%)	59.4	96.6	22.2	(3.0)	(12.7)
Underlying net profit (RMB mn)	1,792	2,387	3,744	4,041	4,230
Y-Y Chg (%)	16.1	33.2	56.8	7.9	4.7
Underlying EPS (RMB)	0.59	0.79	1.13	1.22	1.28
BVPS (RMB)	2.34	3.15	4.36	5.46	6.61
DPS (RMB)	0.08	0.09	0.11	0.12	0.13
Underlying PE (x)	8.0	6.0	4.2	3.9	3.7
PB (x)	2.0	1.5	1.1	0.9	0.7
Dividend yield (%)	1.7	1.8	2.4	2.6	2.7

Source: Company, ABCI Securities estimates



## Contents

Rising attention from home buyers .....	3
Focus on premium product lead to rising brand awareness.....	3
Good quality sales growth- rising market share at city level.....	4
Successful penetration strategy on Beijing/Chongqing, with Shanghai the next target .....	5
Rising attention from bond investors .....	7
Rising attention from equity investors .....	8
Initiate Sunac with a BUY, TP HKD7.10 based on 55% discount to NAV .....	9
What are the risks? .....	12
Disclosures .....	16



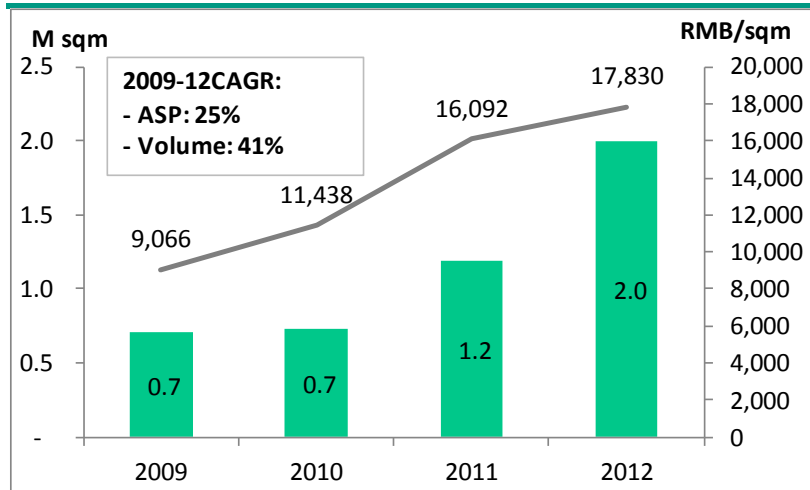
### Rising attention from home buyers

Listed in Oct 2010, Sunac has gradually increase market awareness in different ways. For example, Sunac upgraded its product mix low-end (2009 ASP: RMB9k/sqm) to high-end (2012 ASP: RMB18k/sqm), growing contracted sales amount more than five-fold in 4 years, and expanding its geographic coverage to new market in Shanghai etc. As a result, share price of Sunac was now HKD5.92, 70% higher compare IPO price of HKD3.48 in 2010. We attribute such impressive performance for management’s strong execution capability.

### Focus on premium product lead to rising brand awareness

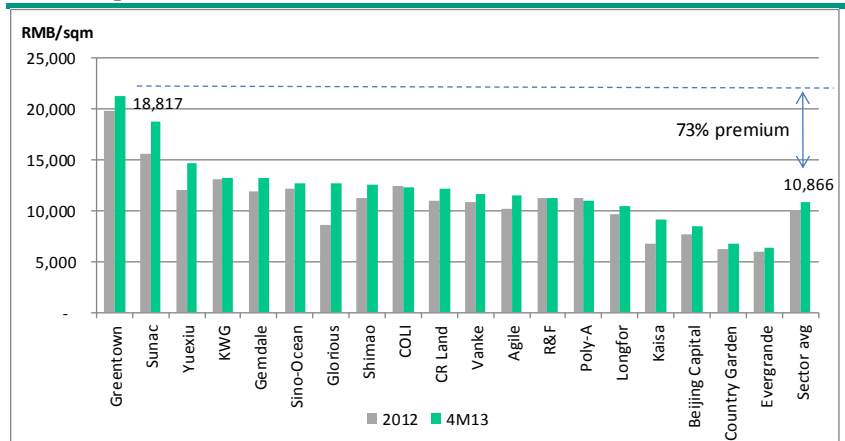
In the past few years, Sunac has put increasing focus on high-end product. As the product mix shifted to luxury segment, Sunac’s ASP grew by 25% CAGR from RMB9k/sqm in 2009 to RMB17.8k/sqm in 2012, while volume growth momentum maintained (2009-12 CAGR: 41%). Over past 1-2 years, Sunac has developed several luxury projects and received excellent response. For example, Beijing Sunac West Chateau captured RMB5.6b sales alone in 2012 (~16% of 2012 contracted sales) with ASP RMB44k/sqm. This has helped Sunac to establish a luxury brand image in the region.

