



Company Report

Greentown (3900 HK)

June 6, 2013

Rating: Buy

TP: HK\$19.00

Key data

Share price (HK\$)	13.94
Target price (HK\$)	19.00
Upside potential (%)	36.3
52Wk H/L(HK\$)	16.86/4.80
Issued shares (mn)	2,143
Market cap (HK\$m)	30,061
30-day avg vol (HK\$m)	68
Major shareholder (%)	
SONG Weiping	33.1
SHOU Bainian	23.5
Wharf	24.6

Source: Company & Bloomberg

Revenue breakdown by segment (2012) (%)

Property development	96.7
Hotels	0.8
Property investment	0.3
Others	2.2

Source: Company

Share performance (%)

	Absolute	Relative*
1-mth	(9.0)	(5.5)
3-mth	0.7	3.9
6-mth	7.9	8.9

*Relative to Hang Seng Index

Source: Bloomberg

1 year price performance



Source: Bloomberg

Analyst

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Previous report: N/A (Initiation)

Dual core drivers to boost growth

Despite being recognized as one of the leading luxury property developers in China, Greentown was weak in balance sheet and slow in sales in the past. However, ever since Greentown introduced two strategic JV partners in 2012- Wharf & Sunac, Greentown's financial management and sales execution are now showing great improvement. The two JV platforms have become "Dual-core" drivers for Greentown.

Reduced funding costs via Wharf-Greentown JV. Since Wharf became a major shareholder in 2012, Greentown's capital structure has improved substantially, with net gearing came down from 216% in FY11 to 63% in FY12. Besides, Wharf provided guarantee to Greentown's bankers and hence cheaper offshore loan (~LIBOR+200%) could be raised for their Dalian JV project. More importantly, Greentown is now able to raise offshore bonds on its own feet. For instance, Greentown's RMB2.5b 6.625% dim-sum bond issuance in Apr 2013 was almost 4x oversubscribed.

Quicker asset churn and market share gain via Sunac-Greentown JV. Sunac-Greentown increased their influence in Shanghai market by acquiring 4 sites with total GFA of 0.3m sqm in 2012. In 2013, Sunac-Greentown's JV acquired an RMB8b landmark site (GFA:0.7m sqm) in Huangpu, Shanghai. Such sizeable land acquisition (~33%/53% of Greentown/Sunac's market cap) may not be secured any party alone, given their individual balance sheet is small.

Luxury brand at bargain price. We derived out TP of HKD19.00 based on 40% discount to NAV (in-line with historical average since 2006). Despite Greentown's quality brand name and ability to charge ASP premium, Greentown is trading at 4.4x FY13 PE, 35% below sector average (6.8x). Further, we expect Greentown will continue to be generous in dividend, as balance sheet/ cashflow improves. We expect Greentown's sales will continue to enjoy a cyclical rebound (4M13 contracted sales: RMB17.9b, +127% YoY), driving Greentown's share price performance.

Risk factors: 1) Short track record with JV partner and possible off-balance sheet financing; 2) Project execution capability not improve

Results and valuation

(FY ended Dec 31)	FY11A	FY12A	FY13E	FY14E	FY15E
Revenue (RMB mn)	21,964	35,393	28,612	42,521	55,936
Y-Y Chg (%)	96.8	61.1	(19.2)	48.6	31.5
Underlying net profit (RMB mn)	2,491	4,354	5,170	6,777	8,471
Y-Y Chg (%)	100.1	74.8	18.7	31.1	25.0
Underlying EPS (RMB)	1.52	2.12	2.52	3.30	4.13
BVPS (RMB)	7.28	10.09	12.18	15.07	18.81
DPS (RMB)	0.11	0.50	0.55	0.60	0.65
Underlying PE (x)	7.3	5.3	4.4	3.4	2.7
PB (x)	1.5	1.1	0.9	0.7	0.6
Dividend yield (%)	1.0	4.5	4.9	5.4	5.8

Source: Company, ABCI Securities estimates



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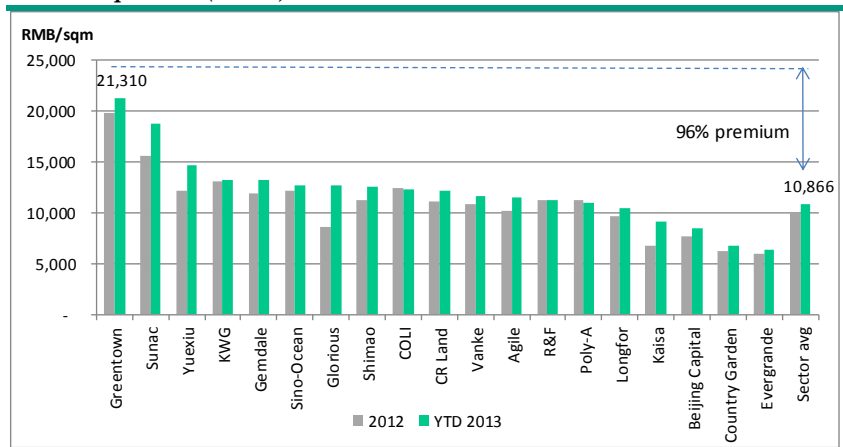


