



Rating  
**Buy**

Asia  
China

Property  
Property

Company  
**Longfor**

Reuters 0960.HK	Bloomberg 960 HK	Exchange HSI	Ticker 0960
ADR Ticker LGFY	ISIN US54303R1014		

Date  
18 March 2015

## Forecast Change

Price at 18 Mar 2015 (HKD)	9.81
Price target - 12mth (HKD)	15.60
52-week range (HKD)	11.48 - 8.52
HANG SENG INDEX	23,901

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## FY14 beats on superior management; reiterating Buy; new top pick

### Reiterating Buy on superior management quality; target price HK\$15.6

In our view, the strong set of FY14 results demonstrates Longfor's superior execution capability led by a quality management team. We view the marked increase in dividend as a strong vote of confidence by management. Specifically, we believe Longfor is well prepared for upcoming challenges by reducing its exposure in off-shore borrowings in light of potential Rmb depreciation ahead. Moreover, Longfor was one of the few developers in the industry to register a decline in inventory, thanks to the focus on inventory clearance. Meanwhile, growing contribution from its investment property portfolio will also help offset volatilities in development sales. Reiterating Buy.

### Core profit +6% YoY to Rmb6,610mn, slightly ahead of our expectation

Longfor reported FY14 revenue +23% YoY to Rmb50,991mn, driven by an 8% YoY increase in GFA delivery to 4.76mn sqm and a 12% YoY increase in delivery ASP to Rmb10,925/sqm. Rental revenue was +38% YoY to Rmb876mn. Gross margin compressed 1.3 ppt to 26.5% in FY14. Excluding fair-value gains and one-offs such as impairment on inventory and loss on early redemption of senior notes, core profit was +6% YoY to Rmb6,610mn (slightly ahead of our expectation), implying a net margin of 13%. A final dividend of Rmb0.284/share was declared, implying a 25% YoY increase.

### Net gearing steady at 57%; maturity profile/funding cost remained sound

Longfor has gross debt of Rmb47,741mn (+27% YoY from Rmb37,703mn by end-2013) and cash of Rmb19,037mn (+30% from Rmb14,676mn by end-2013). Net gearing declined by 1 ppt to 57% by mid-2014 (58% by end-2013), average maturity was little changed at 4.5 years (from 4.6 years in FY13), and average funding cost declined to 6.4% (from 6.58% in FY13). Longfor acquired 16 projects for a total consideration of Rmb17.9bn in FY14. During the period, Longfor has early redeemed its US\$750mn senior note at a coupon of 9.5% and issued a four-year Rmb2bn high-yield bond at a coupon of 6.75% in May 2014 as well as HK\$3,425mn in syndication loan at HIBOR plus 3.1%.

### Target price at a 20% discount to our revised estimated NAV of HK\$19.5/shr

Our target price is based on a 20% discount to our revised NAV estimate of HK\$19.5/shr (HK\$19.37/shr), which implies a 2015 PER of 10x. Our target discount is higher than industry leaders but lower than other privately owned peers, which we believe is appropriate given its quality management. Key risks are government policies and execution in earnings delivery.

#### Forecasts And Ratios

Year End Dec 31	2013A	2014A	2015E	2016E	2017E
Sales (CNYm)	41,510.2	50,990.7	55,321.3	59,406.0	63,630.8
EBITDA(CNYm)	9,904.2	11,326.6	12,390.9	13,962.4	15,722.7
Reported NPAT(CNYm)	8,037.2	8,353.6	7,319.5	8,087.5	8,949.0
Reported EPS FD(CNY)	1.52	1.58	1.35	1.48	1.64
PER (x)	8.7	6.4	5.8	5.3	4.8
DPS (net) (CNY)	0.23	0.28	0.29	0.31	0.33
Yield (net) (%)	2.2	3.6	3.7	4.0	4.2

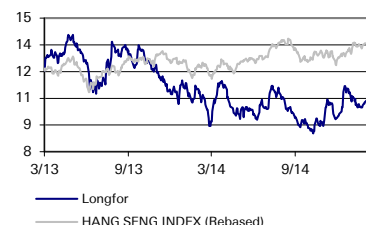
Source: Deutsche Bank estimates, company data

#### Key changes

Price target	15.50 to 15.60	↑	0.6%
Sales (FYE)	51,092 to 55,321	↑	8.3%
Op prof margin(FYE)	26.3 to 22.4	↓	-15.0%
Net profit(FYE)	7,864.3 to 7,319.5	↓	-6.9%

Source: Deutsche Bank

#### Price/price relative



Performance (%)	1m	3m	12m
Absolute	-4.6	4.4	6.6
HANG SENG INDEX	-3.7	4.7	10.7

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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18 March 2015

Property  
Longfor



Model updated: 18 March 2015

Running the numbers

Asia  
China  
Property

Longfor

Reuters: 0960.HK Bloomberg: 960 HK

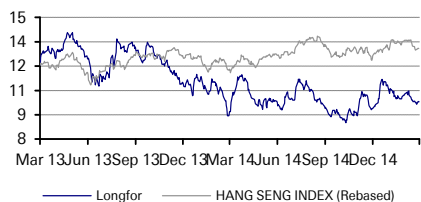
Buy

Price (18 Mar 15) HKD 9.81  
Target Price HKD 15.60  
52 Week range HKD 8.52 - 11.48  
Market Cap (m) HKDm 50,571  
USDm 6,513

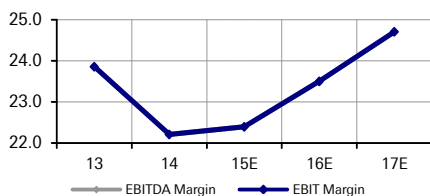
Company Profile

Established in 1994, Longfor commenced its first property development in Chongqing, namely Longfor Garden Nanyuan. Since then, the company has adopted a 'multiple products, selected regional focus' strategy, and started to expand outside its home market in 2005. The company also entered the commercial property market as early as 2002. In 2010, Longfor ranked as one of the top 10 developers in China in terms of sales volume sold by GFA for the first time, according to CRIC.

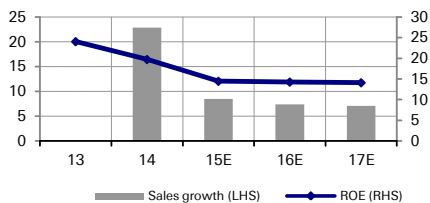
Price Performance



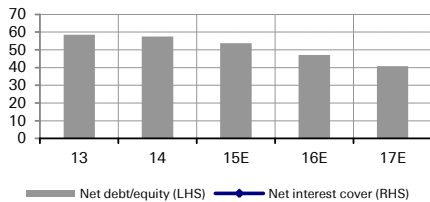
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

Financial Summary

	2013	2014	2015E	2016E	2017E
DB EPS (CNY)	1.17	1.25	1.35	1.48	1.64
Reported EPS (CNY)	1.52	1.58	1.35	1.48	1.64
DPS (CNY)	0.23	0.28	0.29	0.31	0.33
BVPS (CNY)	6.8	8.8	9.9	11.1	12.4
Weighted average shares (m)	5,285	5,285	5,418	5,418	5,418
Average market cap (CNYm)	53,734	42,157	40,720	40,720	40,720
Enterprise value (CNYm)	76,729	70,308	70,889	71,439	71,604

Valuation Metrics

P/E (DB) (x)	8.7	6.4	5.8	5.3	4.8
P/E (Reported) (x)	6.7	5.0	5.8	5.3	4.8
P/BV (x)	1.26	0.90	0.80	0.71	0.64
FCF Yield (%)	nm	nm	nm	9.6	13.2
Dividend Yield (%)	2.2	3.6	3.7	4.0	4.2
EV/Sales (x)	1.8	1.4	1.3	1.2	1.1
EV/EBITDA (x)	7.7	6.2	5.7	5.1	4.6
EV/EBIT (x)	7.7	6.2	5.7	5.1	4.6

Income Statement (CNYm)

