



March 11, 2015  
Company Report  
Rating: BUY  
TP: HK\$ 2.30

Share price (HK\$) 1.61  
Est. share price return 42.9%  
Est. dividend yield 7.5%  
Est. total return 50.4%

Previous Rating & TP BUY; HK\$2.10  
Previous Report Date Feb 4, 2015

Analyst : Kenneth Tung  
Tel: (852) 2147 8311  
Email: kennethtung@abci.com.hk

**Key Data**

52Wk H/L(HK\$) 1.69/1.30  
Issued shares (mn) 6,027  
Market cap (HK\$ mn) 9,704  
3-mth avg daily turnover (HK\$ mn) 3.4  
Major shareholder(s) (%):  
Lin's family 56.7  
Source(s): Company, Bloomberg, ABCI Securities

**FY14 Revenue breakdown (%)**

Property development 96.8  
Property management 3.0  
Property investment 0.3  
Source(s): Company, ABCI Securities

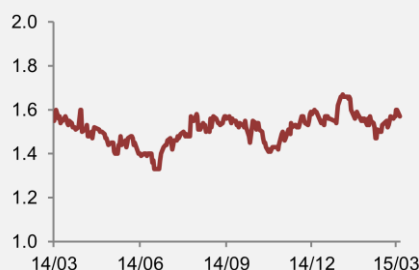
**Share performance (%)**

	Absolute	Relative*
1-mth	3.9	7.3
3-mth	1.3	(0.3)
6-mth	2.5	8.1

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

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



Source(s): Bloomberg, ABCI Securities

CIFI (884 HK)

A small/mid-cap top BUY on fast growth and high dividend

- FY14 core profit rose 28% YoY to RMB1.9bn, 6.4% higher than our forecast
- Results present 2 major positive surprises: 1) Net gearing dropped 10ppt YoY to 58%; 2) DPS surged 58% to HK\$0.11, implying a 6.9% yield
- Expect CIFI's borrowing cost to reduce further on S&P's upgrade
- 2015 sales target of RMB 25bn implies a 18% YoY growth
- Maintain **BUY** with revised TP of HK\$ 2.30 (from HK\$ 2.10) based on a 50% discount to NAV (lowered from 60%)

**FY14 core profit jumped 28% YoY to RMB 1.9bn.** CIFI's FY14 results surpassed our expectations. Core profit increased 28% YoY to RMB 1,939mn, 6.4% higher than our forecast on better-than-expected cost control on SG&A. Booked sales increased 35% YoY to RMB 15.6bn as GFA completion rose 14%YoY to 1.42mn sqm; ASP grew 18% YoY to RMB11,048/sqm. Gross margin improved 0.1ppt to 25.9% on higher ASP and increasing tier-1 exposure, while EBIT margin rose 1.8ppt YoY to 20.6% as SG&A expense grew only by 3% YoY despite presales jumped 38%YoY in FY14. Two major positive surprises include: **1) net gearing dropped by 10ppt YoY to 58%** as at Dec 2014, lower than the 60-80% range among peers; **2) DPS rose 57% YoY to HK\$ 0.11**, representing a 29% payout on core profit (vs. 25-28% in 2012-13). CIFI's current valuation is attractive with a **6.9% dividend yield**.

**2015 sales target of RMB 25bn implies a 18% YoY growth.** CIFI's 2015 sales target was set at RMB 25bn, assuming a 50% sell-through rate for its RMB 50bn of saleable resources. In particular, tier-1 cities represent 42% of total resources by value, which will support ASP and margins. In 2M15, CIFI only achieved RMB 2bn in presales, down 32% YoY. However management expects most sales to occur in 2H15 (Sep-Dec), as opposed to the even split in 1H/2H14. CIFI expects a major market recovery in 2H15, thus the Group strategizes to capture better ASP and margin by delaying their launches to later this year. Land acquisition is expected to speed up from RMB 7.5bn in 2014 to around RMB 9bn in 2015 to drive presales further. Despite a lower presales growth target of 18% YoY for 2015 (vs. 38% YoY in 2014), the Group is shifting its focus to margin and gearing improvement, which in turn should drive up dividend. As opposed to the high-growth, high-leverage model, we believe a more stable growth with higher dividend payout is a more sustainable route to follow and will be welcomed by investors. (continue next page)