#### ASP and Volume- both on rising trend



Source: Sunac

#### ASP Comparison



Source: Companies data



Sunac West Chateau (Beijing)  
(ASP: RMB44,000/sqm)



Source: Sunac, ABCI Securities

Jinmao Palace, Jinmao Residence (Beijing)  
(ASP: RMB32,000/sqm)



Source: Sunac, ABCI Securities

Sunac PL Du Pantheon (Tianjin)  
(ASP: RMB27,000/sqm)



Source: Greentown, ABCI Securities

Sunac Magnetic Capital (Tianjin)  
(ASP: RMB20,500/sqm)

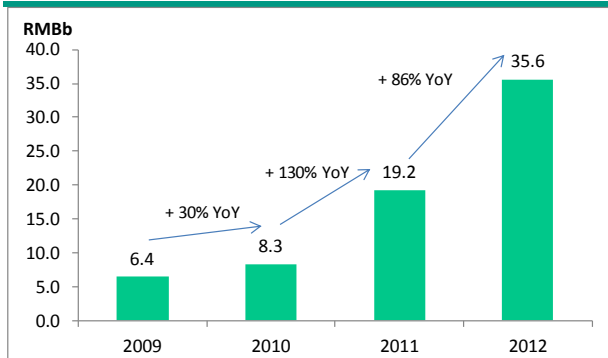


Source: Sunac, ABCI Securities

Good quality sales growth- rising market share at city level

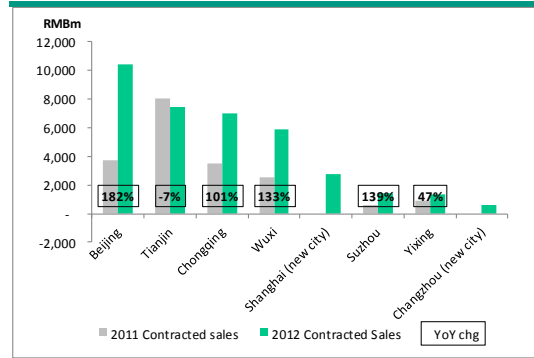
Sunac also demonstrates supreme execution capability by growing its contracted sales more than five-fold from RMB6.4b in 2009 to RMB35.6b in 2012. Further, we view that sales growth is of good quality, given it is mainly driven by faster sales at city level, not just by expanding number of new cities coverage (which could drag down margin due to higher overheads).

Contracted Sales (2009-12)



Source: Sunac, ABCI Securities

Sunac's contracted sales by city



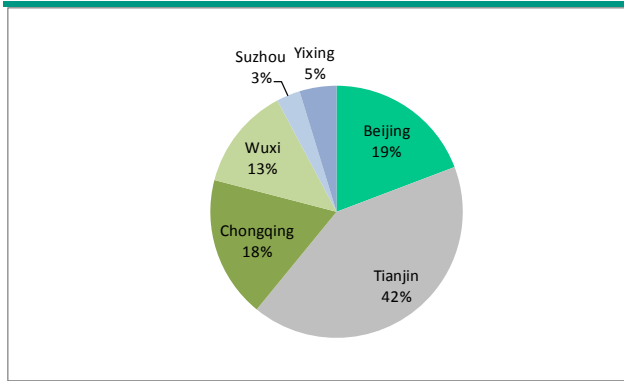
Source: Sunac, ABCI Securities



## Successful penetration strategy on Beijing/Chongqing, with Shanghai the next target

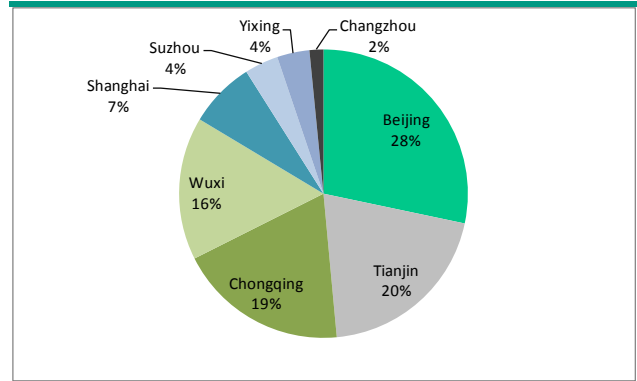
Having strong foothold in Tianjin as headquarters, Sunac was selective in entering new market. Sunac has successfully penetrated into two new cities - Beijing & Chongqing, which accounted for a total 47% of 2012 sales, vs 37% in 2011.

**Contracted Sales by Region (2011)**



Source: Sunac, ABCI Securities

**Contracted Sales by Region (2012)**



Source: Sunac, ABCI Securities

In 2012, Sunac entered Shanghai via setting up JV platform with Greentown, one of the major players in YRD area. Despite the fact that Shanghai is a competitive market, we expect Sunac to repeat successful story in penetrating Beijing and Chengdu, given Sunac's strong execution skills and Greentown's quality brand name in region. With the acquisitions of high-profile Shanghai projects (e.g. large lump-sum RMB8b land acquisition in Huangpu district), this will again enhance Sunac-Greentown's brand awareness in Shanghai.