Sales revenue	41,510	50,991	55,321	59,406	63,631
Gross profit	11,538	13,516	14,963	16,903	18,968
EBITDA	9,904	11,327	12,391	13,962	15,723
Depreciation	0	0	0	0	0
Amortisation	0	0	0	0	0
EBIT	9,904	11,327	12,391	13,962	15,723
Net interest income/(expense)	77	123	140	116	96
Associates/affiliates	321	276	620	253	425
Exceptionals/extraordinaries	2,917	1,901	0	0	0
Other pre-tax income/(expense)	0	0	0	0	0
Profit before tax	12,898	13,351	12,531	14,078	15,818
Income tax expense	4,583	4,876	4,853	5,162	6,049
Minorities	599	397	978	1,082	1,246
Other post-tax income/(expense)	0	0	0	0	0
Net profit	8,037	8,354	7,319	8,088	8,949
DB adjustments (including dilution)	-1,827	-1,744	0	0	0
DB Net profit	6,210	6,610	7,319	8,088	8,949

Cash Flow (CNYm)

Cash flow from operations	-5,897	-1,893	-4,659	6,959	5,661
Net Capex	-12,000	-12,000	-4,258	-2,868	0
Free cash flow	-17,897	-13,893	-9,177	4,091	5,661
Equity raised/(bought back)	0	0	0	0	0
Dividends paid	-460	-460	-852	-1,361	-1,690
Net inc/(dec) in borrowings	13,951	14,792	25,842	1,387	908
Other investing/financing cash flows	9,406	8,923	8,203	-2,459	-3,317
Net cash flow	5,000	9,362	24,276	1,658	1,561
Change in working capital	0	0	0	0	0

Balance Sheet (CNYm)

Cash and other liquid assets	14,399	18,794	19,201	20,869	22,432
Tangible fixed assets	185	190	190	190	190
Goodwill/intangible assets	5,653	4,959	4,959	4,959	4,959
Associates/investments	3,101	3,304	3,924	4,176	4,602
Other assets	120,834	140,909	146,913	151,755	159,669
Total assets	144,172	168,156	175,186	181,949	191,852
Interest bearing debt	37,703	47,741	49,807	51,196	52,104
Other liabilities	66,693	70,143	68,383	66,287	66,876
Total liabilities	104,397	117,884	118,190	117,482	118,980
Shareholders' equity	36,984	47,764	53,510	59,899	67,058
Minorities	2,792	2,508	3,486	4,568	5,814
Total shareholders' equity	39,776	50,272	56,996	64,467	72,872
Net debt	23,304	28,947	30,606	30,327	29,672

Key Company Metrics

Sales growth (%)	nm	22.8	8.5	7.4	7.1
DB EPS growth (%)	na	6.4	8.0	9.6	10.6
EBITDA Margin (%)	23.9	22.2	22.4	23.5	24.7
EBIT Margin (%)	23.9	22.2	22.4	23.5	24.7
Payout ratio (%)	15.0	18.0	21.5	21.0	20.0
ROE (%)	24.0	19.7	14.5	14.3	14.1
Capex/sales (%)	28.9	23.5	7.7	4.8	0.0
Capex/depreciation (x)	nm	nm	nm	nm	nm
Net debt/equity (%)	58.6	57.6	53.7	47.0	40.7
Net interest cover (x)	nm	nm	nm	nm	nm

Source: Company data, Deutsche Bank estimates

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# Investment thesis

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## Outlook

With management sticking to a steady growth strategy promoting long-term sustainability, we believe Longfor is well positioned to the current market conditions. In particular, management has a cautious mind in light of potential market volatility ahead, being one of the very few names in the sector that has hedged its FX positions relating to its offshore debt. Together with a focus on inventory clearance and cost control in FY15, we see Longfor as a defensive pick in uncertain markets, led by a quality management team.

While it may not look particularly attractive from a valuation perspective, we believe Longfor deserves a premium given its reputable management, sound operations and business strategies. We expect this valuation premium to persist going forward as investors prefer to stay with quality names in light of market uncertainties.

## Valuation

Our target price is based upon on a 20% discount to our revised NAV estimate of HK\$19.50/shr (HK\$19.37/shr), calculated by factoring in the potential Rmb depreciation, which implies 2015 PER of 10x. Given its relatively shorter history as a listed company, our target discount is markedly higher than industry leaders like COLI/Vanke (both at 10%) but lower than other privately owned peers such as Evergrande and Agile, which we believe is appropriate given its quality management and sound business strategies.

## Risks

- Further government tightening policies targeted at the property sector – The government has repeatedly emphasized its desire to avoid an overheated property market. Introduction of new tightening policies/reinforcement of existing policies could adversely impact earnings and profitability for developers.
- Exposure in cities with purchase restrictions – Longfor has about 61% of its sales launches in cities where purchase restrictions are being imposed. As a result, sales performances in these cities could be materially affected.
- Expansion outside its hometown could bring execution risk – Longfor has until now focused mainly on Western China. Differences in local practices in new cities that Longfor enters could lead to unforeseeable operational and logistical challenges.



# FY14 results slightly beat

## Core net profit +6% YoY to Rmb6,610mn in FY14

Longfor reported FY14 revenue +23% YoY to Rmb50,991mn, driven by an 8% YoY increase in GFA delivery to 4.76mn sqm and a 12% YoY increase in delivery ASP to Rmb10,925/sqm. Meanwhile, rental revenue was +38% YoY to Rmb876mn, boosted by positive rental reversion and contribution from newly completed projects. Gross margin saw a 1.3 pct point compression to 26.5% in FY14 (27.8% in FY13). Excluding fair-value gains and other one-off items such as impairment on inventory and loss on early redemption of senior notes, core profit was +6% YoY to Rmb6,610mn (slightly ahead of our expectation), implying a net margin of 13% (15% in FY13). A final dividend of Rmb0.284/share was declared, implying a 25% YoY increase.

Figure 1: Income statement (Rmb mn)

For year ended Dec 31	2013A	2014A	%	Remarks
Sales of properties	40,224	49,289	23%	- GFA delivered +8% YoY to 4.76mn sqm (4.4mn sqm in FY13). Recognized ASP +12% YoY to Rmb10,925/sqm (Rmb9,738/sqm in FY13)
Rental income	635	876	38%	- Boosted by positive rental reversion and contribution from newly completed projects including North Paradise Walk in Chengdu
Property management	652	826	27%	
<b>Revenue</b>	<b>41,510</b>	<b>50,991</b>	<b>23%</b>	
Cost of sales	(29,972)	(37,691)	26%	
<b>Gross Profit</b>	<b>11,538</b>	<b>13,516</b>	<b>17%</b>	- Gross margin contracted by 1.3 percentage points to 26.5%
Gross interest expenses	2,628	2,796	6%	- Average borrowing cost fell to 6.4% (from 6.58% in FY13)
Capitalized interest	(2,589)	(2,773)	7%	
Net interest expense/(income)	39	23	-43%	
Interest income	116	146	26%	
Selling and marketing costs	(887)	(1,065)	20%	
Administrative expenses	(1,084)	(1,298)	20%	
Others	338	174	-48%	
SG&A	(1,518)	(2,043)	35%	
Revaluation gains	2,592	2,554	-1%	
Other adjustments	325	(653)	-301%	- Including loss on early redemption of senior notes of Rmb266mn, impairment loss on inventory of Rmb310mn and FX loss of Rmb195mn
<b>Profit from operations</b>	<b>12,898</b>	<b>13,351</b>	<b>4%</b>	
Associates	321	276	-14%	
<b>Pre-tax profit</b>	<b>13,219</b>	<b>13,627</b>	<b>3%</b>	
Taxation	(4,583)	(4,876)	6%	
<b>Post-tax profit before MI</b>	<b>8,636</b>	<b>8,750</b>	<b>1%</b>	
Minority interests	(599)	(397)	-34%	
<b>Net attributable profit</b>	<b>8,037</b>	<b>8,354</b>	<b>4%</b>	- Reported net profit +4% YoY to Rmb8,354mn
Adjustment for non-recurring items	(1,827)	(1,744)	-5%	
<b>Core net profit</b>	<b>6,210</b>	<b>6,610</b>	<b>6%</b>	- Core net profit +6% YoY to Rmb6,610mn, slightly ahead of our expectation

Source: Company; Deutsche Bank



**Net gearing steady at 57%; maturity profile/funding cost remained sound**

Longfor has gross debt of Rmb47,741mn (+27% YoY from Rmb37,703mn by end-2013) and cash of Rmb19,037mn (+30% from Rmb14,676mn by end-2013). Net gearing declined by 1 percentage point to 57% by mid-2014 (58% by end-2013), average maturity was little changed at 4.5 years (from 4.6 years in FY13) and average funding cost declined to 6.4% (from 6.58% in FY13). Longfor acquired 16 projects for a total consideration of Rmb17.9bn in FY14. During the period, Longfor has early redeemed its US\$750mn senior note at a coupon of 9.5% and issued a four-year Rmb2bn high-yield bond at a coupon of 6.75% in May 2014 as well as HK\$3,425mn in syndication loan at HIBOR plus 3.1%.

