

October 16, 2014

Sector Rating: Overweight

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Key Data

Avg.15E P/E (x)	4.2
Avg.15E P/B (x)	0.6
Avg.15E Dividend Yield (%)	7.1

Source(s): ABCI Securities estimates

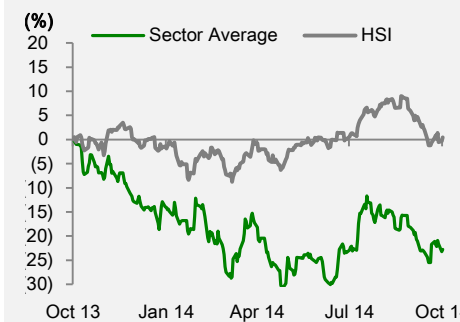
Sector performance (%)

	Absolute	Relative*
1-mth	(5.9)	(0.3)
3-mth	1.1	0.4
6-mth	(2.5)	(5.4)

* Relative to Hang Seng Index

Source(s): Bloomberg, ABCI Securities

1-Year Sector performance



Source(s): Bloomberg, ABCI Securities

China Property Sector The sector is flashing BUY

- ❖ We believe recent policies of mortgage easing are conducive to a market recovery in 4Q14. Together with the improving sentiment indicated by a 9%YoY presales growth in Sep, conditions supportive of a rebound in the China's residential property sector are in place. We are convinced that the current situation presents an ideal BUYING opportunity for investor
- ❖ Following the detainment of chairmen in Hydo and Agile, we believe investors would take more precautions against developers active in tier-3/4 regions where the process of land acquisition is usually less transparent
- ❖ We prefer Kaisa (1638 HK) and CIFI (884 HK) over other residential players in China based on their high exposure in tier-1 cities, where home sales would benefit from the recent mortgage easing

Policy easing will unleash suppressed property demand. We believe property market is turning around with recent policy easing. Following relaxation of the home purchase restriction (HPR), the government announced to ease mortgage lending by lowering down payment and mortgage rate to 0.7 times PBOC rate. In fact, the discounted mortgage rate in 2012 (0.85 times PBOC rate) was the key reviver of the property market in 2012. We believe the more aggressive relaxation would provide a strong support to the property market.

Presale is set to rebound in 4Q14. In Sep, the traditional peak season for home sales in China, major developers had registered a healthy growth of 9%YoY in presales before mortgage easing was announced. We expect the improving sentiment, as well as the more affordable mortgage rate, would deliver a potent boost to presales in 4Q14 and drive up share prices in the sector. We believe tier-1 cities are likely to benefit more than lower-tier ones given the higher proportion of mortgage-funded buyers in the former.

Rising litigation concerns over developers active in tier-3/4 regions. Agile's Chairman Chen Zhuolin was placed under custody by the Chinese prosecutors in Oct. Subsequently, the company's right issue was called off and concerns of Agile's ability to repay the US\$ 475mn offshore loan in Dec are rising. We believe investors would be cautious against developers active in tier-3/4 regions, where the process of land acquisition is usually less transparent. Shares of Evergrande and Country Garden would be under pressure

Our top picks are Kaisa and CIFI. We prefer Kaisa and CIFI over other residential players in China based on their high exposure in tier-1 cities where home sales would benefit from the recent mortgage easing. For 9M14, presales of Kaisa and CIFI jumped 16% YoY and 36% YoY, outperforming the sector average growth of 11% YoY. Rolling over our NAV forecasts to FY15E, we raise Kaisa's TP to HK\$ 5.00 (from HK\$ 4.00) based on a 50% discount to NAV; CIFI's TP is revised up to HK\$ 2.30 (from HK\$ 2.20) based on a 60% discount to NAV.

Risk factors: 1) Intensifying competition for land; 2) Aggressive price cut to clear inventories may hurt margins; 3) Litigation risks related to improper land acquisitions

Sector Valuation Summary (data as of Oct 15, 2014)

Company	Ticker	Rating	Price (HK\$)	TP (HK\$)	FY14E P/E(x)	FY15E P/E (x)	FY14E P/B (x)	FY15E P/B (x)	FY14E Yield (%)	FY15E Yield (%)
Kaisa	1638 HK	BUY	2.97	5.00	4.1	3.6	0.7	0.6	5.4	7.3
CIFI	884 HK	BUY	1.45	2.30	3.6	3.1	0.7	0.6	6.0	7.2
Aoyuan	3883 HK	BUY	1.23	2.50	3.2	2.0	0.3	0.3	7.9	12.4
Sunac	1918 HK	BUY	6.43	9.80	3.6	3.4	1.0	0.8	5.1	5.2
Evergrande	3333 HK	BUY	2.99	3.80	4.4	3.0	0.4	0.3	7.9	11.8
Greentown	3900 HK	HOLD	7.72	8.50	3.7	3.8	0.5	0.5	7.0	6.6
COLI	688 HK	HOLD	21.30	23.70	7.5	6.5	1.4	1.2	2.7	3.1
Franshion	817 HK	HOLD	1.83	2.10	5.6	4.9	0.6	0.5	5.2	6.6

Source(s): Companies, ABCI Securities estimates



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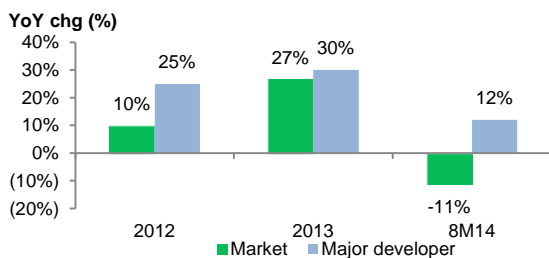
Policy relaxation and presales rebound signals BUYING

