

Guangzhou R&F Properties

The first year with nil divi since public listing

Core earnings post PCS down 31% YoY; No divi was declared

Guangzhou R&F (GZ R&F) reported its core earnings after PCS of Rmb4b, down 31% YoY, or EPS 1.25. Results came to be below UBSe/consensus by 13%/25%, respectively. The earnings disappointment is mainly attributed to the lower than expected earnings from its JV/associate projects. We understand management decided not to declare final dividend in order to retain more cashflow within the company for any unexpected change in market conditions.

Focus on loan repayment & inventory clearance in 2015

The company will have Rmb22b or 33% of total borrowing that will be due in the next 12 months. The company will focus on refinancing the non-bank (mainly trust loans) of Rmb15b. Management expects that they can issue domestic bonds of Rmb6b in Q2 2015 to repay a portion of the maturing debt. Also, the company seeks to 1) clear the completed but unsold stock of Rmb17b or 10% of total gross assets and 2) dispose of some of the land sites in lower tier cities to help improve the overall asset turn.

Expect profit margins to remain stable in 2015 but will drop in 2016

GZ R&F gross margins dropped 3.8ppt YoY to 35.5% in 2014, due to lower ASP achieved on the residential portion. We expect its GM to remain stable in 2015 given the higher contribution of commercial property (2015's 29% of revenue vs 2014's 6%) to be booked with higher margins. However, we expect the 2016 GM to fall to 32% as it will gradually reflect the higher interest cost of ~8.5%, 2ppt higher than ~6.4% in the past.

Valuation: Currently trading at 4.1 2015E PER

We reiterate our Neutral rating with a lower PT of HK\$8.56, based on a lower 2015 PER of 4.3x on a slightly higher FY2015 EPS. Our lower target PER is to reflect the concern over the higher interest burden, rising inventory levels and needs for debt refinancing over the next 6 months. Our target PER translates to -0.9SD below the historical average. We expect the company not declaring any dividend is likely to cause some short term weakness in share price.

Equities

China
Real Estate

12-month rating **Neutral**

12m price target **HK\$8.56**
Prior: HK\$9.15

Price **HK\$8.06**

RIC: 2777.HK **BBG:** 2777 HK

Trading data and key metrics

52-wk range HK\$11.66-7.80

Market cap. HK\$26.0bn/US\$3.34bn

Shares o/s 3,222m (ORD)

Free float 99%

Avg. daily volume ('000) 8,212

Avg. daily value (m) HK\$75.7

Common s/h equity (12/15E) Rmb56.1bn

P/BV (12/15E) 0.4x

Net debt / EBITDA (12/15E) 3.6x

EPS (UBS, diluted) (Rmb)

	From	To	% ch	Cons.
12/15E	1.48	1.60	8.73	1.90
12/16E	1.90	1.72	-9.65	2.06
12/17E	1.94	1.86	-4.46	2.26

Eva Lee, CFA

Analyst

eva-c.lee@ubs.com

+852-3712 4243

Eugene Cheung, CFA

Analyst

eugene.cheung@ubs.com

+852-3712 4670

Summer Xia, CFA

Analyst

summer.xia@ubs.com

+852-3712 4226

Highlights (Rmbm)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	30,365	36,271	34,705	52,032	53,842	55,435	58,096	40,481
EBIT (UBS)	10,568	12,063	9,590	13,977	13,347	12,804	13,357	9,436
Net earnings (UBS)	5,165	5,803	4,002	5,170	5,530	5,985	7,359	4,258
EPS (UBS, diluted) (Rmb)	1.62	1.80	1.25	1.60	1.72	1.86	2.28	1.32
DPS (Rmb)	0.60	0.62	0.00	0.56	0.60	0.65	0.80	0.46
Net (debt) / cash	(22,771)	(37,103)	(47,829)	(51,671)	(49,446)	(50,004)	(45,517)	(46,879)

Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	34.8	33.3	27.6	26.9	24.8	23.1	23.0	23.3
ROIC (EBIT) %	34.7	29.2	15.0	17.0	15.6	15.6	16.6	11.3
EV/EBITDA (core) x	2.8	3.4	4.5	3.5	3.8	3.9	3.7	5.1
P/E (UBS, diluted) x	4.9	5.6	6.3	4.1	3.8	3.5	2.8	4.9
Equity FCF (UBS) yield %	(15.3)	(47.2)	(76.0)	(8.0)	55.3	54.8	31.4	5.8
Net dividend yield %	7.6	6.1	0.0	8.6	9.2	10.0	12.3	7.1

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of HK\$8.06 on 17 Mar 2015 21:56 HKT

www.ubs.com/investmentresearch

This report has been prepared by UBS Securities Asia Limited. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 8.** UBS 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.