**Results and Valuation**

FY ended Dec 31	2013A	2014A	2015E	2016E	2017E
Revenue (RMB mn)	11,909	16,179	18,176	18,251	17,795
Chg (% YoY)	46.2	35.9	12.3	0.4	(2.5)
Underlying Net Income (RMB mn) <sup>1</sup>	1,519	1,939	2,124	2,339	2,498
Chg (% YoY)	64.9	27.6	9.6	10.1	6.8
Underlying EPS (RMB)	0.25	0.32	0.35	0.39	0.41
Chg (% YoY)	57.9	27.6	9.6	10.1	6.8
BVPS (RMB)	1.43	1.69	1.93	2.18	2.46
Chg (% YoY)	25.9	18.5	13.7	13.4	12.6
Underlying PE (x)	5.1	4.0	3.7	3.3	3.1
P/B (x)	0.9	0.8	0.7	0.6	0.5
ROE (%)	17.6	19.0	18.3	17.8	16.9
ROA (%)	3.9	4.5	4.7	4.8	4.7
DPS(HK\$)	0.07	0.11	0.12	0.13	0.14
Yield (%)	4.3	6.8	7.5	8.1	8.7
Net gearing <sup>2</sup> (%)	67.9	58.2	67.1	11.6	(46.4)

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

<sup>2</sup>Net gearing=Net debt/Total equity

Source(s): Bloomberg, ABCI Securities estimates



**Corporate credit upgraded to BB- from B+ by S&P.** Amid increasing anti-corruption effort in China's property sector, CIFI's ability to obtain low-cost debts remains intact. Effective interest rate was low at 8.3% as at Dec 14, down by 0.4ppt from 8.7% as at June 2014. CIFI's bond yield has risen by 30bps over the past 3 months to 8.7% since the Kaisa incident, compared to the average increase of 1.9ppt (from 9.2% to 11.1%) among other small/mid-cap private developers. CIFI's corporate credit was upgraded by S&P in Feb 2015, thus we expect the Group's finance cost to trend down further.

**Maintain BUY with revised TP at HK\$ 2.30.** Despite the oversupply issue in 2014, CIFI managed to achieve faster-than-peer presales growth while improving its margin and net gearing at the same time. Also, continuous reduction in borrowing cost should allow CIFI to outperform amid the credit crisis triggered by anti-corruption effort in China. While we lower CIFI's NAV to HK\$ 4.53 (from HK\$ 5.16) to account for the lower-than-expected presales in 2M15, we also revise down our NAV discount to 50% (from 60% previously) based on its improved risk profile. As a result, TP is raised to HK\$ 2.30 (from HK\$ 2.10). CIFI's solid balance sheet, steady growth outlook, and attractive valuation with a 6.9% dividend yield have prompted us to select the Group as our top **BUY** among the small/mid cap developers in China.

**Risk factors:** 1) Expensive land acquisition may expand presales scale but erode margins; 2) Low daily turnover of the CIFI's shares.

