



Rating  
**Sell**

Asia  
Hong Kong

Property  
Property

Company  
**Evergrande**

Reuters 3333.HK    Bloomberg 3333 HK    Exchange HSI    Ticker 3333

Date  
31 March 2015

Forecast Change

Price at 30 Mar 2015 (HKD)	3.93
Price target - 12mth (HKD)	2.44
52-week range (HKD)	3.93 - 2.92
HANG SENG INDEX	24,486

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## Risk profile remains high as effective net gearing surges to a new high

**Maintain Sell on high risk profile associated with high leverage; HK\$2.44**

We remain cautious on Evergrande on the back of the high risk profile associated with its high leverage, where effective net gearing adjusted for perpetual securities had surged to a new record high of 252% by end-14 (from 148% as of end-13), versus an industry average of 80%. We believe deleveraging remains a top priority for the company as excessive leverage is constraining its growth prospects. Indeed, the sharp decline in FY14 core profit was mainly attributable to the 561% surge in payments to holders of perpetual securities, where earnings would have been a lot higher without the sharp rise in outstanding perpetual securities to RMB53bn (vs. RMB25bn a year ago).

**Perpetual adjusted core profit -89% YoY to RMB856m**

Evergrande reported revenue +19% YoY to RMB111,398m, driven by a 12.5% YoY increase in GFA delivery to 16.8m sqm and +3.5% YoY in delivery ASP to RMB6,384/sqm. Gross margin saw a small contraction of 1 percentage point to 28.5% (FY13: 29.5%). While reported profit was mostly flat YoY at RMB12.7bn, by netting out revaluation gains, one-off items and the RMB4,339m payment to holders of perpetual securities, adjusted core net profit fell 39% YoY to RMB4,614m or -89% YoY to RMB856m if the fair value gain financial assets are also excluded. A final dividend of RMB0.43/share was declared (flat YoY).

**Net gearing rose to 86% or 252% adjusted for perpetual securities as debt**

As of end-14, Evergrande had gross debt of RMB156,065m, up 43% YoY or RMB208,917m if including perpetual securities as debt (RMB52,852m as of end-14, up 111% from RMB25,024m as of end-13). On the other hand, the total cash balance stood at RMB59,498m (+11% YoY), implying a net debt position of RMB96,566m or RMB149,419m with perpetual securities treated as debt. Reported net gearing rose to 86% from 70% by end-13. However, if we adjust for perpetual securities from equity to debt, effective net gearing would have surged to a new record high of 252% (vs. 248% as of mid-14; 148% by end-13) or 293% excluding MI (165% as of end-13).

**Target price at a 50% discount to our NAV estimate of HK\$4.88; risks**

We base our TP on a 50% discount to our revised NAV estimate of HK\$4.88/share (HK\$4.96/share), implying a 2015E PER of 6x. Our target discount reflects the higher risk profile associated with higher leverage, where net gearing surged to 252% by end-14 (vs industry average of 80%). Our target discount is also higher than that of industry leaders due to the high leverage. Key upside risks: loosening in government policy/financing. See pp. 3, 11-12.

### Forecasts And Ratios

Year End Dec 31	2013A	2014A	2015E	2016E	2017E
Sales (CNYm)	93,671.8	111,398.1	127,388.6	139,593.8	164,466.6
EBITDA(CNYm)	18,763.3	17,798.2	25,214.5	26,073.9	28,484.8
Reported NPAT(CNYm)	12,454.5	12,761.3	4,938.4	5,529.5	5,904.0
DB EPS FD (CNY)	0.53	0.06	0.33	0.37	0.40
PER (x)	5.1	43.0	9.4	8.4	7.9
DPS (net) (CNY)	0.54	0.53	0.12	0.14	0.15

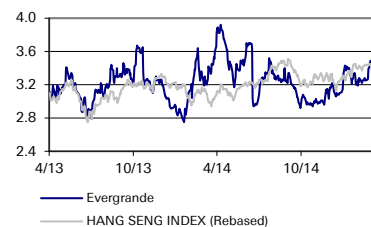
Source: Deutsche Bank estimates, company data

### Key changes

Price target	2.48 to 2.44	↓	-1.6%
Sales (FYE)	114,794 to 127,389	↑	11.0%
Op prof margin(FYE)	20.4 to 19.8	↓	-2.8%
Net profit(FYE)	10,817.6 to 4,938.4	↓	-54.3%

Source: Deutsche Bank

### Price/price relative



Performance (%)	1m	3m	12m
Absolute	14.9	25.6	9.2
HANG SENG INDEX	-1.4	4.2	11.0

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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Model updated: 30 March 2015

Fiscal year end 31-Dec

2013 2014 2015E 2016E 2017E

## Running the numbers

Asia

Hong Kong

Property

## Evergrande

Reuters: 3333.HK

Bloomberg: 3333.HK

## Sell

Price (30 Mar 15) HKD 3.93

Target Price HKD 2.44

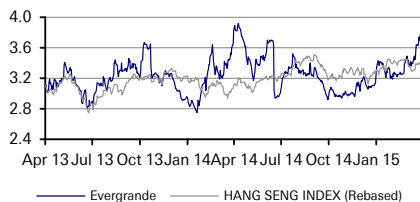
52 Week range HKD 2.92 - 3.93

Market Cap (m) HKDm 58,515  
USDm 7,546

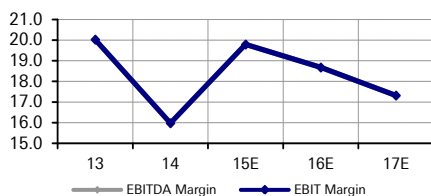
## Company Profile

Evergrande is a Guangzhou-based developer established in 1996. It focuses on mass residential property developments in tier-2 and tier-3 cities. The company has a total landbank of 72.4m sqm GFA, and 73 projects with a presence in 36 cities.

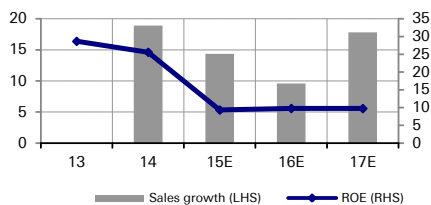
## Price Performance



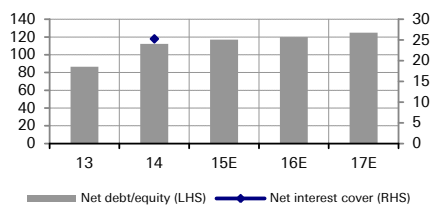
## Margin Trends



## Growth &amp; Profitability



## Solvency



## Financial Summary

	2013	2014	2015E	2016E	2017E
DB EPS (CNY)	0.53	0.06	0.33	0.37	0.40
Reported EPS (CNY)	0.87	0.89	0.33	0.37	0.40
DPS (CNY)	0.54	0.53	0.12	0.14	0.15
BVPS (CNY)	3.4	3.6	3.8	4.1	4.4
Weighted average shares (m)	14,287	14,287	14,287	14,287	14,287
Average market cap (CNYm)	38,143	36,834	46,893	46,893	46,893
Enterprise value (CNYm)	137,594	224,310	258,284	282,233	310,972

