



Aug 14, 2014  
 Company Report  
 Rating: BUY  
 TP: HK\$ 2.20

Share price (HK\$) 1.53  
 Est. share price return 43.8%  
 Est. dividend yield 5.8%  
 Est. total return 49.6%

Previous Rating & TP BUY; HK\$1.60  
 Previous Report Date Jun 17, 2014

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**Key Data**

52Wk H/L(HK\$) 1.76/1.30  
 Issued shares (mn) 6,027  
 Market cap (HK\$ mn) 9,221  
 3-mth avg daily turnover (HK\$ mn) 5.4  
 Major shareholder(s) (%):  
 Lin's family 56.7

Source(s): Company, Bloomberg, ABCI Securities

**FY13 Revenue breakdown (%)**

Property development 97.2  
 Property management 2.4  
 Property investment 0.4

Source(s): Company, ABCI Securities

**Share performance (%)**

	Absolute	Relative*
1-mth	4.8	(1.7)
3-mth	3.4	(5.6)
6-mth	(7.5)	(17.2)

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

**1-Year stock performance (HK\$)**



Source(s): Bloomberg, ABCI Securities

CIFI (884 HK)

Upbeat 1H14 results: Presales up, finance cost down

- 1H14 core profit rose 12% YoY to RMB 646mn
- Gross margin improved 1.1ppt YoY to 26.4% in 1H14, which stands out from most developers which reported margin erosions in 1H14
- Two key bright spots: fast growing presales (+42% YoY vs sector avg of 13%) and lower cost of debt (from 9.2% in Dec 13 to 8.7% in June 14)
- Maintain **BUY** with revised TP at HK\$ 2.20 (from HK\$1.60) based on a 60% discount to FY14E NAV

**1H14 core profit rose 12% YoY to RMB 646mn.** CIFI's 1H14 booked revenue increased by a slight 4.0% YoY to RMB 5.0bn, driven by higher GFA delivered, which grew 11% YoY, though ASP dropped 9% YoY. Core profit rose 12.0% YoY to RMB 646 mn as gross and net margins improved. Gross margin increased 1.1ppt YoY to 26.4% due to increased proportion of office sales (34.7% of total sales in 1H14 vs 8.4% in 1H13), which is impressive as most developers reported margin erosions in 1H14. Net gearing remained stable at 71.3% as of June 2014, while cash collection ratio stayed healthy at ~80% despite the land capex of RMB1.3bn in 1H14. As of June 2014, CIFI's unbooked revenue was RMB 16bn (Dec 2013: RMB 11bn), which will likely be recognized in 2H14 and after, will provide a solid foundation for earnings growth. Management guided that GFA completion in 2H14 will jump to 1.35mn sqm (from 0.28mn sqm in 1H14) and boost 2H earnings.

**Presales continue to outperform.** CIFI's 1H14 presales increased 42% YoY to RMB 10,200mn, much higher than the sector average growth of 13% YoY. In July, CIFI registered RMB 1.53bn in presales, up 53% YoY. We believe CIFI's solid execution skills and active landbanking (7M14: RMB1.95bn land capex on attributable basis) will help the group achieve a high presales growth of 44% YoY in FY14E and 22% YoY in FY15E. Margin-wise, presales ASP of RMB 12k/sqm in 7M14 was 28% higher than booked ASP of RMB 9,569/sqm in 1H14. We believe the higher ASP will enhance CIFI's defensiveness against margin erosion in future.

