

Key Data

Share price (HK\$)	11.78
52Wk H/L(HK\$)	13.5/6.5
Issued shares (mn)	5,167.3
Market cap (HK\$m)	60,974
30-day avg vol (HK\$m)	137.14
Auditors	Deloitte
Major shareholder:	
Wu Yajun	71.97*

*Immediately after the Placing and the Subscription

Source: Company data & Bloomberg

Revenue composition in 1HFY12(%)

Property development	97.1
Rental	1.6
Property management	1.3

Source: Company data

Share performance (%)

	Absolute	Relative*
1-mth	2.6	(1.0)
3-mth	(0.3)	(7.8)
6-mth	8.7	8.8

Source: Bloomberg

*Relative to Hang Seng Index

1 year price performance



Source: Bloomberg

Analyst:

Vivian Li
Tel: (852) 2147 8897
Email: vivianli@abci.com.hk

**Longfor (960 HK) –Unrated
Real Estate Development Industry**

Implications of Longfor share placement

New issue: It completed a top-up share placement to raise HK\$3.07bn (net expense) by issuing 260mn shares at HK\$11.88, or 4.8% of enlarged share capital. The proceeds will be used for its properties development projects as well as the general working capital. The issue price represents post issue P/B of 2.23x.

Implications: In terms of market cap, Longfor is the third largest PRC developer listing in HK. The deal has following implications.

1) Property developers still craving for cash, but opting for land replenishment

Compared to the domestic peers, Longfor enjoys healthier balance sheet with end-Jun net gearing at 48.8% (industry avg. ~60.0%) and cash of Rmb17.5bn. The cash raised should be mainly used to finance its aggressive land acquisitions. It stepped up in replenishing its land bank starting Jun and has spent ~Rmb13bn in acquiring new land during Jun-Aug.

2) Potential view of market -positive

Longfor raised amount of ~HK\$3bn in current market condition with 7.91% discount to closing price prior to the placement and. The issue price represents post issue P/B of 2.23x. We see the deal is a confident vote on China property sector.

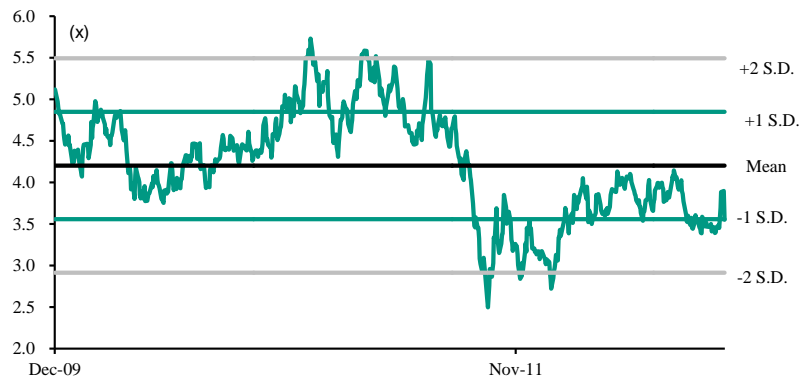
Forecast and Valuation

FY ended Dec 31	FY07A	FY08A	FY09A	FY10A	FY11A
Revenue (HK\$m)	3,498	4,475	11,374	15,093	24,093
YoY chg(%)	66.5	27.9	154.2	32.7	59.6
Net income (HK\$m)	750	332	2,209	4,130	6,328
YoY chg(%)	102.2	(55.8)	566.2	87.0	53.2
PE(x)	-	-	-	-	9.6
PB(x)	-	-	-	-	2.8
Dividend yield (%)	-	-	-	-	1.5
ROAE(%)	34.4	11.1	29.0	29.4	33.4

