



Key Data

Average FY12E PE (x)	5.40
Average FY12E PB (x)	1.08

Source: Bloomberg, ABCI Securities

HSCIPC performance (%)

	Absolute	Relative*
1-mth	(0.8)	0.8
3-mth	5.2	1.0
6-mth	(4.0)	3.3

*Relative to Hang Seng Index
Source: Bloomberg

1 year relative price[^] performance



[^]HSCIPC/HSCI

Source: Bloomberg

Analyst:

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

China Property Sector

Valuation supported by hopes on Sep-Oct sales

Sales back to market focus: With the close of interim results, market focus shift back to monthly sales, from margin trend and bottom line growth. New launches, besides land replenishment will become one of share price drivers for China property developers in 2H12.

Sector Aug sales softened as expected against Jul...: According to NBSC, the PRC new home sales in Aug weakened 1.4% MoM or grew 20.4% YoY to Rmb531.2bn on hot weather and policy concern. Nevertheless, year to Aug sales posted the first positive growth 2.2% YoY to Rmb 3,401.1bn. Sales remained at up-trend.

Among 16 China property developers in our statistic pool, 9 have released sales for Aug, R&F Properties (2777) posted strongest MoM growth 19% and COLI (688) registered strongest YoY growth 80%. Except for Vanke A-share(000002), Country Garden (2007), KWG(1813) and Fantasia(1777), the other 5 developers reported above industry YTD growth, ranging at 7-71% with Sunac(1918) witnessing the strongest one at 71%. Some of the listing China property developers are gaining market shares in the market downturn.

Sector valuation expected to be well support ahead of strong sales season: HSCIPC/HSCI (Hang Seng Property and Construction Index/ Hang Seng Composite Index), which is often used to track the relative performance of the China property sector, approached to historical high of 1.0. On bottoming fundamentals, the sector outperformed the overall market by 3.3% since Mar. The sector is now trading at 1.08x PB, against 5-yr avg 2.19x. Ahead of peak season Sep-Oct, the valuation is expected to supported by hopes on sales.

Among our coverage, Sunac(1918;BUY;TP HK\$4.86) remains at our top picks on its pipelines schedule in 2H12. With 2.49mn sq.m GFA commence construction for 2H12(0.65mn sq.m. for 1H12), the total saleable resources could reach Rmb50.7bn. A consistently but stronger monthly sales, i.e.Rmb2.0-4.0bn are expected for the remaining year.

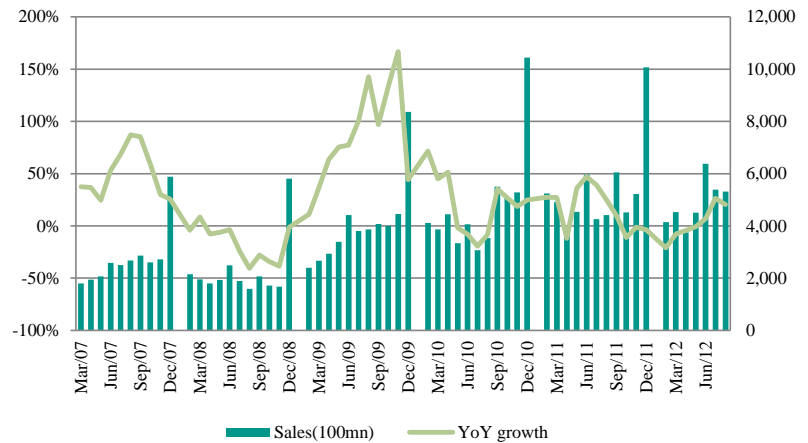
Summary on selected companies in the sector