**Figure 2: Balance sheet (Rmb mn)**

As of Dec 31	2013A	2014A
<b>Non-current assets</b>	<b>42,317</b>	<b>54,907</b>
Investment properties	23,813	33,362
Land use rights/properties under dev	5,653	4,959
Property and equipment	185	190
Other assets	12,666	16,396
<b>Associates</b>	<b>3,101</b>	<b>3,304</b>
<b>Other investments</b>	<b>9</b>	<b>9</b>
<b>Current assets</b>	<b>98,745.8</b>	<b>109,936.9</b>
Properties under development	65,368	68,091
Inventories	10,963	10,266
Other inventories	761	766
Debtors & deposits/receivables/others	7,255	12,020
Bank balances & cash	14,399	18,794
<b>Current liabilities</b>	<b>(72,586.6)</b>	<b>(74,362.2)</b>
Bank loans and overdrafts	9,067	7,973
Forward sales deposits received	43,186	35,325
Creditors, deposits & accruals/others	11,822	21,488
Taxation	8,511	9,577
<b>Total assets less current liabilities</b>	<b>71,585</b>	<b>93,794</b>
<b>Non-current liabilities</b>	<b>28,851</b>	<b>39,771</b>
Long term bank loans	18,461	32,194
Other long term loans	10,175	7,575
Others	215	2
<b>Deferred income tax</b>	<b>2,959</b>	<b>3,751</b>
Issued share capital	477	506
Capital & other reserves	36,507	47,258
<b>Shareholders' funds</b>	<b>36,984</b>	<b>47,764</b>
Minority interests	2,792	2,508
<b>Total capital employed</b>	<b>71,585</b>	<b>93,794</b>

Source: Company; Deutsche Bank



### Key takeaways:

- In FY14, Longfor achieved contracted sales of Rmb49.05bn by value (+2% YoY) and 4.54mn sqm by GFA (+6.5% YoY). Meanwhile, contracted ASP was -4.3% YoY to Rmb 10,803/sqm. In particular, about 34.3% of contracted sales in FY14 by value were contributed from western China, followed by Yangtze River Delta at 32.2%, Pan Bohai Rim at 28.3%, southern China at 3.6% and central China at 1.6%.
- Management indicated a desire to focus on cash collection instead of contracted sales growth. Consequently, the cash collection rate stood at 90% in FY14.
- Total rental income rose by 38% YoY to Rmb876mn in FY14 (Rmb635mn in FY13), boosted by positive rental reversion and contribution of newly completed projects including North Paradise Walk in Chengdu and Changying Paradise Walk in Beijing. Meanwhile, the overall occupancy rate of Longfor's investment property portfolio remained high at 95.5% by end-2014.

Figure 3: FY14 rental income breakdown

Project	GFA (sqm)	Occupancy rate			Rental income (Rmb'000)		
		FY14	FY13	YoY (%)	FY14	FY13	YoY (ppt)
CQ North paradise walk	120,778	98.7%	100.0%	-1.3%	352,243	308,557	14.2%
CQ West paradise walk	76,031	99.9%	99.6%	0.3%	131,258	108,907	20.5%
CQ Time paradise walk Ph 1	160,168	92.7%	92.2%	0.5%	166,114	94,073	76.6%
CQ Time paradise walk Ph 2	154,460	66.5%	0.0%	66.5%	202	0	0.0%
CD North paradise walk	215,536	79.1%	74.8%	4.3%	59,976	329	18,130%
CD Time paradise walk Ph 1	61,989	78.6%	0.0%	78.6%	3,978	0	0.0%
BJ Changying paradise walk	221,286	86.8%	0.0%	86.8%	14,266	0	0.0%
<b>Paradise Walk Subtotal</b>	<b>1,010,248</b>	<b>95.6%</b>	<b>98.5%</b>	<b>-2.9%</b>	<b>728,037</b>	<b>511,866</b>	<b>42.2%</b>
Chongqing Crystal Castle	17,648	97.2%	90.6%	6.6%	21,858	20,156	8.4%
Chengdu Three Thousand Mall	38,043	93.7%	83.4%	10.3%	22,919	21,100	8.6%
Chongqing Chunsen	54,618	82.3%	93.0%	-10.7%	25,144	22,678	10.9%
Chongqing Fairy Castle	29,413	100.0%	100.0%	0.0%	11,236	11,064	1.6%
Beijing Summer palace	6,320	100.0%	97.9%	2.1%	15,144	11,537	31.3%
Chongqing University City	15,515	94.7%	93.9%	0.8%	7,072	4,518	56.5%
XA Daxing Starry Street	44,227	92.2%	0.0%	92.2%	6,790	0	0.0%
Others					7,215	6,134	17.6%
<b>Starry Street Subtotal</b>	<b>205,785</b>	<b>93.7%</b>	<b>92.3%</b>	<b>1.4%</b>	<b>117,378</b>	<b>97,188</b>	<b>20.8%</b>
Chongqing MOCO	29,104	99.2%	100.0%	-0.8%	30,906	25,545	21.0%
<b>MOCO Subtotal</b>	<b>29,104</b>	<b>99.2%</b>	<b>100.0%</b>	<b>-0.8%</b>	<b>30,906</b>	<b>25,545</b>	<b>21.0%</b>
<b>Total</b>	<b>1,245,137</b>	<b>95.5%</b>	<b>97.6%</b>	<b>-2.1%</b>	<b>876,321</b>	<b>634,599</b>	<b>38.1%</b>

Source: Company, Deutsche Bank

- Recognized gross margin from development sales in FY14 was down by 1.3 percentage points to 25.7%. Management is guiding for gross margin ranging 25-30% in coming years.
- Longfor acquired a total of 16 new projects with an attributable GFA of 2.6mn sqm, total land premium of Rmb17.9bn and unit land cost of Rmb6,785/sqm. Management hinted that Longfor will remain relatively cautious in future land acquisitions in 2015.



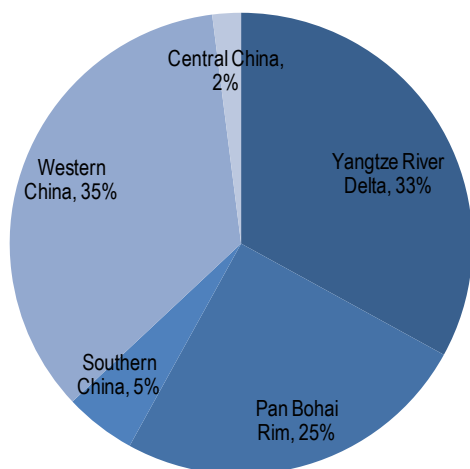
Figure 4: Longfor – FY14 landbank acquisition summary