Investment Thesis

Guangzhou R&F Properties

Investment case

Guangzhou R&F's land portfolio is well positioned in favoured tier 1 cities, with a better demand/supply balance. Management has tried to keep its land cost reasonable; however, aggressive land purchases in 2013 shifted its gearing up significantly to 111%. We maintain our Neutral rating due to our concerns over its financial risk and lower interest coverage compared to peers. We believe the company's steadily higher margins, attractive low land cost, high exposure to higher tier cities should help stabilize share price performance.

Upside scenario

Guangzhou R&F has been constrained by limited access to funding due to the company's domestic share structure. It also has a higher earnings contribution from commercial property, which is more sensitive to market liquidity. If the company can still deliver stronger-than-expected sales during this new round of tightening measures, we believe it will benefit from better earnings, and our estimated valuation would reach HK\$9.76/sh.

Downside scenario

If the government's tightening policies are more severe than expected, we believe Guangzhou R&F could record slower sales and trade at a lower 2014E PE multiple close to its trough valuation (from 4.3x to 3.8x). In such a scenario, we estimate our valuation would fall to HK\$6.55/sh.

Upcoming catalysts

Key catalysts include contracted sales performance in 2015, and refinancing of non-bank loans maturing in the next 12 months

12-month rating

Neutral

12m price target

HK\$8.56

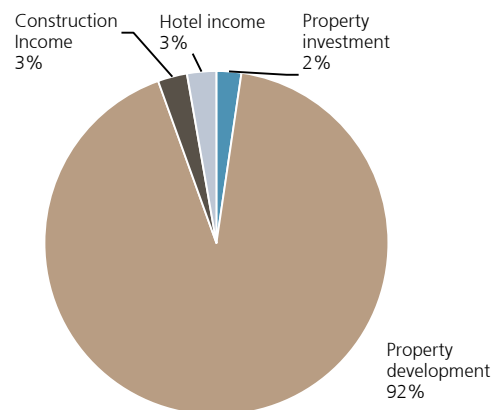
Business description

Guangzhou R&F Properties (GR&F) was one of the first city-centre property developers in Guangzhou. The company has expanded into other cities such as Beijing, Shenyang, Tianjin, Xian, Chengdu and Chongqing. Focusing on primary and leading second-tier cities, the company develops residential and commercial property for sale. It also has hotels, offices and retail malls for long-term investment.

Industry outlook

We believe property policy will become more diverse, as the central government has turned to a 'bottom-up' approach. Hence, we think the future policy direction will become more market-oriented and tailor-made, dependent on price trends in local cities. Guangzhou R&F has a 35% exposure to tier 1 cities and 38% to tier 2 cities. We believe that the more favourable demand/supply balance in top-tier cities will continue to help the company achieving its sales.

Revenues by business (2015E)



Operating profit by product segment

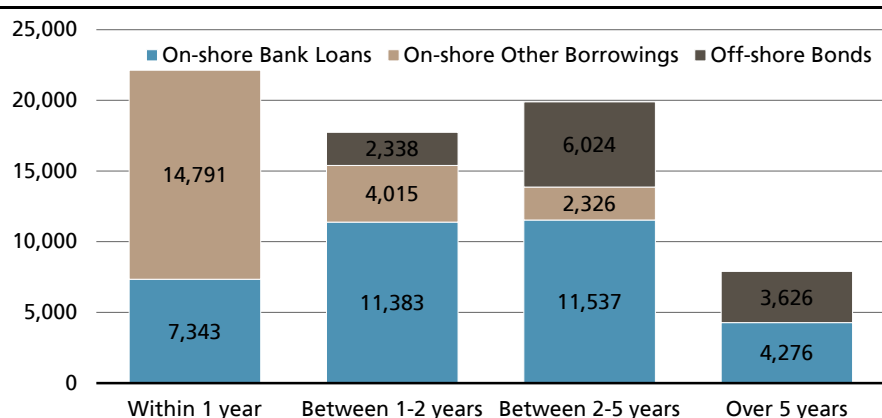
Rmb m	2011	2012	2013	2014E	2015E
Property investment	346	499	554	554	588
Property development	9,409	10,317	11,870	8,349	9,210
Hotel operations	34	-29	-67	3	24
Others	-3	-219	-294	-302	-309
Total	9,786	10,568	12,063	8,604	9,513