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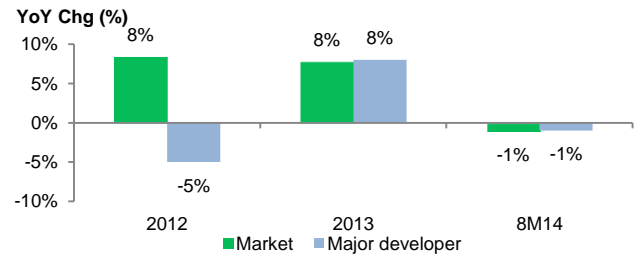
Policy relaxation and presales rebound signal BUYING opportunities

Gradual loosening of home-buying policies

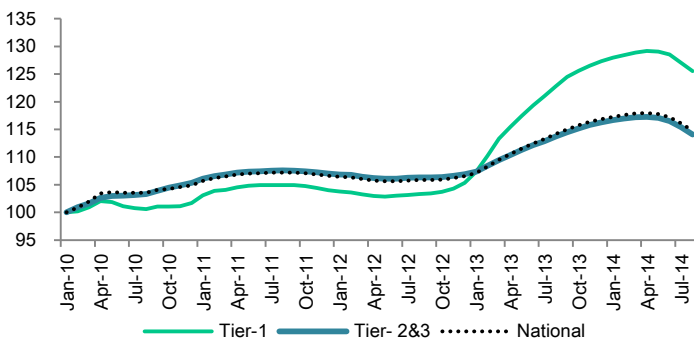
Home purchase restriction (HPR) has been lifted except in tier-1 cities and Sanya. Plagued by issues of oversupply and price-cutting since early 2014, China property sales declined 11% YoY while ASP dropped 1% in 8M14. Presales among major listed developers were less affected, registering a 12% YoY growth in revenue with ASP declining by 1% YoY. As national property price continues to fall (68 out of 70 cities recorded price decline in Aug), home purchase restriction (HPR) has been lifted gradually since 2Q14. Except for tier-1 cities (Beijing, Shanghai, Guangzhou and Shenzhen) and Sanya, 42 cities in China have removed relevant restrictions as of Oct 2014. Recently, it has been reported that each married couple can own a maximum of 4 homes in Guangzhou.

Exhibit 1: Presales of major developers


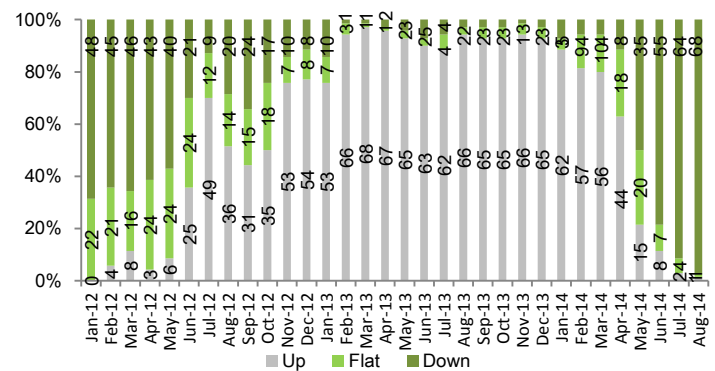
Source(s): NBS, Companies, ABCI Securities

Exhibit 2: ASP of major developer's ASP


Source(s): NBS, Companies, ABCI Securities

Exhibit 3: Property price of 70 major cities (Jan 10=100)


