

Equities



HONG KONG

2007 HK Outperform

Price (at 07:59, 13 Mar 2015 GMT) HK\$2.95

Valuation	HK\$	4.04
- DCF		
12-month target	HK\$	3.22
Upside/Downside	%	+9.2
12-month TSR	%	+16.1
Volatility Index		High
GICS sector		Real Estate
Market cap	HK\$m	60,038
Market cap	US\$m	7,728
Free float	%	23
30-day avg turnover	US\$m	8.0
Number shares on issue	m	20,352

Investment fundamentals

Year end 31 Dec		2014A	2015E	2016E	2017E
Revenue	bn	84.5	100.7	130.0	127.5
EBIT	bn	14.7	17.3	20.7	24.2
EBIT growth	%	15.3	17.8	19.9	16.7
Reported profit	bn	10.2	10.5	12.7	14.5
Adjusted profit	bn	9.2	10.4	12.7	14.5
EPS rep	Rmb	0.54	0.53	0.62	0.71
EPS rep growth	%	17.5	-2.1	16.8	14.4
EPS adj	Rmb	0.49	0.52	0.62	0.71
EPS adj growth	%	13.5	6.6	18.8	14.4
PER rep	x	4.4	4.5	3.8	3.3
PER adj	x	4.8	4.5	3.8	3.3
Total DPS	Rmb	0.15	0.15	0.19	0.21
Total DPS growth	%	-11.0	4.0	21.9	14.4
Total div yield	%	6.2	6.5	7.9	9.0
ROA	%	6.2	6.1	7.1	8.7
ROE	%	18.4	17.2	18.4	18.4
EV/EBITDA	x	5.3	4.5	3.8	3.3
Net debt/equity	%	54.2	31.2	-12.2	-27.0
P/BV	x	0.9	0.8	0.7	0.6

2007 HK rel HSI performance, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, March 2015
(all figures in Rmb unless noted, TP in HKD)

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Macquarie Capital Securities Limited

Country Garden

Solidifying its base

Event

- Country Garden (CGAR) has continued to demonstrate strong sales execution capabilities in lower tier cities in which most developers hesitate to enter. CGAR entered the Rmb100bn sales club in 2013 and delivered another 22% growth to Rmb128bn in 2014. The company is targeting 5% sales growth to Rmb135bn (MacQ: Rmb130bn) in 2015. However, the impressive growth would come at the expense of margin compression and weakening cash collection, which are yet to optimize in our view.
- We expect policy in 2015 to be favourable for China's property market with more rate cuts and stimulus measures. CGAR's share price outperformance hinges on resumption of sales growth (22% in 14; 5% target in 15) and signs of margin bottoming. Its 5% target sales growth may not appeal to a lot of investors. More active land purchases could attract investor attention and lead the second stage of growth like its performance in 2013. We lower our TP by 7.5% to HK\$3.22 and NAV by 9.4% to HK\$4.04 to reflect higher cost assumptions. With a 6.5% 2015E dividend yield and CGAR starting to show initial progress in optimizing operations, we maintain Outperform.

Impact

- Gross margin to stay under pressure till 2017.** We expect 2015E GP margin to drop 1.3ppt to 24.8% and fall to 22.4% before recovering. We estimate 84% of 2015E (GFA of 12.6m sqm) earnings are locked in already. With 63% (40% in 2012) of 2014 contracted sales from non-GD provinces, GP margin of these projects should be lower due to lower ASP at an early stage of development and high cost of penetrating new markets. We estimate 2015E GP margin of projects from GD/non-GD provinces to be 28.8%/23.5%.
- Early stage of optimization:** Several operational indicators are showing initial improvements in 2014, especially on the financing front. These include: 1) net gearing improved by 7.6ppt YoY to 59.7% (improved by 2.1ppt adjusted for perpetual securities); 2) cost of borrowing improved by 0.38ppt to 8.16%; 3) cash collection rate improved by 0.6ppt to 85.6%; and 4) SG&A/contracted sales improved by 0.2ppt to 5.8%.
- FY14 result highlights.** CGAR's revenue grew 35% to Rmb84.6bn and core earnings rose 15% to Rmb9.2bn. GP margin compressed with a 2H14 post-LAT GP margin of 22.4%, down 3.8ppt HOH. Net operating cash outflow was Rmb3.7bn vs Rmb3.2bn in 2013. CGAR lowered its full year dividend by 12.4% to Rmb14.75/sh (6.2% yield).