### Projects Transferred to Sunac from Greentown

Project	Location	Sellable Floor		Attr. Sellable Floor Area
		Area	Stake	
		'000 sqm	%	'000 sqm
1 Greentown Bund	Shanghai	160	51%	82
2 Yulan Garden	Shanghai	89	100%	89
3 Shanghai Rose Garden	Shanghai	138	50%	69
4 Suzhou Majestic Mansion	Suzhou	121	91%	109
5 Suzhou Rose Garden	Suzhou	120	67%	80
6 Wuxi Yulan Garden	Wuxi	393	85%	334
7 Wuxi Taihu Project	Wuxi	378	39%	147
8 Changzhou Yulan Square	Changzhou	1,014	37%	375
9 Tianjin Azure Coast	Tianjin	103	80%	82
		<b>2,516</b>		<b>1,368</b>

\* Transferred to Sunac in Jun 2012

Source: Sunac, ABCI Securities



**Sunac-Greentown's land acquisition in Shanghai since 2012**

Site	Location	GFA ('000 sqm)	Land premium (RMBm)	Price/sqm (RMB)	Shareholding				
<b>Acquired in 2012</b>									
Pudong New Area Tangzhen Xinshizhen Lot	Shanghai	109	1,644	15,055	Sunac-Greentown JV	49%	Gezhouba	51%	
Pudong New Area Tangzhen Wujiefang Lot Lot	Shanghai	72	834	11,551	Sunac-Greentown JV	50%	Wharf	50%	
Pudong Senlan Lot	Shanghai	120	2,124	17,685	Sunac-Greentown JV	49%	Poly	49%	
		<b>302</b>	<b>4,602</b>	<b>15,264</b>					
<b>Acquired in 2013</b>									
Huangpu District	Shanghai	662	7,996	12,081	Sunac-Greentown JV	100%			
Hangzhou Golf Villa*	Hangzhou	519	2,400	4,628	Sunac-Greentown JV	50%	Wharf	50%	

\* Acquired by Sunac-Greentown at RMB1.2b for 50% stake from Jindu Real estate in Jun 2013

\*\* Data up to Jun 2013

Source: Sunac, Greentown, ABCI Securities



### Rising attention from bond investors

Sunac raised a total of HKD5.9b of proceeds via USD500m USD bond issuance and HKD2b equity offering in Q1 2013. Sunac has become more well received by bond investors, as indicated in Mar 2013 bond issuance- Achieving a lower coupon rate of 9.35%, vs 12.50% in Oct 2012.

Overall, we expect Sunac’s effective interest rate to trend down from 11.0% in 2012 to 8.0% in 2015.

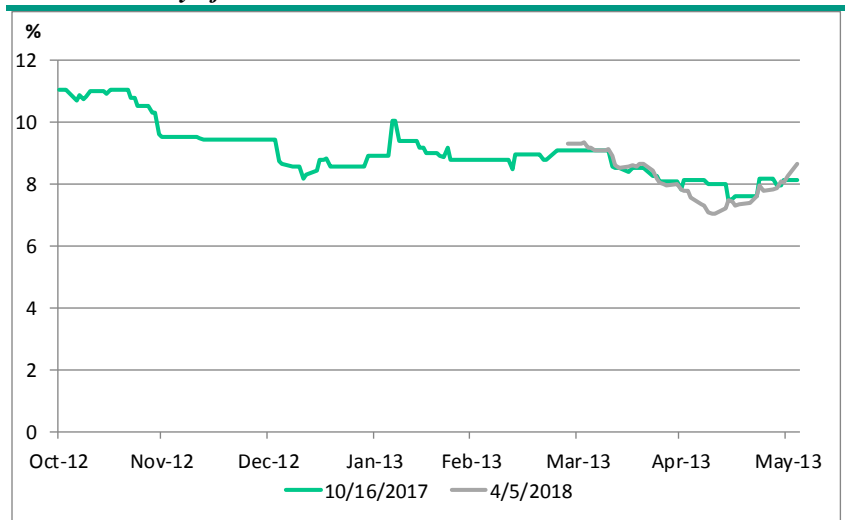
#### 2012-2013 Bond/ Equity Raising

Month	Bond/ Equity raised	Amount HKDm
Oct-12	5- year USD400m bond, 12.50% coupon	3,120
	<b>2012- total</b>	<b>3,120</b>
Jan-13	300 million new share offering @ HKD6.7	2,010
Mar-13	5- year USD500m bond, 9.375% coupon	3,900
	<b>YTD 2013 - total</b>	<b>5,910</b>