## Valuation Metrics

	2013	2014	2015E	2016E	2017E
P/E (DB) (x)	5.1	43.0	9.4	8.4	7.9
P/E (Reported) (x)	3.1	2.9	9.4	8.4	7.9
P/BV (x)	0.69	0.70	0.82	0.77	0.72
FCF Yield (%)	nm	nm	nm	nm	nm
Dividend Yield (%)	20.2	20.6	4.0	4.4	4.7
EV/Sales (x)	1.5	2.0	2.0	2.0	1.9
EV/EBITDA (x)	7.3	12.6	10.2	10.8	10.9
EV/EBIT (x)	7.3	12.6	10.2	10.8	10.9

## Income Statement (CNYm)

	2013	2014	2015E	2016E	2017E
Sales revenue	93,672	111,398	127,389	139,594	164,467
Gross profit	27,649	31,784	35,915	38,498	43,451
EBITDA	18,763	17,798	25,214	26,074	28,485
Depreciation	0	0	0	0	0
Amortisation	0	0	0	0	0
EBIT	18,763	17,798	25,214	26,074	28,485
Net interest income/(expense)	89	-703	201	206	220
Associates/affiliates	0	0	0	0	0
Exceptionals/extraordinary	0	0	0	0	0
Other pre-tax income/(expense)	6,387	14,253	0	0	0
Profit before tax	25,239	31,348	25,415	26,279	28,705
Income tax expense	11,687	13,175	13,744	13,571	15,306
Minorities	1,097	5,412	6,733	7,179	7,495
Other post-tax income/(expense)	0	0	0	0	0
Net profit	12,455	12,761	4,938	5,530	5,904
DB adjustments (including dilution)	-4,933	-11,905	0	0	0
DB Net profit	7,521	856	4,938	5,530	5,904

## Cash Flow (CNYm)

	2013	2014	2015E	2016E	2017E
Cash flow from operations	1,248	-509	-146,110	-7,722	-11,429
Net Capex	-7,618	-7,618	-734	0	0
Free cash flow	-6,370	-8,127	-146,845	-7,722	-11,429
Equity raised/(bought back)	206	206	0	0	0
Dividends paid	-2,801	-2,801	-40	-2,195	-1,629
Net inc/(dec) in borrowings	0	0	0	0	0
Other investing/financing cash flows	-17,383	-50,352	126,952	323	-8,186
Net cash flow	-26,347	-61,074	-19,933	-9,594	-21,244
Change in working capital	-5,706	-5,706	-170,720	-29,789	-33,130

## Balance Sheet (CNYm)

	2013	2014	2015E	2016E	2017E
Cash and other liquid assets	40,118	29,847	32,597	35,946	38,645
Tangible fixed assets	11,378	15,504	15,504	15,504	15,504
Goodwill/intangible assets	0	0	0	0	0
Associates/investments	0	0	0	0	0
Other assets	296,652	429,111	468,544	518,074	572,053
Total assets	348,148	474,462	516,645	569,525	626,202
Interest bearing debt	108,817	156,065	175,997	196,116	220,060
Other liabilities	159,988	206,019	218,080	239,791	260,898
Total liabilities	268,806	362,084	394,077	435,907	480,958
Shareholders' equity	48,590	51,120	54,577	58,447	62,580
Minorities	30,753	61,258	67,991	75,170	82,665
Total shareholders' equity	79,343	112,378	122,568	133,617	145,245
Net debt	68,699	126,218	143,401	160,170	181,414

## Key Company Metrics

	2013	2014	2015E	2016E	2017E
Sales growth (%)	nm	18.9	14.4	9.6	17.8
DB EPS growth (%)	na	-88.6	456.9	12.0	6.8
EBITDA Margin (%)	20.0	16.0	19.8	18.7	17.3
EBIT Margin (%)	20.0	16.0	19.8	18.7	17.3
Payout ratio (%)	61.7	59.4	36.0	36.0	36.0
ROE (%)	28.7	25.6	9.3	9.8	9.8
Capex/sales (%)	8.1	6.8	0.6	0.0	0.0
Capex/depreciation (x)	nm	nm	nm	nm	nm
Net debt/equity (%)	86.6	112.3	117.0	119.9	124.9
Net interest cover (x)	nm	25.3	nm	nm	nm

Source: Company data, Deutsche Bank estimates



# Investment thesis

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## Outlook

We have a Sell rating on Evergrande due to its higher risk profile associated with its high leverage. In particular, effective net gearing adjusted for perpetual securities had surged to a new record high of 252% by end-14 (from 148% as of end-13), versus an industry average of 80%. We believe de-leveraging remains a top priority for the company as excessive leverage is constraining its growth prospects. Indeed, the sharp decline in FY14 core profit was mainly attributable to the 561% surge in payment to holders of perpetual securities, where earnings would have been a lot higher without the sharp rise in outstanding perpetual securities to RMB53bn (vs. RMB25bn year ago).

## Valuation

We base our target price on a 50% discount to our revised NAV estimate of HK\$4.88/share (HK\$4.96/share). Our target discount reflects the higher risk profile associated with higher leverage, where net gearing surged to 252% by end-14 (versus industry average of 80%). Our target discount is also higher than that of industry leaders due to the high leverage. As a cross check, our target price implies 2015E PER of 6x.

## Risks

- **Policy loosening, leading to strong market recovery** – If government policies loosen, leading to a strong market recovery such that ASPs/volume rebound markedly, Evergrande may be able to achieve much stronger profit margins than our current projections, hence enabling it to achieve stronger profit growth.
- **Significant improvement in credit environment** – If the credit environment improves significantly, Evergrande would be a beneficiary, i.e., bank lending will become more readily available and buyers will be able to obtain mortgages in a more timely manner and at lower interest rates, leading to a continued improvement in the cash collection rate; hence, the cash flow position will improve, thus lowering the company's risk profile.



# FY14 dragged by higher payout to perpetual holders

## Perpetual adjusted core profit -89% YoY to RMB856m

Evergrande reported revenue +19% YoY to RMB111.398m, driven by a 12.5% YoY increase in GFA delivery to 16.8m sqm and +3.5% YoY in delivery ASP to RMB6,384/sqm. Gross margin saw a small contraction of 1 percentage point to 28.5% (FY13: 29.5%). While reported profit was mostly flat YoY at RMB12.7bn, by netting out revaluation gains, one-off items and the RMB4,339m payment to holders of perpetual securities, adjusted core net profit fell -39% YoY to RMB4,614m or -89% YoY to RMB856m if fair value gain financial assets are also excluded. A final dividend of RMB0.43/share was declared (flat YoY).