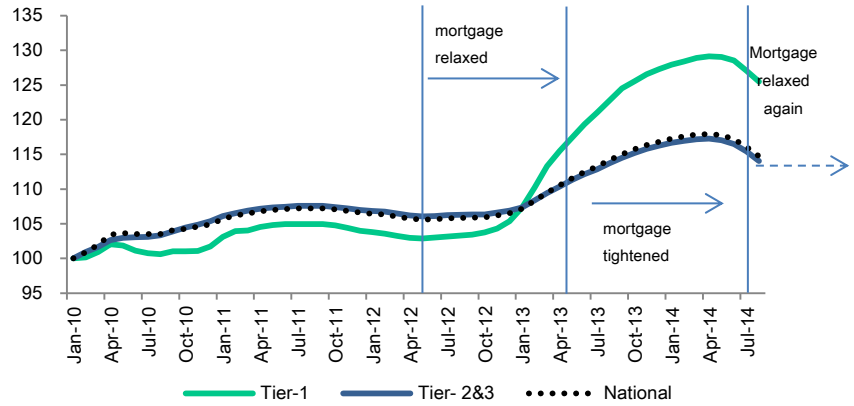
Source(s): NBS, ABCI Securities

Exhibit 4: Property price of 70 major cities


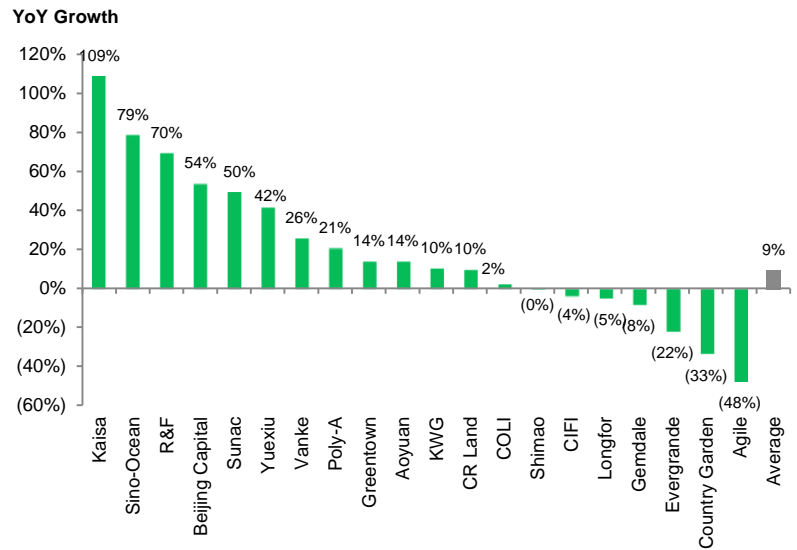
Source(s): NBS, ABCI Securities

Latest mortgage easing is more aggressive than 2012. Relaxation of HPR has supported sales in Sep, the peak season for home sales in China, and major developers registered a 9% YoY growth on average. On Sep 30, 2014, the PBOC announced policies to relax mortgage lending by reducing down payment of second-home buyer to 30% (from 50-70% previously) on the condition that the first-home mortgage is fully repaid. Also, for first-home buyers, mortgage rate is lowered to 0.7 times the PBOC rate.

Discounted mortgage was the key policy employed to revive the property market amid the down cycle in 2012. Property price rebounded 6 months following the mortgage easing in 2H12. We believe the relaxation this round is even more aggressive with the reduced down-payment ratio of 30% for second-home buyers (from 50-70% range previously) and lower mortgage rate (0.7 times the PBOC rate vs 0.85 times in 2012). We believe this would provide strong support to presales and ASP in 2015.

Exhibit 5: Movement of property price in a mortgage cycle


Source(s): NBS; ABCI Securities

Exhibit 6: Presales in Sep 2014 among major developers


Source(s): Companies; ABCI Securities

First-tier players as key beneficiaries

On the back of policy easing, we forecast that most developers would meet its 2014 sales target. As of Sep 14, major listed developers on average achieved 66.9% of their full-year target. We expect tier-1 players (e.g. Kaisa and CIFI) to enjoy stronger presales rebound in 4Q14, as positive impacts of mortgage relaxation should be larger in tier-1 cities given their higher proportions of mortgage buyers (E.g. 87% of Kaisa's presales in tier-1 cities are financed by mortgages vs 54% in lower-tier cities).

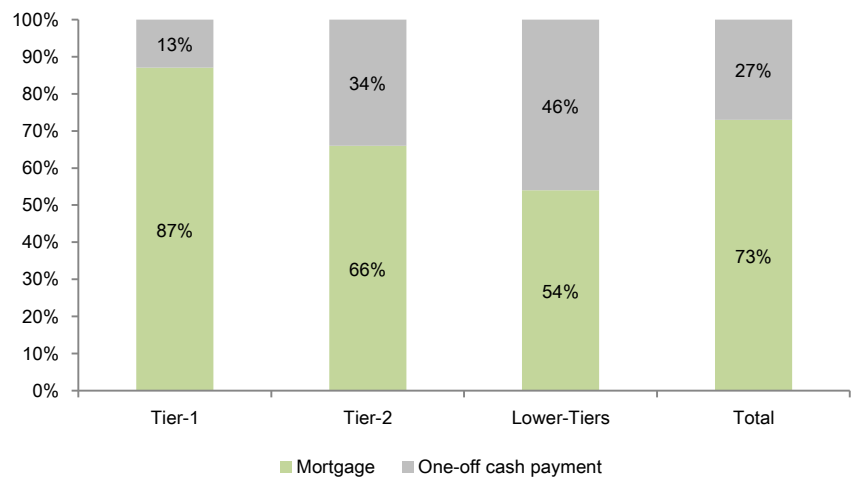
Exhibit 7: 9M14 presales and target completion ratio

	(RMB bn)	Sep-14	YoY	9M14	YoY	2014 Target	Achievement ratio
1	Beijing Capital	1.9	54%	14.4	49%	28	51.3%
2	R&F	7.4	70%	40.6	38%	65	62.4%
3	CIFI	1.5	35%	14.8	36%	22	67.0%
1	Sunac	7.6	50%	44.3	36%	65	68.1%
2	Evergrande	8.2	-22%	98.2	32%	112	87.7%
3	Aoyuan	0.9	14%	7.4	31%	15	49.2%
4	Country Garden	8.5	-33%	81.0	25%	128	63.3%
5	KWG	1.7	10%	14.8	24%	21	70.6%
6	Yuexiu	2.0	42%	15.3	23%	22	69.7%
7	Vanke	19.6	26%	149.1	16%	200	74.5%
8	Kaisa	4.4	109%	19.4	16%	30	64.7%
9	Agile	2.1	-48%	28.6	12%	48	59.6%
10	Shimao	7.0	0%	50.7	5%	80	63.4%
11	Greentown	7.4	14%	45.3	4%	65	69.7%
12	Poly-A	11.6	21%	91.8	4%	150	61.1%
13	COLI*	13.9	2%	106.0	-5%	140	75.7%
14	Longfor	4.2	-5%	32.4	-8%	57	56.8%
15	Gemdale	5.0	-8%	28.5	-11%	60	47.5%
19	CR Land	7.5	10%	44.3	-13%	70	63.3%
20	Sino-Ocean	6.0	79%	23.4	-16%	40	58.6%
Total		125.6	9%	928.4	11%	1418	66.9%