\*YTD figurs is up to Jun 2013

Source: Sunac, ABCI Securities

#### Yield to maturity of Sunac’s Bond on Downward Trend



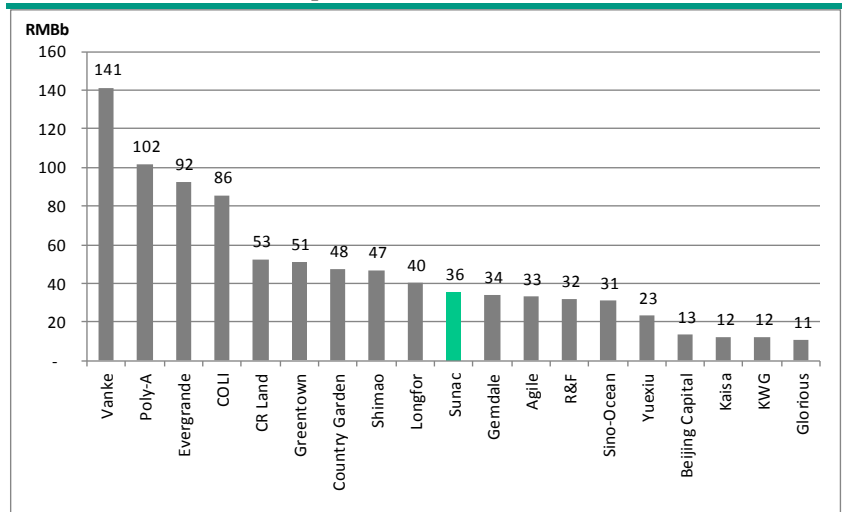
Source: Bloomberg, ABCI Securities



### Rising attention from equity investors

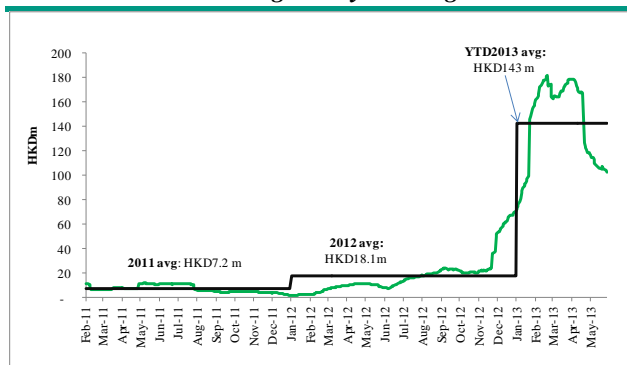
With short listing history of less than 3 years, Sunac has also overtaken several well-known developers with longer trading history (e.g. Agile, R&F) in terms of contracted sales. Strong execution capability has raised investor’s attention since early 2012 and made Sunac to become one of the most active trading mid-cap stocks.