Figure 1: Income statement (RMBm)

For year ended Dec 31	2013A	2014A	%
Sales of properties	92,235	107,450	16%
Rental income	126	144	14%
Property management	742	1,259	70%
Others	569	2,545	347%
<b>Revenue</b>	<b>93,672</b>	<b>111,398</b>	<b>19%</b>
Cost of sales	(66,023)	(79,615)	21%
<b>Gross profit</b>	<b>27,649</b>	<b>31,784</b>	<b>15%</b>
Gross interest expenses	8,115	14,649	81%
Capitalized interest	(8,081)	(13,633)	69%
Net interest expense/(income)	34	1,015	2892%
Interest income	122	312	155%
Selling and marketing costs	(4,310)	(9,154)	112%
Administrative expenses	(3,472)	(4,038)	16%
Others	(1,103)	(793)	-28%
SG&A	(8,763)	(13,673)	56%
Revaluation gains	5,815	9,393	62%
Other adjustments	572	4,861	750%
<b>Pre-tax profit</b>	<b>25,239.1</b>	<b>31,348.4</b>	<b>24%</b>
Taxation	(11,687)	(13,175)	13%
<b>Post-tax profit before MI</b>	<b>13,551.8</b>	<b>18,173.3</b>	<b>34%</b>
Minority interests	(1,097)	(5,412)	393%
<b>Net attributable profit</b>	<b>12,454.5</b>	<b>12,761.3</b>	<b>2%</b>
Adjustment for non-recurring items	(4,933)	(11,905)	141%
<b>Core net profit</b>	<b>7,521</b>	<b>856</b>	<b>-89%</b>
Fully diluted EPS (HK\$)	0.622	0.071	
DPS (RMB)	0.43	0.43	

Source: Company data, Deutsche Bank estimates



### Net gearing rose to 86% or 252% adjusted for perpetual securities as debt

As of end-14, Evergrande had gross debt of RMB156,065m, up 43% YoY or RMB208,917m if including perpetual securities as debt (RMB52,852m as of end-14, up 111% from RMB25,024m as if end-13). On the other hand, the total cash balance stood at RMB59,498m (+11% YoY), implying a net debt position of RMB96,566m or RMB149,419m with perpetual securities treated as debt. Reported net gearing rose to 86% from 70% at end-13. However, if we adjust for perpetual securities from equity to debt, effective net gearing would have surged to a new record high of 252% (vs. 248% as of mid-14; 148% by end-13) or 293% excluding MI (165% as of end-13).

Figure 2: Balance sheet (RMBm)

As of Dec 31	2013A	2014A
<b>Non-current assets</b>	<b>58,415</b>	<b>89,395</b>
Investment properties	36,039	61,857
Land use rights/properties under dev	2,796	3,388
Property and equipment	11,378	15,504
Other assets	8,202	8,646
<b>Other investments</b>	<b>-</b>	<b>1,062</b>
<b>Property held for development</b>	<b>355</b>	<b>355</b>
<b>Current assets</b>	<b>289,378</b>	<b>383,650</b>
Properties under development	160,544	210,793
Inventories	24,289	36,261
Debtors & deposits/receivables/others	64,427	106,749
Bank balances & cash	40,118	29,847
<b>Current liabilities</b>	<b>(188,198)</b>	<b>(268,237)</b>
Bank loans and overdrafts	35,796	79,663
Forward sales deposits received	39,000	47,348
Creditors, deposits & accruals/others	99,895	123,673
Taxation	13,506	17,553
<b>Total assets less current liabilities</b>	<b>159,951</b>	<b>206,225</b>
<b>Non-current liabilities</b>	<b>73,892</b>	<b>83,576</b>
Long term bank loans	73,021	76,401
Others	870	7,175
<b>Deferred income tax</b>	<b>6,716</b>	<b>10,271</b>
Issued share capital	1,110	1,021
Share premium	4,228	-
Retained profits	39,020	44,250
Capital & other reserves	4,232	5,849
<b>Shareholders' funds</b>	<b>48,590</b>	<b>51,120</b>
Minority interests	30,753	61,258
<b>Total capital employed</b>	<b>159,951</b>	<b>206,225</b>

Source: Company data, Deutsche Bank estimates



# Financial analysis

## Lowering earnings to reflect perpetual payment

We lower our earnings estimates for FY15-16 by 51-54% so as to reflect mainly the payment to holders of perpetual securities as well as a revised development schedule. In particular, payment to holders of perpetual securities rose by 561% YoY to RMB4,339m in FY14, corresponding to the sharp rise in outstanding perpetual securities to RMB53bn by end-14 (vs. RMB25bn a year ago). We assume the outstanding perpetual securities stay at RMB53bn, which will translate into a payment of RMB4,339m to be deducted from the bottom line in each of FY15-17.

In particular, we now expect core net profit to return to a normalized RMB4,938m in FY15 (FY14 results was also impacted by a surge in SG&A due to advertising costs in the other businesses) and by 12% YoY to RMB5,530m in FY16. We also introduce FY17E earnings at RMB5,904m, implying growth of 7% YoY. It is worthwhile to note that the amount of capitalized interest in each of FY15-17 is equivalent to 3x our current earnings projection and that a smaller interest capitalization would lead to a material decline in our current projection.

Figure 3: Summary of earnings revisions

RMBm	2015E			2016E			2017E
	New	Old	%	New	Old	%	New
Revenue	127,389	114,794	11%	139,594	128,376	9%	164,467
Gross profit	35,915	31,811	13%	38,498	34,827	11%	43,451
<b>Core net profit</b>	<b>4,938</b>	<b>10,818</b>	<b>-54%</b>	<b>5,530</b>	<b>11,294</b>	<b>-51%</b>	<b>5,904</b>
EPS	0.40	0.87	-54%	0.45	0.90	-50%	0.48
DPS	0.12	0.27	-54%	0.14	0.28	-51%	0.15
Gross margin	28.2%	27.7%		27.6%	27.1%		26.4%
Net margin	3.9%	9.4%		4.0%	8.8%		3.6%
Delivery GFA	19.00	17.80	7%	21.23	20.37	4%	23.73
Delivery ASP	6,432	6,345	1%	6,276	6,196	1%	6,593

Source: Deutsche Bank estimates



Figure 4: Income statement (RMBm)