Company		Price (HK\$)	YTD Chg.	2012 P/E	Forward P/B	5-yr Avg PB
China Overseas	688	18.5	42.4%	8.39	1.83	3.48
China Resources	1109	16.2	30.1%	11.52	1.42	2.15
Evergrande	3333	3.0	-8.1%	3.63	1.11	2.57
Longfor	960	11.5	30.8%	7.31	2.18	2.86
Country Garden	2007	2.8	-0.9%	5.82	1.38	3.15
Agile Property	3383	8.5	22.4%	5.06	1.18	2.65
Shimao Property	813	12.7	91.9%	6.65	1.34	2.00
R&F Properties	2777	9.2	49.2%	4.95	1.12	3.70
Poly HK	119	4.1	22.0%	5.87	0.56	1.48
KWG	1813	4.2	59.9%	4.28	0.79	3.16
Kaisa Group	1638	1.4	3.0%	2.50	0.52	1.15
Sunac	1918	3.8	137.3%	2.90	1.17	0.96
Fantasia	1777	0.8	11.8%	3.14	0.66	1.26

Source: Company, Bloomberg, ABCI Securities



Exhibit 1: China property sector monthly new GFA sold



Source: NBSC and ABCI Securities

Exhibit 2: Contracted sales summary by major listed China developers

		8/2012			1-8/2012		2012	2012
		Rmb100mn	YOY	MoM	Rmbbn	YoY	Target	%
688	China Overseas	80.0	80%	-21%	832.0	29%	1,000	83%
2007	Country Garden	37.0	-37%	-22%	257.9	-13%	430	60%
2777	R&F Properties	28.2	40%	19%	198.3	7%	320	62%
119	Poly HK	23.0	68%	-15%	151.0	39%	160	94%
1813	KWG	11.1	28%	4%	75.3	-10%	120	63%
1918	Sunac	26.1	11%	9%	162.4	71%	300	54%
1777	Fantasia	7.1	6%	6%	47.3	1%	72	66%
000002	Vanke A-share	113.5	8%	9%	842.9	-0%	1,200	70%
600048	Poly A-share	84.8	41%	-7%	678.7	34%	900	75%

^contracted sales unit is HK\$bn ; *ACBI estimation

Source: Companies' announcements and ABCI Securities

Exhibit 3: 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	18.5	150,865	2.2%	42.4%	8.39	1.83	3.48
China Resources	1109	16.2	94,635	4.1%	30.1%	11.52	1.42	2.15
Evergrande	3333	3.0	44,311	-16.4%	-8.1%	3.63	1.11	2.57
Longfor Properties	960	11.5	59,320	0.0%	30.8%	7.31	2.18	2.86
Country Garden	2007	2.8	50,132	-6.8%	-0.9%	5.82	1.38	3.15
Agile Property	3383	8.5	29,389	-7.6%	22.4%	5.06	1.18	2.65
Shimao Property	813	12.7	44,171	8.0%	91.9%	6.65	1.34	2.00
R&F Properties	2777	9.2	29,517	-7.1%	49.2%	4.95	1.12	3.70
Poly HK	119	4.1	14,831	-4.4%	22.0%	5.87	0.56	1.48
KWG	1813	4.2	12,122	-6.3%	59.9%	4.28	0.79	3.16
Kaisa Group	1638	1.4	6,769	-2.8%	3.0%	2.50	0.52	1.15
Sunac	1918	3.8	11,480	14.4%	137.3%	2.90	1.17	0.96
Fantasia	1777	0.8	3,957	-3.8%	11.8%	3.14	0.66	1.26
Beijing Capital	2868	2.1	4,304	-13.3%	36.6%	3.05	0.67	1.24
C C Land	1224	1.6	4,244	-3.5%	18.9%	5.92	0.31	1.08
Median						5.06	1.12	2.15
Average						5.40	1.08	2.19
+1.0SD						7.82	1.60	3.15
-1.0SD						2.98	0.57	1.24

Source: Bloomberg; ABCI Securities

Disclosures

I, Li Hongying, Vivian, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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 10 Sep 2012.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, Groups or affiliates of ABCI Securities Company Limited. ABCI Securities Company Limited will not pay any research analyst any bonus, salary or other form of compensation that is based upon a specific investment banking transaction. The analysts' compensation shall be based upon several factors. Chiefly among such factors is the quality of the research and financial advice provided to our customers and the impact that the analysts' research has on the success of the Company's overall business. The final compensation of the analyst who prepared this report is determined exclusively by research management and senior management of ABCI Securities Company Limited. The securities described herein may not be eligible for



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2012 ABCI Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

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

Tel : (852) 2868 2183