**Improving cost of debt.** CIFI's cost of debt trended down further from 9.2% in Dec 13 to 8.7% in June 14, which was lower than many mid-cap developers such as Evergrande and Kaisa. Management aimed to reduce borrowing cost further to 8% by 2015 via: **1) low-cost offshore debt secured in 2014**, which includes the US\$ 200mn 5-year bond issued in Jan 2014 that carries a coupon of 8.87% and the US\$320mn 3-year offshore syndicated loan with an interest rate of LIBOR + 400bps; **2) reduced debt proportion of high-cost trust loan** (from 19% in Dec 13 to 9% in June 14). Management also aimed to achieve a positive cash flow for FY14 so as to lower the Group's gearing from the current level of 70%. The issuance of perpetual capital instrument totaling RMB 600mn with a coupon rate of 12.5% in June 14 also strengthens the Group's equity base and reduces its financial leverage. (Continue next page)

**Results and Valuation**

FY ended Dec 31	2012A	2013A	2014E	2015E	2016E
Revenue (RMB mn)	8,144	11,909	17,346	21,045	23,124
Chg (% YoY)	103.2	46.2	45.7	21.3	9.9
Underlying Net Income (RMB mn) <sup>1</sup>	921	1,519	1,933	2,307	3,047
Chg (% YoY)	49.7	64.9	27.2	19.4	32.1
Underlying EPS (RMB)	0.16	0.25	0.32	0.38	0.51
Chg (% YoY)	49.7	57.9	27.2	19.4	32.1
BVPS (RMB)	1.14	1.43	1.66	1.94	2.30
Chg (% YoY)	100.3	25.9	16.2	16.7	18.9
Underlying PE (x)	7.7	4.9	3.8	3.2	2.4
P/B (x)	1.1	0.9	0.7	0.6	0.5
ROE (%)	14.1	17.6	19.3	19.8	22.0
ROA (%)	3.4	3.9	4.3	4.5	5.4
DPS(HK\$)	0.04	0.07	0.09	0.11	0.14
Yield (%)	2.6	4.6	5.8	6.9	9.2
Net gearing <sup>2</sup> (%)	62.8	67.9	62.8	23.6	(42.3)

<sup>1</sup>Underlying net income = Net profit - revaluation gain of investment properties and one-off items

<sup>2</sup>Net gearing = Net debt / Shareholders' equity

Source(s): Bloomberg, ABCI Securities estimates



**Two key initiatives in future: 1) optimizing product mix** - CIFI targets to change its product mix from the original one with 20% commercial and 80% mass residential to one with 30% commercial, 35% mass residential and 35% upgrader mid-price residential. This would help capture demand arising from the relaxation of one-child policy; **2) increase the proportion of fully-fitted products**- CIFI plans to increase the proportion of fully-fitted residential from 26% of GFA currently to 50% in the long run. CIFI normally spent RMB 650/sqm (basic) and RMB 3,000/sqm (premium) to convert bare-shell unit to fully-fitted ones with a 3-month construction period. This could elevate ASP by RMB 800-900/sqm (basic) and RMB5,000- 5,500/sqm (premium). This change should generate additional profit for the Group.

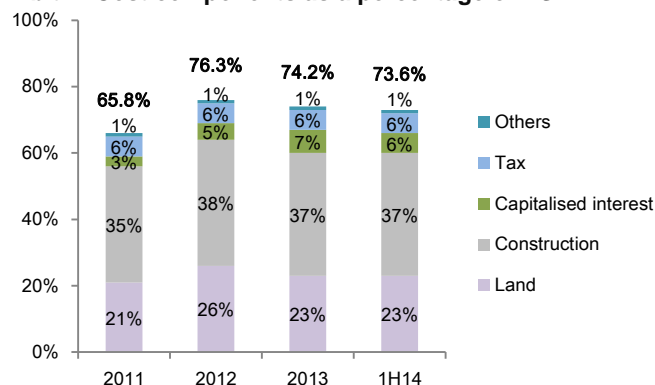
**Maintain BUY with revised TP HK\$ 2.20.** We revise up our FY14E/15E core profit forecasts by 2%/10% to reflect CIFI's faster-than-expected presales growth. We also raise our end-FY14E NAV estimate to HK\$ 5.60/share (from HK\$4.09 previously). Our TP to HK\$ 2.20 (from HK\$1.60 previously) is still based on a 60% discount to end-FY14E NAV. We reiterate BUY for CIFI on robust presales and improving finance cost.