#### 2012 Contracted Sales Comparison



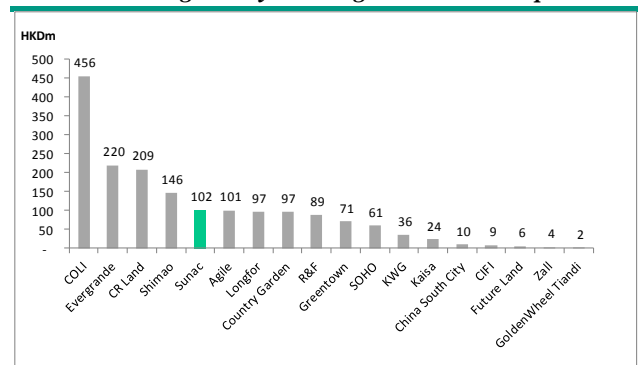
Source: Companies data, ABCI Securities

#### Sunac’s 3-Month Average Daily Trading Turnover



Source: Bloomberg, ABCI Securities

#### 3-Month Average Daily Trading Turnover Comparison



\* March- May 2013 average

Source: Bloomberg, ABCI Securities





Peer's valuation

China Property	Ticker	Rating	Mkt cap (HKD bn) (local ccy)	Share Price (local ccy)	Performance			Discount to 2013E NAV (%)	P/E			Yield (%)			P/B				
					1-Month % Chg	YTD % Chg	2012 Chg		2012A	2013E	2014E	2012A	2013E	2014E	2012A	2013E	2014E		
<b>Residential:</b>																			
1	COLI	688 HK	BUY	186.7	22.85	-4.2%	-1%	76%	-12.3%	11.7	9.6	7.7	1.8	2.1	2.6	2.1	1.8	1.5	
2	Greentown	3900 HK	BUY	30.0	13.94	-8.4%	-2%	320%	-56.6%	5.3	4.4	3.4	4.5	4.9	5.4	1.1	0.9	0.7	
3	Sunac	1918 HK	BUY	19.6	5.92	-4.1%	-1%	277%	-62.6%	6.0	4.2	3.9	1.8	2.4	2.6	1.5	1.1	0.9	
4	Kaisa	1638 HK	BUY	10.6	2.15	-11.2%	-10%	78%	-57.0%	6.3	4.3	2.8	-	-	-	0.7	0.6	0.5	
5	CR Land	1109 HK	NR	138.1	23.70	0.9%	12%	70%	-15.2%	18.2	14.9	11.9	1.4	1.7	2.1	2.0	1.7	1.5	
6	Country Garden	2007 HK	NR	80.4	4.41	0.0%	9%	39%	-27.7%	9.5	8.0	6.9	3.9	4.6	5.3	1.7	1.5	1.3	
7	Longfor	960 HK	NR	71.7	13.20	-1.2%	-13%	77%	-37.0%	10.6	8.8	7.7	1.9	2.2	2.6	1.9	1.6	1.4	
8	Shimao	813 HK	NR	58.2	16.76	-2.2%	15%	122%	-43.3%	8.1	7.7	6.5	3.2	4.0	4.6	1.3	1.1	1.0	
9	Evergrande	3333 HK	NR	49.5	3.09	-3.4%	-27%	32%	-63.6%	4.1	4.7	4.1	-	5.7	6.4	1.0	0.8	0.7	
10	Guangzhou R&F	2777 HK	NR	42.1	13.08	-8.5%	1%	109%	-48.9%	7.0	6.1	5.4	5.7	6.2	7.0	1.3	1.1	1.0	
11	Agile	3383 HK	NR	32.2	9.35	-6.3%	-14%	56%	-58.9%	5.2	5.2	4.6	4.1	4.7	5.3	1.0	0.8	0.7	
11	Sino Ocean	3377 HK	NR	26.7	4.55	-14.6%	-21%	64%	-51.3%	7.7	7.8	6.4	5.2	5.3	6.2	0.5	0.5	0.5	
11	COGO	81 HK	NR	24.9	10.90	-11.1%	17%	47%	-21.4%	10.4	8.5	6.7	1.0	1.4	1.6	3.1	2.3	1.7	
11	Yuexiu Properties	123 HK	NR	20.6	2.21	-5.2%	-10%	123%	-58.2%	15.8	7.2	6.1	2.9	5.1	6.2	0.7	0.7	0.6	
11	KWG	1813 HK	NR	15.0	5.17	-7.0%	-11%	121%	-60.2%	6.3	5.1	4.2	3.6	4.9	5.4	0.8	0.7	0.6	
11	Glorious	845 HK	NR	9.4	1.20	-3.2%	-18%	16%	na	11.0	5.0	4.1	-	1.6	2.2	0.4	0.4	0.3	
17	BJ Capital Land	2868 HK	NR	6.4	3.11	5.8%	-3%	109%	na	6.1	4.0	3.1	7.6	8.5	11.2	0.9	0.5	0.5	
<b>HK Listed Avg</b>							<b>-4.9%</b>	<b>-5%</b>	<b>102%</b>	<b>-44.9%</b>	<b>8.8</b>	<b>6.8</b>	<b>5.6</b>	<b>2.9</b>	<b>3.8</b>	<b>4.5</b>	<b>1.3</b>	<b>1.1</b>	<b>0.9</b>
<b>- Large cap (&gt;HKD50b) avg</b>							<b>-1.4%</b>	<b>4%</b>	<b>77%</b>	<b>-27.1%</b>	<b>11.6</b>	<b>9.8</b>	<b>8.1</b>	<b>2.4</b>	<b>2.9</b>	<b>3.5</b>	<b>1.8</b>	<b>1.6</b>	<b>1.3</b>
<b>- Small-mid cap (&lt;HKD50b) avg</b>							<b>-6.4%</b>	<b>-8%</b>	<b>113%</b>	<b>-53.9%</b>	<b>7.6</b>	<b>5.5</b>	<b>4.6</b>	<b>3.0</b>	<b>4.2</b>	<b>5.0</b>	<b>1.1</b>	<b>0.9</b>	<b>0.7</b>
1	Vanke	000002 CH	NR	165.8	11.83	4%	24%	30%	-22.2%	10.4	8.4	7.0	1.5	1.6	1.9	2.0	1.7	1.4	
2	Poly-A	600048 CH	NR	109.8	12.15	1%	-11%	40%	-34.6%	10.3	8.0	6.4	1.9	2.4	3.1	2.0	1.7	1.4	
3	China Merchants Property	000024 CH	NR	59.8	29.05	8%	-3%	69%	na	15.0	11.6	9.4	1.0	1.2	1.5	2.1	1.8	1.5	
4	Gemdale	600383 CH	NR	43.5	7.69	6%	10%	46%	-6.1%	10.1	9.3	7.7	1.0	2.0	2.3	1.4	1.3	1.2	
<b>A-share Listed Avg</b>							<b>5%</b>	<b>5%</b>	<b>46%</b>	<b>-20.9%</b>	<b>11.5</b>	<b>9.3</b>	<b>7.6</b>	<b>1.4</b>	<b>1.8</b>	<b>2.2</b>	<b>1.9</b>	<b>1.6</b>	<b>1.4</b>
<b>Commercial:</b>																			
1	SOHO China	410 HK	NR	32.4	6.58	-4%	6%	21%	-34.2%	8.3	8.0	11.7	4.7	4.8	4.6	0.9	0.8	0.8	
2	Franshion	817 HK	NR	25.9	2.83	5%	1%	104%	-50.4%	7.7	8.8	7.5	2.5	2.7	3.4	0.9	0.9	0.8	
3	Mingfa	846 HK	NR	14.7	2.41	1%	5%	0%	na	29.0	18.1	13.1	-	-	2.6	1.3	1.2	1.2	
4	Renhe Commercial	1387 HK	NR	10.0	0.48	-4%	-41%	0%	-82.4%	9.0	11.0	6.0	-	-	-	0.4	0.4	0.3	
<b>Commercial Property Avg</b>							<b>-1%</b>	<b>-7%</b>	<b>31%</b>	<b>-55.7%</b>	<b>13.5</b>	<b>11.5</b>	<b>9.6</b>	<b>1.8</b>	<b>1.9</b>	<b>2.7</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>