Earnings and target price revision

- We lower our 2015/16E earnings by 7% and 7% to Rmb10.4bn and Rmb12.7bn due to higher cost assumptions. Cut TP by 7.5% to HK\$3.22.

Price catalyst

- 12-month price target: HK\$3.22 based on a Sum of Parts methodology.
- Catalyst: Acceleration in land purchases and new province expansion

Action and recommendation

- CGAR currently trades at a 27% discount to NAV, 4.6x 2015E PE, and 0.8x PB. Maintain Outperform.

Views on Country Garden

After achieving contracted sales of over Rmb100bn in 2013, Country Garden delivered another satisfactory growth of 22% to Rmb128bn in 2014. We continue to see CGAR's proven sales execution capabilities and professional management in lower-tier cities, in which most developers hesitate to enter. However, the impressive growth comes with margin compression and weakening cash collection. We expect CGAR needs to find an optimal scale before pursuing new growth opportunities. As the company continues to improve its financial position and stabilize margin down the road, we believe this could act as a prologue for CGAR's second stage of growth and the stock should start to re-rate again, in our view.

CGAR is demonstrating early signs of improvement in its business and financial performance, while margin remains under pressure in our view. We analyse the company from the following perspectives: 1) cost of borrowing; 2) cash collection; 3) SG&A; 4) asset turnover, gross margin; 5) land acquisitions and sales contribution.

Financial positions seeing good progress in optimization (*Positive*)

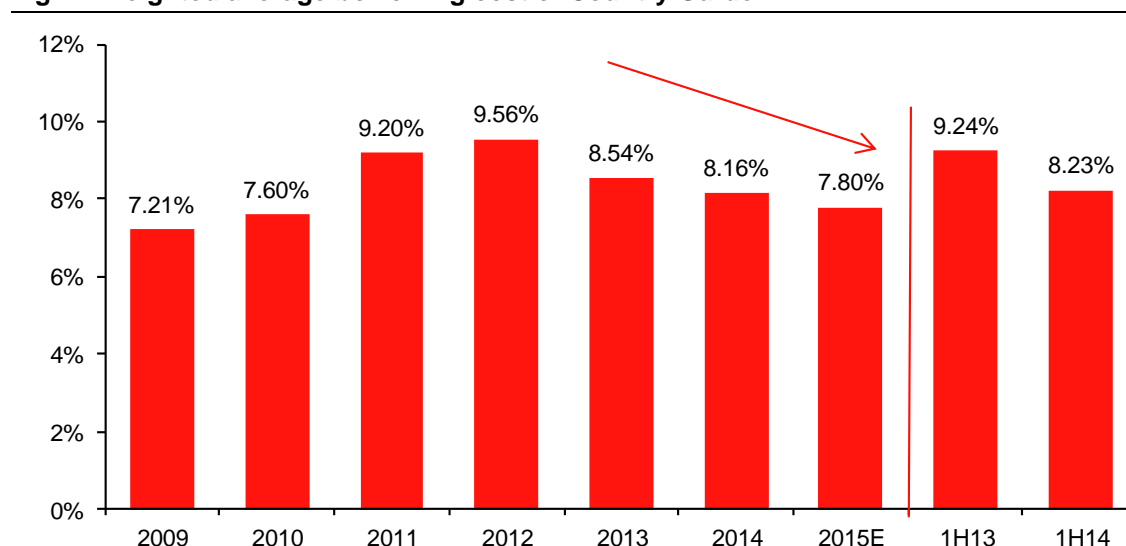
CGAR's average borrowing cost improved from 9.6% in 2012 to 8.7% in 2013 and further to 8.2% by the end of 2014. With its proactive financial management in issuing senior notes with a lower borrowing cost and the recent rate cut in China, we expect its financial cost to improve to 7% in the coming 1-2 years.