Source: Company data, UBS estimates

Debt repayment as the key focus

Guangzhou R&F holds a net debt of Rmb47.8b and net borrowing is raised to Rmb63.4b, if we include the perpetual securities of Rmb15.6b as debt. Out of the total debt of Rmb67.6b, there is Rmb22b or ~33% of total needs to be refinanced in the next 12 months. Management needs to focus on settling the Rmb15b non-bank borrowing. We understand management is seeking to refinance a portion of the outstanding loans with domestic bonds of Rmb6b that is expected to be drawn down in May 2015. In addition, the company is also considering to refinance the outstanding perpetual securities of Rmb15.6b. Even though it has no fixed maturity, it carried hefty interest cost of over 10% pa and interest charges will step up in the coming years.

Figure 1: Debt repayment schedule

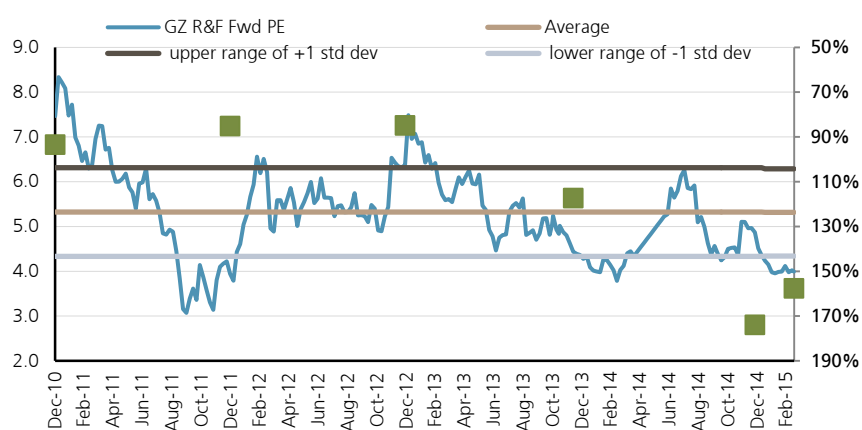


Source: Company data

Why the company will trade at a lower multiple?

We reiterate our Neutral rating with a PT of HK\$8.56, based on a 4.3x target on our higher FY2015 EPS of Rmb1.60. Our lower PER is in line with historical trend when the company's financial condition was dragged by higher gearing. Our target PER refers to -0.9x SD below the historical average. The increased forecast in 2015E is due to the increase in expected project delivery and slightly higher gross profit margin; the lower forecast in 2016E/17E is due to the increase in estimated finance cost and a lower gross margin which factored in the higher borrowing cost incurred in the project development process