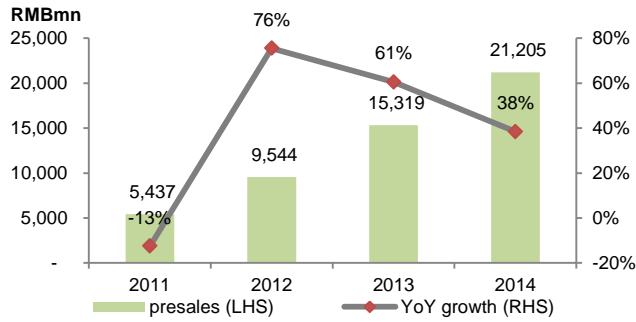
**Exhibit 1: CIFI's 2014 results**

P&L	FY14	FY13	YoY Chg	Operating statistics	FY14	FY13	YoY Chg
	RMB mn	RMB mn	(%)				%
<b>Turnover</b>	<b>16,179</b>	<b>11,909</b>	<b>35.9</b>	Presales GFA (mn sqm)	1.73	1.43	21.3
Cost of Sales & direct operating costs	(11,993)	(8,841)	35.7	Presales ASP (RMB/sqm)	12,236	10,725	14.1
<b>Gross Profit</b>	<b>4,187</b>	<b>3,069</b>	<b>36.4</b>	<b>Presale (RMB mn)</b>	<b>21,205</b>	<b>15,319</b>	<b>38.4</b>
<b>Gross Margin (%)</b>	<b>25.9</b>	<b>25.8</b>	<b>0.1</b>	GFA Delivered (mn sqm)	1.42	1.24	14.4
Selling and distribution costs	(319)	(309)	3.5	Booked ASP (RMB/sqm)	11,048	9,346	18.2
Administrative expense	(529)	(514)	3.1	<b>Property sales booked (RMB mn)</b>	<b>15,654</b>	<b>11,579</b>	<b>35.2</b>
<b>EBIT</b>	<b>3,338</b>	<b>2,246</b>	<b>48.6</b>	<b>Balance sheet</b>	<b>Dec-14</b>	<b>Dec-13</b>	<b>YoY chg</b>
<b>EBIT Margin (%)</b>	<b>20.6</b>	<b>18.9</b>	<b>1.8</b>		<b>RMB</b>	<b>RMB</b>	<b>ppt</b>
Other income	103	75	38.1		<b>mn</b>	<b>mn</b>	
Fair Value gains on IP and other exceptional items	389	857	na	Gross debt	13,861	13,374	3.6
Share of profit from JCE/ Associates	(119)	(14)	740.9	Cash	7,124	7,161	(0.5)
Finance cost	(386)	(188)	104.9	<b>Net debt</b>	<b>6,737</b>	<b>6,213</b>	<b>8.4</b>
<b>Profit before tax</b>	<b>3,325</b>	<b>2,975</b>	<b>11.8</b>	<b>Net gearing (%)</b>	<b>58%</b>	<b>68%</b>	<b>-10ppt</b>
<b>Tax</b>	<b>(1,325)</b>	<b>(934)</b>	<b>41.9</b>	<b>Cash flow</b>	<b>FY14</b>	<b>FY15E</b>	
- LAT	(473)	(321)	47.4		<b>RMB</b>	<b>RMB</b>	
- Enterprise tax	(852)	(613)	39.0		<b>bn</b>	<b>bn</b>	
<b>Profit after tax</b>	<b>2,000</b>	<b>2,041</b>	<b>(2.0)</b>	Presale	21.2		
Minority Interest	(138)	(147)	(5.8)	Cash collection rate (%)	80%		
<b>Net profit</b>	<b>1,861</b>	<b>1,894</b>	<b>(1.7)</b>	<b>Cash inflow</b>	<b>17.0</b>		
<b>Core net profit</b>	<b>1,939</b>	<b>1,519</b>	<b>27.6</b>	Land acquisition	(6.6)	(9.0)	
<b>Core net margin</b>	<b>12.0</b>	<b>12.8</b>		Construction capex	(5.5)	(7.0)	
				Tax	(1.6)	(2.0)	
				Interest	(1.2)	(1.5)	
				SG&A	(0.8)	(1.0)	
				<b>Cash outflow</b>	<b>(15.7)</b>	<b>(20.5)</b>	