**Risk factors:** 1) Overpaying for land may expand presales scale but erode margins; 2) Low daily turnover of shares

**Exhibit 1: CIFI's 1H14 results**

CIFI's P&L	1H14	1H13	YoY Chg	Remarks
	RMB mn	RMB mn	(%)	
<b>Turnover</b>	5,021	4,829	4.0	
Cost of Sales & direct operating costs	(3,698)	(3,609)	2.5	
<b>Gross Profit</b>	<b>1,323</b>	<b>1,220</b>	<b>8.5</b>	
<b>Gross Margin (%)</b>	<b>26.4</b>	<b>25.3</b>	<b>1.1</b>	Margin improved due to higher proportion of sales from office projects in 1H14
Selling and distribution costs	(132)	(113)	16.8	
Administrative expense	(228)	(177)	28.8	
<b>EBIT</b>	<b>963</b>	<b>929</b>	<b>3.6</b>	
<b>EBIT Margin (%)</b>	<b>19.2</b>	<b>19.2</b>		
Other income	169	43	295.5	
Fair value gain of investment properties	211	526	(59.9)	
Other exceptional items	(4)	2	(300.0)	
Share of profit from JCE/ Associates	(19)	(1)	NA	
Finance cost	(111)	(103)	8.0	Weighted avg cost of debt fell from 9.2% in Dec 13 to 8.7% in June 14
<b>Profit before tax</b>	<b>1,209</b>	<b>1,397</b>	<b>(13.5)</b>	
<b>Tax</b>	<b>(444)</b>	<b>(440)</b>	<b>0.8</b>	
- LAT	(238)	(121)	97.6	
- Enterprise tax	(206)	(320)	(35.7)	
<b>Profit after tax</b>	<b>764</b>	<b>957</b>	<b>(20.1)</b>	
Minority Interest	(16)	(103)	(84.7)	
<b>Net profit</b>	<b>749</b>	<b>854</b>	<b>(12.3)</b>	
<b>Core net profit</b>	<b>646</b>	<b>577</b>	<b>12.0</b>	
<b>Core net margin</b>	<b>12.9</b>	<b>11.9</b>		
<b>Operating statistics</b>				
Contracted GFA (mn sqm)	0.8	0.7	14.1	
Contracted ASP (RMB/sqm)	12,515	10,022	24.8	
<b>Presales (RMB mn)</b>	<b>10,200</b>	<b>7,156</b>	<b>42.4</b>	
GFA Delivered (mn sqm)	0.50	0.45	11.6	
Booked ASP (RMB/sqm)	9,569	10,528	(9.1)	
<b>Property sales booked (RMB mn)</b>	<b>4,789</b>	<b>4,723</b>	<b>1.4</b>	
<b>Balance sheet</b>				
	<b>Jun 14</b>	<b>Dec 13</b>	<b>HoH %</b>	<b>Remarks</b>
Gross debt	13,757	13,374	3	
Cash	6,388	7,161	(11)	80% cash collection ratio in 1H14
<b>Net debt</b>	<b>7,369</b>	<b>6,213</b>	<b>19</b>	
<b>Net gearing (%)</b>	<b>71.3</b>	<b>67.9</b>	<b>3</b>	

Source(s): Company, ABCI Securities

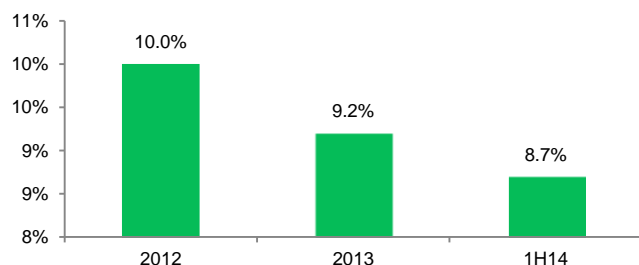
**Exhibit 2: Cost components as a percentage of ASP**