Figure 2: GZ R&F's historical forward PER vs gearing trend



Source: Company data, Datastream, UBS estimates

Figure 3: GZ R&F FY2014 results analysis

	FY14A (Rmb mn)	FY14F (Rmb mn)	FY13A (Rmb mn)	Act v F/cast (%)	YoY chg (%)
Property development	31,651	35,299	33,651	-10%	-6%
Property investment	827	881	727	-6%	14%
Hotel income	1,109	991	901	12%	23%
Construction Income & others	1,119	928	992	20%	13%
Total Revenue	34,705	38,099	36,271	-9%	-4%
Gross margin	35.5%	32.0%	39.2%	3.4ppt	-3.8ppt
Property development	9,302	8,049	11,870	16%	-22%
Property investment	619	504	554	23%	12%
Hotel operations	45	(37)	(67)	-221%	-167%
Others (share of corporate overheads & etc)	(376)	(452)	(294)	-17%	28%
Operating Profit	9,590	8,064	12,063	19%	-21%
Operating margin	27.6%	21.2%	33.3%	6.5ppt	-5.6ppt
Finance costs - net	(1,216)	(1,747)	(1,934)	-30%	-37%
Associates	145	2,340	306	-94%	-53%
Exceptional item	1,218	0	1,831	N/A	-33%
Profit before income tax	9,736	8,657	12,267	12%	-21%
Income tax expense	(1,947)	(1,162)	(2,273)	68%	-14%
LAT	(1,283)	(1,584)	(2,348)	-19%	-45%
Total tax expense	(3,230)	(2,746)	(4,621)	18%	-30%
Profit after-tax before minority interests	6,506	5,911	7,646	10%	-15%
Less: minority interest	46	(25)	(12)	-282%	-486%
Net profit	6,552	5,886	7,634	11%	-14%
Core earnings before PCS	5,334	5,886	5,803	-9%	-8%
Perpetual Capital Securities	(1,331)	(1,305)	-	2%	NA
Core earnings after PCS	4,002	4,582	5,803	-13%	-31%
Net margin	11.5%	12.0%	16.0%	-0.5ppt	-4.5ppt
Core EPS (Rmb)	1.25	1.43	1.82	-13%	-31%
DPS (Rmb) - Interim	0.00	0.00	0.12	N/A	-100%
DPS (Rmb) - Final	0.00	0.50	0.50	-100%	-100%
DPS (Rmb) - Full year	0.00	0.50	0.62	-100%	-100%
Payout ratio	0%	35%	34%		

Source: Company data, UBS estimates

Guangzhou R&F Properties (2777.HK)