Fig 1 Summary of senior notes/club loan issuances

Month of issuance	Type	Due date	Currency	Notional (m)	Interest cost (%)
Before 2013					
Sep-09 (<i>due</i>)	Senior note	Sep-14	USD	300	11.75%
Apr-10 (<i>redeemed</i>)	Senior note	Apr-17	USD	550	11.25%
Aug-10	Senior note	Aug-15	USD	400	10.50%
Feb-11 (<i>redeemed</i>)	Senior note	Feb-18	USD	900	11.13%
2013					
Jan-13	Senior note	Jan-23	USD	750	7.50%
Oct-13	Senior note	Apr-21	USD	750	7.25%
2014					
May-14	Senior note	May-19	USD	250	7.50%
May-14	Senior note	May-19	USD	550	7.88%
Dec-14	Club loans	Dec-18	USD	581	HIBOR/LIBOR +3.7%
2015					
Feb-15	Senior note	Mar-20	USD	900	7.50%
Weighted average borrowing cost					
End-2012					9.6%
End-2013					8.7%
End-2014					8.2%

Source: Company data, Macquarie Research, March 2015

Fig 2 Weighted average borrowing cost of Country Garden



Source: Company data, Macquarie Research, March 2015

Cash collection stabilizing (Positive)

Cash collection is showing early signs of stabilization and reached 85.6% in 2014, up from 85.0% last year. We attribute the same level of cash collection mainly to Dec sales of Rmb25bn, which are largely uncollected. While the cash collection level is still 10ppt lower than that achieved in 2012, a gradual improvement would strengthen investors' confidence in both operational stabilization after 1) entering the Rmb100bn sales club and 2) good mortgage access in lower-tier cities. Improvement in cash collection back to 2012 levels would be crucial in our view.

Uncollected sales = contracted sales – booked sales + decrease in pre-sales deposits

Cash collection = 1 – (uncollected sales / contracted sales)

Fig 3 Cash collection stabilizing

	Contracted sales (Rmb bn)	Booked sales (Rmb bn)	Pre-sales deposits (Rmb bn)	Un-collected sales (Rmb bn)	Cash collection rate
2008	17.53	14.74	9.11	0.85	95.1%
2009	23.20	16.54	14.04	1.73	92.5%
2010	32.91	24.64	21.73	0.58	98.2%
2011	43.20	33.19	27.87	3.87	91.0%
2012	47.60	40.01	33.35	2.10	95.6%
2013	106.00	60.04	63.42	15.89	85.0%
2014	128.80	81.90	91.79	18.53	85.6%

Source: Company data, Macquarie Research, March 2015

Improving asset turnover (Positive)

We are positive on CGAR's asset turnover capability. We measure asset turnover of its land bank by GFA sold/total GFA with construction permits and unsold GFA in the prior year.

The ratio improved from 33% in 2009 to 41-42% in 2010-12 and reached a one-off high of 89% in 2013. The ratio gradually improved to 57% in 2014, exceeding our expectation of 50%. We expect CGAR to focus on higher asset turnover for its existing projects under development. In 2015, management offered a conservative sales target of 5% growth to Rmb135bn and lowered the number of new launches from 77 in 2014 to 11 in 2015, or new starts from 22m to 19m.

Of this, the company disclosed the full breakdown of the GFA with construction permits for the first time in 2014. Of 37.9m sqm under construction, 48% (18.2m sqm) was presold, 33% (12.4%) received presales permits but were unsold and the remaining 7.3m sqm are in the early stage of construction.