Projects	Location	Attributable interest (%)	Site area (sqm)	GFA (sqm)	Total land cost (Rmb mn)	Unit land cost (Rmb/sqm)	Type
Celebrity Life	Ningbo	100.0%	30,660	64,830	392	6,101	R/S/CP
Chunjiang Central	Hangzhou	100.0%	128,383	549,205	4,349	7,919	R/S/O/H/CP
Jade Mansion	Beijing	50.0%	70,055	140,739	1,839	26,127	R/S/CP
The Great Wall Chinoiserie	Beijing	60.0%	239,403	230,331	545	3,944	R/S/CP
Jinnan Walk Time	Chengdu	100.0%	24,335	101,988	310	3,040	R/S/CP
Gulou Plot	Nanjing	100.0%	45,842	427,807	2,597	6,070	R/S/O/CP
Chunjiang Land	Foshan	46.1%	71,332	366,810	540	3,197	R/S/CP
Chanba Plot	Xi'an	100.0%	99,973	217,513	446	2,050	R/S/CP
W.Lake Dianda Plot	Hangzhou	51.0%	14,401	54,367	487	17,575	R/S/CP
E. Tianhe Plot	Guangzhou	100.0%	185,588	331,233	3,893	11,754	R/S/CP
Jinniu Hejia Plot	Chengdu	100.0%	61,531	146,632	584	3,983	R/S/CP
Songjiang Newtown	Shanghai	100.0%	38,404	114,626	412	3,594	S/O/CP
Songjiang Youngfeng	Shanghai	16.0%	26,983	45,866	54	7,321	S/CP
Keyuan Road Plot	Chongqing	100.0%	16,848	128,273	552	4,304	R/S/CP
Xingyi Plot	Hangzhou	100.0%	39,209	141,512	848	5,990	S/CP
Fengtai Kandan Plot	Beijing	16.5%	20,070	51,613	93	10,976	
<b>Total</b>			<b>1,112,717</b>	<b>3,113,345</b>	<b>17,945</b>	<b>6,785</b>	

Source: Company, Deutsche Bank

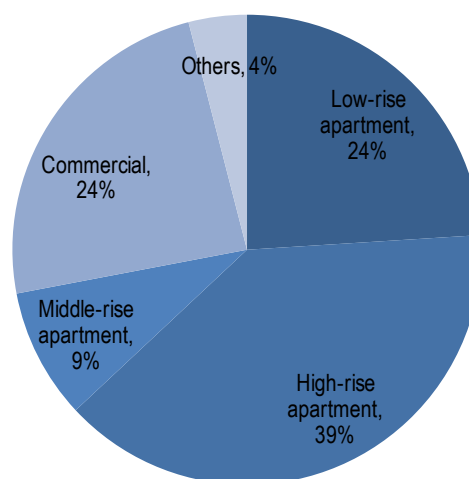
- As of end-2014, Longfor has a total landbank of 34.9mn sqm (attributable at 32.8mn sqm) with an average unit land cost of Rmb2,363/sqm. Average unit land and cost as a % of ASP stood at 21.9%, demonstrating management's continued prudent landbank acquisition strategy is still well in place. In light of the market uncertainty, management hinted that new project acquisition pace will slow down materially ahead.

Figure 5: Longfor – saleable resources by region in 2015



Source: Company, Deutsche Bank

Figure 6: Longfor – saleable resources by type in 2015



Source: Company, Deutsche Bank

- In 2014, the group completed a five-year HK\$3.425mn syndicated loan issue at HIBOR +3.1%, a four-year Rmb2bn high-yield dim sum bond issue at 6.75%, and early redeemed the US\$750mn high-yield bond



issued in March 2011 carrying a coupon of 9.5%. Average funding cost was steady at 6.4% (6.58% in FY13), and average maturity was 4.5 years (from 4.6 years in FY13).

- The debt maturity profile remained favorable as of end-2014, with Rmb7.97bn (17% of total gross debt versus 24% as of end-2013) expiring in the next 12 months, Rmb25.2bn (53% of total versus 56% as of end-13) expiring in between one and three years and Rmb14.6bn (30% of total versus 20% as of end-2013) expiring in over three years. Meanwhile, Rmb-denominated debt accounted for 69% of total gross debt (62% as of end-2013), with 16% denominated in USD (28% one year ago) and 15% denominated in HKD (10% one year ago). According to management, the company has hedged its FX exposure for 40% of the outstanding off-shore debt.
- In FY14, Longfor made an impairment loss on properties held for sales of Rmb310mn, comprising two villa projects in Shanghai that Longfor has acquired in the market peak in 2011. The impairment was made on the back of current ASP being below the development cost of the projects. Management stated that the impairment is a one-off event in 1H14 and does not expect further impairment ahead.

Figure 7: Longfor – key financial items

RMB mn	Value				YoY Change		
	FY11	FY12	FY13	FY14	FY12	FY13	FY14
<b>Key Items</b>							
Core Net Profit	4,502.8	5,402.0	6,210.0	6,610	20%	15%	6%
Core EPS	0.87	1.02	1.17	1.206	17%	15%	3%
Gross Margin	40.5%	40.1%	27.8%	26.5%	-1%	-31%	-5%
Core Net Margin	19%	19%	15%	13.00%	4%	-23%	-13%
Reported Net Profit	4,841.7	5,502.0	8,635.9	8,750.4	14%	57%	1%
Reported Net Margin	26.3%	22.6%	19.4%	17.2%	-14%	-14%	-11%
Net Gearing	40.9%	44.7%	41.4%	57.10%	9%	-7%	38%
DPS	0.18	0.20	0.23	0.28	11%	14%	25%
Net Book Value Per Share	4.3	5.5	6.8	8.714	30%	24%	28%
<b>P&amp;L</b>							
Total Revenue	24,092.9	27,892.8	41,510.2	50,990.0	16%	49%	23%
Property Sales Revenue	23,376.0	26,946.1	40,223.9	49,288.6	15%	49%	23%
Gross Rental Income	402.2	483.4	634.6	876.3	20%	31%	38%
<b>Expenses</b>							
Selling & marketing expenses	642.7	688.6	887.3	1065.2	7%	29%	20%
Administrative expenses	709.1	872.7	1,084.3	1297.8	23%	24%	20%
Selling & marketing expenses as a % of Total Revenue	3%	2%	2%	2%	-7%	-13%	-2%
Administrative expenses as a % of Total Revenue	3%	3%	3%	3%	6%	-17%	-3%
SG&A as a % of Total Revenue	6%	6%	5%	5%	0%	-15%	-2%
<b>Accounting policy check</b>							
Gross interest expenses	1,541.3	2,070.7	2,627.0	2,795.5	34%	27%	6%
Capitalized interests	1,339.1	2,023.0	2,588.8	2,773.2	51%	28%	7%





% of interests capitalized	87%	98%	99%	99%	12%	1%	1%
Capitalized interests as a % of core net profit	30%	37%	42%	42%	26%	11%	1%

Source: Company, Deutsche Bank

Figure 8: Longfor – Operation metrics

RMB mn	FY11	FY12	% YoY Growth	FY13	% YoY Growth	FY14	% YoY Growth
<b>Operational metrics</b>							
<b>Property sales and rental</b>							
Delivery GFA (sqm)	1,678,160	2,512,031	50%	4,130,782	64%	4,511,664	9%
Delivery ASP (RMB psm)	13,930	10,727	-23%	9,738	-9%	10,925	12%
Rental income (RMB mn)	402	483	20%	635	31%	876	38%
IP leaseable area (sqm)	NA	547,813	NA	763,349	39%	1,245,137	63%
New GFA acquired (sqm)	4,815,818	8,905,659	85%	5,593,065	-37%	3,113,345	-44%
Total acquisition cost (RMB mn)	9,390	22,076	135%	17,452	-21%	17,945	3%
Average unit land cost (RMBpsm)	1,950	2,479	27%	3,120	26%	6,785	117%
Contracted sales (RMB mn)	38,268	40,130	5%	48,120	20%	49,050	2%
Contracted GFA (sqm)	3,286,285	4,180,000	27%	4,261,000	2%	4,541,000	7%
Contracted ASP (RMB psm)	11,645	9,600	-18%	11,293	18%	10,802	-4%
Sell-through rate	65%	57%		57%		51%	
Saleable resources (RMBmn)	60,000	70,000	17%	85,000	21%	96,000	13%
Total gross debt (RMB mn)	23,967	32,837	37%	37,703	15%	47,741	27%
Total cash balance (Rmb mn)	14,527	18,611	28%	14,676	-21%	19,037	30%
Net gearing (%)	40.90%	44.70%	NA	41.40%	NA	57.10%	NA
Debt maturity:							
Less than 12 months	3,580	5,109	43%	9,067	77%	7,973	-12%
Between 1-3 years	12,400	17,955	45%	20,947	17%	25,153	20%
More than 3 years	7,987	9,773	22%	7,689	-21%	14,616	90%
Rmb as % of total debt	65%	64%	NA	62%	NA	69%	NA
USD as % of total debt	35%	36%	NA	38%	NA	31%	NA
Average borrowing interest rate	6.40%	6.72%	NA	6.58%	NA	6.40%	NA
<b>Cash flow Analysis</b>							
<b>Inflow</b>							
Sales proceeds	32,090	37,800	18%	41,600	10%	43,000	3%
Rental income	400	480	20%	500	4%	900	80%
<b>Outflow</b>							
Land premium	(17,800)	(19,400)	9%	(13,000)	-33%	(20,000)	54%
Construction capex	(12,000)	(16,000)	33%	(21,000)	31%	(21,000)	0%
SG&A	(1,350)	(3,900)	189%	(2,700)	-31%	(1,500)	-44%
Interest expenses	(1,410)	(3,900)	177%	(2,500)	-36%	(3,000)	20%
Taxation	(2,500)	(5,100)	104%	(6,500)	27%	(6,600)	2%
Others	(700)	(900)	29%	(1,000)	11%	(1,200)	20%