\* The data in table is as at 5 June 2013

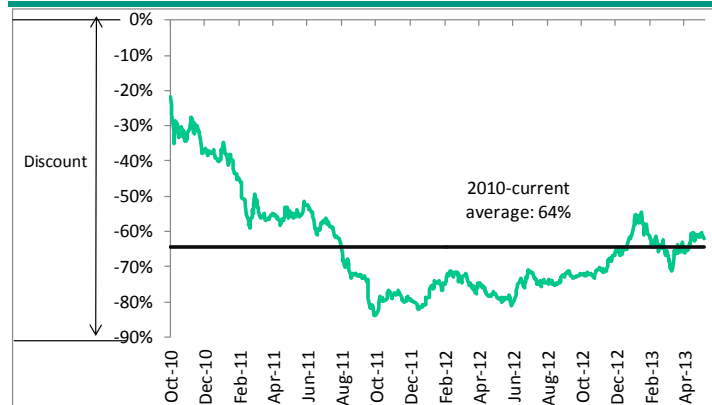
Source: Bloomberg; ABCI Securities estimates

**Initiate Sunac with a BUY, TP HKD7.10 based on 55% discount to NAV**

We derived the Sunac's TP of HKD7.10 based on 55% discount to our estimated NAV of HKD15.8/share. We used DCF with WACC of 13.3% to value property development project as significant portion of cashflow occurs beyond next 1-2 years. Given short listing history and high exposure to Beijing (which subject to tight policy control), we conservatively applied 55% discount (highest discount across our sector coverage) to our NAV estimates of HKD15.80, to derive TP of HKD7.10, implying 5.0x 2013E PE or 1.3x 2013E PB. Our target discount to NAV (55%) is lower than historical average of 64%, as we expect discount could narrow in future, as Sunac continues to deliver strong sales growth.



**Sunac's Discount to NAV**



\* Figures up to Jun 2013

Source: Sunac, ABCI Securities

**Sunac's NAV Breakdown**

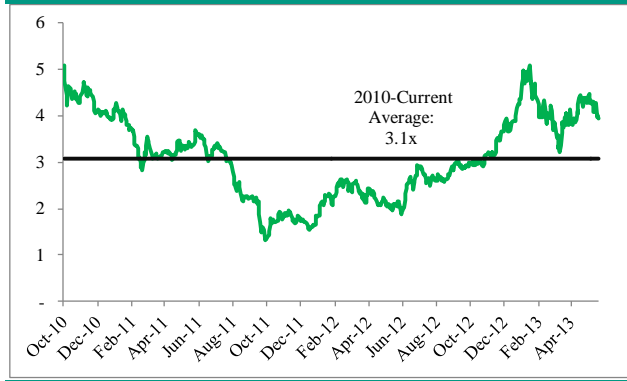
	Attr. GFA (M sqm)	Net assets value (RMB m)	% of total	Valuation Methodology	Implied value per sqm (RMB)
<b>Property development</b>					
Tianjin	2.7	11,904	28%	DCF at WACC of 13.3%	4,333
Beijing	1.0	5,091	12%		5,312
Chongqing	2.8	4,531	11%		1,628
Wuxi	1.9	3,683	9%		1,913
Suzhou	0.2	3,039	7%		14,013
Shanghai	0.7	11,059	26%		16,190
Others	0.8	1,293	3%		1,669
<b>Subtotal</b>	<b>10.1</b>	<b>40,599</b>	<b>96%</b>		
<b>Property investment &amp; management</b>		1,571	4%	6.5% cap rate on 2013E net rental	
<b>Total 2013E GAV</b>		<b>42,170</b>	<b>100%</b>		
2013E Net debt		(577)	-1%		
<b>Total 2013E NAV</b>		<b>41,593</b>	<b>99%</b>		
No. of share outstanding (diluted)		3,315			
<b>NAV per share (RMB)</b>		<b>12.5</b>			
Ex rate		1.26			
<b>NAV per share (HKD)</b>		<b>15.8</b>			
Target discount (%)		55%			
<b>Target Price (HKD)</b>		<b>7.10</b>			
Current price (HKD)		5.92			
<b>Upside</b>		<b>20%</b>			
<b>WACC</b>					
Cost of debt		10.0%			
Cost of Equity		20.0%			
<b>Debt/ (Debt + Equity)</b>		<b>54%</b>			