* in HK\$

Source(s): Companies; ABCI Securities estimates

Exhibit 8: Kaisa's presales by payment method (1H14)

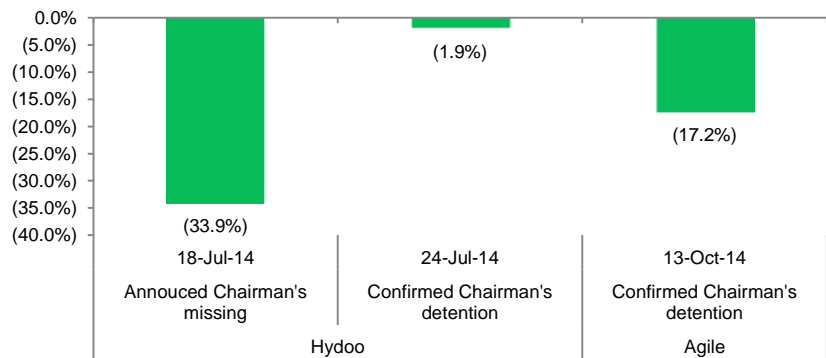


Source(s): Kaisa; ABCI Securities

Growing concerns on litigation risks

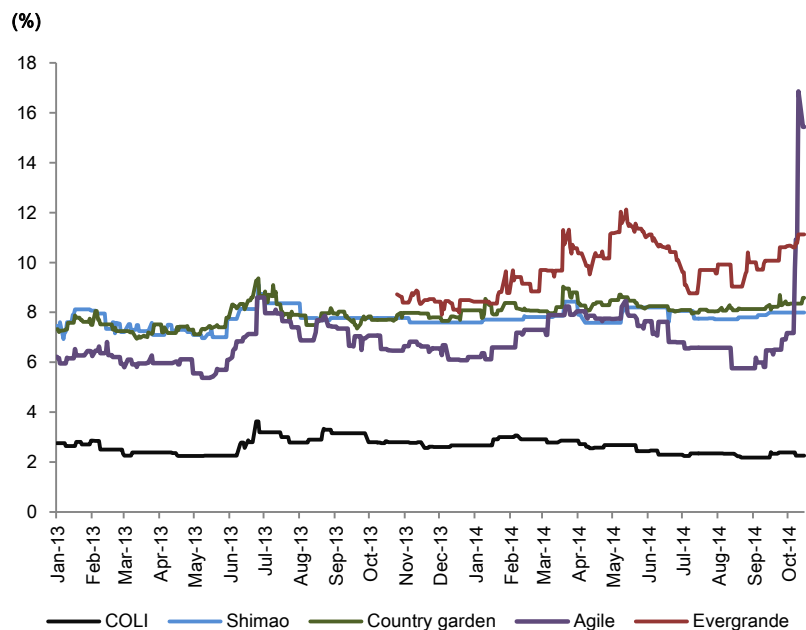
Following Hydo's Chairman Wong Chohing's detention by China's investigative authorities in July, Agile's Chairman Chen Zhuolin was placed under custody by the Chinese prosecutors in Oct. The company's right issue was called off subsequently and concerns of Agile's ability to repay the US\$ 475mn offshore loan in Dec are surfacing. As of 1H14, Agile's net gearing was 82%; gross debt was RMB 44.7bn and total cash was RMB13.9bn. The company's share price plunged 17.2% on the first day after resuming trading. We believe investors would be more cautious against developers active in tier-3/4 cities, where the process of land acquisition is usually less transparent. Evergrande and Country Garden's share price could be under pressure with their high exposure in tier-3/4 cities. Following the announcement of Chen's detention, Agile's bond yield surged almost 800bps, while that of Evergrande and Country Garden rose ~50bps and ~20bps. Since most sites in tier-1 cities are acquired through relatively transparent auctions or public tendering, developers focusing on these regions are less likely to face allegations related to improper land acquisition.

Exhibit 9: Single-day share performance of Hydo and Agile after resuming trading



Source(s): Bloomberg; ABCI Securities

Exhibit 10: Agile's bond yield vs. Evergrande's and Country Garden's



Source(s): Bloomberg; ABCI Securities

Stock Picks: Kaisa (1638 HK) and CIFI (884 HK)

We roll over our NAV estimates from FY14E to FY15E with discounts to NAV remaining little unchanged. The only exception is COLI, whose discount to NAV is raised to 10% (previous: 0%) as the company will likely experience slowing growth and declining margins. Also, its role as the proxy of mainland property stocks in HK stock market has been replaced by Vanke (2202 HK), who was ranked No. 1 by presale in China and had completed its B-to-H share conversion earlier in June 2014. We select Kaisa and CIFI as our top picks in the residential sector given their high exposure in tier-1 cities.