Source: Company, Deutsche Bank



# Financial analysis

Figure 9: Income statement (Rmb mn)

For year ended Dec 31	2012A	2013A	2014A	2015F	2016F	2017F
Sales of properties	26,946	40,224	49,289	53,393	56,963	59,863
Rental income	483	635	876	938	1,304	2,514
Property management	463	652	826	991	1,140	1,253
<b>Revenue</b>	<b>27,893</b>	<b>41,510</b>	<b>50,991</b>	<b>55,321</b>	<b>59,406</b>	<b>63,631</b>
Cost of sales	(16,710)	(29,972)	(37,691)	(40,358)	(42,503)	(44,663)
<b>Gross Profit</b>	<b>11,183</b>	<b>11,538</b>	<b>13,516</b>	<b>14,963</b>	<b>16,903</b>	<b>18,868</b>
Gross interest expenses	2,071	2,628	2,796	3,188	3,277	3,335
Capitalized interest	(2,023)	(2,589)	(2,773)	(3,156)	(3,211)	(3,235)
Net interest expense/(income)	48	39	23	32	66	100
Interest income	140	116	146	172	182	196
Selling and marketing costs	(689)	(887)	(1,065)	(1,195)	(1,373)	(1,535)
Administrative expenses	(873)	(1,084)	(1,298)	(1,390)	(1,582)	(1,727)
Others	43	338	174	-	-	-
SG&A	(1,378)	(1,518)	(2,043)	(2,413)	(2,774)	(3,066)
Revaluation gains	1,309	2,592	2,554	-	-	-
Other adjustments	(12)	325	(653)	-	-	-
<b>Profit from operations</b>	<b>11,054</b>	<b>12,898</b>	<b>13,351</b>	<b>12,531</b>	<b>14,078</b>	<b>15,818</b>
Associates	248	321	276	620	253	425
<b>Pre-tax profit</b>	<b>11,302</b>	<b>13,219</b>	<b>13,627</b>	<b>13,151</b>	<b>14,331</b>	<b>16,244</b>
Taxation	(4,436)	(4,583)	(4,876)	(4,856)	(5,166)	(6,053)
<b>Post-tax profit before MI</b>	<b>6,865</b>	<b>8,636</b>	<b>8,750</b>	<b>8,297</b>	<b>9,169</b>	<b>10,194</b>
Minority interests	(564)	(599)	(397)	(978)	(1,082)	(1,246)
<b>Net attributable profit</b>	<b>6,301</b>	<b>8,037</b>	<b>8,354</b>	<b>7,319</b>	<b>8,088</b>	<b>8,949</b>
Adjustment for non-recurring items	(899)	(1,827)	(1,744)	-	-	-
<b>Core net profit</b>	<b>5,402</b>	<b>6,210</b>	<b>6,610</b>	<b>7,319</b>	<b>8,088</b>	<b>8,949</b>
Fully diluted EPS (HK\$)	1.28	1.82	1.90	1.61	1.78	1.97
DPS (HK\$)	0.20	0.23	0.28	0.29	0.31	0.33

Source: Deutsche Bank estimates



Figure 10: Balance sheet (Rmb mn)

As of Dec 31	2012A	2013A	2014A	2015F	2016F	2017F
<b>Non-current assets</b>	<b>35,528</b>	<b>42,317</b>	<b>54,907</b>	<b>56,331</b>	<b>57,197</b>	<b>57,837</b>
Investment properties	18,383	23,813	33,362	33,362	33,362	33,362
Land use rights/properties under dev	6,949	5,653	4,959	4,959	4,959	4,959
Property and equipment	186	185	190	190	190	190
Other assets	10,010	12,666	16,396	17,821	18,687	19,326
<b>Associates</b>	<b>2,068</b>	<b>3,101</b>	<b>3,304</b>	<b>3,924</b>	<b>4,176</b>	<b>4,602</b>
<b>Other investments</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>Current assets</b>	<b>87,821</b>	<b>98,746</b>	<b>109,937</b>	<b>114,923</b>	<b>120,567</b>	<b>129,404</b>
Properties under development	57,727	65,368	68,091	71,977	74,741	80,527
Inventories	4,477	10,963	10,266	10,693	10,781	11,274
Other inventories	657	761	766	772	791	805
Debtors & deposits/receivables/others	6,576	7,255	12,020	12,280	13,386	14,367
Bank balances & cash	18,384	14,399	18,794	19,201	20,869	22,432
<b>Current liabilities</b>	<b>(62,574.9)</b>	<b>(72,586.6)</b>	<b>(74,362.2)</b>	<b>(72,403.1)</b>	<b>(70,695.4)</b>	<b>(71,693.0)</b>
Bank loans and overdrafts	5,109	9,067	7,973	7,773	8,162	8,570
Forward sales deposits received	40,845	43,186	35,325	42,043	42,555	43,041
Creditors, deposits & accruals/others	8,722	11,822	21,488	19,916	16,634	15,908
Taxation	7,899	8,511	9,577	1,949	2,088	2,819
Proposed dividend	-	-	-	722	1,261	1,361
<b>Total assets less current liabilities</b>	<b>62,852</b>	<b>71,585</b>	<b>93,794</b>	<b>102,783</b>	<b>111,254</b>	<b>120,159</b>
<b>Non-current liabilities</b>	<b>27,842</b>	<b>28,851</b>	<b>39,771</b>	<b>42,036</b>	<b>43,036</b>	<b>43,536</b>
Long term bank loans	20,475	18,461	32,194	34,194	35,194	35,694
Other long term loans	7,253	10,175	7,575	7,840	7,840	7,840
Others	114	215	2	2	2	2
<b>Deferred income tax</b>	<b>2,432</b>	<b>2,959</b>	<b>3,751</b>	<b>3,751</b>	<b>3,751</b>	<b>3,751</b>
Issued share capital	476	477	506	506	506	506
Capital & other reserves	29,433	36,507	47,258	53,004	59,393	66,552
<b>Shareholders' funds</b>	<b>29,909</b>	<b>36,984</b>	<b>47,764</b>	<b>53,510</b>	<b>59,899</b>	<b>67,058</b>
Minority interests	2,668	2,792	2,508	3,486	4,568	5,814
<b>Total capital employed</b>	<b>62,852</b>	<b>71,585</b>	<b>93,794</b>	<b>102,783</b>	<b>111,254</b>	<b>120,159</b>

Source: Deutsche Bank estimates



# Valuation

## Our revised NAV estimate is HK\$19.50/share

We adopt NAV as our primary valuation metric, in line with the residential-focused peers under our coverage. Our approach is based on sum-of-the-parts, where we use DCF for property developments for sale and a direct capitalization approach for investment properties. We generally assume ASP to stay flat in 2015. However, we have made project-specific adjustments, stemming from product mix/phase differences. We have adopted a discount rate of 12.3%, which is in line with our estimated WACC. Our fully diluted NAV estimate is at HK\$19.50/share, already assuming potential Rmb depreciation of up to 5% from current levels.