Income statement (Rmbm)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Revenues	30,365	36,271	34,705	52,032	49.9	53,842	3.5	55,435	58,096	40,481
Gross profit	12,544	14,528	12,706	17,832	40.3	17,083	-4.2	16,651	16,950	11,576
EBITDA (UBS)	10,844	12,395	10,062	14,449	43.6	13,820	-4.4	13,276	13,829	9,909
Depreciation & amortisation	(276)	(332)	(473)	(473)	0.0	(473)	0.0	(473)	(473)	(473)
EBIT (UBS)	10,568	12,063	9,590	13,977	45.7	13,347	-4.5	12,804	13,357	9,436
Associates & investment income	316	306	145	534	269.4	526	-1.6	538	467	257
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(1,502)	(1,934)	(1,216)	(1,610)	-32.4	(1,623)	-0.8	(1,538)	(1,503)	(1,859)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	9,382	10,436	8,518	12,901	51.4	12,250	-5.0	11,804	12,321	7,835
Tax	(4,059)	(4,621)	(3,230)	(4,998)	-54.8	(4,602)	7.9	(4,726)	(4,750)	(3,399)
Profit after tax	5,323	5,814	5,288	7,902	49.4	7,648	-3.2	7,079	7,571	4,436
Preference dividends and Minorities	(157)	(12)	(1,286)	(2,732)	-112.5	(2,117)	22.5	(1,094)	(212)	(178)
Extraordinary items	337	1,831	1,218	0	-	0	-	0	0	0
Net earnings (local GAAP)	5,502	7,634	5,221	5,170	-1.0	5,530	7.0	5,985	7,359	4,258
Net earnings (UBS)	5,165	5,803	4,002	5,170	29.2	5,530	7.0	5,985	7,359	4,258
Tax rate (%)	43.3	44.3	37.9	38.7	2.2	37.6	-3.0	40.0	38.6	43.4
Per share (Rmb)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EPS (UBS, diluted)	1.62	1.80	1.25	1.60	28.2	1.72	7.0	1.86	2.28	1.32
EPS (local GAAP, diluted)	1.72	2.37	1.63	1.60	-1.7	1.72	7.0	1.86	2.28	1.32
EPS (UBS, basic)	1.62	1.80	1.25	1.60	28.2	1.72	7.0	1.86	2.28	1.32
Net DPS (Rmb)	0.60	0.62	0.00	0.56	-	0.60	7.0	0.65	0.80	0.46
Book value per share	8.21	10.27	16.02	17.42	8.8	16.63	-4.5	14.98	16.61	17.13
Average shares (diluted)	3,194.37	3,222.37	3,198.01	3,222.37	0.8	3,222.37	0.0	3,222.37	3,222.37	3,222.37
Balance sheet (Rmbm)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Cash and equivalents	12,862	24,344	19,830	12,626	-36.3	33,233	163.2	28,647	28,109	20,227
Other current assets	57,472	83,319	113,549	117,007	3.0	120,512	3.0	120,156	114,442	110,788
Total current assets	70,333	107,664	133,379	129,632	-2.8	153,745	18.6	148,803	142,551	131,015
Net tangible fixed assets	5,489	6,567	7,496	7,496	0.0	7,496	0.0	7,496	7,496	7,496
Net intangible fixed assets	898	898	978	1,512	54.6	2,038	34.8	2,576	3,043	3,300
Investments / other assets	21,867	25,219	29,987	29,515	-1.6	29,042	-1.6	28,569	28,097	27,624
Total assets	98,587	140,347	171,840	168,155	-2.1	192,320	14.4	187,444	181,186	169,435
Trade payables & other ST liabilities	33,344	41,231	48,586	42,555	-12.4	50,051	17.6	54,153	47,443	40,352
Short term debt	7,212	18,095	22,105	8,564	-61.26	8,057	-5.92	10,048	13,040	17,933
Total current liabilities	40,557	59,327	70,691	51,119	-27.7	58,108	13.7	64,202	60,483	58,285
Long term debt	28,420	43,353	45,554	55,733	22.3	74,622	33.9	68,602	60,586	49,173
Other long term liabilities	2,781	4,186	3,450	3,450	0.0	3,450	0.0	3,450	3,450	3,450
Preferred shares	0	0	0	0	0.00	0	0.00	0	0	0
Total liabilities (incl pref shares)	71,757	106,865	119,695	110,302	-7.8	136,180	23.5	136,254	124,520	110,908
Common s/h equity	26,466	33,107	51,614	56,138	8.8	53,599	-4.5	48,259	53,524	55,206
Minority interests	364	375	532	1,715	222.4	2,541	48.2	2,931	3,143	3,321
Total liabilities & equity	98,587	140,347	171,840	168,155	-2.1	192,320	14.4	187,444	181,186	169,435
Cash flow (Rmbm)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Net income (before pref divs)	5,502	7,634	6,552	6,720	2.6	6,821	1.5	6,689	7,359	4,258
Depreciation & amortisation	276	332	473	473	0.0	473	0.0	473	473	473
Net change in working capital	(7,776)	(17,155)	(20,956)	(560)	97.3	16,824	-	16,635	10,856	171
Other operating	(1,001)	(4,644)	(5,428)	(4,315)	20.5	(4,533)	-5.0	(4,325)	(4,107)	(3,688)
Operating cash flow	(3,000)	(13,833)	(19,360)	2,317	-	19,585	NM	19,471	14,581	1,214
Tangible capital expenditure	(872)	(1,362)	0	(4,000)	-	(8,000)	-100.0	(8,000)	(8,000)	0
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	0	0	0	0	-	0	-	0	0	0
Other investing	1,539	307	0	0	-	0	-	0	0	0
Investing cash flow	667	(1,056)	0	(4,000)	-	(8,000)	-100.0	(8,000)	(8,000)	0
Equity dividends paid	(1,659)	(1,983)	(2,998)	(387)	87.1	(1,810)	-368.0	(1,936)	(2,095)	(2,576)
Share issues / (buybacks)	0	0	14,648	0	-	(7,550)	-	0	0	0
Other financing	0	(603)	(1,259)	(1,513)	-20.16	0	100.00	0	0	0
Change in debt & pref shares	7,113	26,810	6,211	(3,361)	-	18,382	-	(13,418)	(5,024)	(6,520)
Financing cash flow	5,453	24,225	16,602	(5,261)	-	9,022	-	(15,353)	(7,119)	(9,096)
Cash flow inc/(dec) in cash	3,121	9,336	(2,757)	(6,944)	-151.8	20,607	-	(3,882)	(538)	(7,882)
FX / non cash items	3,569	2,147	(1,757)	(260)	85.2	0	-	(704)	0	0
Balance sheet inc/(dec) in cash	6,689	11,483	(4,514)	(7,204)	-59.6	20,607	-	(4,586)	(538)	(7,882)