Exhibit 11: Changes in TP with valuations rolled over to FY15

Company	Rating	Ticker	NAV (HK\$)		Discount (%)		TP (HK\$)		
			Previous	Current	Previous	Current	Previous	Current	Change (%)
Kaisa	BUY	1638	8.03	10.03	50%	50%	4.00	5.00	25.0%
CIFI	BUY	884	5.60	5.81	60%	60%	2.20	2.30	4.5%
Aoyuan	BUY	3883	5.52	6.34	60%	60%	2.20	2.50	13.6%
Sunac	BUY	1918	19.50	24.44	60%	60%	7.80	9.80	25.6%
Evergrande	BUY	3333	10.06	9.62	60%	60%	4.00	3.80	-5.0%
Franshion	HOLD	817	5.78	5.01	60%	60%	2.30	2.00	-13.0%
COLI	HOLD	688	24.40	26.30	0%	10%	24.40	23.70	-2.9%
Greentown	HOLD	3900	18.50	17.00	50%	50%	9.30	8.50	-8.6%

Source(s): Companies; ABCI Securities estimates

Kaisa: Sep presales soared 109% YoY to RMB 4.4bn

- **Strong presales in Sep.** Kaisa's presales for Sep grew 109% YoY to reach a historical high of RMB4.4bn. In 9M14, Kaisa's presales was up 16% YoY to RMB19.4bn (ASP: +10% YoY/ GFA: +6% YoY). Accelerating sales schedule in 4Q14, together with the mortgage easing, would spur strong growth in the company's 4Q14 presales
- **Two high-margined projects to be launched in Guangzhou.** Geographically, Kaisa's presales in tier cities had been mainly from Shenzhen and Shanghai until the company made significant land acquisitions in Guangzhou in 2013. In 4Q14, Kaisa is launching 2 new projects in Guangzhou, namely, the Guangzhou Kaisa City Plaza and Guangzhou Shatai Project. We expect these projects to attain high margins as their ASPs are set at ~RMB20k/sqm, which is 100% higher than Kaisa's average ASP at the group level.
- **Maintain BUY with revised TP of HK\$ 5.00.** We roll over our valuation and raise our NAV estimate by 25% to HK\$ 10.03. We revise up our TP to HK\$ 5.00 (from HK\$ 4.00) based on a 50% discount to NAV. With a solid margin (>35%) supported partly by a steady redevelopment pipeline, Kaisa is our Top Buy in the residential sector.

CIFI: Active tier-1 landbanking at attractive prices

- **Presales soared 36% YoY in 9M14.** CIFI's presales surged 36% YoY to RMB 14.7bn in 9M14, outperforming the sector average growth of 11% YoY. CIFI's impressive presales in 1H14 were enabled by its focus on tier-1 cities. More specifically, 31% and 15% of its 1H14 presales were generated from Shanghai and Beijing.
- **Premium Shanghai site to bring lucrative returns.** Cooling land market provides a good opportunity for CIFI to acquire sites at cheap prices. In Sep 2014, CIFI acquired a 226k-sqm site in Pudong, Shanghai, at RMB 4,175mn, or RMB18,416/sqm. As ASP of properties in surrounding regions was ~RMB40k/sqm, we estimate gross margin would exceed 30% for this project.
- **Maintain BUY with revised TP of HK\$ 2.30.** Rolling over our valuation to FY15E, we raise our NAV estimate by 5% to HK\$ 5.80. TP is revised up to HK\$2.30 (from HK\$2.20) based on a 60% discount to NAV. We like CIFI for its solid execution capability and rational land replenishment strategy in tier- 1 cities. Maintain **BUY**.