Source(s): Company

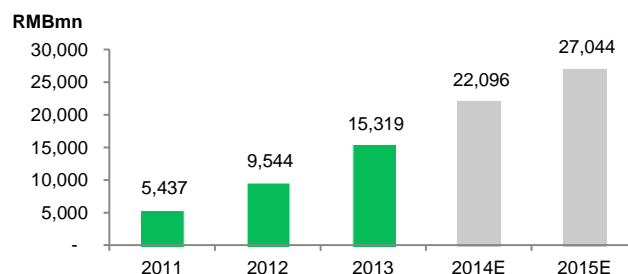
**Exhibit 3: CIFI's Cashflow and completion guidance**

	1H14 RMB bn	FY2014E RMB bn
<b>Presales (including JV)</b>	<b>10.2</b>	<b>22.0</b>
Cash collection ratio	78%	91%
Cash inflow	8.0	20.0
Less: attributable to JV	(1.5)	(3.5)
	<b>6.5</b>	<b>16.5</b>
<b>Cash outflow</b>	<b>(8.1)</b>	<b>(14.9)</b>
Land acquisition	(3.4)	(5.3)
Construction	(2.7)	(5.5)
Tax	(1.0)	(2.0)
Interest	(0.6)	(1.2)
SG&A	(0.4)	(0.9)
<b>Net operating cashflow</b>	<b>(1.6)</b>	<b>1.6</b>
<b>New completion (mn sqm)</b>	<b>0.28</b>	<b>1.63</b>

Source(s): Company, ABCI Securities estimates

**Exhibit 4: CIFI's cost of debt**


Source(s): Company

**Exhibit 5: CIFI's presales**


Source(s): Company, ABCI Securities estimates

**Exhibit 6: CIFI's 2014E NAV**

	Attr. GFA (Mn sqm)	Net assets value (RMB mn)	% of total	Valuation Method	Implied value per sqm (RMB)
<b>Property development</b>					
Shanghai	1.1	5,143	15%	DCF at WACC of 10.0%	4,886
Suzhou	1.0	2,400	7%		2,367
Hangzhou	0.4	2,319	7%		6,420
Beijing	0.4	2,844	8%		7,092
Tianjin	1.0	2,259	6%		2,215
Chongqing	1.2	2,818	8%		2,427
Others	3.0	16,214	46%		5,335
<b>Subtotal</b>	<b>8.0</b>	<b>33,997</b>	<b>97%</b>		
<b>Property investment &amp; management</b>		875	3%	6.5% cap rate on 2014E net rental income	
<b>Total 2014E GAV</b>		<b>34,872</b>	<b>100%</b>		
2014E Net debt		(7,855)	-23%		
<b>Total 2014E NAV</b>		<b>27,017</b>	<b>77%</b>		
No. of share outstanding (diluted)		6,027			
<b>NAV per share (RMB)</b>		<b>4.48</b>			
Ex rate		1.25			
<b>NAV per share (HKD)</b>		<b>5.60</b>			
Target discount (%)		60%			
<b>Target Price (HKD)</b>		<b>2.20</b>			

<b>WACC</b>	<b>10.0%</b>
Cost of debt	9.0%
Cost of Equity	15.0%
<b>Debt/ (Debt + Equity)</b>	<b>61%</b>