Quality brand name to capture upgrader's demand

100% ASP premium to sector average

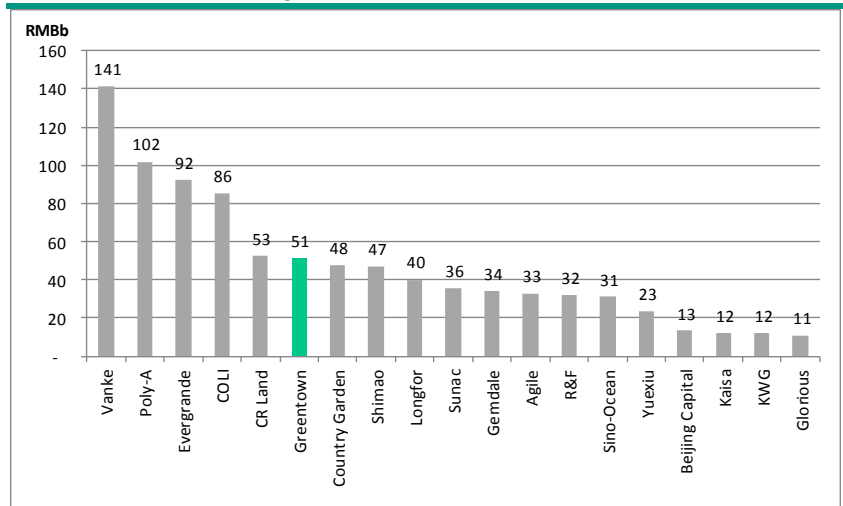
Perceived to be the best luxury home developer in China, Greentown ranked first in many customer surveys. For instance, Greentown ranked 1st in Property Services, Product Quality, Plan & Design, Sales Services, Corporate Image and Customer Loyalty, in a survey conducted by China Index Academy. In fact, Greentown's excellent product quality allows itself to charge a premium to peers. For 2012, Greentown achieved the highest ASP of RMB21k/sqm among peers, ~100% higher than sector average (RMB10.8k/sqm).

ASP Comparison (4M13)



*YTD 2013 figures are for Jan-Apr 2013
Source: Companies data

Contracted Sales Ranking (2012)



Source: Companies data



Hangzhou Taohuayuan
(ASP: RMB54,000/sqm)



Source: Greentown, ABCI Securities

Hangzhou Orchid Residence
(ASP: RMB51,000/sqm)



Source: Greentown, ABCI Securities

Hainan Clear Water Bay
(Serviced apartment ASP: RMB21,000/sqm)



Source: Greentown, ABCI Securities

Shanghai Rose Garden
(ASP: RMB70,000/sqm)

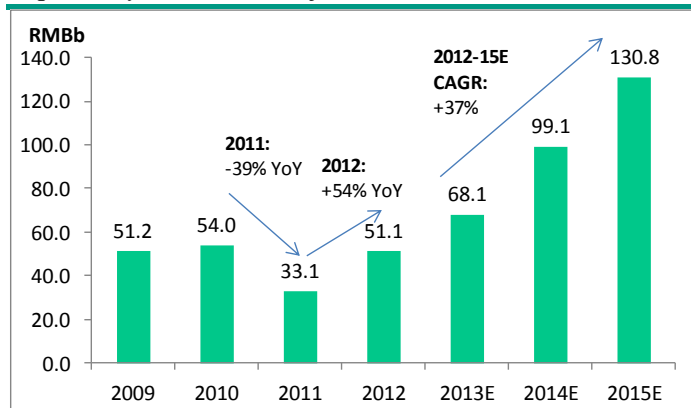


Source: Greentown, ABCI Securities

Expect cyclical rebound to continue

Despite many developers have been rushing into low-end market to capture first home buyers' demand, Greentown remained focus on luxury segment. Greentown contracted sales has been more sensitive to policy than peers, given its luxury exposure (e.g. dropped 39% YoY in 2011 upon HPR implementation; up 54% YoY upon 2012 recovery). On a relatively loose current policy in China, we believe pent-up demand from upgraders will re-emerge once again and drive Greentown's contracted sales at 37% CAGR next few years.

Expect a Cyclical Rebound for Greentown's Contracted Sales



Source: Greentown; ABCI Securities estimates



The 'Dual-core' drivers

Benefit of expanding using JV structure

One special feature about Greentown is that most of their projects have a JV structure with various stakes, which lead to some investors' concerns on transparency of financial statements, as gearing will not be consolidated. However, we believe there are significant operational advantages in a JV format in property development given:

- Reduced competition in land tendering and avoids two parties overbidding each other at high price
- Allowing smaller players to acquire attractive land site with high lump-sum amount, which could be unaffordable with one single player's balance sheet (e.g. Greentown/ Sunac jointly acquired a RMB8b site in Huangpu Shanghai in early 2013)

In fact, we like Greentown for its two JV platforms- Wharf-Greentown JV and Sunac-Greentown JV, mainly because of:

- **Reduction in finance cost** via Wharf- Greentown JV
- **Improved execution and market share gain** via Sunac-Greentown JV

Greentown's JV partner- Wharf and Sunac's background

Financial Info	Wharf	Sunac
	4 HK	1918 HK
Market cap (HKDb)	224.6	20.7
Total Assets	HKD369.0b	RMB70.9b
Underlying net profit	HKD11b	RMB2.4b
China contracted sales (RMBb)	15.0	35.6
Regional exposure in China	YRD and Western China	Bohai Region (Beijing, Tianjin)

* The data in table is as at 5 June 2013

Source: Bloomberg, ABCI Securities estimates

Wharf- Greentown JV – A platform for lower cost of financing

In June 2012, Greentown introduced Wharf as strategic investors via issuing HKD2.6b new shares (at HKD5.20) and HKD2.6b perpetual convertible bonds. Post-share issuance, Wharf became 2nd largest shareholders with 24.6% stake.

Since Wharf became a major shareholder in 2012, various measures have been taken to improve Greentown's capital structure and financial discipline:

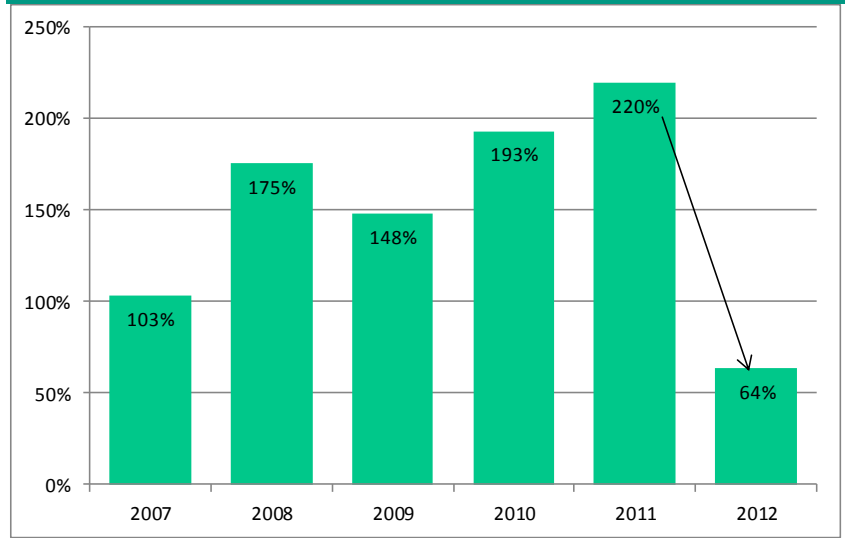
1. **Power in Greentown's investment committee:** Wharf currently has two seats (2 non-executive directors) in the board and one seat in the investment committee. Wharf has the power to refuse any land acquisitions when Greentown's net gearing exceeded 100%
2. **Wharf's guarantee to get cheap offshore borrowing:** For instance, Greentown & Wharf JV in Dalian was able to get offshore loan at around LIBOR + 2% with Wharf's guarantee, much cheaper than LIBOR + 5% if Greentown is to raise offshore loan alone.