Fig 4 Summary of land bank process

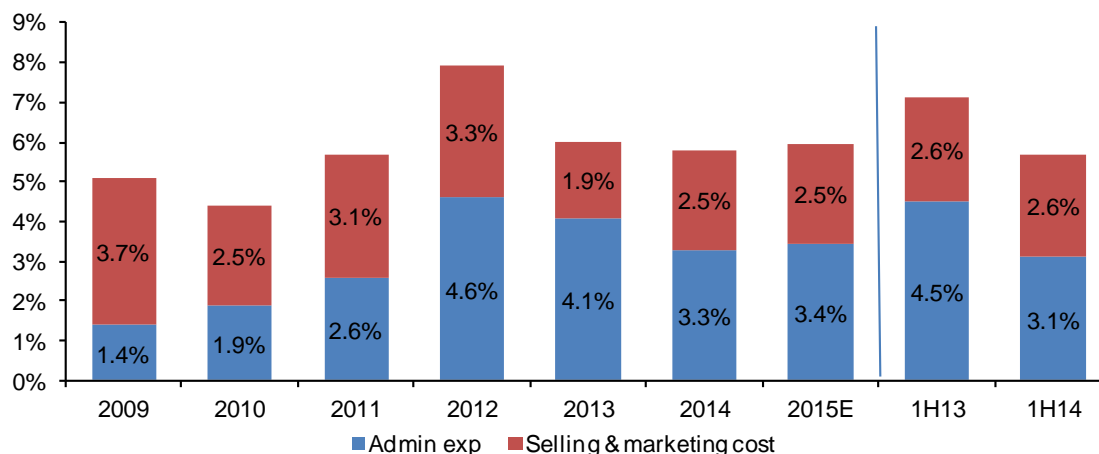
GFA (m sqm)	2008	2009	2010	2011	2012	2013	2014	1H13	1H14
Pending master planning	23.2	22.1	22.4	27.9	30.1	33.8	31.5	33.4	31.3
Pending construction approval	6.2	5.6	4.3	7.8	6.3	3.8	5.1	6.6	4.9
With construction permits	13.6	13.4	14.5	15.3	14.0	30.2	37.9	18.2	35.6
Completed but unsold inventories	0.9	1.3	1.8	3.0	3.8	3.4	3.7	3.5	3.6
Completed and pre-sold pending delivery	0.8	0.4	0.4	0.8	1.2	1.1	0.9	1.0	0.2
Total	44.7	42.8	43.4	54.8	55.4	72.3	79.1	62.7	75.7
Contracted GFA sold	3.4	4.8	6.0	6.9	7.6	15.9	19.3	5.1	8.8
Contracted GFA sold/ GFA with const permits and unsold inventories in prior year		23%	41%	42%	42%	89%	57%		

Source: Company data, Macquarie Research, March 2015

SG&A starting to come under control (*Positive*)

SG&A expense to contracted sales is starting to see signs of moderation. The ratio increased from 5.7% in 2011 to 7.9% in 2012, primarily due to rapid expansion in staff and marketing expenses. The ratio stabilized to 6.0% in 2013 and 5.8% in 2014.

Fig 5 Selling & marketing and admin expense as a % of contracted sales

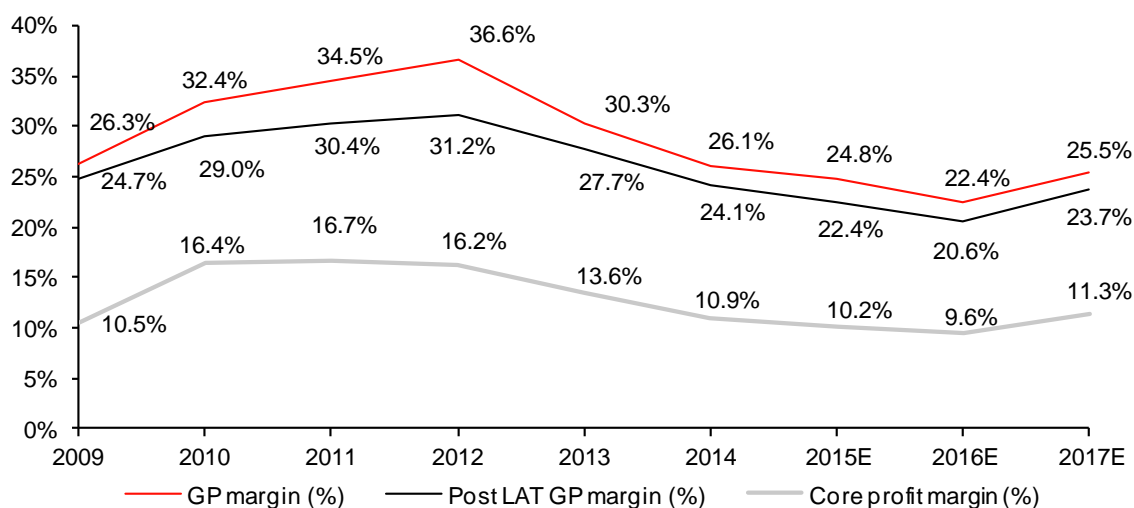


Source: Company data, Macquarie Research, March 2015

Gross margin to stay under pressure till 2017 (*Negative*)