For year ended Dec 31	2012A	2013A	2014A	2015F	2016F	2017F
Sales of properties	63,507	92,235	107,450	122,241	133,227	156,428
Rental income	99	126	144	201	239	404
Property management	507	742	1,259	1,511	1,662	1,828
Others	1,148	569	2,545	3,436	4,467	5,807
<b>Revenue</b>	<b>65,261</b>	<b>93,672</b>	<b>111,398</b>	<b>127,389</b>	<b>139,594</b>	<b>164,467</b>
Cost of sales	(47,050)	(66,023)	(79,615)	(91,473)	(101,096)	(121,015)
<b>Gross profit</b>	<b>18,210</b>	<b>27,649</b>	<b>31,784</b>	<b>35,915</b>	<b>38,498</b>	<b>43,451</b>
Gross interest expenses	5,785	8,115	14,649	15,840	17,650	19,805
Capitalized interest	(5,731)	(8,081)	(13,633)	(15,761)	(17,562)	(19,706)
Net interest expense/(income)	54	34	1,015	79	88	99
Interest income	114	122	312	280	294	319
Selling and marketing costs	(3,018)	(4,310)	(9,154)	(6,369)	(7,678)	(9,868)
Administrative expenses	(2,601)	(3,472)	(4,038)	(4,331)	(4,746)	(5,098)
Others	(648)	(1,103)	(793)	-	-	-
SG&A	(6,152)	(8,763)	(13,673)	(10,421)	(12,130)	(14,647)
Revaluation gains	4,460	5,815	9,393	-	-	-
Other adjustments	25	572	4,861	-	-	-
<b>Pre-tax profit</b>	<b>16,489.8</b>	<b>25,239.1</b>	<b>31,348.4</b>	<b>25,415</b>	<b>26,279</b>	<b>28,705</b>
Taxation	(7,308)	(11,687)	(13,175)	(13,744)	(13,571)	(15,306)
<b>Post-tax profit before MI</b>	<b>9,181.9</b>	<b>13,551.8</b>	<b>18,173.3</b>	<b>11,671</b>	<b>12,708</b>	<b>13,399</b>
Minority interests	(11)	(1,097)	(5,412)	(6,733)	(7,179)	(7,495)
<b>Net attributable profit</b>	<b>9,170.8</b>	<b>12,454.5</b>	<b>12,761.3</b>	<b>4,938</b>	<b>5,530</b>	<b>5,904</b>
Adjustment for non-recurring items	(2,971)	(4,933)	(11,905)	-	-	-
<b>Core net profit</b>	<b>6,200</b>	<b>7,521</b>	<b>856</b>	<b>4,938</b>	<b>5,530</b>	<b>5,904</b>
Fully diluted EPS (HK\$)	0.492	0.622	0.071	0.400	0.448	0.479
DPS (HK\$)	0.180	0.538	0.531	0.124	0.139	0.149

Source: Company, Deutsche Bank estimates



Figure 5: Balance sheet (RMBm)

As of Dec 31	2012A	2013A	2014A	2015F	2016F	2017F
<b>Non-current assets</b>	<b>38,447</b>	<b>58,415</b>	<b>89,395</b>	<b>90,679</b>	<b>91,420</b>	<b>92,513</b>
Investment properties	24,942	36,039	61,857	61,857	61,857	61,857
Land use rights/properties under dev	2,347	2,796	3,388	4,122	4,122	4,122
Property and equipment	8,559	11,378	15,504	15,504	15,504	15,504
Other assets	2,599	8,202	8,646	9,195	9,937	11,030
<b>Other investments</b>	-	-	<b>1,062</b>	<b>1,062</b>	<b>1,062</b>	<b>1,062</b>
<b>Property held for development</b>	-	<b>355</b>	<b>355</b>	<b>317</b>	<b>368</b>	<b>424</b>
<b>Current assets</b>	<b>200,544</b>	<b>289,378</b>	<b>383,650</b>	<b>424,587</b>	<b>476,674</b>	<b>532,203</b>
Properties under development	133,294	160,544	210,793	237,811	276,343	318,171
Inventories	15,159	24,289	36,261	38,050	40,484	42,423
Debtors & deposits/receivables/others	34,301	64,427	106,749	116,129	123,901	132,964
Bank balances & cash	17,790	40,118	29,847	32,597	35,946	38,645
<b>Current liabilities</b>	<b>(150,378)</b>	<b>(188,198)</b>	<b>(268,237)</b>	<b>(296,230)</b>	<b>(337,060)</b>	<b>(381,110)</b>
Bank loans and overdrafts	19,031	35,796	79,663	95,596	114,715	137,658
Forward sales deposits received	44,833	39,000	47,348	56,259	76,483	88,849
Creditors, deposits & accruals/others	77,788	99,895	123,673	140,127	139,594	148,020
Taxation	8,725	13,506	17,553	2,726	5,083	5,256
Proposed dividend	-	-	-	1,522	1,185	1,327
<b>Total assets less current liabilities</b>	<b>88,613</b>	<b>159,951</b>	<b>206,225</b>	<b>220,415</b>	<b>232,465</b>	<b>245,092</b>
<b>Non-current liabilities</b>	<b>41,982</b>	<b>73,892</b>	<b>83,576</b>	<b>87,576</b>	<b>88,576</b>	<b>89,576</b>
Long term bank loans	41,243	73,021	76,401	52,671	53,671	54,671
Other long term loans	-	-	-	27,730	27,730	27,730
Others	739	870	7,175	7,175	7,175	7,175
<b>Deferred income tax</b>	<b>4,940</b>	<b>6,716</b>	<b>10,271</b>	<b>10,271</b>	<b>10,271</b>	<b>10,271</b>
Issued share capital	1,043	1,110	1,021	1,021	1,021	1,021
Share premium	2,902	4,228	-	-	-	-
Retained profits	27,772	39,020	44,250	47,707	51,578	55,711
Capital & other reserves	6,547	4,232	5,849	5,849	5,849	5,849
<b>Shareholders' funds</b>	<b>38,264</b>	<b>48,590</b>	<b>51,120</b>	<b>54,577</b>	<b>58,447</b>	<b>62,580</b>
Minority interests	3,428	30,753	61,258	67,991	75,170	82,665
<b>Total capital employed</b>	<b>88,613</b>	<b>159,951</b>	<b>206,225</b>	<b>220,415</b>	<b>232,465</b>	<b>245,092</b>

Source: Company, Deutsche Bank estimates





Figure 6: Evergrande – Financial highlights

RMBm	Value				YoY Change		
	FY11	FY12	FY13	FY14	FY12	FY13	FY14
<b>Key items</b>							
Core net profit	8,610	6,200	7,521	856	-28%	21%	-89%
Core EPS	0.58	0.42	0.71	0.06	-28%	69%	-92%
Gross margin	33.3%	27.9%	29.5%	28.50%	-16%	6%	-3%
Core net margin	13.9%	9.5%	11.0%	0.8%	-32%	16%	-93%
Reported net profit	11,324	9,170.8	12,611.8	12,761.3	-19%	38%	1%
Reported net margin	18.3%	14.1%	13.5%	11.5%	-23%	-4%	-15%
Net gearing	92.7%	101.9%	86.6%	112.3%	10%	-15%	30%
DPS	0.228	0.180	0.538	0.531	-21%	199%	-1%
Net book value per share	2.24	2.68	3.40	3.46	20%	27%	2%
<b>P&amp;L</b>							
Total revenue	61,918	65,261	93,672	111,398	5%	44%	19%
Property sales revenue	60,474	63,507	92,235	107,450	5%	45%	16%
Gross rental income	84	99	126	144	18%	27%	14%
<b>Expenses</b>							
Selling & marketing expenses	2,721	3,018	4,310	9,154	11%	43%	112%
Administrative expenses	2,161	2,601	3,472	4,038	20%	34%	16%
Selling & marketing expenses as a % of total revenue	4%	5%	5%	8%	5%	-1%	79%
Administrative expenses as a % of total revenue	3%	4%	4%	4%	14%	-7%	-2%
SG&A as a % of total revenue	8%	9%	8%	12%	9%	-3%	43%
<b>Accounting policy check</b>							
Gross interest expenses	3,988	5,785	8,115	13,649	45%	40%	68%
Capitalized interests	3,988	5,731	8,081	13,633	44%	41%	69%
% of interests capitalized	100%	99%	100%	100%	-1%	1%	0%
Capitalized interests as a % of core net profit	46%	92%	107%	1593%	100%	16%	1382%
Investment properties revaluation gains	4,236	4,460	5,815	9,393	5%	30%	62%
IP revaluation gains as a % of last-year-end investment properties value	41.9%	23.6%	23.3%	0.26	-44%	-1%	12%
Gross rental income as a % of latest investment properties value	0.4%	0.4%	0.3%	0.2%	-11%	-12%	-33%