With Wharf's aid to improve financial discipline, net gearing of Greentown reduce substantially from 220% in FY11 to 64% in FY12. More importantly, this restored confidence of bond investors, which enable Greentown to raise USD700m USD bond and RMB2.5b dim-sum bond in 2013 on its own. Demand for Greentown's bonds was evident from declining bond yield (from



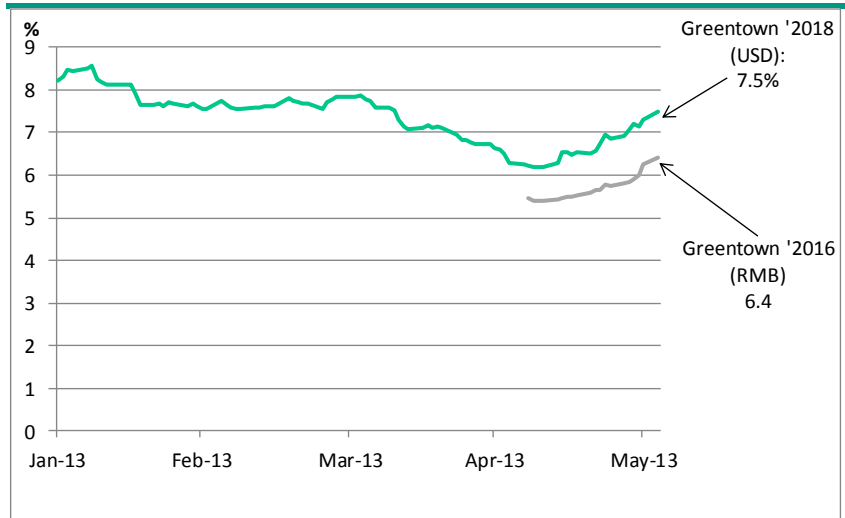
8.5% in Jan 13 to 7.5% currently) and ~4x over subscription of RMB2.5b 6.625% coupon dim-sum bond in May 2013. The yield of dim-sum bond is now trading at 6.4% yield to maturity, similar to current construction loan at 1x PBOC rate (6.3%), but with longer maturity.

Net gearing improvement



Source: Greentown, ABCI Securities

Yield to maturity of Greentown's bond



Source: Bloomberg, ABCIS

In terms of sales cooperation, Greentown and Wharf JV only acquired one site so far in Buxiu Lane, Dalian (GFA: 240k sqm ; AV: RMB8,450/sqm; 40:60 split between Greentown and Wharf). Going forward, in order to fully utilised Greentown's quality brand name, Wharf would like to introduce Greentown and Wharf JV structure in Guangzhou, which Greentown has no exposure.



Greentown- Sunac JV – A platform for quicker churn and market share gain

In June 2012, Greentown transferred 50% equity interest in below 9 projects to Sunac at RMB3.36b, with estimated valuation of 1x P/B. According to Greentown, Sunac's sales team demonstrated impressive execution skills, and improved sales performance of the transferred projects substantially in 2H2012.

Projects transferred to Sunac in Jun 2012

Project	Location	Sellable Floor	Stake	Attr. Sellable
		Area		
		'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
Total		2,516		1,368

Source: Greentown, ABCI Securities

Sunac-Greentown JV further increase their significance in Shanghai market by acquiring 4 sites with total GFA of 0.3m sqm in 2012. In 2013, Sunac-Greentown's JV surprised the market by acquiring an RMB8b site in Shanghai at relatively attractive price of RMB12k/sqm, given its prime location in Shanghai. Such sizeable land acquisition (~37%/60% of Greentown/Sunac's market cap) may not be secured any party alone, given their individual balance sheet is still small.

Sunac-Greentown's land acquisition in Shanghai since 2012

Site	Location	GFA	Land premium	Price/sqm	Shareholding			
		('000 sqm)	(RMBm)	(RMB)				
Acquired in 2012								
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	51%
		302	4,602	15,264				
Acquired in 2013								
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;

** Data up to Jun 2013

Source: ABCI Securities



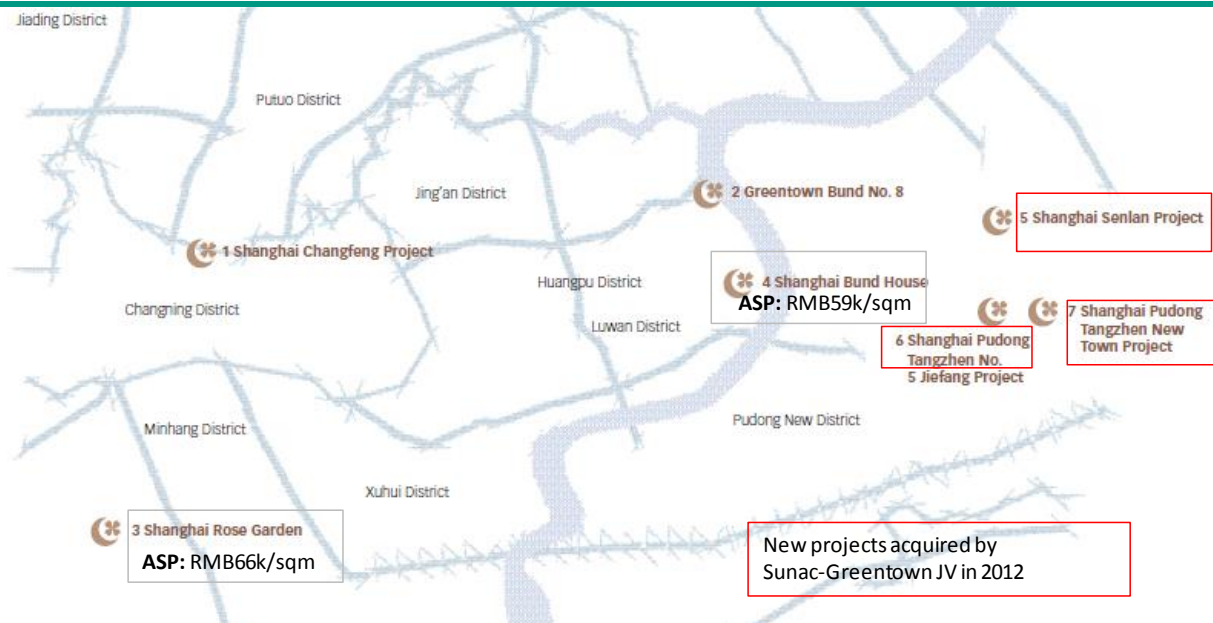
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Greentown's Shanghai projects