Figure 11: NAV breakdown

	(Rmb mn)	(HK\$ mn)	(HK\$/share)	%
<b>Development property</b>				
Beijing	12,340	14,695	2.69	13.8%
Changzhou	2,682	3,194	0.59	3.0%
Chengdu	7,082	8,433	1.55	7.9%
Chongqing	16,926	20,156	3.69	18.9%
Dalian	2,750	3,274	0.60	3.1%
Hangzhou	11,963	14,246	2.61	13.4%
Ningbo	2,601	3,097	0.57	2.9%
Qingdao	3,730	4,441	0.81	4.2%
Shanghai	5,894	7,019	1.29	6.6%
Shenyang	6,950	8,276	1.52	7.8%
Wuxi	3,087	3,676	0.67	3.5%
Xi'an	5,708	6,797	1.25	6.4%
Yantai	9,528	11,347	2.08	10.7%
Xiamen	2,181	2,598	0.48	2.4%
Yixing	1,354	1,613	0.30	1.5%
Quanzhou	2,732	3,254	0.60	3.1%
Shaoxing	1,505	1,793	0.33	1.7%
Changsha	1,789	2,130	0.39	2.0%
Kunming	548	652	0.12	0.6%
Suzhou	2,731	3,252	0.60	3.1%
Jinan	841	1,001	0.18	0.9%
Yuxi	966	1,150	0.21	1.1%
	<b>105,887</b>	<b>126,095</b>	<b>23.12</b>	<b>118.6%</b>
<b>Investment property</b>				
Office	261	311	0.06	0.3%
Retail	24,528	29,209	5.35	27.5%
	<b>24,789</b>	<b>29,520</b>	<b>5.41</b>	<b>27.8%</b>
<b>Gross asset value (GAV)</b>	<b>130,677</b>	<b>155,615</b>	<b>28.53</b>	<b>146.3%</b>
Net cash / (debt)	(28,949)	(34,473)	(6.32)	-32.4%
Outstanding land premium	(12,400)	(14,766)	(2.71)	-13.9%
<b>Net asset value (NAV) - fully diluted</b>	<b>89,328</b>	<b>106,375</b>	<b>19.50</b>	<b>100.0%</b>

Source: Deutsche Bank estimates

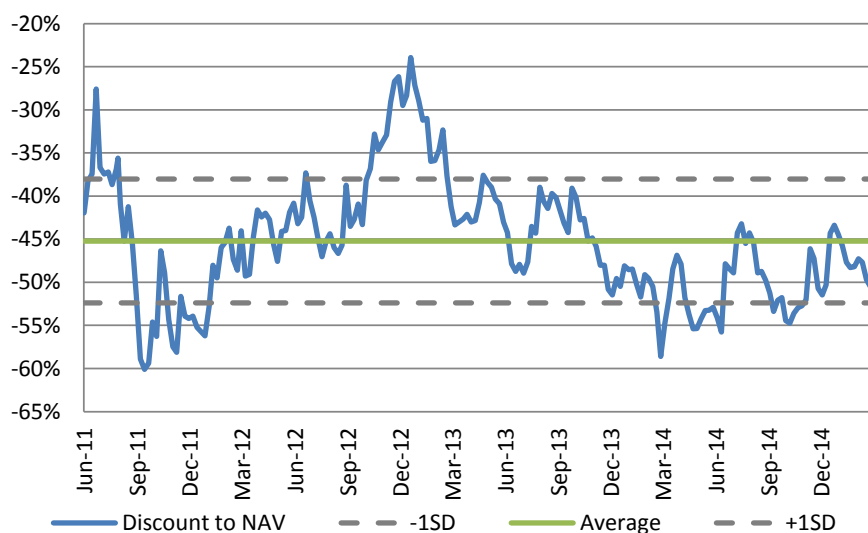


**Our target price of HK\$15.6 is based on a 20% discount to our estimated NAV**

Our target price of HK\$15.6 is based upon a discount of 20% to our estimated NAV of HK\$19.55/share (HK\$19.37/share). Our target discount is higher than that for industry leaders like COLI/Vanke (both at 10%) given Longfor's relatively short listing history, but it is at a premium over other privately owned peers such as Evergrande and Agile, which we believe is appropriate. As a cross-check, our target price implies a 2015/16e PER of 10x/9x, respectively, which is at the top end of the industry range. We believe Longfor deserves to trade at a valuation premium on account of its reputable management, sound operations and business strategies.

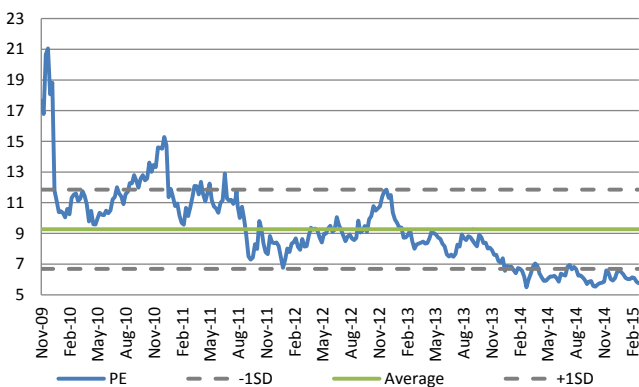
At the current share price, Longfor is trading at a 50% discount to our estimated NAV and at 6x 2015e earnings.