Source(s): Company, ABCI Securities estimates



**Exhibit 7: Valuation of Hong Kong-listed and PRC-listed developers**

China Property	Ticker	Rating	TP	Mkt cap	Share Price	Performance			Discount to NAV	Valuation									
						3M	YTD	2013		P/E			Yield (%)			P/B			
				(HKD bn)	(local ccy)	% Chg	% Chg	% Chg	(%)	2013A	2014E	2015E	2013A	2014E	2015E	2013A	2014E	2015E	
<b>Residential:</b>																			
1	COLI	688 HK	HOLD	19.50	193	23.60	24	10	(4)	(3.21)	10.2	8.3	7.2	2.0	2.4	2.8	1.8	1.5	1.3
2	Vanke-H	2202 HK	NR		139	16.78	NA	NA	NA	(13.48)	12.7	8.0	6.9	3.1	3.7	4.3	1.9	1.6	1.4
3	CR Land	1109 HK	NR		103	17.70	17	(6)	(8)	(36.90)	11.1	9.1	7.5	2.5	2.9	3.3	1.2	1.1	0.9
4	Country Garden	2007 HK	NR		74	3.89	25	(11)	20	(42.63)	6.9	5.6	4.8	5.4	6.3	7.3	1.3	1.1	1.0
5	Shimao	813 HK	NR		60	17.42	14	3	26	(47.00)	6.6	5.5	4.7	4.6	5.6	6.4	1.2	1.0	0.9
6	Longfor	960 HK	NR		60	11.10	13	5	(27)	(42.28)	7.7	6.7	6.0	2.6	2.9	3.3	1.2	1.1	0.9
7	Evergrande	3333 HK	BUY	4.10	49	3.31	(3)	31	(27)	(67.64)	4.1	4.3	3.0	16.4	8.1	11.7	0.6	0.5	0.5
8	Guangzhou R&F	2777 HK	NR		35	10.98	10	3	(7)	(64.53)	4.8	4.4	3.8	7.1	7.2	8.3	0.9	0.8	0.7
9	Sino Ocean	3377 HK	NR		34	4.51	11	(8)	(8)	(49.98)	7.9	7.2	6.5	5.2	5.7	6.3	0.7	0.6	0.5
10	Agile	3383 HK	NR		22	6.43	11	(18)	(20)	(63.42)	3.9	3.9	3.6	7.4	7.3	7.8	0.6	0.5	0.5
11	Greentown	3900 HK	HOLD	9.30	18	8.30	11	(25)	(12)	(55.16)	3.7	4.0	4.1	6.5	6.1	6.1	0.6	0.6	0.5
12	Sunac	1918 HK	BUY	7.10	23	6.70	60	54	(21)	(67.16)	5.0	4.0	3.7	3.6	4.5	4.8	1.3	1.0	0.8
13	Yuexiu Properties	123 HK	NR		17	1.78	18	(5)	(18)	(60.00)	10.5	7.9	6.4	4.7	5.2	6.1	0.5	0.5	0.5
14	COGO	81 HK	NR		12	5.25	17	(28)	(20)	(59.52)	4.3	4.7	4.1	2.1	2.0	2.4	1.0	0.9	0.7
15	KWG	1813 HK	NR		17	5.80	33	46	(23)	(62.29)	5.8	4.7	4.0	6.3	6.2	7.3	0.7	0.7	0.6
16	Kaisa	1638 HK	BUY	4.00	14	2.81	18	19	4	(64.88)	4.9	3.5	2.7	6.7	8.0	12.5	0.7	0.6	0.5
17	CIFI	884 HK	BUY	2.20	9	1.53	6	(2)	18	(62.59)	4.8	3.8	3.2	4.6	5.8	6.9	0.9	0.7	0.6