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Guangzhou R&F Properties (2777.HK)

Valuation (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
P/E (local GAAP, diluted)	4.6	4.3	4.8	4.1	3.8	3.5	2.8	4.9
P/E (UBS, diluted)	4.9	5.6	6.3	4.1	3.8	3.5	2.8	4.9
P/CEPS	4.7	5.3	5.6	3.7	3.5	3.2	2.7	4.4
Equity FCF (UBS) yield %	(15.3)	(47.2)	(76.0)	(8.0)	55.3	54.8	31.4	5.8
Net dividend yield (%)	7.6	6.1	0.0	8.6	9.2	10.0	12.3	7.1
P/BV x	1.0	1.0	0.5	0.4	0.4	0.4	0.4	0.4
EV/revenues (core)	1.0	1.2	1.3	1.0	1.0	0.9	0.9	1.2
EV/EBITDA (core)	2.8	3.4	4.5	3.5	3.8	3.9	3.7	5.1
EV/EBIT (core)	2.9	3.5	4.8	3.6	3.9	4.1	3.8	5.3
EV/OpFCF (core)	2.9	3.5	4.8	3.6	3.9	4.1	3.8	5.3
EV/op. invested capital	1.0	1.0	0.7	0.6	0.6	0.6	0.6	0.6
Enterprise value (Rmbm)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	25,296	32,211	25,488	20,948	20,948	20,948	20,948	20,948
Net debt (cash)	22,488	29,937	42,466	49,750	50,559	49,725	47,761	46,198
Buy out of minorities	364	375	532	1,715	2,541	2,931	3,143	3,321
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	48,148	62,523	68,486	72,412	74,048	73,604	71,851	70,467
Non core assets	(17,322)	(20,270)	(22,751)	(22,279)	(21,806)	(21,333)	(20,861)	(20,388)
Core enterprise value	30,826	42,253	45,734	50,134	52,242	52,270	50,991	50,079
Growth (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenue	10.9	19.5	-4.3	49.9	3.5	3.0	4.8	-30.3
EBITDA (UBS)	8.3	14.3	-18.8	43.6	-4.4	-3.9	4.2	-28.3
EBIT (UBS)	8.0	14.1	-20.5	45.7	-4.5	-4.1	4.3	-29.4
EPS (UBS, diluted)	15.5	11.4	-30.5	28.2	7.0	8.2	23.0	-42.1
Net DPS	0.0	3.3	-	-	7.0	8.2	23.0	-42.1
Margins & Profitability (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Gross profit margin	41.3	40.1	36.6	34.3	31.7	30.0	29.2	28.6
EBITDA margin	35.7	34.2	29.0	27.8	25.7	23.9	23.8	24.5
EBIT margin	34.8	33.3	27.6	26.9	24.8	23.1	23.0	23.3
Net earnings (UBS) margin	17.0	16.0	11.5	9.9	10.3	10.8	12.7	10.5
ROIC (EBIT)	34.7	29.2	15.0	17.0	15.6	15.6	16.6	11.3
ROIC post tax	19.2	15.9	9.2	10.1	9.5	9.1	9.9	6.3
ROE (UBS)	21.1	19.5	9.4	9.6	10.1	11.8	14.5	7.8
Capital structure & Coverage (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net debt / EBITDA	2.1	3.0	4.8	3.6	3.6	3.8	3.3	4.7
Net debt / total equity %	84.9	110.8	91.7	89.3	88.1	97.7	80.3	80.1
Net debt / (net debt + total equity) %	45.9	52.6	47.8	47.2	46.8	49.4	44.5	44.5
Net debt/EV %	73.9	87.8	NM	NM	94.6	95.7	89.3	93.6
Capex / depreciation %	NM	NM	0.0	NM	NM	NM	NM	0.0
Capex / revenue %	2.9	3.8	0.0	7.7	14.9	14.4	13.8	0.0
EBIT / net interest	7.0	6.2	7.9	8.7	8.2	8.3	8.9	5.1
Dividend cover (UBS)	2.7	2.9	-	2.9	2.9	2.9	2.9	2.9
Div. payout ratio (UBS) %	37.1	34.4	-	35.0	35.0	35.0	35.0	35.0
Revenues by division (Rmbm)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	30,365	36,271	34,705	52,032	53,842	55,435	58,096	40,481
Total	30,365	36,271	34,705	52,032	53,842	55,435	58,096	40,481
EBIT (UBS) by division (Rmbm)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	10,568	12,063	9,590	13,977	13,347	12,804	13,357	9,436
Total	10,568	12,063	9,590	13,977	13,347	12,804	13,357	9,436