Source(s): Company, ABCI Securities estimates

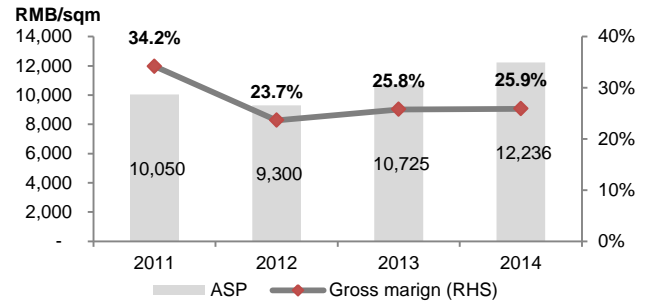


**Exhibit 2: CIFI's presales**



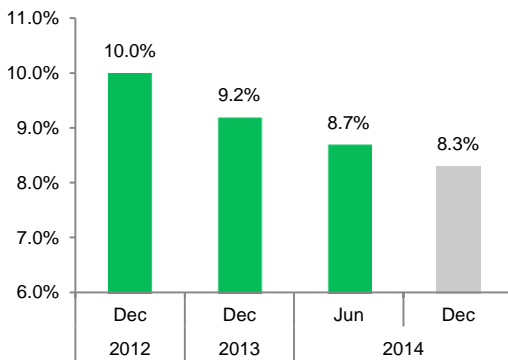
Source(s): Company, ABCI Securities

**Exhibit 3: CIFI's ASP**



Source(s): Company, ABCI Securities

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



Source(s): Company, ABCI Securities

**Exhibit 5: CIFI's cost of debt by borrowing type**

	Amount (RMB mn)		% of total		Average interest cost (%)	
	Dec-14	Dec-13	Dec-14	Dec-13	Dec-14	Dec-13
<b>Onshore</b>						
Bank loans	7,759	6,734	56%	51%	7.0%	7.3%
Trust loans	810	2,489	6%	19%	9.4%	12.7%
<b>Offshore</b>						
Bank loans	935	931	7%	7%	6.0%	6.0%
Senior notes	4,357	3,138	31%	24%	11.0%	11.8%
<b>Total</b>	<b>13,861</b>	<b>13,292</b>	<b>100%</b>	<b>100%</b>	<b>8.3%</b>	<b>9.2%</b>

Source(s): Company, ABCI Securities

**Exhibit 6: CIFI's FY15E NAV**

	Attr. GFA (M sqm)	Net assets value (RMB m)	% of total	Valuation Method	Implied value per sqm (RMB)
<b>Property development</b>					
Shanghai	1.2	7,542	24%	DCF at WACC of 9.8%	6,285
Suzhou	1.1	4,219	13%		3,758
Hangzhou	0.4	2,346	7%		6,493
Beijing	0.4	2,568	8%		6,979
Tianjin	1.0	2,738	9%		2,685
Chongqing	1.2	2,908	9%		2,505
Others	4.6	8,440	27%		1,819
<b>Subtotal</b>	<b>9.9</b>	<b>30,760</b>	<b>98%</b>		<b>3,116</b>
<b>Property investment &amp; management</b>		750	2%	6.0% cap rate on 2015E net rental income	
<b>Total 2015E GAV</b>		<b>31,511</b>	<b>100%</b>		
2015E Net debt		(9,653)	-31%		
<b>Total 2015E NAV</b>		<b>21,858</b>	<b>69%</b>		
No. of share outstanding (diluted)		6,027			
<b>NAV per share (RMB)</b>		<b>3.63</b>			
Ex rate		1.25			
<b>NAV per share (HKD)</b>		<b>4.53</b>			
Target discount (%)		50%			
<b>Target Price (HKD)</b>		<b>2.30</b>			