Figure 12: Longfor – historical discount to NAV



Source: Bloomberg Finance LP; Deutsche Bank estimates

Figure 13: Longfor – historical P/E band chart



Source: Bloomberg Finance LP; Deutsche Bank estimates

Figure 14: Longfor – historical P/B band chart



Source: Bloomberg Finance LP; Deutsche Bank estimates



Figure 15: China property – valuation

Company	Ticker	DB Rating	Trade Ccy	Report Ccy	Mkt Cap USDm	12M Daily T/O USDm	18 Mar			Est. NAV	NAV Disc	EPS			PE(x)		
							Price	Price	Upside			14F	15F	16F	14F	15F	16F
<b>Covered</b>																	
COLI	688 HK	Buy	HKD	HKD	22,813	68.87	21.65	29.99	39%	33.3	-35%	2.76	3.23	3.79	7.9	6.7	5.7
China Vanke - A	000002 CH	Buy	CNY	CNY	23,392	227.03	13.14	14.87	13%	17.5	-25%	1.50	1.82	2.20	8.8	7.2	6.0
China Vanke - H	2202 HK	Buy	HKD	CNY	23,392	25.81	17.30	19.10	10%	22.5	-23%	1.50	1.82	2.20	9.3	7.6	6.3
Wanda	3699 HK	Buy	HKD	CNY	26,846	26.33	46.00	65.00	41%	92.9	-50%	3.31	3.98	4.78	11.2	9.3	7.7
CSCEC	601668 CH	Buy	CNY	CNY	31,590	281.65	6.56	7.78	19%	10.4	-37%	0.80	0.94	1.12	8.2	7.0	5.9
CR Land	1109 HK	Buy	HKD	HKD	16,703	31.30	19.84	25.59	29%	34.1	-42%	1.90	2.25	2.38	10.5	8.8	8.3
Poly - A	600048 CH	Buy	CNY	CNY	17,936	213.14	10.41	7.61	-27%	9.5	9%	1.13	1.22	1.44	9.2	8.5	7.3
GLP	GLP SP	Buy	SGD	USD	8,685	25.47	2.50	3.10	24%	2.4	2%	0.06	0.05	0.07	31.3	33.1	27.3
Country Garden	2007 HK	Sell	HKD	CNY	7,608	16.46	2.90	2.60	-10%	4.3	-33%	0.48	0.56	0.62	4.8	4.2	3.7
Shimao	813 HK	Sell	HKD	CNY	6,849	23.81	15.30	13.37	-13%	22.3	-31%	2.64	2.88	3.23	4.7	4.3	3.8
Longfor	960 HK	Buy	HKD	CNY	7,346	4.35	9.81	15.60	59%	19.5	-50%	1.53	1.35	1.49	6.4	7.3	6.6
Gemdale	600383 CH	Sell	CNY	CNY	7,224	57.55	10.02	7.00	-30%	10.8	-7%	0.54	0.60	0.71	18.7	16.8	14.1
CSCI	3311 HK	Buy	HKD	HKD	5,493	8.98	10.62	15.42	45%	15.4	-31%	0.86	1.06	1.30	12.4	10.0	8.2
Evergrande	3333 HK	Sell	HKD	CNY	6,544	14.54	3.47	2.48	-29%	5.0	-30%	0.72	0.73	0.75	3.9	3.8	3.7
Sino-Ocean	3377 HK	Buy	HKD	CNY	4,669	2.69	4.83	6.85	42%	9.8	-51%	0.49	0.58	0.68	7.9	6.7	5.7
China Merchants Prop	000024 CH	Buy	CNY	CNY	8,644	123.33	26.05	16.42	-37%	23.5	11%	2.04	2.30	2.78	12.8	11.3	9.4
R&F	2777 HK	Hold	HKD	CNY	3,161	11.25	7.61	8.13	7%	16.3	-53%	1.20	1.37	1.49	5.1	4.5	4.1
Hui Xian REIT	87001 HK	Buy	CNY	CNY	2,872	1.99	3.37	4.40	31%	6.3	-46%	0.22	0.23	NA	15.2	14.8	NA
Sunac	1918 HK	Hold	HKD	CNY	2,853	13.54	6.54	7.35	12%	13.3	-51%	1.13	1.70	1.68	4.6	3.1	3.1
Agile	3383 HK	Sell	HKD	CNY	2,121	9.50	4.20	3.30	-21%	13.2	-68%	1.25	1.29	1.31	2.7	2.6	2.6
Franshion	817 HK	Buy	HKD	HKD	2,490	2.35	2.13	3.88	82%	5.5	-62%	0.30	0.37	0.44	7.0	5.7	4.9
KWG	1813 HK	Buy	HKD	CNY	1,793	5.39	4.72	6.68	42%	11.1	-58%	1.12	1.35	1.44	3.4	2.8	2.6
Greentown	3900 HK	Buy	HKD	CNY	1,814	8.31	6.51	11.00	69%	22.0	-70%	2.19	2.55	2.82	2.4	2.1	1.9
Kaisa	1638 HK	Hold	HKD	CNY	1,072	4.06	1.62	1.80	11%	6.7	-76%	0.64	0.72	0.81	2.0	1.8	1.6
Yuexiu	123 HK	Sell	HKD	CNY	2,350	5.27	1.47	1.23	-16%	2.5	-40%	0.12	0.12	0.13	10.0	9.7	9.0
Yanlord	YLLG SP	Sell	SGD	CNY	1,322	0.67	0.95	0.80	-15%	1.6	-41%	0.25	0.34	0.37	16.7	12.3	11.3
E-House	EJ US	Buy	USD	USD	808	17.31	5.73	18.20	218%	0.0	NA	0.73	0.91	1.09	7.8	6.3	5.3
COGO	81 HK	Buy	HKD	HKD	1,106	2.83	3.76	8.19	118%	11.7	-68%	1.04	1.11	1.60	3.6	3.4	2.3
CIFI	884 HK	Buy	HKD	CNY	1,274	0.56	1.64	2.53	54%	4.6	-64%	0.34	0.46	0.61	3.9	2.8	2.2
Central China	832 HK	Buy	HKD	CNY	578	0.27	1.84	3.36	83%	5.6	-67%	0.52	0.65	0.82	2.9	2.3	1.8
Far East Global	830 HK	Buy	HKD	HKD	358	0.30	1.29	3.28	154%	3.3	-61%	0.09	0.13	0.63	14.5	10.2	2.1
<b>Not Rated</b>																	
NWCL	917 HK	NR	HKD	HKD	5,296	2.16	4.73	NA	NA	NA	NA	0.45	0.42	0.43	10.5	11.3	11.0
Hopson	754 HK	NR	HKD	HKD	1,487	0.72	5.14	NA	NA	NA	NA	0.56	0.37	0.52	9.2	13.9	9.9
SOHO China	410 HK	NR	HKD	CNY	3,358	3.14	5.01	NA	NA	NA	NA	0.42	0.18	0.18	9.6	22.6	21.9
Shui On	272 HK	NR	HKD	CNY	1,754	1.87	1.70	NA	NA	NA	NA	0.08	0.09	0.17	16.9	15.7	7.9
Poly Property	119 HK	NR	HKD	HKD	1,676	7.19	3.55	NA	NA	NA	NA	0.53	0.59	0.65	6.8	6.0	5.5
C C Land	1224 HK	NR	HKD	HKD	444	0.42	1.33	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Minmetals	230 HK	NR	HKD	HKD	375	0.26	0.87	NA	NA	NA	NA	0.20	0.24	NA	4.4	3.6	NA
Glorious	845 HK	NR	HKD	CNY	1,075	0.74	1.07	NA	NA	NA	NA	0.15	0.19	0.17	5.7	4.5	5.1
Powerlong	1238 HK	NR	HKD	CNY	624	0.41	1.21	NA	NA	NA	NA	0.27	0.53	1.08	3.6	1.8	0.9
Yuzhou	1628 HK	NR	HKD	CNY	842	0.93	1.89	NA	NA	NA	NA	0.46	0.59	0.74	3.3	2.6	2.1
Fantasia	1777 HK	NR	HKD	CNY	683	0.91	0.92	NA	NA	NA	NA	0.18	0.19	0.23	4.1	3.9	3.3
BJ North Star	588 HK	NR	HKD	CNY	1,111	0.76	2.56	NA	NA	NA	NA	0.30	0.40	NA	6.9	5.1	NA
Aoyuan	3883 HK	NR	HKD	CNY	474	0.25	1.32	NA	NA	NA	NA	0.31	0.43	0.58	3.4	2.5	1.8
Greenland Hong Kong	337 HK	NR	HKD	CNY	806	1.29	4.94	NA	NA	NA	NA	0.11	0.27	0.42	37.8	14.7	9.6
BC Land	2868 HK	NR	HKD	CNY	532	1.02	4.04	NA	NA	NA	NA	0.76	0.95	1.25	4.3	3.4	2.6
<b>Overall average</b>											<b>-47%</b>				<b>9.1</b>	<b>6.9</b>	<b>5.8</b>

Source: Deutsche Bank estimates, Company data, Bloomberg Finance LP Consensus estimates for companies NR



Figure 16: China property – valuation (cont.)