*Shanghai projects as at 2012-end
Source: Greentown ABCI Securities



Discounted Valuation for a Luxury Player

Attractive valuation vs peers

Greentown has been trading at deep discount of 4.4x 2013E PE, 35% below sector average (6.8x). We believe the major reason for such deep discount is investor's concerns of poor financial discipline and over leverage in the past, and complexity of JV structures. However, we believe investors' perception should improve given:

- Significant effort have been taken to lower gearing and cheap financing channel (USD bond and offshore loan backed by Wharf) is now well established
- JV platform will prove itself to be a sound strategy, by delivering strong sales growth in future

All in all, we believe Greentown looks very attractive at current valuation.

Peer's valuation

China Property	Ticker	Rating	Mkt cap (HKD bn) (local ccy)	Share Price	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
Residential :																	
1	COLI	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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
HK Listed Avg					-4.9%	-5%	102%	-44.9%	8.8	6.8	5.6	2.9	3.8	4.5	1.3	1.1	0.9
- Large cap (>HKD50b) avg					-1.4%	4%	77%	-27.1%	11.6	9.8	8.1	2.4	2.9	3.5	1.8	1.6	1.3
- Small-mid cap (<HKD50b) avg					-6.4%	-8%	113%	-53.9%	7.6	5.5	4.6	3.0	4.2	5.0	1.1	0.9	0.7
1	Vanke	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	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	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	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
A-share Listed Avg					5%	5%	46%	-20.9%	11.5	9.3	7.6	1.4	1.8	2.2	1.9	1.6	1.4
Commercial:																	
1	SOHO China	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	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	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	NR	10.0	0.48	-4%	-41%	0%	-82.4%	9.0	11.0	6.0	-	-	-	0.4	0.4	0.3
Commercial Property Avg					-1%	-7%	31%	-55.7%	13.5	11.5	9.6	1.8	1.9	2.7	0.9	0.8	0.8

* The data in table is as at 5 June 2013

Source: Bloomberg; ABCI Securities estimates

Initiate Greentown with a BUY, TP HKD19.00 based on 40% discount to NAV

We derive the Greentown's TP of HKD19.00 based on discount to NAV methodology, most widely used valuation methodology for China property



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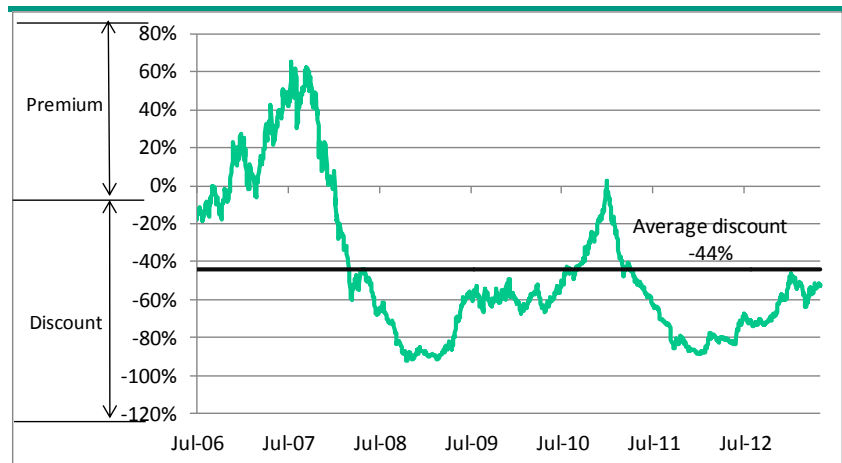
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stocks in the market. We used DCF with WACC of 13.1% to value property development projects, as significant portion of cashflow occurs beyond next 1-2 years. Property development represents 97% of Gross Assets Value (GAV), with the rest coming from investment properties and hotels. We applied 40% discount (similar to historical average from 2009) to our NAV estimates of HKD32.00, to derive TP of HKD19.00 implying 6.0x 2013E PE or 1.2x 2013E PB. We also expect Greentown to offer attractive dividend on rising profitability. Currently Greentown is trading at 4.9%/5.4% dividend yield for 2013E/2014E respectively.

Greentown's Discount to NAV



Source: Companies, ABC Securities

Greentown's Estimated 2013E NAV Breakdown

	Attr. GFA (M sqm)	Net assets value (RMB m)	% of total	Valuation Methodology	Implied value per sqm (RMB)
Property development					
Hangzhou	3.2	11,669	18%	DCF at WACC of 13.1%	3,633
Shanghai	0.8	8,353	13%		10,090
Zhoushan	3.2	7,455	11%		2,341
Qingdao	3.2	6,043	9%		1,902
Hainan	0.9	4,355	7%		5,096
Others cities	12.92	25,853	40%		2,001
Subtotal	24.2	63,729	98%		2,636
Investment Properties		1,042	2%	6% cap rate on net rental income	
Hotels		575	1%	5x EBITDA multiple	
Total 2013E GAV		65,345	100%		
Net debt & perpetual convertible securities		(17,338)	-27%		
Total 2013E NAV		48,006	73%		
No. of share outstanding		1,889			
NAV per share (RMB)		25.4			
Exchange rate (HKD/RMB)		1.26			
2013E NAV per share (HKD)		32.0			
Target discount (%)		40%			
Target Price (HKD)		19.00			
Current price (HKD)		13.94			
Upside		36%			
WACC		13.1%			
Cost of debt		8.5%			
Cost of Equity		20.0%			
Debt/ (Debt + Equity)		50%			