<b>WACC</b>	<b>9.8%</b>
Cost of Debt	8.0%
Cost of Equity	15.0%
<b>Debt / (Debt + Equity)</b>	<b>58%</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	2014		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	BUY	28.30	192	23.10	3	0	8	(18.27)	10.0	8.6	7.8	2.0	2.3	2.6	1.7	1.5	1.3
2	Vanke-H	2202 HK	NR		172	17.76	12	3	30	(6.86)	13.7	8.9	7.5	2.9	3.5	4.0	2.0	1.7	1.5
3	CR Land	1109 HK	NR		135	20.20	7	(1)	10	(27.99)	14.5	10.7	9.2	2.2	2.5	2.8	1.4	1.3	1.1
4	Country Garden	2007 HK	NR		63	3.08	(5)	(1)	(28)	(54.57)	6.0	4.8	4.4	6.7	7.2	8.0	0.9	0.9	0.8
5	Shimao	813 HK	NR		57	16.36	(8)	(6)	4	(50.22)	6.3	5.3	4.7	4.8	5.8	6.5	1.1	1.0	0.8
6	Longfor	960 HK	NR		60	10.24	3	3	(5)	(46.75)	7.9	6.8	5.9	2.8	2.9	3.2	1.1	1.1	0.9
7	Evergrande	3333 HK	BUY	3.80	49	3.27	7	4	24	(66.01)	4.1	4.9	3.3	16.3	7.1	10.5	0.6	0.4	0.4
8	Sino Ocean	3377 HK	NR		37	4.89	7	11	(8)	(45.77)	8.8	8.2	7.2	4.7	4.7	5.2	0.7	0.7	0.6
9	Guangzhou R&F	2777 HK	NR		29	8.80	(4)	(7)	(11)	(71.57)	4.0	4.5	3.9	8.7	7.3	8.2	0.7	0.6	0.5
10	Sunac	1918 HK	BUY	9.70	23	6.95	(4)	(12)	81	(71.26)	5.3	4.9	4.0	3.4	3.6	4.5	1.4	1.1	0.9
11	Yuexiu Properties	123 HK	NR		19	1.53	(1)	3	(13)	(65.62)	12.3	7.4	7.1	5.0	5.1	5.4	0.5	0.5	0.5
12	Agile	3383 HK	NR		18	4.55	5	3	(43)	(74.12)	3.2	3.2	3.3	10.3	7.5	7.6	0.4	0.4	0.4
13	KWG	1813 HK	NR		15	4.92	(14)	(7)	33	(68.01)	5.1	4.1	3.4	7.3	7.5	8.7	0.6	0.6	0.5
14	Greentown	3900 HK	HOLD	8.50	15	6.68	(14)	(13)	(30)	(60.77)	3.1	3.3	3.3	8.0	7.4	7.4	0.5	0.5	0.4
15	Kaisa	1638 HK	Under review		8	1.50	(50)	(6)	(33)	(77.79)	2.7	2.1	2.0	10.0	10.7	13.9	0.4	0.3	0.3
<b>16</b>	<b>CIFI</b>	<b>884 HK</b>	<b>BUY</b>	<b>2.30</b>	<b>9</b>	<b>1.61</b>	<b>(3)</b>	<b>(1)</b>	<b>(3)</b>	<b>(64.49)</b>	<b>5.2</b>	<b>4.0</b>	<b>3.7</b>	<b>4.3</b>	<b>6.8</b>	<b>7.5</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>
17	COGO	81 HK	NR		9	3.84	1	(3)	(46)	(70.39)	3.3	7.5	3.6	2.9	1.8	2.5	0.8	0.7	0.6
18	BJ Capital Land	2868 HK	NR		8	3.86	40	31	22	(29.82)	5.7	3.4	2.5	7.1	8.3	9.0	0.8	na	na
19	China Aoyuan	3883 HK	BUY	1.90	4	1.24	(2)	1	(18)	(77.55)	4.0	3.5	2.7	8.0	8.6	9.3	0.4	0.3	0.3
<b>HK Listed Avg</b>							<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>(55.15)</b>	<b>6.6</b>	<b>5.6</b>	<b>4.7</b>	<b>6.2</b>	<b>5.8</b>	<b>6.7</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>