Exhibit 12: Valuation table

China Property	Ticker	Rating	TP	Mkt cap	Share Price	Performance				Discount to NAV (%)	Valuation								
						3M	YTD	2013			P/E			Yield (%)			P/B		
											% Chg	% Chg	% Chg	2013A	2014E	2015E	2013A	2014E	2015E
Residential :																			
1	COLI	688 HK	HOLD	23.70	174	21.30	5	(2)	(6)	(12.64)	9.2	7.5	6.5	2.2	2.7	3.1	1.6	1.4	1.2
2	Vanke-H	2202 HK	NR		134	14.20	NA	NA	NA	(27.11)	10.7	6.9	5.9	3.7	4.4	5.1	1.6	1.4	1.2
3	CR Land	1109 HK	NR		105	17.94	16	(7)	(9)	(36.04)	11.3	9.1	7.7	2.4	2.8	3.3	1.2	1.1	1.0
4	Country Garden	2007 HK	NR		59	2.92	(13)	(37)	15	(56.93)	5.5	4.4	4.0	7.2	8.1	9.0	0.9	0.8	0.7
5	Shimao	813 HK	NR		56	16.02	1	(10)	22	(51.26)	6.0	5.0	4.3	5.0	6.1	6.9	1.0	0.9	0.8
6	Longfor	960 HK	NR		49	9.01	(10)	(17)	(29)	(53.15)	6.2	5.5	4.9	3.2	3.5	4.1	1.0	0.9	0.8
7	Evergrande	3333 HK	BUY	3.80	44	2.99	(11)	1	(30)	(68.92)	3.7	4.4	3.0	18.2	7.9	11.8	0.5	0.4	0.3
8	Guangzhou R&F	2777 HK	NR		26	8.02	(24)	(29)	(12)	(74.09)	3.5	3.9	3.3	9.8	8.4	9.5	0.6	0.5	0.5
9	Sino Ocean	3377 HK	NR		31	4.14	(2)	(19)	(12)	(54.09)	7.2	6.8	5.9	5.7	5.9	6.5	0.6	0.5	0.5
10	Agile	3383 HK	NR		14	4.16	(27)	(50)	(24)	(76.34)	2.5	2.6	2.6	11.5	9.7	10.1	0.4	0.3	0.3
11	Greentown	3900 HK	HOLD	8.50	17	7.72	(9)	(35)	(17)	(54.66)	3.5	3.7	3.8	7.0	6.6	6.6	0.6	0.5	0.5
12	Sunac	1918 HK	BUY	9.80	22	6.43	29	38	(23)	(73.69)	4.8	3.6	3.4	3.8	5.1	5.2	1.2	1.0	0.8
13	Yuexiu Properties	123 HK	NR		17	1.41	(4)	(22)	(22)	(68.31)	11.0	6.7	6.1	5.6	5.7	6.2	0.4	0.4	0.4
14	COGO	81 HK	NR		10	4.25	(18)	(42)	(21)	(67.23)	3.5	3.7	3.2	2.6	2.4	2.9	0.8	0.7	0.6
15	KWG	1813 HK	NR		16	5.45	9	27	26	(64.56)	5.4	4.3	3.7	6.7	6.9	8.0	0.7	0.6	0.6
16	Kaisa	1638 HK	BUY	5.00	15	2.97	17	19	4	(70.39)	5.2	4.1	3.6	5.1	5.4	7.3	0.7	0.7	0.6
17	CIFI	884 HK	BUY	2.30	9	1.45	(1)	(12)	4	(75.02)	4.5	3.6	3.1	4.8	6.0	7.2	0.8	0.7	0.6
18	BJ Capital Land	2868 HK	NR		6	2.75	3	4	(18)	(50.00)	3.9	2.9	2.2	10.1	10.1	10.6	0.5	na	na
19	China Aoyuan	3883 HK	BUY	2.50	3	1.23	(15)	(25)	12	(77.73)	3.9	3.2	2.0	8.2	7.9	12.4	0.4	0.3	0.3
HK Listed Avg							(3)	(12)	(11)	(58.54)	5.9	4.8	4.2	6.5	6.1	7.1	0.8	0.7	0.6
- Large cap (>HKD30b) avg							(2)	(13)	(7)	(45.02)	7.5	6.2	5.3	5.9	5.2	6.2	1.0	0.9	0.8
- Small-mid cap (<HKD30b) avg							(2)	(10)	(15)	(67.43)	4.8	3.9	3.5	6.7	6.6	7.4	0.7	0.6	0.5
1	Vanke-A	000002 CH	NR		134	9.41	8	17	(16)	(38.90)	8.7	5.7	4.9	4.4	4.5	5.3	1.3	1.1	1.0
2	Poly-A	600048 CH	NR		79	5.81	9	6	(39)	(66.61)	7.2	4.7	3.9	3.4	4.2	5.0	1.2	1.0	0.8
3	China Merchants Property	000024 CH	NR		42	13.46	19	(3)	(30)	(60.10)	9.8	6.6	5.5	2.4	2.6	3.2	1.3	1.1	1.0
4	Gemdale	600383 CH	NR		46	8.03	(12)	20	(5)	(36.17)	9.8	9.0	7.6	1.0	1.8	1.9	1.3	1.1	1.0
A-share Listed Avg							6	10	(23)	(50.44)	8.9	6.5	5.5	2.8	3.3	3.9	1.3	1.1	0.9
Commercial:																			
1	SOHO China	410 HK	NR		30	5.83	(6)	(13)	7	(27.13)	5.4	11.2	19.8	5.4	5.4	5.3	0.6	0.6	0.6
2	China South City	1668 HK	BUY	4.70	29	3.66	(8)	66	88	(62.01)	9.2	7.4	4.8	3.8	5.2	6.6	1.4	1.3	1.1
3	Hui Xian REIT	87001 HK	NR		22	3.32	(6)	(14)	(7)	(24.11)	23.8	16.0	15.2	7.5	7.5	7.8	0.6	0.6	0.6
4	Franshion	817 HK	HOLD	2.00	17	1.83	(14)	(32)	(3)	(62.25)	6.1	5.6	4.9	5.2	6.6	8.7	0.6	0.6	0.5
5	Shui On Land	272 HK	NR		14	1.79	(8)	(25)	(31)	(49.93)	9.6	11.9	11.5	3.5	3.6	3.0	0.3	0.3	0.3
6	Yuexiu REIT	405 HK	NR		11	3.83	(0)	1	3	na	44.3	27.5	22.7	7.1	7.6	8.1	0.7	0.7	0.7
7	Zall	2098 HK	NR		9	2.69	(1)	(2)	(12)	na	26.8	na	na	0.0	na	na	1.1	na	na
8	Wuzhou	1369 HK	NR		9	1.92	14	49	57	na	20.1	10.3	7.0	1.9	2.4	4.0	2.9	na	na
Commercial Avg							(7)	1	13	(49.85)	16.5	11.5	11.0	5.1	6.6	7.7	1.0	0.7	0.6
- Developers							(9)	(1)	15	(50.33)	11.5	8.1	8.3	4.5	6.4	7.6	1.1	0.7	0.6
- Landlords/REIT							(18)	(19)	(7)	(48.89)	34.1	21.7	19.0	7.3	7.5	7.9	0.6	0.7	0.7

* Data as at Oct 15, 2014

Source(s): Bloomberg, ABCI Securities estimates



Consolidated income statement (2012A-2016E)