18	BJ Capital Land	2868 HK	NR		6	2.90	12	21	(12)	(47.27)	4.1	2.5	2.5	9.6	12.2	10.0	0.5	0.5	0.5
19	China Aoyuan	3883 HK	BUY	2.40	4	1.43	16	(5)	35	(76.26)	4.5	2.5	1.5	7.0	9.8	16.9	0.4	0.4	0.3
<b>HK Listed Avg</b>							17	5	(6)	(51.91)	6.5	5.3	4.5	5.6	5.9	7.1	0.9	0.8	0.7
- Large cap (>HKD30b) avg							14	3	(4)	(40.85)	8.0	6.6	5.6	5.4	5.0	6.0	1.2	1.0	0.9
- Small-mid cap (<HKD30b) avg							21	7	(12)	(60.26)	5.2	4.3	3.8	5.7	6.4	7.1	0.8	0.7	0.6
1	Vanke-A	000002 CH	NR		139	9.55	27	25	(15)	(37.99)	9.1	5.7	4.8	4.3	4.3	5.1	1.4	1.2	1.0
2	Poly-A	600048 CH	NR		78	5.78	17	9	(38)	(66.78)	7.1	4.6	3.8	3.4	4.4	5.1	1.2	1.0	0.8
3	China Merchants Property	000024 CH	NR		39	12.21	11	(9)	(30)	(63.80)	9.1	5.6	4.5	2.7	2.8	3.5	1.1	1.0	0.9
4	Gemdale	600383 CH	NR		52	9.28	22	41	(4)	(26.23)	11.3	9.7	8.1	1.0	1.7	1.8	1.4	1.3	1.2
<b>A-share Listed Avg</b>							19	17	(22)	(48.70)	9.2	6.4	5.3	2.8	3.3	3.9	1.3	1.1	0.9
<b>Commercial:</b>																			
1	SOHO China	410 HK	NR		34	6.63	8	2	13	(17.13)	6.2	13.2	21.0	4.7	4.7	4.5	0.7	0.7	0.7
2	China South City	1668 HK	BUY	4.50	30	3.86	20	75	97	(58.70)	11.9	5.9	4.6	2.6	3.9	5.2	1.4	1.2	1.0
3	Hui Xian REIT	87001 HK	NR		22	3.40	1	(5)	(1)	(22.29)	24.0	14.9	14.0	7.3	7.8	8.2	0.6	0.6	0.6
4	Franshion	817 HK	BUY	3.60	20	2.16	(7)	(17)	(1)	(55.44)	7.2	5.4	3.9	4.4	5.6	7.4	0.7	0.6	0.6
5	Shui On Land	272 HK	NR		17	2.14	6	(8)	(30)	(40.14)	11.5	12.1	11.1	2.9	3.6	3.4	0.4	0.3	0.3
6	Yuexiu REIT	405 HK	NR		11	3.89	7	7	9	na	45.0	31.8	27.1	7.0	7.3	7.7	0.7	0.7	0.7
7	Zall	2098 HK	NR		10	2.76	2	1	(10)	na	27.7	na	na	0.0	na	na	1.2	na	na
8	Wuzhou	1369 HK	NR		8	1.62	9	29	33	na	17.0	8.8	6.0	2.2	2.9	4.6	2.5	na	na
<b>Commercial Avg</b>							1	8	14	(44.14)	17.1	11.8	11.2	4.6	6.2	7.2	1.0	0.7	0.7
- Developers							7	13	20	(42.85)	12.1	8.0	8.1	3.9	5.7	6.9	1.1	0.8	0.7
- Landlords/REIT							(17)	(8)	(1)	(46.72)	34.5	23.4	20.6	7.2	7.6	8.0	0.7	0.7	0.7