Company	Ticker	EPS growth %			BVPS			PB(x)			DPS			Dividends yield %			Net gearing %		
		14F	15F	16F	14F	15F	16F	14F	15F	16F	14F	15F	16F	14F	15F	16F	14F	15F	16F
<b>Covered</b>																			
COLI	688 HK	19	17	17	16.0	18.8	22.1	1.4	1.2	1.0	0.5	0.5	0.5	2.3	2.4	2.4	35.6	18.7	3.1
China Vanke - A	000002 CH	9	22	21	8.3	9.7	11.4	1.6	1.4	1.1	0.4	0.5	0.5	3.3	3.4	3.6	42.1	34.1	18.7
China Vanke - H	2202 HK	9	22	21	8.3	9.7	11.4	1.7	1.4	1.2	0.4	0.5	0.5	3.1	3.2	3.4	42.1	34.1	18.7
Wanda	3699 HK	40	20	20	34.7	37.9	41.7	1.1	1.0	0.9	1.1	0.8	1.0	3.0	2.2	2.6	41.6	40.4	38.6
CSCEC	601668 CH	18	17	19	4.6	5.3	6.2	1.4	1.2	1.1	0.2	0.2	0.2	2.5	2.9	3.4	53.2	49.1	38.9
CR Land	1109 HK	17	19	6	16.0	18.0	19.9	1.2	1.1	1.0	0.5	0.5	0.5	2.3	2.3	2.3	69.0	30.8	21.3
Poly - A	600048 CH	13	8	17	5.7	6.7	7.9	1.8	1.5	1.3	0.2	0.3	0.3	2.3	2.4	2.5	93.9	66.7	53.5
GLP	GLP SP	(18)	(5)	21	1.8	1.8	1.9	1.0	1.0	1.0	0.0	0.0	0.0	2.5	2.5	2.5	21.0	8.2	23.1
Country Garden	2007 HK	5	16	11	3.0	3.4	3.8	0.8	0.7	0.6	0.1	0.2	0.2	6.3	7.2	8.1	67.8	61.7	60.2
Shimao	813 HK	25	9	12	17.9	20.5	20.5	0.7	0.6	0.6	0.8	0.9	0.9	5.4	5.7	6.0	88.7	76.1	89.0
Longfor	960 HK	5	19	15	8.8	9.9	11.1	1.1	1.0	0.9	0.2	0.3	0.3	3.1	3.7	4.2	57.1	53.2	46.6
Gemdale	600383 CH	11	11	19	6.9	7.4	8.0	1.4	1.4	1.3	0.1	0.1	0.1	1.3	1.2	1.3	58.2	56.3	51.3
CSCI	3311 HK	22	24	22	5.0	5.8	6.9	2.1	1.8	1.5	0.2	0.2	0.2	2.0	2.0	2.0	32.5	26.7	17.6
Evergrande	3333 HK	2	2	3	3.8	4.3	4.9	0.7	0.6	0.6	0.3	0.3	0.3	9.3	9.8	10.2	87.3	76.0	79.5
Sino-Ocean	3377 HK	17	19	17	5.9	6.7	7.1	0.7	0.6	0.5	0.2	0.2	0.3	6.2	6.3	6.5	65.9	57.6	56.9
China Merchants Prop	000024 CH	25	13	21	12.0	13.9	16.1	2.2	1.9	1.6	0.4	0.5	0.6	0.4	0.5	0.5	27.3	7.4	-3.4
R&F	2777 HK	(34)	15	9	11.2	12.5	14.0	0.5	0.5	0.4	-	-	0.4	0.0	0.0	5.7	176.5	162.9	145.2
Hui Xian REIT	87001 HK	2	3	NA	5.3	5.2	NA	0.6	0.6	NA	0.2	0.2	NA	7.1	7.3	NA	-31.0	NA	NA
Sunac	1918 HK	19	51	(2)	5.1	6.6	8.1	1.0	0.8	0.6	0.2	0.2	0.2	3.8	4.2	4.4	104.7	70.5	77.2
Agile	3383 HK	(2)	4	1	10.6	11.5	12.5	0.3	0.3	0.3	0.4	0.4	0.4	13.2	13.3	13.2	68.1	69.6	69.0
Franshion	817 HK	20	23	17	3.9	4.3	4.7	0.5	0.5	0.5	0.1	0.1	0.1	4.7	5.2	5.6	51.0	30.0	5.6
KWG	1813 HK	40	20	7	7.0	8.1	9.3	0.5	0.5	0.4	0.3	0.3	0.3	6.6	6.9	7.1	61.8	39.4	25.1
Greentown	3900 HK	(4)	16	11	13.9	16.1	18.5	0.4	0.3	0.3	0.4	0.4	0.4	7.5	7.8	8.3	74.8	73.8	66.1
Kaisa	1638 HK	50	13	12	4.1	4.8	5.5	0.3	0.3	0.2	0.2	0.2	0.2	14.0	15.9	17.9	73.6	85.6	69.5
Yuexiu	123 HK	(5)	4	7	2.3	2.4	2.5	0.5	0.5	0.5	0.1	0.1	0.1	5.2	5.8	6.0	65.6	76.0	77.1
Yanlord	YLLG SP	(50)	36	9	9.8	10.1	10.4	0.4	0.4	0.4	0.0	0.0	0.0	0.3	0.3	0.3	45.0	62.4	64.7
E-House	EJ US	30	24	19	5.9	6.4	7.0	1.0	0.9	0.8	0.2	0.2	0.2	3.5	3.5	3.5	-58.4	-55.6	-50.1
COGO	81 HK	(15)	7	44	5.9	6.9	8.4	0.6	0.5	0.4	0.1	0.1	0.1	2.4	2.9	2.9	61.7	58.0	54.1
CIFI	884 HK	30	37	31	1.7	2.1	2.6	0.8	0.6	0.5	0.1	0.1	0.1	5.2	7.0	9.2	55.9	58.6	48.0
Central China	832 HK	25	26	26	2.8	3.3	3.9	0.5	0.4	0.4	0.2	0.2	0.2	10.5	13.5	16.2	41.7	38.0	32.2
Far East Global	830 HK	278	42	396	0.6	0.7	0.8	2.2	1.9	1.5	-	-	-	0.0	0.0	0.0	3.1	5.3	6.6
<b>Not Rated</b>																			
NWCL	917 HK	32	(7)	2	6.7	7.0	7.3	0.7	0.7	0.6	0.1	0.1	0.1	1.5	1.1	1.2	37.3	48.4	51.0
Hopson	754 HK	(53)	(34)	41	-	-	-	NA	NA	NA	-	-	-	0.0	0.0	0.0	NA	NA	NA
SOHO China	410 HK	(41)	(58)	3	7.5	7.8	7.9	0.5	0.5	0.5	0.3	0.2	0.2	6.4	5.9	6.0	16.8	31.3	34.6
Shui On	272 HK	(2)	7	99	5.4	5.5	5.7	0.3	0.2	0.2	0.0	0.0	0.1	3.1	3.1	4.4	86.7	98.2	103.0
Poly Property	119 HK	(28)	12	11	8.8	9.2	9.7	0.4	0.4	0.4	0.2	0.2	0.2	5.0	4.8	5.2	106.8	106.1	95.3
C C Land	1224 HK	NA	NA	NA	5.7	6.1	6.4	0.2	0.2	0.2	0.1	0.1	0.1	7.5	7.5	7.5	NA	NA	NA
Minmetals	230 HK	(11)	20	NA	-	-	-	NA	NA	NA	-	-	-	NA	NA	NA	NA	NA	NA
Glorious	845 HK	14	29	(12)	-	-	-	NA	NA	NA	-	-	-	0.0	0.0	NA	NA	NA	NA
Powerlong	1238 HK	1	96	104	-	-	-	NA	NA	NA	0.1	0.0	0.1	5.4	4.4	7.3	NA	NA	NA
Yuzhou	1628 HK	42	29	26	2.4	2.7	3.2	0.6	0.6	0.5	0.1	0.1	0.2	7.6	9.2	10.9	88.6	111.6	-4.2
Fantasia	1777 HK	(14)	6	18	1.7	2.0	2.2	0.4	0.4	0.3	0.0	0.0	0.1	5.0	6.5	7.0	91.3	97.7	106.8
BJ North Star	588 HK	7	33	NA	-	-	-	NA	NA	NA	-	-	-	NA	NA	NA	NA	NA	NA
Aoyuan	3883 HK	121	39	35	2.9	3.2	3.7	0.4	0.3	0.3	0.1	0.1	0.1	5.7	8.5	11.3	77.2	83.7	94.8
Greenland Hong Kong	337 HK	(53)	157	54	2.1	2.3	2.8	1.9	1.7	1.4	0.0	0.1	0.1	1.0	1.3	1.3	NA	NA	NA
BC Land	2868 HK	31	24	32	-	-	-	NA	0.6	0.5	0.2	0.3	0.3	7.1	8.2	8.8	NA	234.1	248.4
<b>Overall average</b>		<b>23</b>	<b>29</b>	<b>22</b>				<b>0.9</b>	<b>0.8</b>	<b>0.8</b>				<b>4.6</b>	<b>4.8</b>	<b>5.5</b>	<b>47.3</b>	<b>46.0</b>	<b>35.6</b>

Source: Deutsche Bank estimates, Company data, Bloomberg Finance LP Consensus estimates for companies NR



# Appendix 1

## Important Disclosures

Additional information available upon request

### Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Longfor	0960.HK	9.83 (HKD) 18 Mar 15	NA

\*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. Data is sourced from Deutsche Bank and subject companies.

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### Historical recommendations and target price: Longfor (0960.HK)

(as of 3/18/2015)



#### Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

#### Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*New Recommendation Structure as of September 9, 2002

1.	23/03/2014:	Buy, Target Price Change HKD16.80	2.	04/08/2014:	Buy, Target Price Change HKD15.50
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**Buy:** Based on a current 12-month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

**Sell:** Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

**Hold:** We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

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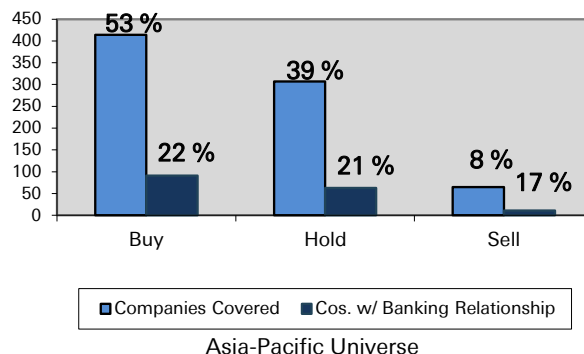
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Buy: Expected total return (including dividends) of 10% or more over a 12-month period

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### Equity rating dispersion and banking relationships





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