*Share price as at 5 Jun 2013

Source: Greentown, ABC Securities estimates



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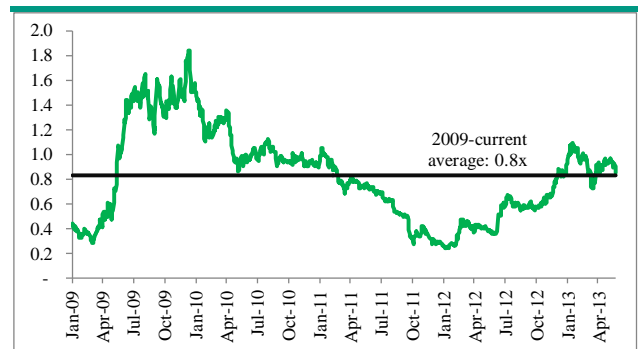
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Forward PE Band Chart



Source: Greentown, ABCI Securities

Forward PB Band Chart



Source: Greentown, ABCI Securities

What are the risks?

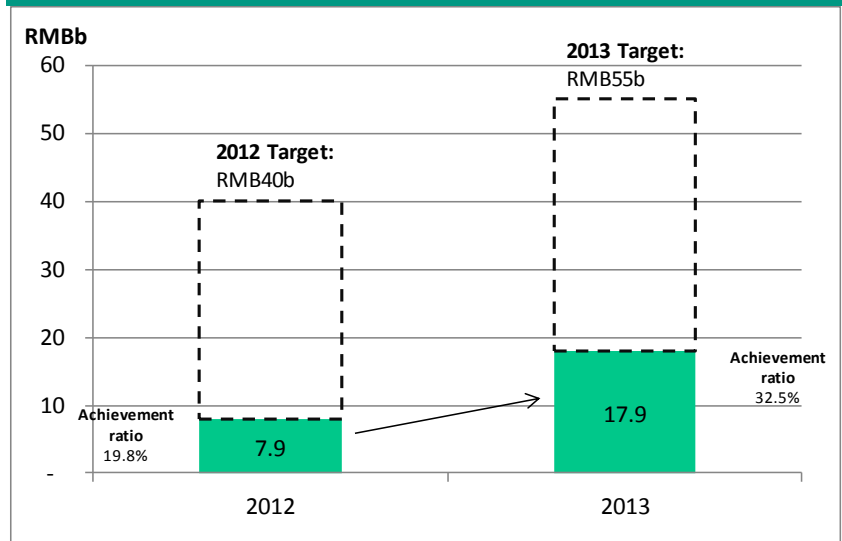
- **Short track record with JV partners:** Despite land acquisitions of Greentown's JV have speed up, we are yet to seen sales performance of those new projects. However, given strong execution capabilities of Sunac and Wharf, we are not too concern about short history since the alliance formed.
- **Possible off balance sheet financing:** In the past, Greentown ran its operation in a highly leverage manner, which lead to liquidity concerns in early 2012. It is not impossible that Greentown remains highly leveraged at JV project level, which is not consolidated in to its balance sheet. Having said that, under close monitor of Wharf in board level, it is unlikely that Greentown will return to poor financial discipline.



Key financials at a glance Contracted Sales Performance

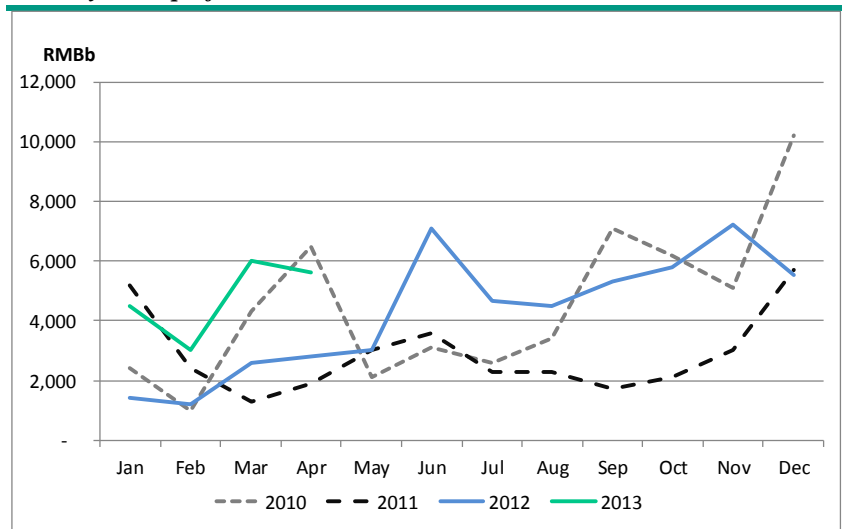
Greentown registered very strong contracted sales of RMB17.9b in 4M13, up 127% YoY or 32.5% of its RMB55b full year target. Apart from the synergies bought by the two JV platforms, being luxury forecast, we expect Greentown sales to enjoy cyclical rebound. Assuming a steady property market in next 3 years, we expect Greentown sales to exceed RMB100n by 2015, on growing saleable resources.