<b>- Large cap (&gt;HKD30b) avg</b>							<b>3</b>	<b>2</b>	<b>4</b>	<b>(39.55)</b>	<b>8.9</b>	<b>7.3</b>	<b>6.3</b>	<b>5.3</b>	<b>4.5</b>	<b>5.3</b>	<b>1.2</b>	<b>1.1</b>	<b>0.9</b>
<b>- Small-mid cap (&lt;HKD30b) avg</b>							<b>(4)</b>	<b>(1)</b>	<b>(5)</b>	<b>(66.49)</b>	<b>4.9</b>	<b>4.4</b>	<b>3.6</b>	<b>6.8</b>	<b>6.8</b>	<b>7.6</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>
1	Vanke-A	000002 CH	NR		172	12.76	23	(8)	56	(17.14)	11.4	7.6	6.4	3.2	3.6	4.3	1.8	1.5	1.3
2	Poly-A	600048 CH	NR		130	10.11	46	(7)	105	(41.90)	12.1	8.1	6.7	1.9	2.4	3.0	1.9	1.6	1.4
3	China Merchants Property	000024 CH	NR		73	25.59	60	(3)	96	(24.14)	17.6	13.0	10.9	1.2	1.5	1.9	2.3	2.0	1.7
4	Gemdale	600383 CH	NR		51	9.29	9	(19)	74	(26.15)	11.5	10.8	9.1	1.0	1.6	1.7	1.4	1.3	1.2
<b>A-share Listed Avg</b>							<b>35</b>	<b>(9)</b>	<b>83</b>	<b>(27.33)</b>	<b>13.1</b>	<b>9.9</b>	<b>8.3</b>	<b>1.8</b>	<b>2.3</b>	<b>2.7</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>
<b>Commercial:</b>																			
1	SOHO China	410 HK	NR		29	5.50	(6)	0	(14)	(31.25)	5.2	10.6	18.9	5.6	5.8	5.6	0.6	0.6	0.6
2	HLP	101 HK	NR		99	22.05	(7)	1	(8)	(36.49)	19.6	15.3	15.9	3.4	3.5	3.6	0.7	0.7	0.7
3	China South City	1668 HK	BUY	4.60	19	2.40	(40)	(32)	67	(73.65)	6.1	5.5	4.0	5.8	7.9	10.0	0.8	0.9	0.8
4	Hui Xian REIT	87001 HK	NR		23	3.50	(1)	1	(3)	(20.00)	25.1	15.9	15.2	7.0	7.1	7.4	0.6	0.7	0.7
5	Franshion	817 HK	BUY	3.30	20	2.17	2	(2)	(14)	(67.32)	7.3	6.8	6.0	4.4	4.8	5.4	0.7	0.7	0.6
6	Shui On Land	272 HK	NR		14	1.76	(8)	(4)	(21)	(50.77)	9.7	16.1	15.4	3.5	2.9	2.9	0.3	0.3	0.3
8	Yuexiu REIT	405 HK	NR		12	4.28	8	10	11	na	50.4	24.6	23.4	6.8	7.2	7.3	0.7	0.8	0.8
9	Zall	2098 HK	NR		8	2.41	(10)	(10)	(2)	na	24.7	na	na	0.0	na	na	1.0	na	na
10	Wuzhou	1369 HK	NR		6	1.33	(25)	(10)	9	na	14.3	7.2	4.9	2.6	na	na	2.0	na	na
<b>Commercial Avg</b>							<b>(12)</b>	<b>(7)</b>	<b>3</b>	<b>(51.05)</b>	<b>16.5</b>	<b>11.6</b>	<b>11.7</b>	<b>5.3</b>	<b>7.1</b>	<b>7.9</b>	<b>0.8</b>	<b>0.7</b>	<b>0.6</b>
<b>- Developers</b>							<b>(13)</b>	<b>(9)</b>	<b>5</b>	<b>(55.75)</b>	<b>11.2</b>	<b>9.1</b>	<b>9.5</b>	<b>4.9</b>	<b>7.1</b>	<b>8.1</b>	<b>0.9</b>	<b>0.6</b>	<b>0.6</b>
<b>- Landlords/REIT</b>							<b>(16)</b>	<b>(13)</b>	<b>(3)</b>	<b>(48.95)</b>	<b>37.7</b>	<b>20.2</b>	<b>19.3</b>	<b>6.9</b>	<b>7.1</b>	<b>7.4</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>