\* Share price as at 5 Jun 2013

Source: Sunac, ABCI Securities estimates

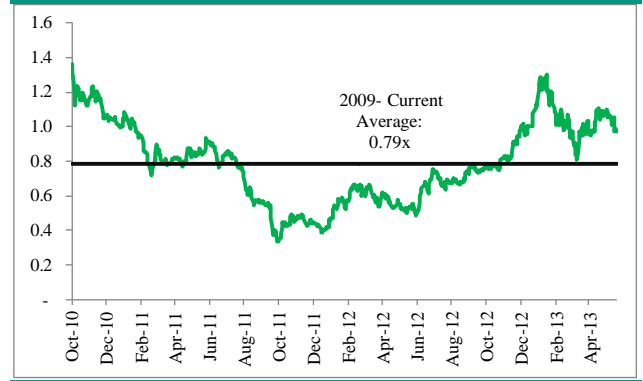


*Forward PE Band Chart*



Source: Sunac, ABCI Securities

*Forward PB Band Chart*



Source: Sunac, ABCI Securities



### What are the risks?

- **High exposure to Beijing:** about 28% of Sunac's contracted sales is generated from Beijing. We have seen toughest policy measures for the city in latest round of tightening. However, as Sunac diversifying its geographical mix towards YRD, we believe policy risks could be reduced in future.
- **Margin erosion due to aggressive land acquisition price:** We have seen gross margin erosion from 33.6% in FY11, to 25.8% in FY12. It is possible that Sunac may sacrifice margin for faster top line growth in future. As a result, we prefer Greentown over Sunac given more stable margin yet achieving fast topline growth



***Income statement forecast***

<b>Dec-end (RMBm)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>Revenue</b>	<b>10,604</b>	<b>20,843</b>	<b>25,470</b>	<b>24,707</b>	<b>21,568</b>
Cost of sales	(7,038)	(15,460)	(17,132)	(16,308)	(14,099)
<b>Gross Profit</b>	<b>3,566</b>	<b>5,382</b>	<b>8,338</b>	<b>8,398</b>	<b>7,468</b>
SG&A expenses	(615)	(884)	(1,141)	(1,210)	(1,282)
<b>EBIT</b>	<b>2,951</b>	<b>4,498</b>	<b>7,197</b>	<b>7,189</b>	<b>6,186</b>
Finance cost	(202)	(113)	(192)	(151)	(134)
Share of profit of associates	(10)	(39)	334	606	1,594
Other income/ (expenses)	37	45	142	210	292
Fair value gain of investment properties	0	0	0	0	0
Disposal/one-off items	752	293	0	0	0
<b>Profit before tax</b>	<b>3,528</b>	<b>4,685</b>	<b>7,481</b>	<b>7,855</b>	<b>7,939</b>
Tax	(1,145)	(2,070)	(3,276)	(3,358)	(3,189)
<b>Profit after tax</b>	<b>2,383</b>	<b>2,615</b>	<b>4,205</b>	<b>4,497</b>	<b>4,750</b>
Minority interest	(27)	(7)	(460)	(455)	(519)
<b>Reported net profit</b>	<b>2,356</b>	<b>2,607</b>	<b>3,744</b>	<b>4,041</b>	<b>4,230</b>
<i>Less: exceptional items</i>	<i>(564)</i>	<i>(220)</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Underlying net profit</b>	<b>1,792</b>	<b>2,387</b>	<b>3,744</b>	<b>4,041</b>	<b>4,230</b>
<b>Per share</b>					
Underlying EPS (RMB)	0.59	0.79	1.13	1.22	1.28
DPS (RMB)	0.08	0.09	0.11	0.12	0.13
Payout ratio (%)	13%	11%	10%	10%	10%
BVPS (RMB)	2.34	3.15	4.36	5.46	6.61
<b>Growth %</b>					
Revenue	59.4%	96.6%	22.2%	-3.0%	-12.7%
Gross Profit	23.9%	50.9%	54.9%	0.7%	-11.1%
EBIT	12.9%	52.4%	60.0%	-0.1%	-13.9%
Underlying net profit	16.1%	33.2%	56.8%	7.9%	4.7%
<b>Margin %</b>					
Gross margin	33.6%	25.8%	32.7%	34.0%	34.6%
Gross margin (post-LAT)	30.0%	20.6%	25.6%	26.7%	27.5%
EBIT margin	27.8%	21.6%	28.3%	29.1%	28.7%
Core net margin	17.2%	11.7%	15.2%	15.7%	14.6%
<b>Key assumptions</b>					
Contracted Sales (RMBm)	19,209	35,635	49,489	56,401	55,924
GFA sold (m sqm)	1.19	2.00	2.49	2.71	2.48
ASP (RMB/sqm)	16,092	17,830	19,849	20,844	22,587
Booked Sales (RMB)	10,451	20,671	25,282	24,503	21,354
GFA delivered (m sqm)	0.74	1.19	1.57	1.53	1.35
Booked ASP (RMB/sqm)	14,136	17,327	16,080	15,992	15,793
Land acquisition (RMBm)	7,267	13,916	4,510	-	-
GFA acquired (m sqm)	2.1	6.5	0.4	-	-
Land cost (RMB/sqm)	3,434	2,136	12,457	-	-
Land acquisition to Contracted sales (%)	37.8%	39.1%	9.1%	-	-
Land bank GFA (m sqm)	9.2	10.1	10.1	8.6	7.2