FY Ended Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
Revenue	11,955	19,523	25,990	30,870	35,560
Cost of sales	(8,070)	(12,923)	(16,913)	(20,849)	(24,713)
Gross Profit	3,885	6,599	9,077	10,022	10,847
SG&A expenses	(1,397)	(1,814)	(2,164)	(2,324)	(2,636)
EBIT	2,489	4,785	6,913	7,698	8,211
Finance cost	(39)	(122)	(47)	(42)	(42)
Share of profit of associates	(0)	0	0	0	0
Other income/ (expenses)	62	38	156	266	372
Fair value gain of investment properties	0	0	0	0	0
Disposal/one-off items	757	455	0	0	0
Profit before tax	3,269	5,155	7,021	7,922	8,541
Tax	(1,153)	(2,293)	(3,414)	(3,769)	(4,047)
Profit after tax	2,116	2,862	3,607	4,153	4,494
Minority interest & Perpetual coupons	(44)	(5)	(472)	(586)	(738)
Reported net profit	2,072	2,857	3,135	3,567	3,756
<i>Less: exceptional items</i>	<i>(568)</i>	<i>(341)</i>	<i>0</i>	<i>0</i>	<i>(0)</i>
Underlying net profit	1,504	2,516	3,135	3,567	3,756
Per share					
Underlying EPS (RMB)	0.27	0.46	0.57	0.65	0.68
DPS (RMB)	-	0.15	0.16	0.22	0.23
Payout ratio (%)	0%	33%	28%	34%	34%
BVPS (RMB)	2.60	3.13	3.56	4.07	4.55
Growth %					
Revenue	10.3%	63.3%	33.1%	18.8%	15.2%
Gross Profit	20.2%	69.8%	37.5%	10.4%	8.2%
EBIT	9.9%	92.3%	44.5%	11.4%	6.7%
Underlying net profit	-4.6%	67.3%	24.6%	13.8%	5.3%
Margin %					
Gross margin	32.5%	33.8%	34.9%	32.5%	30.5%
Gross margin (post-LAT)	31.6%	32.2%	26.9%	25.1%	23.7%
EBIT margin	20.8%	24.5%	26.6%	24.9%	23.1%
Core net margin	13.0%	12.9%	13.9%	13.5%	12.6%
Key assumptions					
Presales (RMB mn)	17,341	23,921	30,443	33,505	40,705
GFA sold (m sqm)	2.58	2.45	3.47	3.92	4.32
ASP (RMB/sqm)	6,730	9,764	8,779	8,549	9,416
Booked Sales (RMB)	11,598	19,090	25,523	30,378	35,040
GFA delivered (mn sqm)	1.65	2.56	2.87	3.48	3.95
Booked ASP (RMB/sqm)	7,037	7,451	8,904	8,722	8,864

Source: Company, ABCI Securities estimates



Consolidated balance sheet (2012A-2016E)

As of Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
Current assets	49,836	77,270	89,212	94,593	101,877
Cash	4,683	6,766	20,467	28,936	41,519
Restricted cash	670	1,940	1,940	1,940	1,940
Trade & other receivables	5,843	12,986	12,986	12,986	12,986
Property under development	34,840	51,304	49,545	46,457	41,157
Other current assets	3,801	4,275	4,275	4,275	4,275
Non-current assets	8,117	10,538	11,034	11,530	12,026
Property, plant & equipment	308	580	576	572	568
Investment properties	7,540	9,595	10,095	10,595	11,095
Investment in Associate and JCE	0	0	0	0	0
Other non-current assets	269	363	363	363	363
Total Assets	57,953	87,808	100,246	106,124	113,903
Current Liabilities	29,439	46,549	50,553	53,221	57,807
Short term borrowings	3,150	4,024	4,024	4,024	4,024
Trade & other payables	7,112	9,998	9,998	9,998	9,998
Pre-sales deposits	17,244	29,639	33,644	36,312	40,897
Other current assets	1,933	2,888	2,888	2,888	2,888
Non-current liabilities	13,460	19,501	19,501	19,501	19,501
Long term borrowings	12,257	18,201	18,201	18,201	18,201
Other payables	0	0	0	0	0
Other non-current assets	1,202	1,300	1,300	1,300	1,300
Total Liabilities	42,898	66,050	70,054	72,723	77,308
Net Assets	15,054	21,758	30,192	33,401	36,595
Shareholders Equity	14,350	17,298	19,697	22,480	25,166
Perpetual Capital instrument	0	0	1,000	1,000	1,000
Minority Interest	704	4,461	9,550	10,086	10,774
Total Equity	15,054	21,758	30,247	33,566	36,940
Key ratio					
Gross debt (RMB mn)	15,408	22,225	22,225	22,225	22,225
Net debt (RMB mn)	10,055	13,519	(183)	(8,651)	(21,234)
Net gearing (%)	67%	62%	-1%	-26%	-57%
Presales/ Total assets (x)	0.30	0.27	0.30	0.32	0.36

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2012A-2016E)

FY Ended Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
EBITDA	2,531	4,859	6,986	7,771	8,285
Change in Working Capital	(882)	(7,440)	7,717	7,492	11,621
Tax payment	(906)	(2,293)	(3,414)	(3,769)	(4,047)
Operating Cashflow	743	(4,874)	11,290	11,494	15,859
Purchase of PP&E	(73)	(70)	(70)	(70)	(70)
Addition of Investment Properties	(531)	(500)	(500)	(500)	(500)
Others	(553)	38	156	266	372
Investing Cashflow	(1,157)	(532)	(414)	(304)	(198)
Debt raised	5,216	9,628	5,000	5,000	5,000
Debt repaid	(3,533)	0	(5,000)	(5,000)	(5,000)
Interest expenses	(1,468)	(2,089)	(2,000)	(1,778)	(1,778)
Equity raised	(1,157)	(532)	(414)	(304)	(198)
Dividend to shareholders	0	0	(736)	(784)	(1,070)
Others	2,094	483	5,977	144	(32)
Financing Cashflow	1,151	7,490	2,826	(2,722)	(3,078)
Net cash inflow/ (outflow)	737	2,083	13,701	8,469	12,583
Cash- beginning	3,945	4,683	6,766	20,467	28,936
Cash- year-end	4,682	6,766	20,467	28,936	41,519