\* Share price as at Aug 13, 2014

Source(s): Bloomberg, ABCI Securities estimates



**Consolidated income statement (2012A-2016E)**

<b>FY Ended Dec 31 (RMB mn)</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
<b>Revenue</b>	<b>8,144</b>	<b>11,909</b>	<b>17,346</b>	<b>21,045</b>	<b>23,124</b>
Cost of sales	(6,218)	(8,841)	(12,312)	(15,139)	(16,186)
<b>Gross Profit</b>	<b>1,926</b>	<b>3,069</b>	<b>5,034</b>	<b>5,906</b>	<b>6,939</b>
SG&A expenses	(549)	(822)	(999)	(1,142)	(1,184)
<b>EBIT</b>	<b>1,377</b>	<b>2,246</b>	<b>4,035</b>	<b>4,764</b>	<b>5,754</b>
Finance cost	(43)	(188)	(129)	(131)	(147)
Share of profit of associates	-	(14)	139	283	305
Other income/ (expenses)	40	75	76	111	203
Fair value gain of investment properties	-	-	-	-	-
Disposal/one-off items	1,466	857	-	-	-
<b>Profit before tax</b>	<b>2,840</b>	<b>2,975</b>	<b>4,121</b>	<b>5,028</b>	<b>6,115</b>
Tax	(819)	(934)	(1,694)	(2,017)	(2,442)
<b>Profit after tax</b>	<b>2,021</b>	<b>2,041</b>	<b>2,427</b>	<b>3,011</b>	<b>3,674</b>
Minority interest	(84)	(147)	(494)	(703)	(627)
<b>Reported net profit</b>	<b>1,937</b>	<b>1,894</b>	<b>1,933</b>	<b>2,307</b>	<b>3,047</b>
<i>Less: exceptional items</i>	<i>(1,016)</i>	<i>(375)</i>	<i>0</i>	<i>0</i>	<i>(0)</i>
<b>Underlying net profit</b>	<b>921</b>	<b>1,519</b>	<b>1,933</b>	<b>2,307</b>	<b>3,047</b>
<b>Per share</b>					
Underlying EPS (RMB)	0.16	0.25	0.32	0.38	0.51
DPS (RMB)	0.04	0.07	0.09	0.11	0.14
Payout ratio (%)	25%	28%	28%	28%	28%
BVPS (RMB)	1.14	1.43	1.66	1.94	2.30
<b>Growth %</b>					
Revenue	103.2%	46.2%	45.7%	21.3%	9.9%
Gross Profit	40.6%	59.3%	64.0%	17.3%	17.5%
EBIT	38.2%	63.2%	79.6%	18.1%	20.8%
Underlying net profit	49.7%	64.9%	27.2%	19.4%	32.1%
<b>Margin %</b>					
Gross margin	23.7%	25.8%	29.0%	28.1%	30.0%
Gross margin (post-LAT)	22.0%	23.7%	23.9%	23.0%	24.5%
EBIT margin	16.9%	18.9%	23.3%	22.6%	24.9%
Core net margin	11.3%	11.9%	13.2%	13.0%	14.6%
<b>Key assumptions</b>					
Presales (RMB mn)	9,544	15,319	22,096	27,044	26,838
GFA sold (mn sqm)	1.03	1.43	1.96	2.21	2.07
ASP (RMB/sqm)	9,300	10,725	11,250	12,229	12,958
Booked Sales (RMB mn)	7,991	11,579	16,988	20,668	22,727
GFA delivered (mn sqm)	0.73	1.24	1.48	1.77	1.81
Booked ASP (RMB/sqm)	10,877	9,346	11,454	11,695	12,550