Source: Company, Deutsche Bank



Figure 7: Evergrande – Operational highlights

RMBm	FY11	FY12	% YoY Growth	FY13	% YoY Growth	FY14	% YoY Growth
<b>Operational metrics</b>							
<b>Property sales and rental</b>							
Delivery GFA (sqm)	9,471,000	10,635,600	12%	14,958,000	41%	16,830,000	13%
Delivery ASP (RMB psm)	6,385	5,971	-6%	6,166	3%	6,387	4%
Rental income (RMBm)	84	99	18%	126	27%	144	14%
New construction starts (sqm)	23,890,000	16,050,000	-33%	19,880,000	24%	22,500,000	13%
GFA under construction (sqm)	36,520,000	38,980,000	7%	39,480,000	1%	41,350,000	5%
New GFA acquired (sqm)	40,839,000	26,004,000	-36%	26,849,000	3%	8,410,000	-69%
Total acquisition cost (RMBm)	27,240	30,060	10%	70,693	135%	21,765	-69%
Average unit land cost (RMBpsm)	667	1,151	73%	2,633	129%	2,588	-2%
Contracted sales (RMBm)	80,393	92,317	15%	100,397	9%	131,510	31%
Contracted GFA (sqm)	1,211,900	15,485,000	1178%	14,894,000	-4%	18,198,000	22%
Contracted ASP (RMB psm)	6,590	5,962	-10%	6,741	13%	7,227	7%
Sell-through rate	70%	55%	NA	48%	NA	57%	NA
Saleable resources (RMBm)	115,000	170,000	48%	210,000	24%	230,000	10%
Total gross debt (RMBm)	51,730	60,270	17%	108,820	81%	156,065	43%
Total cash balance (RMBm)	19,950	25,190	26%	53,650	113%	59,498	11%
Net gearing (%)	92.7%	101.9%	NA	86.6%	NA	112.3%	NA
<b>Debt maturity:</b>							
Less than 12 months	10,230	19,030	86%	35,800	88%	79,660	123%
Between 1-2 years	13,410	20,130	50%	44,340	120%	55,860	26%
Between 2-5 years	27,240	20,410	-25%	27,880	37%	19,630	-30%
More than 5 years	850	700	-18%	800	14%	910	14%
RMB as % of total debt	83.85%	85.28%	NA	79.82%	NA	NA	NA
USD as % of total debt	16.15%	14.72%	NA	20.18%	NA	NA	NA
Average borrowing interest rate	8.81%	10.05%	NA	9.52%	NA	9.74%	NA
<b>Cashflow Analysis</b>							
<b>Inflow</b>							
Sales proceeds	66,680	76,200	14%	83,900	10%	1,048,000	1149%
Rental income	80	100	25%	1,400	1300%	NA	NA
<b>Outflow</b>							
Land premium	(37,000)	(28,400)	-23%	(51,900)	83%	(187,300)	261%
Construction capex	(30,000)	(38,500)	28%	(50,600)	31%	(50,000)	-1%
SG&A	(4,900)	(8,000)	63%	(7,800)	-3%	(11,000)	41%
Interest expenses	(3,600)	(5,800)	61%	(5,600)	-3%	(11,000)	96%
Taxation	(4,400)	(10,200)	132%	(12,200)	20%	(6,300)	-48%
Others	(1,900)	-	NA	(2,300)	NA	(7,800)	239%

Source: Company, Deutsche Bank



# Valuation

Our NAV estimate is HK\$4.88/share

Figure 8: NAV breakdown

	(RMBm)	(HK\$m)	(HK\$/share)	%
<b>Development property</b>				
Guangdong	19,647	23,577	1.59	32.6%
Chongqing	7,633	9,160	0.62	12.7%
Tianjin	5,622	6,747	0.46	9.3%
Hubei	7,119	8,543	0.58	11.8%
Sichuan	11,990	14,388	0.97	19.9%
Liaoning	14,459	17,351	1.17	24.0%
Shaanxi	7,966	9,559	0.65	13.2%
Jiangsu	12,361	14,833	1.00	20.5%
Yunnan	153	184	0.01	0.3%
Inner Mongolia	3,376	4,052	0.27	5.6%
Shanxi	7,419	8,903	0.60	12.3%
Guizhou	3,620	4,345	0.29	6.0%
Anhui	11,136	13,363	0.90	18.5%
Hunan	8,641	10,369	0.70	14.3%
Guangxi	3,440	4,128	0.28	5.7%
Henan	10,134	12,161	0.82	16.8%
Jiangxi	10,165	12,198	0.82	16.9%
Hebei	7,324	8,789	0.59	12.2%
Hainan	4,768	5,722	0.39	7.9%
Shandong	13,317	15,980	1.08	22.1%
Shanghai	10,066	12,079	0.82	16.7%
Jilin	6,776	8,131	0.55	11.3%
Gansu	4,822	5,786	0.39	8.0%
Ningxia	3,292	3,950	0.27	5.5%
Qinghai	778	934	0.06	1.3%
Zhejiang	2,716	3,260	0.22	4.5%
Heilongjiang	5,870	7,043	0.48	9.7%
Xinjiang	2,049	2,458	0.17	3.4%
Others	42,211	50,654	3.42	70.1%
	<b>248,871</b>	<b>298,646</b>	<b>20.18</b>	<b>413.2%</b>
<b>Investment property</b>				
Retail	11,122	13,347	0.90	18.5%
Office	1,140	1,368	0.09	1.9%
Hotel	6,616	7,939	0.54	11.0%
Other	430	517	0.03	0.7%
	<b>19,309</b>	<b>23,171</b>	<b>1.57</b>	<b>32.1%</b>
<b>Gross asset value (GAV)</b>	<b>268,180</b>	<b>321,816</b>	<b>21.75</b>	<b>445.3%</b>
Net cash / (debt)	(183,495)	(220,194)	(14.88)	-304.7%
Outstanding land premium	(24,460)	(29,352)	(1.98)	-40.6%
<b>Net asset value (NAV) – fully diluted</b>	<b>60,225</b>	<b>72,270</b>	<b>4.88</b>	<b>100.0%</b>