Jan-April Contracted sales and Achievement ratio



* Figures are for 4M13;
Source: Greentown, ABCI Securities

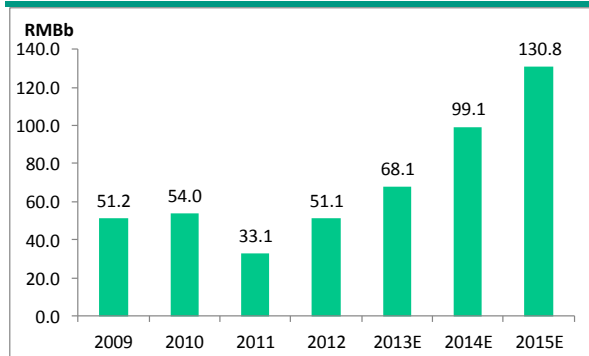
Monthly Sales performance



Source: Greentown, ABCI Securities

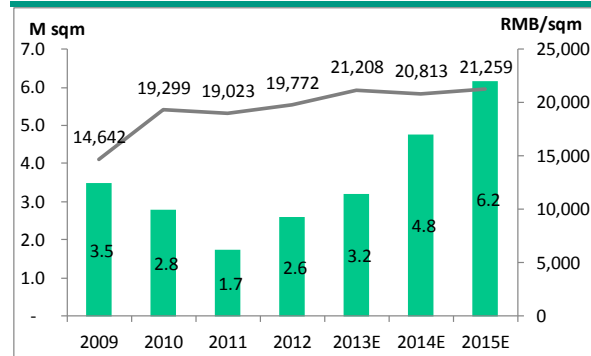


Contracted Sales



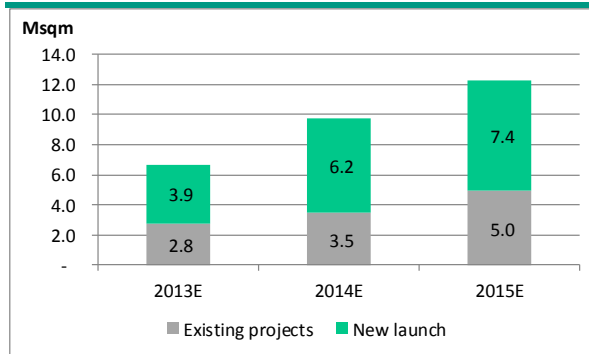
Source: Greentown, ABCIS estimates

GFA sold and ASP



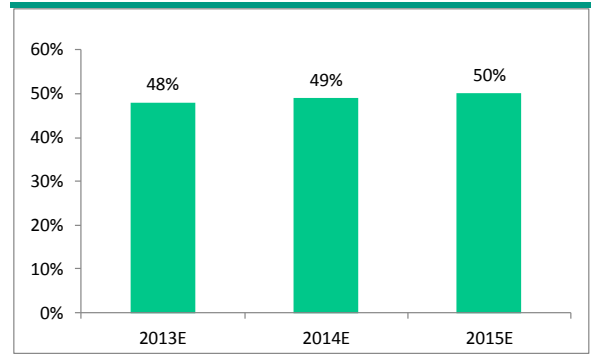
Source: Greentown, ABCIS estimates

Saleable resources



Source: ABCIS estimates

Sell-through rate

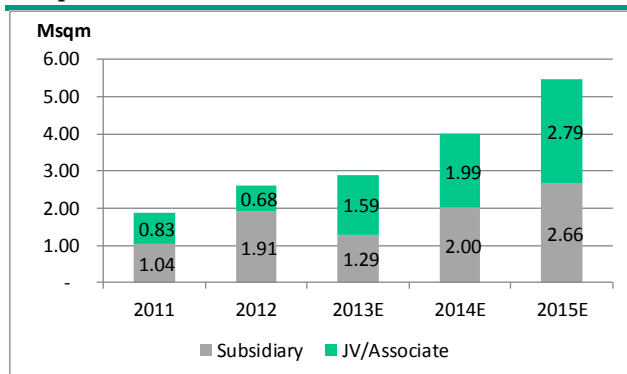


Source: ABCIS estimates

Completion schedule

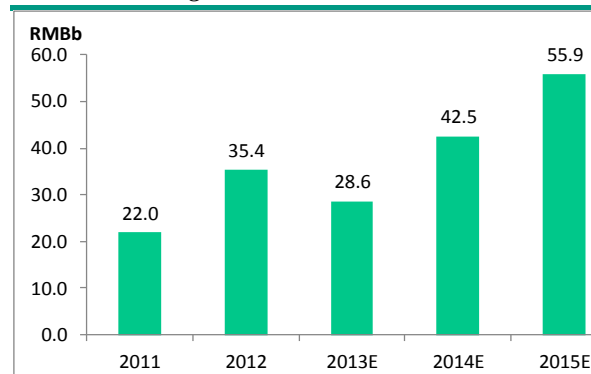
As the two JV platforms are becoming key sales driver for Greentown, we expect proportion of GFA booked by JV/ Associate to increase from 26% (0.68 msqm) in 2012 to 50-55% in 2013-2015. Revenue booked in 2013 is estimated to be lower than 2012, as JV's sale will not be consolidated, yet profits will be reported below the line (under share of profits & loss from jointly controlled entity). Overall we expect core net profit to grow at 28% CAGR in 2013-15F.