Source: Company, ABCI Securities estimates



**Balance sheet forecast**

<b>Dec-end (RMBm)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>Current assets</b>	<b>31,304</b>	<b>64,832</b>	<b>60,892</b>	<b>64,475</b>	<b>65,838</b>
Cash	2,763	8,394	12,279	22,040	28,645
Restricted cash	1,104	3,869	3,869	3,869	3,869
Trade & other receivables	451	416	416	416	416
Property under development	25,651	46,401	38,577	32,400	27,157
Other current assets	1,335	5,752	5,752	5,752	5,752
<b>Non-current assets</b>	<b>2,308</b>	<b>6,103</b>	<b>11,052</b>	<b>11,863</b>	<b>13,662</b>
Property, plant & equipment	28	49	54	59	64
Investment properties	552	571	571	571	571
Investment in Associate and JCE	980	4,205	9,149	9,955	11,749
Other non-current assets	749	1,279	1,279	1,279	1,279
<b>Total Assets</b>	<b>33,613</b>	<b>70,934</b>	<b>71,944</b>	<b>76,338</b>	<b>79,501</b>
<b>Current Liabilities</b>	<b>14,628</b>	<b>44,294</b>	<b>39,916</b>	<b>40,267</b>	<b>39,153</b>
Short term borrowings	2,254	11,783	6,783	6,783	6,783
Trade & other payables	3,810	7,116	7,116	7,116	7,116
Pre-sales deposits	5,840	15,146	15,768	16,119	15,005
Other current assets	2,724	10,250	10,250	10,250	10,250
<b>Non-current liabilities</b>	<b>11,579</b>	<b>14,646</b>	<b>14,646</b>	<b>14,646</b>	<b>14,646</b>
Long term borrowings	9,321	9,942	9,942	9,942	9,942
Other payables	0	0	0	0	0
Other non-current assets	2,258	4,704	4,704	4,704	4,704
<b>Total Liabilities</b>	<b>26,207</b>	<b>58,940</b>	<b>54,562</b>	<b>54,914</b>	<b>53,799</b>
<b>Net Assets</b>	<b>7,406</b>	<b>11,994</b>	<b>17,382</b>	<b>21,425</b>	<b>25,701</b>
<b>Shareholders Equity</b>	<b>7,051</b>	<b>9,489</b>	<b>14,467</b>	<b>18,104</b>	<b>21,911</b>
Minority Interest	355	2,505	2,916	3,321	3,790
<b>Total Equity</b>	<b>7,406</b>	<b>11,994</b>	<b>17,382</b>	<b>21,425</b>	<b>25,701</b>
<b>Key ratio</b>					
Gross debt (RMBm)	11,575	21,725	16,725	16,725	16,725
Net debt (RMBm)	7,707	9,462	577	(9,183)	(15,789)
Net gearing (%)	109%	100%	4%	-51%	-72%
Contracted sales/ Total assets (x)	0.57	0.50	0.69	0.74	0.70

Source: Company, ABCI Securities estimates



*Cashflow forecast*

Dec-end (RMBm)	2011A	2012A	2013E	2014E	2015E
EBITDA	2,965	4,513	7,212	7,204	6,201
Change in Working Capital	(4,394)	6,684	10,176	7,884	5,333
Tax payment	(1,246)	(1,688)	(3,276)	(3,358)	(3,189)
<b>Operating Cashflow</b>	<b>(2,675)</b>	<b>9,509</b>	<b>14,112</b>	<b>11,729</b>	<b>8,345</b>
Purchase of PP&E	(13)	(22)	(20)	(20)	(20)
Addition of Investment Properties	(378)	(2,473)	-	-	-
Others	(1,088)	(2,764)	(4,467)	10	92
<b>Investing Cashflow</b>	<b>(1,479)</b>	<b>(5,260)</b>	<b>(4,487)</b>	<b>(10)</b>	<b>72</b>
Debt raised	6,198	16,396	10,000	10,000	10,000
Debt repaid	(3,020)	(12,639)	(15,000)	(10,000)	(10,000)
Interest expenses	(202)	(1,817)	(1,923)	(1,505)	(1,338)
Equity raised	(1,479)	(5,260)	(4,487)	(10)	72
Dividend to shareholders	-	(236)	(374)	(404)	(423)
Others	1,462	4,938	6,045	(40)	(122)
<b>Financing Cashflow</b>	<b>2,959</b>	<b>1,381</b>	<b>(5,739)</b>	<b>(1,959)</b>	<b>(1,811)</b>
<b>Net cash inflow/ (outflow)</b>	<b>(1,195)</b>	<b>5,631</b>	<b>3,885</b>	<b>9,760</b>	<b>6,606</b>
Cash- beginning	3,958	2,763	8,394	12,279	22,040
<b>Cash- year-end</b>	<b>2,763</b>	<b>8,394</b>	<b>12,279</b>	<b>22,040</b>	<b>28,645</b>

Source: Company, ABCI Securities estimates



## Disclosures

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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 2007-2011

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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