Source: Deutsche Bank estimates

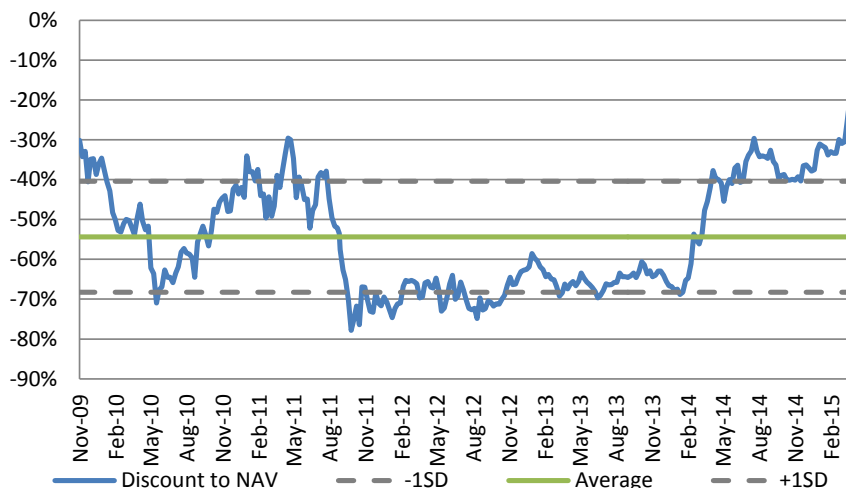


We adopt NAV as our primary valuation metric, in line with residential-focus peers under our coverage. We base our approach on a sum-of-the-parts analysis, where we use DCF for property developments for sale and a direct capitalization approach for investment properties. We generally assume ASP to stay flat in 2015. We have adopted a RMB:HK\$ exchange rate of 1.2 and a discount rate of 12.4%, which is in line with our estimated WACC. Our NAV estimate is HK\$4.88/share.

**We base our HK\$2.44 target price on 50% discount to our estimated NAV**

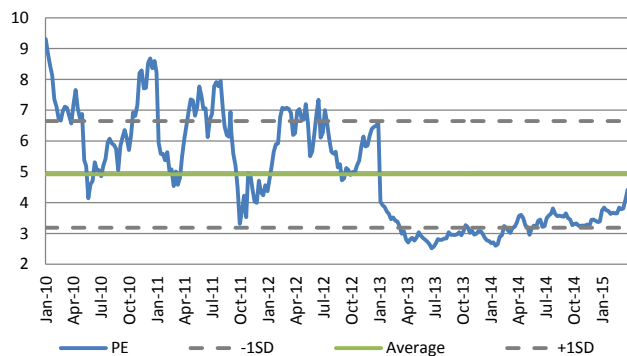
We base our HK\$2.44 target price on a 50% discount to our NAV estimate of HK\$4.88/share. Our target discount reflects the higher risk profile associated with higher leverage, where net gearing surged to 252% by end-14 (versus industry average of 80%). Our target discount is also higher than that of industry leaders due to the high leverage. As a cross check, our target price implies 2015E PER of 6x. Evergrande is currently trading at a 19% discount to our estimated NAV.

Figure 9: Historical discount to NAV



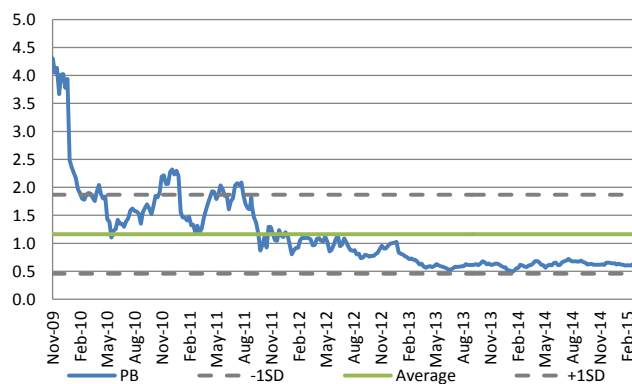
Source: Deutsche Bank; Bloomberg Finance LP