Completion Schedule



Source: Greentown, ABCIS estimates

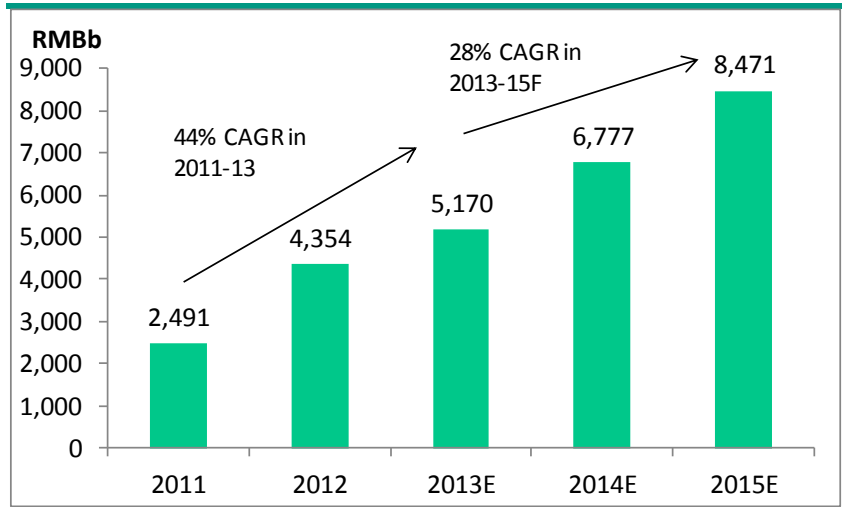
Revenue booking



Source: Greentown, ABCIS estimates



Underlying net Profit



Source: ABCI Securities estimates

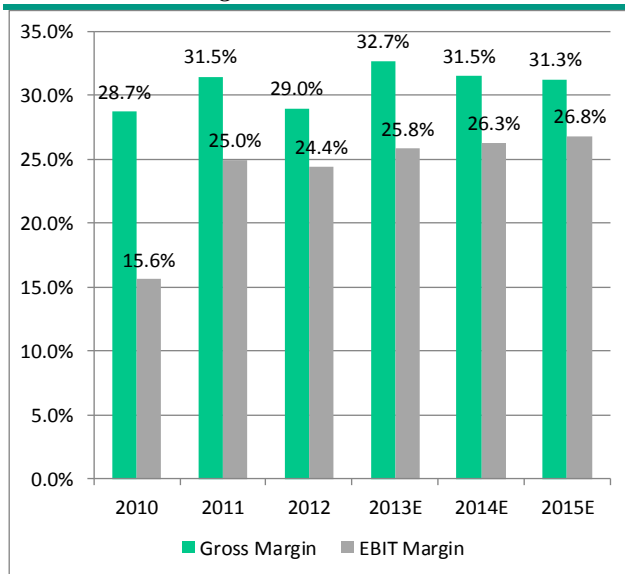
Margin Outlook

We expect gross margin to rebound to 30%+ level in 2013-2015 from 29% in 2012, as we assume ASP rising moderate at 0-2% next few years. Greentown mentioned it will further enhance its margin via following construction cost saving measures:

- Using centralized purchase for construction materials, instead of local projects' independent purchase (when scale was still small)
- Using lower cost construction materials in 2nd/3rd tier cities (where ASP is lower), as opposed to equal standard to 1st tier cities previously

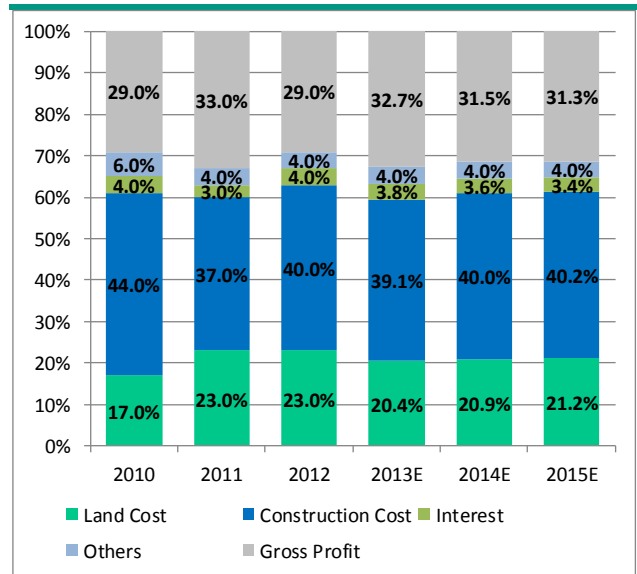
In fact, we see lots of room for improvement as Greentown's construction cost is ~RMB7,000/sqm, vs industry of RMB3,000-4,000/sqm

Gross & EBIT Margin



Source: Company, ABCIS estimates

Cost breakdown



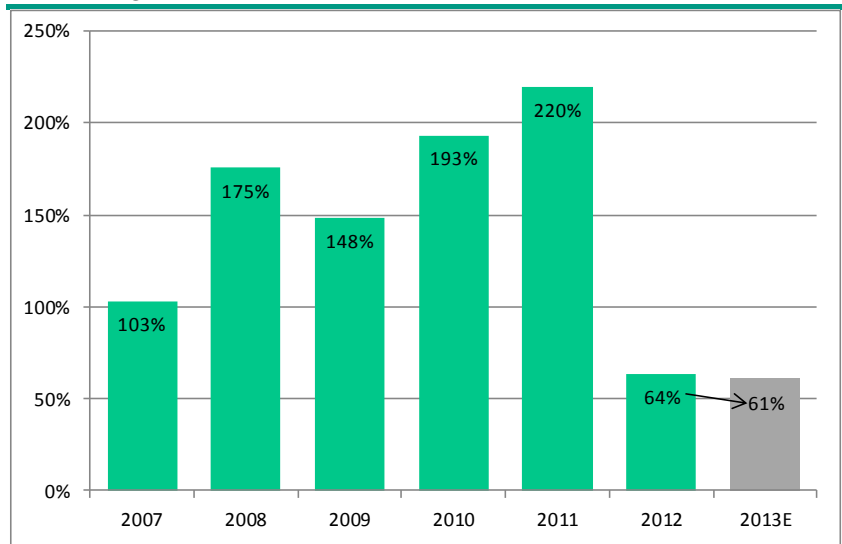
Source: Company, ABCIS estimates



Gearing forecast

We expect net gearing to reduce further from 64% in 2012 to 61% by end of 2013, on the back of positive cash inflow in 2013. Gearing could rise further if Greentown speeds up pace of land acquisition.

Net Gearing



Source: Greentown, ABCI Securities estimates

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ABCI SECURITIES COMPANY LIMITED