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+6.2%
Forecast dividend yield	0.0%
Forecast stock return	+6.2%
Market return assumption	9.3%
Forecast excess return	-3.1%

Statement of Risk

We believe the key risks related to China's property market are: 1) government administrative policies to restrict demand and mortgage lending; 2) tight financing for developers; and 3) a hard landing for China's economy.

Required Disclosures

This report has been prepared by UBS Securities Asia Limited, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	37%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2014.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: **Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: UK and European Investment Fund ratings and definitions are: **Buy:** Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS AG Hong Kong Branch: Eva Lee, CFA; Eugene Cheung, CFA; Summer Xia, CFA.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Guangzhou R&F Properties^{4, 5}	2777.HK	Neutral	N/A	HK\$8.06	17 Mar 2015

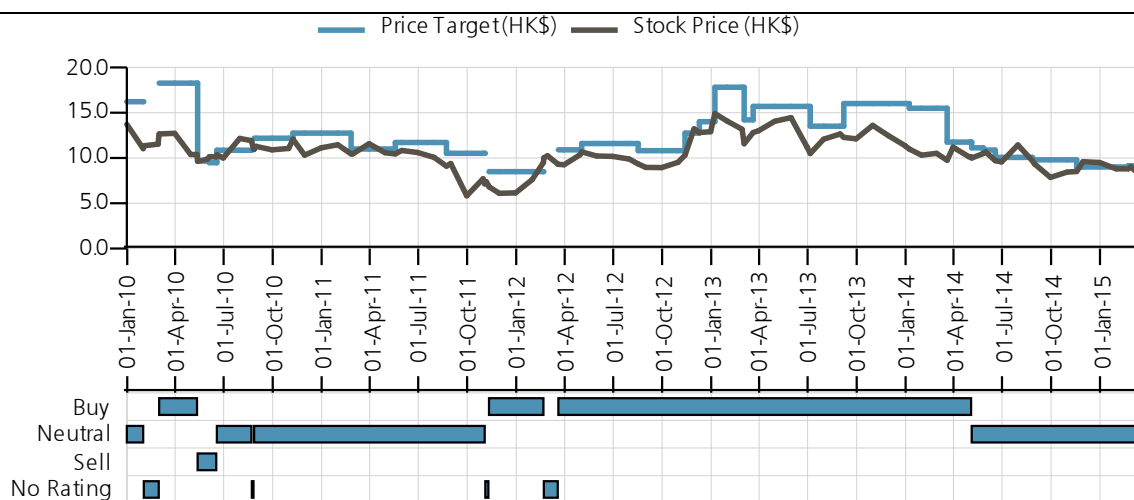
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

4. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.
5. UBS AG, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from this company/entity within the next three months.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Guangzhou R&F Properties (HK\$)



Source: UBS; as of 17 Mar 2015

Global Disclaimer

This document has been prepared by UBS Securities Asia Limited, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

- (i) valuation or accounting purposes;
- (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or
- (iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce regulated by the Polish Financial Supervision Authority. Where an analyst of UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce has contributed to this document, the document is also deemed to have been prepared by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce. **Russia:** Prepared and distributed by UBS Bank (OOO). **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited (Registration No. 1995/011140/07), an authorised user of the JSE and an authorised Financial Services Provider (FSP 7328). **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **Dubai:** The information distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a 'non-US affiliate') to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R\$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [MCI (P) 016/09/2014 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services Licence No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the information, consider the appropriateness of the information, having regard to their objectives, financial situation and needs. If the information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: www.ubs.com/ecs-research-fsg. **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (Capital Markets Services License No.: CMSL/A0063/2007). This material is intended for professional/institutional clients only and not for distribution to any retail clients. **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000 SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, BSE (Capital Market Segment) INB010951437.

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this document in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements that are protected by third party copyright, trademarks and other intellectual property rights. © UBS 2015. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