Figure 10: P/E band for Evergrande



Source: Deutsche Bank; Bloomberg Finance LP

Figure 11: P/B band for Evergrande



Source: Deutsche Bank; Bloomberg Finance LP



Figure 12: China property – valuation table

Company	Ticker	DB Rating	Trade Ccy	Report Ccy	Mkt Cap USDm	12M Daily T/O USDm	30 Mar	Target	Implied	Est.	NAV	EPS			PE(x)		
							Price	Price	Upside	NAV	Disc	14E	15E	16E	14E	15E	16E
<b>Covered</b>																	
CSCEC	601668 CH	Buy	CNY	CNY	38,372	320.12	7.94	8.46	7%	11.3	-30%	0.85	0.97	1.12	9.4	8.2	7.1
Wanda	3699 HK	Buy	HKD	CNY	27,791	24.46	47.60	65.00	37%	92.9	-49%	3.31	3.98	4.78	11.5	9.6	8.0
COLI	688 HK	Buy	HKD	HKD	27,407	70.54	26.00	28.98	11%	32.2	-19%	3.39	3.36	3.88	7.7	7.7	6.7
China Vanke – A	000002 CH	Buy	CNY	CNY	25,416	244.41	14.24	14.87	4%	17.5	-19%	1.50	1.82	2.20	9.5	7.8	6.5
China Vanke – H	2202 HK	Buy	HKD	CNY	25,416	25.85	18.66	19.10	2%	22.5	-17%	1.50	1.82	2.20	10.0	8.2	6.8
Poly – A	600048 CH	Buy	CNY	CNY	20,490	232.15	11.85	7.61	-36%	9.5	25%	1.13	1.22	1.44	10.5	9.7	8.3
CR Land	1109 HK	Buy	HKD	HKD	18,697	32.22	22.20	26.50	19%	34.6	-36%	2.02	2.33	2.43	11.0	9.5	9.1
China Merchants Prop	000024 CH	Buy	CNY	CNY	11,136	133.91	33.44	16.42	-51%	23.5	43%	2.04	2.30	2.78	16.4	14.5	12.0
GLP	GLP SP	Buy	SGD	USD	9,296	25.06	2.64	3.15	19%	2.4	8%	0.06	0.05	0.06	33.5	35.4	29.8
Country Garden	2007 HK	Sell	HKD	CNY	8,267	16.20	3.15	2.60	-17%	4.3	-27%	0.48	0.56	0.62	5.2	4.5	4.1
Gemdale	600383 CH	Sell	CNY	CNY	8,248	62.90	11.40	7.50	-34%	10.8	6%	0.78	0.86	0.90	14.7	13.3	12.6
Longfor	960 HK	Buy	HKD	CNY	8,091	4.43	10.80	15.60	44%	19.4	-44%	1.25	1.35	1.48	6.9	6.4	5.8
Shimao	813 HK	Sell	HKD	CNY	7,470	23.59	16.68	13.37	-20%	22.3	-25%	2.64	2.88	3.23	5.1	4.6	4.1
Evergrande	3333 HK	Sell	HKD	CNY	7,414	14.86	3.93	2.48	-37%	5.0	-21%	0.72	0.73	0.75	4.4	4.3	4.2
CSCI	3311 HK	Buy	HKD	HKD	5,537	8.90	10.70	14.74	38%	15.4	-31%	0.88	1.05	1.31	12.2	10.2	8.2
Sino-Ocean	3377 HK	Buy	HKD	CNY	4,641	2.75	4.80	6.85	43%	9.8	-51%	0.49	0.58	0.68	7.8	6.6	5.7
R&F	2777 HK	Hold	HKD	CNY	3,329	11.47	8.01	8.13	1%	16.3	-51%	1.20	1.37	1.49	5.4	4.7	4.3
Sunac	1918 HK	Hold	HKD	CNY	3,055	14.16	7.00	7.35	5%	13.3	-47%	1.13	1.70	1.68	5.0	3.3	3.3
Franshion	817 HK	Buy	HKD	HKD	2,725	2.39	2.33	3.92	68%	5.5	-58%	0.33	0.39	0.47	7.0	6.0	5.0
Agile	3383 HK	Sell	HKD	CNY	2,526	9.56	5.00	3.55	-29%	13.2	-62%	1.12	0.96	0.96	3.6	4.2	4.2
Yuxiu	123 HK	Sell	HKD	CNY	2,431	5.35	1.52	1.23	-19%	2.5	-38%	0.12	0.12	0.13	10.4	10.0	9.3
KWG	1813 HK	Buy	HKD	CNY	2,071	5.50	5.45	6.68	23%	11.1	-51%	1.12	1.35	1.44	3.9	3.2	3.0
Greentown	3900 HK	Buy	HKD	CNY	1,881	8.22	6.75	11.00	63%	22.0	-69%	2.19	2.55	2.82	2.5	2.1	1.9
Yanlord	YLLG SP	Sell	SGD	CNY	1,368	0.66	0.97	0.80	-17%	1.6	-39%	0.25	0.34	0.37	17.3	12.7	11.7
CIFI	884 HK	Buy	HKD	CNY	1,329	0.56	1.71	2.53	48%	4.6	-63%	0.34	0.46	0.61	4.0	3.0	2.3
COGO	81 HK	Buy	HKD	HKD	1,089	2.79	3.70	8.19	121%	11.7	-68%	1.04	1.11	1.60	3.6	3.3	2.3
Kaisa	1638 HK	Hold	HKD	CNY	1,033	4.07	1.56	1.80	15%	6.7	-77%	0.64	0.72	0.81	2.0	1.7	1.5
E-House	EJ US	Buy	USD	USD	756	16.24	5.36	18.20	240%	0.0	NA	0.73	0.91	1.09	7.3	5.9	4.9
Central China	832 HK	Buy	HKD	CNY	587	0.26	1.87	3.36	80%	5.6	-67%	0.52	0.65	0.82	2.9	2.3	1.8
<b>Not Rated</b>																	
NWCL	917 HK	NR	HKD	HKD	5,455	1.98	4.87	NA	NA	NA	NA	0.45	0.42	0.43	10.8	11.6	11.3
SOHO China	410 HK	NR	HKD	CNY	3,534	3.10	5.27	NA	NA	NA	NA	0.42	0.17	0.18	10.0	24.5	22.9
Hui Xian REIT	87001 HK	NR	CNY	CNY	2,892	2.00	3.37	NA	NA	NA	NA	0.22	0.23	0.24	15.3	14.7	13.9
Shui On	272 HK	NR	HKD	CNY	1,868	1.90	1.81	NA	NA	NA	NA	0.08	0.05	0.14	17.9	26.8	10.3
Poly Property	119 HK	NR	HKD	HKD	1,851	7.24	3.92	NA	NA	NA	NA	0.53	0.50	0.58	7.5	7.8	6.8
Hopson	754 HK	NR	HKD	HKD	1,661	0.76	5.74	NA	NA	NA	NA	0.56	0.37	0.52	10.3	15.5	11.0
BJ North Star	588 HK	NR	HKD	CNY	1,107	0.81	2.55	NA	NA	NA	NA	0.30	0.28	0.32	6.8	7.3	6.4
Glorious	845 HK	NR	HKD	CNY	1,045	0.77	1.04	NA	NA	NA	NA	0.14	0.19	0.17	5.8	4.3	4.9
Yuzhou	1628 HK	NR	HKD	CNY	891	0.95	2.00	NA	NA	NA	NA	0.46	0.51	0.64	3.5	3.1	2.5
Greenland Hong Kong	337 HK	NR	HKD	CNY	750	1.37	4.59	NA	NA	NA	NA	0.11	0.19	0.29	35.0	19.3	12.9
Fantasia	1777 HK	NR	HKD	CNY	676	0.92	0.91	NA	NA	NA	NA	0.18	0.19	0.23	4.0	3.8	3.2
Powerlong	1238 HK	NR	HKD	CNY	665	0.41	1.29	NA	NA	NA	NA	0.27	0.53	1.08	3.8	1.9	1.0
BC Land	2868 HK	NR	HKD	CNY	627	1.05	4.76	NA	NA	NA	NA	0.76	0.95	1.25	5.0	4.0	3.0
Aoyuan	3883 HK	NR	HKD	CNY	495	0.26	1.38	NA	NA	NA	NA	0.31	0.38	0.49	3.6	2.9	2.3
C C Land	1224 HK	NR	HKD	HKD	491	0.42	1.47	NA	NA	NA	NA		0.26	0.24	NA	5.7	6.1
Minmetals	230 HK	NR	HKD	HKD	396	0.26	0.92	NA	NA	NA	NA	0.20	0.24		4.6	3.8	NA
Far East Global	830 HK	NR	HKD	HKD	339	0.28	1.22	NA	NA	NA	NA	0.09			13.6	NA	NA
<b>Overall average</b>											<b>-35%</b>			<b>9.1</b>	<b>8.4</b>	<b>7.1</b>	

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



Figure 13: China property – valuation table (cont.)