Greentown China

Income statement forecast

Dec-end (RMBm)	2011A	2012A	2013E	2014E	2015E
Revenue	21,964	35,393	28,612	42,521	55,936
Cost of sales	(14,555)	(24,679)	(18,882)	(28,773)	(38,154)
Gross Profit	7,408	10,714	9,730	13,748	17,782
SG&A expenses	(1,920)	(2,069)	(2,338)	(2,568)	(2,783)
EBIT	5,488	8,645	7,392	11,181	14,999
Finance cost	(416)	(564)	(385)	(321)	(283)
Share of profit of associates	833	513	1,895	1,573	1,180
Other income/ (expenses)	683	1,001	1,477	1,789	2,221
Fair value gain of investment properties	0	0	0	0	0
Disposal/one-off items	112	663	0	0	0
Profit before tax	6,701	10,257	10,379	14,221	18,118
Tax	(2,583)	(4,204)	(4,116)	(5,721)	(7,312)
Profit after tax	4,118	6,053	6,263	8,501	10,805
Minority interest	(1,543)	(1,202)	(1,093)	(1,724)	(2,334)
Reported net profit	2,575	4,851	5,170	6,777	8,471
Less: exceptional items	(84)	(497)	0	0	0
Underlying net profit	2,491	4,354	5,170	6,777	8,471
Per share					
Underlying EPS (RMB)	1.52	2.12	2.52	3.30	4.13
DPS (RMB)	0.11	0.50	0.55	0.60	0.65
Payout ratio (%)	7%	24%	22%	18%	16%
BVPS (RMB)	7.28	10.09	12.18	15.07	18.81
Growth %					
Revenue	96.8%	61.1%	-19.2%	48.6%	31.5%
Gross Profit	117.8%	44.6%	-9.2%	41.3%	29.3%
EBIT	214.8%	57.5%	-14.5%	51.3%	34.2%
Underlying net profit	100.1%	74.8%	18.7%	31.1%	25.0%
Margin %					
Gross margin	33.7%	30.3%	34.0%	32.3%	31.8%
Gross margin (post-LAT)	26.2%	24.4%	26.9%	25.5%	25.2%
EBIT margin	25.0%	24.4%	25.8%	26.3%	26.8%
Core net margin	14.6%	14.2%	15.3%	16.3%	17.2%
Key assumptions					
Contracted Sales (RMBm)	33,100	51,071	68,140	99,109	130,823
GFA sold (m sqm)	1.74	2.58	3.21	4.76	6.15
ASP (RMB/sqm)	19,023	19,772	21,208	20,813	21,259
Booked Sales (RMB)	21,071	34,214	27,387	41,257	54,643
GFA delivered (m sqm)	1.04	1.91	1.29	2.00	2.66
Booked ASP (RMB/sqm)	20,319	17,894	21,170	20,622	20,516
Land acquisition (RMBm)	11,100	12,100	4,510	-	-
GFA acquired (m sqm)	6.8	2.1	0.4	-	-
Land cost (RMB/sqm)	1,632	5,762	12,450	-	-
Land acquisition to Contracted sales (%)	33.5%	23.7%	6.6%	-	-
Land bank GFA (m sqm)	16.3	24.2	24.2	22.2	19.5

Source: Company, ABCI Securities estimates

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ABCI SECURITIES COMPANY LIMITED

Greentown China

Balance sheet forecast

Dec-end (RMBm)	2011A	2012A	2013E	2014E	2015E
Current assets	115,214	93,334	94,128	103,227	107,890
Cash	3,615	6,164	4,385	15,579	28,397
Restricted cash	2,269	1,734	1,734	1,734	1,734
Trade & other receivables	5,180	4,713	4,713	4,713	4,713
Property under development	70,628	50,543	53,116	51,021	42,865
Other current assets	33,522	30,180	30,180	30,180	30,180
Non-current assets	12,762	14,373	21,191	23,262	24,931
Property, plant & equipment	2,861	3,675	3,989	4,287	4,575
Investment properties	1,730	1,731	1,731	1,731	1,731
Investment in Associate and JCE	6,927	7,577	14,082	15,854	17,235
Other non-current assets	1,244	1,390	1,390	1,390	1,390
Total Assets	127,977	107,707	115,320	126,490	132,821
Current Liabilities	92,858	73,562	76,178	80,208	77,189
Short term borrowings	16,146	15,256	15,256	15,256	10,256
Trade & other payables	13,238	15,959	15,959	15,959	15,959
Pre-sales deposits	45,759	28,848	31,464	35,494	37,475
Other current liabilities	17,715	13,500	13,500	13,500	13,500
Non-current liabilities	17,475	6,657	6,657	6,657	6,657
Long term borrowings	16,048	6,118	6,118	6,118	6,118
Other payables	992	0	0	0	0
Other non-current liabilities	435	539	539	539	539
Total Liabilities	110,333	80,219	82,835	86,865	83,846
Net Assets	17,643	27,488	32,485	39,625	48,975
Shareholders Equity	11,940	19,058	23,011	28,477	35,543
Perpetual Convertible Securities	0	2,084	2,084	2,084	2,084
Minority Interest	5,703	6,346	7,389	9,063	11,348
Total Equity	17,643	27,488	32,485	39,625	48,975
Key ratio					
Gross debt (RMBm)	32,194	21,373	21,373	21,373	16,373
Net debt (RMBm)	26,311	13,475	15,254	4,060	(13,758)
Net gearing (%)	220%	64%	61%	13%	-37%
Contracted sales/ Total assets (x)	0.26	0.47	0.59	0.78	0.98

Source: Company, ABCI Securities estimates

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ABCI SECURITIES COMPANY LIMITED

Greentown China**Cashflow forecast**

Dec-end (RMBm)	2011A	2012A	2013E	2014E	2015E
EBITDA	5,641	8,814	7,579	11,382	15,211
Change in Working Capital	(4,085)	(3,006)	2,222	7,941	11,741
Tax payment	(1,680)	(1,109)	(4,117)	(5,722)	(7,313)
Operating Cashflow	(125)	4,700	5,684	13,602	19,639
Purchase of PP&E	(569)	(1,078)	(500)	(500)	(500)
Addition of Investment Properties	6	5	-	-	-
Investment in Associate/ JCE	(249)	(50)	(4,510)	(100)	(100)
Proceeds from Disposals	-	7,603	-	-	-
Others	(2,690)	231	1,377	1,690	2,122
Investing Cashflow	(3,502)	6,712	(3,632)	1,090	1,522
Debt raised	14,958	11,483	10,000	10,000	10,000
Debt repaid	(16,290)	(18,695)	(10,000)	(10,000)	(15,000)
Interest expenses	(2,821)	(3,586)	(2,536)	(2,113)	(1,863)
Equity raised	-	2,075	-	-	-
Convertible securities raised	-	2,084	-	-	-
Dividend to shareholders	(589)	(164)	(1,216)	(1,311)	(1,405)
Others	(424)	(2,060)	(50)	(50)	(50)
Financing Cashflow	(5,166)	(8,863)	(3,802)	(3,474)	(8,318)
Net cash inflow/ (outflow)	(8,793)	2,548	(1,751)	11,217	12,843
Cash- beginning	12,408	3,615	6,164	4,413	15,631
Cash- year-end	3,615	6,164	4,413	15,631	28,473

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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