\* Share price as at Mar 10, 2015

Source(s): Bloomberg, ABCI Securities estimates



**Consolidated income statement (2013A-2017E)**

<b>FY Ended Dec 31 (RMB mn)</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
<b>Revenue</b>	<b>11,909</b>	<b>16,179</b>	<b>18,176</b>	<b>18,251</b>	<b>17,795</b>
Cost of sales	(8,841)	(11,993)	(12,834)	(12,964)	(12,600)
<b>Gross Profit</b>	<b>3,069</b>	<b>4,187</b>	<b>5,342</b>	<b>5,287</b>	<b>5,195</b>
SG&A expenses	(822)	(849)	(891)	(916)	(913)
<b>EBIT</b>	<b>2,246</b>	<b>3,338</b>	<b>4,452</b>	<b>4,371</b>	<b>4,282</b>
Finance cost	(188)	(386)	(119)	(133)	(147)
Share of profit of associates	(14)	(119)	370	482	447
Other income/ (expenses)	75	103	69	112	216
Fair value gain of investment properties	757	245	-	-	-
Disposal/one-off items	100	143	-	-	-
<b>Profit before tax</b>	<b>2,975</b>	<b>3,325</b>	<b>4,773</b>	<b>4,831</b>	<b>4,798</b>
Tax	(934)	(1,325)	(1,903)	(1,874)	(1,865)
<b>Profit after tax</b>	<b>2,041</b>	<b>2,000</b>	<b>2,869</b>	<b>2,957</b>	<b>2,932</b>
Minority interest	(147)	(138)	(745)	(619)	(435)
<b>Reported net profit</b>	<b>1,894</b>	<b>1,861</b>	<b>2,124</b>	<b>2,339</b>	<b>2,498</b>
<i>Less: exceptional items</i>	<i>(375)</i>	<i>78</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Underlying net profit</b>	<b>1,519</b>	<b>1,939</b>	<b>2,124</b>	<b>2,339</b>	<b>2,498</b>
<b>Per share</b>					
Underlying EPS (RMB)	0.25	0.32	0.35	0.39	0.41
DPS (RMB)	0.07	0.11	0.12	0.13	0.14
Payout ratio (%)	28%	34%	34%	34%	34%
BVPS (RMB)	1.43	1.69	1.93	2.18	2.46
<b>Growth %</b>					
Revenue	46.2%	35.9%	12.3%	0.4%	-2.5%
Gross Profit	59.3%	36.4%	27.6%	-1.0%	-1.7%
EBIT	63.2%	48.6%	33.4%	-1.8%	-2.0%
Underlying net profit	64.9%	27.6%	9.6%	10.1%	6.8%
<b>Margin %</b>					
Gross margin	25.8%	25.9%	29.4%	29.0%	29.2%
Gross margin (post-LAT)	23.7%	23.7%	24.0%	23.7%	23.9%
EBIT margin	18.9%	20.6%	24.5%	23.9%	24.1%
Core net margin	11.9%	11.3%	13.7%	13.6%	14.0%
<b>Key assumptions</b>					
Presale (RMB mn)	15,319	21,205	24,365	24,253	21,960
GFA sold (mn sqm)	1.43	1.73	1.85	1.79	1.47
ASP (RMB/sqm)	10,725	12,236	13,185	13,542	14,949
Booked Sales (RMB mn)	11,579	15,654	17,623	17,669	17,182
GFA delivered (mn sqm)	1.24	1.42	1.42	1.39	1.29
Booked ASP (RMB/sqm)	9,346	11,048	12,370	12,675	13,359

Source: Company, ABCI Securities estimates



Consolidated balance sheet (2013A-2017E)