Source(s): Company, ABCI Securities estimates



Consolidated income statement (2012A-2016E)

FY Ended Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
Revenue	8,144	11,909	17,623	21,343	23,153
Cost of sales	(6,218)	(8,841)	(12,546)	(15,359)	(16,144)
Gross Profit	1,926	3,069	5,077	5,984	7,009
SG&A expenses	(549)	(822)	(1,012)	(1,148)	(1,187)
EBIT	1,377	2,246	4,065	4,836	5,823
Finance cost	(43)	(188)	(129)	(131)	(147)
Share of profit of associates	-	(14)	115	230	241
Other income/ (expenses)	40	75	81	120	211
Fair value gain of investment properties	-	-	-	-	-
Disposal/one-off items	1,466	857	-	-	-
Profit before tax	2,840	2,975	4,132	5,055	6,128
Tax	(819)	(934)	(1,708)	(2,052)	(2,483)
Profit after tax	2,021	2,041	2,424	3,003	3,645
Minority interest	(84)	(147)	(525)	(751)	(668)
Reported net profit	1,937	1,894	1,899	2,253	2,977
<i>Less: exceptional items</i>	<i>(1,016)</i>	<i>(375)</i>	-	-	-
Underlying net profit	921	1,519	1,899	2,253	2,977
Per share					
Underlying EPS (RMB)	0.16	0.25	0.32	0.37	0.49
DPS (RMB)	0.04	0.07	0.09	0.10	0.14
Payout ratio (%)	25%	28%	28%	28%	28%
BVPS (RMB)	1.14	1.43	1.66	1.93	2.28
Growth %					
Revenue	103.2%	46.2%	48.0%	21.1%	8.5%
Gross Profit	40.6%	59.3%	65.5%	17.9%	17.1%
EBIT	38.2%	63.2%	81.0%	19.0%	20.4%
Underlying net profit	49.7%	64.9%	25.0%	18.6%	32.1%
Margin %					
Gross margin	23.7%	25.8%	28.8%	28.0%	30.3%
Gross margin (post-LAT)	22.0%	23.7%	23.7%	22.9%	24.6%
EBIT margin	16.9%	18.9%	23.1%	22.7%	25.1%
Core net margin	11.3%	11.9%	13.1%	13.0%	14.7%
Key assumptions					
Presales (RMB mn)	9,544	15,319	22,740	27,359	26,947
GFA sold (mn sqm)	1.03	1.43	2.05	2.26	2.11
ASP (RMB/sqm)	9,300	10,725	11,112	12,080	12,786
Booked Sales (RMB mn)	7,991	11,579	17,265	20,966	22,756
GFA delivered (mn sqm)	0.73	1.24	1.51	1.80	1.82
Booked ASP (RMB/sqm)	10,877	9,346	11,416	11,658	12,536

Source: Company, ABCI Securities estimates



Consolidated balance sheet (2012A-2016E)

As of Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
Current assets	22,570	29,829	35,558	41,076	45,643
Cash	4,591	7,061	8,949	14,857	27,089
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	20,837	20,447	12,781
Other current assets	774	2,302	2,302	2,302	2,302
Non-current assets	4,286	9,277	9,607	9,960	10,315
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	4,622	4,968	5,316
Other non-current assets	225	281	281	281	281
Total Assets	26,857	39,106	45,166	51,036	55,958
Current Liabilities	13,580	18,632	22,106	25,709	27,917
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	9,541	11,145	11,352
Other current assets	1,024	1,218	1,218	1,218	1,218
Non-current liabilities	6,336	11,318	11,318	11,318	11,318
Long term borrowings	5,578	10,357	10,357	10,357	10,357
Other payables	-	-	-	-	-
Other non-current assets	757	961	961	961	961
Total Liabilities	19,916	29,951	33,424	37,028	39,235
Net Assets	6,941	9,155	11,741	14,009	16,723
Shareholders Equity	6,550	8,611	9,983	11,610	13,760
Perpetual capital instrument	-	-	545	484	430
Minority Interest	391	544	1,214	1,915	2,533
Total Equity	6,941	9,155	11,741	14,009	16,723
Key ratio					
Gross debt (RMB mn)	8,950	13,374	15,374	17,374	19,374
Net debt (RMB mn)	4,360	6,213	6,325	2,417	(7,815)
Net gearing (%)	63%	68%	54%	17%	-47%
Presales/ Total assets (x)	36%	39%	50%	54%	48%

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2012A-2016E)

FY ended Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
EBITDA	1,390	2,259	4,078	4,849	5,836
Change in Working Capital	(383)	1,545	(1,204)	3,173	9,196
Tax payment	(400)	(817)	(1,708)	(2,052)	(2,483)
Operating Cashflow	607	2,988	1,166	5,970	12,549
Purchase of PP&E	(13)	(17)	(20)	(20)	(20)
Addition of Investment Properties	(28)	35	-	-	-
Others	(110)	(4,233)	(127)	4	104
Investing Cashflow	(150)	(4,214)	(147)	(16)	84
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)	(528)	(626)	(827)
Others	(202)	175	689	(111)	(104)
Financing Cashflow	1,560	3,696	868	(46)	(400)
Net cash inflow/ (outflow)	2,017	2,470	1,888	5,908	12,233
Cash- beginning	7,762	4,591	7,061	8,949	14,857
Cash- year-end	9,779	7,061	8,949	14,857	27,089

Source(s): Company, ABCI Securities estimates

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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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