Company	Ticker	EPS growth %			BVPS			PB(x)			DPS			Dividends yield %			Net gearing %		
		14E	15E	16E	14E	15E	16E	14E	15E	16E	14E	15E	16E	14E	15E	16E	14E	15E	16E
<b>Covered</b>																			
CSCEC	601668 CH	18	17	19	4.6	5.3	6.2	1.5	1.3	1.1	0.2	0.2	0.2	2.3	2.7	3.2	53.2	49.1	38.9
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	2.1	2.5	41.6	40.4	38.6
COLI	688 HK	19	16	15	16.0	18.7	21.8	1.4	1.2	1.0	0.5	0.6	0.6	2.3	2.4	2.5	35.6	18.7	3.1
China Vanke – A	000002 CH	9	22	21	8.3	9.7	11.4	1.6	1.4	1.2	0.4	0.5	0.5	3.2	3.4	3.5	42.1	34.1	18.7
China Vanke – H	2202 HK	9	22	21	8.3	9.7	11.4	1.7	1.5	1.3	0.4	0.5	0.5	3.0	3.1	3.3	42.1	34.1	18.7
Poly – A	600048 CH	13	8	17	5.7	6.7	7.9	1.9	1.6	1.4	0.2	0.3	0.3	2.2	2.3	2.4	93.9	66.7	53.5
CR Land	1109 HK	19	19	5	16.0	18.0	19.9	1.3	1.2	1.1	0.5	0.5	0.5	2.2	2.3	2.5	69.0	30.8	21.3
China Merchants Prop	000024 CH	25	13	21	12.0	13.9	16.1	2.4	2.0	1.8	0.4	0.5	0.6	0.4	0.5	0.5	27.3	7.4	-3.4
GLP	GLP SP	(18)	(5)	21	1.8	1.8	1.9	1.0	1.0	1.0	0.0	0.0	0.0	2.4	2.4	2.4	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	6.1	7.0	7.9	67.8	61.7	60.2
Longfor	960 HK	6	8	10	8.8	9.9	11.1	0.9	0.8	0.8	0.3	0.3	0.3	3.4	3.5	3.8	53.2	42.7	32.9
Gemdale	600383 CH	11	11	19	6.9	7.4	8.0	1.5	1.4	1.3	0.1	0.1	0.1	1.2	1.1	1.2	58.2	56.3	51.3
Shimao	813 HK	25	9	12	17.9	20.5	20.5	0.7	0.6	0.6	0.8	0.9	0.9	5.1	5.4	5.7	88.7	76.1	89.0
Evergrande	3333 HK	2	2	3	3.8	4.3	4.9	0.8	0.7	0.6	0.3	0.3	0.3	8.9	9.4	9.8	87.3	76.0	79.5
CSCI	3311 HK	26	20	24	5.0	5.7	6.8	2.2	1.9	1.6	0.3	0.3	0.3	2.4	2.4	2.4	32.5	26.7	17.6
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
R&F	2777 HK	(34)	15	9	11.2	12.5	14.0	0.6	0.5	0.4	-	-	0.4	0.0	0.0	5.6	176.5	162.9	145.2
Sunac	1918 HK	19	51	(2)	5.1	6.6	8.1	1.1	0.8	0.7	0.2	0.2	0.2	3.7	4.1	4.3	104.7	70.5	77.2
Franshion	817 HK	20	23	17	3.9	4.3	4.7	0.6	0.5	0.5	0.1	0.1	0.1	4.6	5.0	5.5	51.0	30.0	5.6
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	5.9	6.0	65.6	76.0	77.1
Agile	3383 HK	(2)	4	1	10.6	11.5	12.5	0.3	0.3	0.3	0.4	0.4	0.4	12.0	12.1	12.0	68.1	69.6	69.0
Greentown	3900 HK	(4)	16	11	13.9	16.1	18.5	0.4	0.3	0.3	0.4	0.4	0.4	7.4	7.6	8.1	74.8	73.8	66.1
KWG	1813 HK	40	20	7	7.0	8.1	9.3	0.6	0.5	0.4	0.3	0.3	0.3	6.5	6.8	7.0	61.8	39.4	25.1
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
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	7.1	9.3	55.9	58.6	48.0
Kaisa	1638 HK	50	13	12	4.1	4.8	5.5	0.3	0.3	0.2	0.2	0.2	0.2	13.8	15.6	17.6	73.6	85.6	69.5
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	3.0	3.0	61.7	58.0	54.1
E-House	EJ US	30	24	19	5.9	6.4	7.0	0.9	0.8	0.7	0.2	0.2	0.2	3.9	3.9	3.9	-58.4	-55.6	-50.1
Central China	832 HK	25	26	26	2.8	3.3	3.9	0.5	0.5	0.4	0.2	0.2	0.2	10.1	13.1	15.7	41.7	38.0	32.2
<b>Not Rated</b>																			
NWCL	917 HK	32	(7)	2	6.7	7.0	7.3	0.7	0.7	0.7	0.1	0.1	0.1	1.4	1.1	1.2	37.3	48.4	51.0
SOHO China	410 HK	(41)	(59)	7	7.5	7.8	7.9	0.5	0.5	0.5	0.3	0.2	0.2	6.3	5.8	5.9	16.8	32.4	36.3
Hui Xian REIT	87001 HK	5	5	6	5.3	5.1	5.1	0.6	0.7	0.7	0.2	0.3	0.3	7.4	7.8	8.5	1.2	6.2	7.9
Shui On	272 HK	(2)	(33)	161	5.4	5.4	5.6	0.3	0.3	0.2	0.0	0.0	0.1	3.0	3.3	4.5	82.9	96.6	101.7
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	4.8	4.6	5.0	106.8	106.1	95.3
Hopson	754 HK	(53)	(34)	41				NA	NA	NA	-	-	-	0.0	0.0	0.0	NA	NA	NA
BJ North Star	588 HK	7	(7)	14		5.0	5.3	NA	0.4	0.4		0.1	0.1	NA	2.8	2.8	NA	NA	NA
Glorious	845 HK	14	29	(12)				NA	NA	NA	-	-		0.0	0.0	NA	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	9.3	11.0	88.6	111.6	-4.2
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
Fantasia	1777 HK	(14)	6	18	1.7	2.0	2.2	0.4	0.4	0.3	0.0	0.0	0.1	5.1	6.6	7.1	91.3	97.7	106.8
Powerlong	1238 HK	1	96	104				NA	NA	NA	0.1	0.1	0.1	5.3	6.6	9.6	NA	NA	NA
BC Land	2868 HK	31	24	32		5.7	6.4	NA	0.6	0.5	0.2	0.3	0.3	6.7	7.7	8.3	NA	234.1	248.4
Aoyuan	3883 HK	121	23	29	2.9	3.2	3.6	0.4	0.3	0.3	0.1	0.1	0.1	5.6	8.8	11.2	77.2	85.9	83.6
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
Far East Global	830 HK	80	44	385	0.6	0.7	0.8	2.0	1.7	1.5				NA	NA	NA	-3.9	-7.9	-16.6
<b>Overall average</b>		<b>10</b>	<b>18</b>	<b>30</b>				<b>0.9</b>	<b>0.8</b>	<b>0.7</b>				<b>4.4</b>	<b>4.9</b>	<b>5.6</b>	<b>57.9</b>	<b>58.1</b>	<b>51.1</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
Evergrande	3333.HK	3.92 (HKD) 30 Mar 15	1,7,14

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**Historical recommendations and target price: Evergrande (3333.HK)**  
 (as of 3/30/2015)



**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. 31/03/2014:	Buy, Target Price Change HKD5.35	2. 06/05/2014:	Downgrade to Sell, Target Price Change HKD2.48
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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 pro-jected dividend yield ) , we recommend that investors buy the stock.

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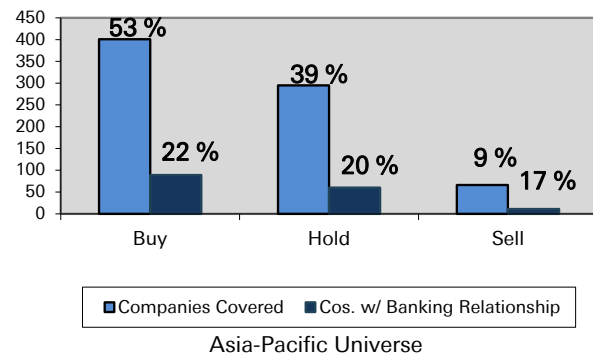
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**Equity rating dispersion and banking relationships**



Asia-Pacific Universe





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