



Rating
Buy

Asia
China

Property
Property

Company
**Greentown China
Alert**

Reuters 3900.HK Bloomberg 3900 HK Exchange HKG Ticker 3900

Date
26 May 2015

Company Update

| | |
|----------------------------|--------------|
| Price at 26 May 2015 (HKD) | 11.32 |
| Price target - 12mth (HKD) | 13.40 |
| 52-week range (HKD) | 11.32 - 6.34 |
| HANG SENG INDEX | 27,993 |

Jason Ching, CFA Foo Leung
Research Analyst Research Associate
(+852) 2203 6205 (+852) 2203 6239
jason.ching@db.com foo.leung@db.com

Tony Tsang
Research Analyst
(+852) 2203 6256
tony.tsang@db.com

CCCG is reportedly to merge its property businesses with CREC

CCCG is reportedly to merge CCCREC with CREC

Mainland media Zhong Cai Net reported that, China Communications Construction Group (CCCG) has kick-started a plan to merge its subsidiary CCC Real Estate Company (CCCREC) with China Real Estate Corporation Limited (CREC) (000736.SZ). The newly formed listed company will be used to integrate all the property businesses within the group.

In particular, Zhong Cai Net reported that a staff from CCCG indicated that CREC will change its name and will become the direct subsidiary of CCCG and the group has held a board meeting regarding the proposal on 22 May.

In addition, as reported by another media - Hexun earlier, after the recent share acquisition on Greentown (3900.HK), CCCG is planning to further increase its stakes in Greentown. Specifically, Hexun reported that CCCG is proposing to acquire shares from other shareholders of Greentown as to increase its stake. After the latest share acquisition announced last week, CCCG now owns 28.9% of Greentown.

Four suggested steps to merge the property businesses of CCCG

Zhong Cai Net quoted industry participants on four steps that CCCG could take to merge its property businesses: i) to merge the property businesses of CCCREC, CREC and Lianhe Real Estates; ii) to integrate the property businesses of CCC Investment Company (CCCCIC) and other subsidiaries to the newly formed company; iii) utilize Greentown as the H-share listed platform, and change the name of Greentown to CCCG-Greentown, to realize the A and H share listing of CCCG's property businesses; iv) to inject all the land banks held by CCCG to the newly formed company. As reported by Zhong Cai Net, the land bank held by CCCG was amounted to over 170mn sqm. However, the staff from CCCG has not responded to the four steps proposal.

Management changes on CREC

According to CREC's announcement on 22 Apr, the chairman of CREC (Shen Jindong) has resigned and the new chairman (Wu Wende) is from CCCREC. In addition, Zhong Cai Net reported that Shen Jindong has been relocated to CCCG.

Moreover, the new chairman of CREC (Wu Wende) used to work in CREC and then been deployed CCCREC last year, and now returned to CREC.

However, there is no official announcement regarding the reported merger as of today.

| Stock data | |
|-------------------------------|----------------------|
| Market cap (HKDm) | 24,111 |
| Market cap (USDm) | 3,110 |
| Shares outstanding (m) | 2,129.9 |
| Major shareholders | Song Weiping (37.8%) |
| Free float (%) | 56 |
| Avg daily value traded (USDm) | 11.7 |

Source: Deutsche Bank

| Key data | | | |
|-------------------|---------|---------|---------|
| FYE 12/31 | 2014A | 2015E | 2016E |
| Sales (CNYm) | 32,049 | 33,688 | 34,058 |
| Net Profit (CNYm) | 2,071.7 | 4,616.9 | 5,152.1 |
| DB EPS (CNY) | 0.96 | 2.13 | 2.38 |
| PER (x) | 7.2 | 4.2 | 3.8 |
| Yield (net) | 0.0 | 3.8 | 4.0 |

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Deutsche Bank does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. FOR OTHER **IMPORTANT** DISCLOSURES PLEASE VISIT <http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=3900.HK> MCI (P) 124/04/2015.