As of Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
<b>Current assets</b>	<b>29,829</b>	<b>30,052</b>	<b>31,686</b>	<b>35,336</b>	<b>39,008</b>
Cash	7,061	7,094	6,698	15,551	27,614
Restricted cash	100	30	30	30	30
Trade & other receivables	3,370	5,017	5,017	5,017	5,017
Property under development	16,996	15,223	17,252	12,049	3,659
Other current assets	2,302	2,688	2,688	2,688	2,688
<b>Non-current assets</b>	<b>9,277</b>	<b>13,487</b>	<b>13,667</b>	<b>13,869</b>	<b>14,064</b>
Property, plant & equipment	47	48	54	60	66
Investment properties	4,650	5,206	5,206	5,206	5,206
Investment in Associate and JCE	4,299	7,907	8,081	8,277	8,467
Other non-current assets	281	325	325	325	325
<b>Total Assets</b>	<b>39,106</b>	<b>43,539</b>	<b>45,352</b>	<b>49,204</b>	<b>53,072</b>
<b>Current Liabilities</b>	<b>18,632</b>	<b>20,111</b>	<b>19,893</b>	<b>21,680</b>	<b>23,560</b>
Short term borrowings	3,017	3,035	5,035	7,035	9,035
Trade & other payables	6,330	10,110	10,110	10,110	10,110
Pre-sales deposits	8,068	5,016	2,798	2,585	2,465
Other current assets	1,218	1,950	1,950	1,950	1,950
<b>Non-current liabilities</b>	<b>11,318</b>	<b>11,845</b>	<b>11,845</b>	<b>11,845</b>	<b>11,845</b>
Long term borrowings	10,357	10,825	10,825	10,825	10,825
Other payables	-	-	-	-	-
Other non-current assets	961	1,019	1,019	1,019	1,019
<b>Total Liabilities</b>	<b>29,951</b>	<b>31,956</b>	<b>31,738</b>	<b>33,524</b>	<b>35,405</b>
<b>Net Assets</b>	<b>9,155</b>	<b>11,583</b>	<b>13,614</b>	<b>15,680</b>	<b>17,667</b>
<b>Shareholders Equity</b>	<b>8,611</b>	<b>10,205</b>	<b>11,606</b>	<b>13,161</b>	<b>14,815</b>
Perpetual capital instrument	-	586	521	463	411
Minority Interest	544	792	1,487	2,056	2,441
<b>Total Equity</b>	<b>9,155</b>	<b>11,583</b>	<b>13,614</b>	<b>15,680</b>	<b>17,667</b>
<b>Key ratio</b>					
Gross debt (RMB mn)	13,374	13,861	15,861	17,861	19,861
Net debt (RMB mn)	6,213	6,737	9,133	2,280	(7,783)
Net gearing (%)	68%	58%	67%	12%	-46%
Presale/ Total assets (x)	39%	49%	54%	49%	41%

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2013A-2017E)

FY ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
EBITDA	2,259	3,352	4,466	4,385	4,296
Change in Working Capital	1,545	2,035	(3,177)	6,186	9,597
Tax payment	(817)	(1,325)	(1,903)	(1,874)	(1,865)
<b>Operating cash flow</b>	<b>2,988</b>	<b>4,062</b>	<b>(614)</b>	<b>8,698</b>	<b>12,028</b>
Purchase of PP&E	(17)	(20)	(20)	(20)	(20)
Addition of Investment Properties	35	-	-	-	-
Others	(4,233)	(3,135)	266	397	474
<b>Investing cash flow</b>	<b>(4,214)</b>	<b>(3,155)</b>	<b>246</b>	<b>377</b>	<b>454</b>
Debt raised	11,288	10,000	10,000	10,000	10,000
Debt repaid	(6,825)	(9,508)	(8,000)	(8,000)	(8,000)
Interest expenses	(1,065)	(1,436)	(1,189)	(1,330)	(1,474)
Equity raised	308	-	-	-	-
Dividend to shareholders	(185)	(663)	(723)	(783)	(844)
Others	175	732	(115)	(108)	(101)
<b>Financing cash flow</b>	<b>3,696</b>	<b>(874)</b>	<b>(27)</b>	<b>(222)</b>	<b>(419)</b>
<b>Net cash inflow/ (outflow)</b>	<b>2,470</b>	<b>33</b>	<b>(395)</b>	<b>8,853</b>	<b>12,063</b>
Cash- beginning	4,591	7,061	7,094	6,698	15,551
<b>Cash- year-end</b>	<b>7,061</b>	<b>7,094</b>	<b>6,698</b>	<b>15,551</b>	<b>27,614</b>

Source(s): Company, ABCI Securities estimates



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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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**Office address: ABCI Securities Company Limited, 13/F Fairmont House,  
8 Cotton Tree Drive, Central, Hong Kong.  
Tel: (852) 2868 2183**