Source(s): Company, ABCI Securities estimates



**Consolidated balance sheet (2012A-2016E)**

As of Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
<b>Current assets</b>	<b>22,570</b>	<b>29,829</b>	<b>35,184</b>	<b>40,871</b>	<b>45,591</b>
Cash	4,591	7,061	8,008	13,990	26,330
Restricted cash	-	100	100	100	100
Trade & other receivables	1,396	3,370	3,370	3,370	3,370
Property under development	15,809	16,996	21,404	21,109	13,489
Other current assets	774	2,302	2,302	2,302	2,302
<b>Non-current assets</b>	<b>4,286</b>	<b>9,277</b>	<b>9,612</b>	<b>9,975</b>	<b>10,343</b>
Property, plant & equipment	106	47	54	61	68
Investment properties	3,956	4,650	4,650	4,650	4,650
Investment in Associate and JCE	-	4,299	4,627	4,983	5,345
Other non-current assets	225	281	281	281	281
<b>Total Assets</b>	<b>26,857</b>	<b>39,106</b>	<b>44,796</b>	<b>50,847</b>	<b>55,935</b>
<b>Current Liabilities</b>	<b>13,580</b>	<b>18,632</b>	<b>21,903</b>	<b>25,634</b>	<b>27,945</b>
Short term borrowings	3,372	3,017	5,017	7,017	9,017
Trade & other payables	2,982	6,330	6,330	6,330	6,330
Pre-sales deposits	6,202	8,068	9,339	11,070	11,380
Other current assets	1,024	1,218	1,218	1,218	1,218
<b>Non-current liabilities</b>	<b>6,336</b>	<b>11,318</b>	<b>11,318</b>	<b>11,318</b>	<b>11,318</b>
Long term borrowings	5,578	10,357	10,357	10,357	10,357
Other payables	-	-	-	-	-
Other non-current assets	757	961	961	961	961
<b>Total Liabilities</b>	<b>19,916</b>	<b>29,951</b>	<b>33,222</b>	<b>36,953</b>	<b>39,263</b>
<b>Net Assets</b>	<b>6,941</b>	<b>9,155</b>	<b>11,574</b>	<b>13,894</b>	<b>16,672</b>
<b>Shareholders Equity</b>	<b>6,550</b>	<b>8,611</b>	<b>10,007</b>	<b>11,673</b>	<b>13,874</b>
Perpetual capital instrument	-	-	579	579	579
Minority Interest	391	544	989	1,642	2,219
<b>Total Equity</b>	<b>6,941</b>	<b>9,155</b>	<b>11,574</b>	<b>13,894</b>	<b>16,672</b>
<b>Key ratio</b>					
Gross debt (RMB mn)	8,950	13,374	15,374	17,374	19,374
Net debt (RMB mn)	4,360	6,213	7,266	3,284	(7,056)
Net gearing (%)	63%	68%	63%	24%	-42%
Presales/ Total assets (x)	36%	39%	49%	53%	48%

Source(s): Company, ABCI Securities estimates



**Consolidated cash flow statement (2012A-2016E)**

<b>FY ended Dec 31 (RMB mn)</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
EBITDA	1,390	2,259	4,048	4,778	5,768
Change in Working Capital	(383)	1,545	(1,973)	3,205	9,254
Tax payment	(400)	(817)	(1,694)	(2,017)	(2,442)
<b>Operating Cashflow</b>	<b>607</b>	<b>2,988</b>	<b>381</b>	<b>5,965</b>	<b>12,580</b>
Purchase of PP&E	(13)	(17)	(20)	(20)	(20)
Addition of Investment Properties	(28)	35	-	-	-
Others	(110)	(4,233)	(112)	37	147
<b>Investing Cashflow</b>	<b>(150)</b>	<b>(4,214)</b>	<b>(132)</b>	<b>17</b>	<b>127</b>
Debt raised	6,081	11,288	10,000	10,000	10,000
Debt repaid	(4,967)	(6,825)	(8,000)	(8,000)	(8,000)
Interest expenses	(704)	(1,065)	(1,294)	(1,310)	(1,470)
Equity raised	1,352	308	-	-	-
Dividend to shareholders	-	(185)	(537)	(641)	(846)
Others	(202)	175	529	(50)	(50)
<b>Financing Cashflow</b>	<b>1,560</b>	<b>3,696</b>	<b>698</b>	<b>(1)</b>	<b>(366)</b>
<b>Net cash inflow/ (outflow)</b>	<b>2,017</b>	<b>2,470</b>	<b>947</b>	<b>5,982</b>	<b>12,340</b>
Cash- beginning	7,762	4,591	7,061	8,008	13,990
<b>Cash- year-end</b>	<b>9,779</b>	<b>7,061</b>	<b>8,008</b>	<b>13,990</b>	<b>26,330</b>

Source(s): 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 2009-2013

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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