Source: Company data, Bloomberg, ABCI Securities estimates



Exhibit 1: PB band chart of Longfor



Source: Bloomberg and ABCI Securities

Exhibit 2: PE band chart of Longfor



Source: Bloomberg and ABCI Securities

Exhibit 3: Contracted sales summary by major listed China developers

		8/2012			1-8/2012		2012	2012
		Rmb100mn	YOY	MoM	Rmb100mn	YoY	Target	%
688	China Overseas [^]	80.0	80%	-21%	832.0	29%	100.0	83.2%
3333	Evergrande	71.8	-21%	-13%	504.6	-16%	80.0	63.1%
960	Longfor Properties	35.8	12%	17%	241.1	0%	39.0	61.8%
2007	Country Garden	37.0	-37%	-22%	257.9	-13%	43.0	60.0%
3383	Agile Property	22.0	5%	4%	183.8	3%	31.0	59.3%
813	Shimao Property	40.4	20%	-1%	305.6	46%	35.0	87.3%
2777	R&F Properties	28.2	40%	19%	198.3	7%	32.0	62.0%
119	Poly HK	23.0	68%	-15%	151.0	39%	16.0	94.4%
1813	KWG	11.1	28%	4%	75.3	-10%	12.0	62.7%
1638	Kaisa Group*	15.0	-25%	0%	94.0	13%	16.5	57.0%
1918	Sunac	26.1	11%	9%	162.4	71%	22.0	54.1%
1777	Fantasia	7.1	6%	6%	47.3	1%	7.2	65.7%
1224	C C Land	6.5	184%	13%	40.3	6%	6.8	59.3%
000002	Vanke A-share	113.5	8%	9%	842.9	-0%	120	70.2%
600048	Poly A-share	84.8	41%	-7%	678.7	34%	900*	75.4%
600383	Gemdale A-share	22.3	0%	-13%	182.6	14%	400	45.7%
Total		624.4	10.4%	-4.9%	4,797.8	10.4%	698.5	68.7%
Average			26.3%	-0.7%		14.0%		66.3%
>0			13.0	8.0		12.0		
<0			81.3%	50.0%		75.0%		

[^]contracted sales unit is HK\$bn ; *ACBI estimation*forecast by ABCI Securities

Source: Companies' announcements and ABCI Securities

Exhibit 4: Valuation comparison for China property developers

Company	Code	Price (HK\$)	MV (HK\$m)	1mth Chg.	YTD Chg.	2012 P/E	Forward P/B	5-yr Avg PB
China Overseas	688	19.7	160,999	9.1%	51.9%	9.00	1.96	3.48
China Resources	1109	16.6	96,850	11.4%	33.2%	11.73	1.45	2.15
Evergrande	3333	3.2	47,605	-1.2%	-1.2%	3.96	1.20	2.57
Longfor Properties	960	11.8	60,870	1.0%	34.2%	7.53	2.23	2.86
Country Garden	2007	3.0	53,960	8.0%	6.7%	6.21	1.48	3.15
Agile Property	3383	9.1	31,424	-1.0%	30.9%	5.40	1.26	2.65
Shimao Property	813	12.9	44,866	9.7%	94.9%	6.84	1.34	2.00
R&F Properties	2777	9.1	29,227	-3.0%	47.7%	4.93	1.11	3.70
Poly HK	119	4.3	15,372	2.4%	26.4%	6.09	0.58	1.48
KWG	1813	4.6	13,251	5.0%	74.8%	4.65	0.87	3.16
Kaisa Group	1638	1.4	7,064	1.4%	7.5%	2.87	0.53	1.15
Sunac	1918	3.7	11,253	14.4%	132.3%	2.83	1.14	0.96
Fantasia	1777	0.8	4,010	6.9%	13.2%	3.10	0.64	1.26
Beijing Capital	2868	2.3	4,633	-5.5%	47.1%	3.27	0.72	1.24
C C Land	1224	1.7	4,425	2.4%	24.0%	6.17	0.33	1.08
Median						5.40	1.14	2.15
Average						5.64	1.12	2.19
+1.0SD						8.12	1.66	3.15
-1.0SD						3.16	0.59	1.24

Source: Bloomberg; ABCI Securities



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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

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.

Li Hong-ying Vivian, has financial interest in Evergrande Real Estate Group Limited as at 19 Sep 2012.

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Office address : ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.

Tel : (852) 2868 2183