We expect 2015E GP margin to drop 1.3ppt to 24.8% and decline to 22.4% before recovering. With 63% (40% in 2012) of 2014 contracted sales from non-GD provinces, GP margin for these projects should be lower due to lower ASP at early stages of development and high cost of penetrating new markets. We estimate 2015E GP margin of projects from GD/non-GD provinces at 28.8%/23.5%.

Fig 6 CGAR's gross margin trend, 2009-17E



Source: Company data, Macquarie Research, March 2015

Land acquisitions: From rapid expansion to penetration (*Neutral*)

During 2008-12, the company prudently expanded into a new province on average per year. Major changes happened in 2013 and CGAR rapidly entered 8 new provinces and 21 districts, resulting into strong sales of over Rmb100bn during the year.

During 2014, the company primarily focused on increasing penetration in existing provinces instead of new expansion. CGAR only entered two new provinces, Jilin and Shanxi.

Provinces with rapid expansion included: **Jiangsu** (25 projects acquired over the past 2 years), **Zhejiang** (from 1 project to 11 in two years), **Shandong** (from 1 project to 9 in two years) and **Fujian** (8 projects, entered in 2013).

The proportion of projects from Guangdong province declined from 62% of total projects in 2010 to 37% in 2014.

Outside of China, the company entered Australia and launched the Sydney Ryde project in June 2014, fetching debut sales of Rmb2.4bn (ASP of Rmb49.4k psm) within the same year.

Fig 7 Solidifying the existing base instead of further rapid expansion

Province	No. of projects								Change 14 vs 13	Sales (bn) 2015E
	2008	2009	2010	2011	2012	2013	1H14	2014		
Guangdong	28	44	48	62	67	75	82	89	14	36.1
Non-Guangdong										
Anhui	7	7	7	9	9	10	11	13	3	8.1
Liaoning	5	5	5	6	6	6	6	6	-	5.3
Hubei	4	5	5	6	7	11	12	14	3	7.0
Hunan	4	4	4	8	8	9	9	11	2	5.5
Inner Mongolia	3	3	3	3	3	3	3	3	-	0.7
Heilongjiang	1	1	1	1	1	1	1	2	1	0.8
Jiangsu	1	1	1	3	4	14	25	29	15	19.7
Chongqing	1	1	1	1	2	4	4	4	-	1.9
Tianjin	-	2	2	2	3	3	3	3	-	0.9
Guangxi	-	-	1	1	2	3	4	5	2	2.7
Hainan	-	-	-	1	3	3	4	5	2	2.5
Shandong	-	-	-	-	1	5	9	9	4	5.2
Zhejiang	-	-	-	-	1	7	9	11	4	5.1
Fujian	-	-	-	-	-	3	6	8	5	5.4
Henan	-	-	-	-	-	3	3	5	2	3.2
Jiangxi	-	-	-	-	-	2	4	4	2	2.2
Sichuan	-	-	-	-	-	2	3	3	1	2.2
Gansu	-	-	-	-	-	1	2	2	1	4.2
Hebei	-	-	-	-	-	1	2	2	1	2.2
Guizhou	-	-	-	-	-	1	2	3	2	3.0
Yunnan	-	-	-	-	-	1	1	1	-	1.1
Jilin								1	1	0.8
Shanxi								1	1	0.8
Overseas										
Malaysia	-	-	-	-	1	3	3	3	-	2.5
Australia	-	-	-	-	-	-	1	1	1	0.5
Total	54	73	78	103	118	171	209	238	67	129.6
Major regions										
Guangdong province	28	44	48	62	67	75	82	89	14	36.1
Non-Guangdong province	26	29	30	41	50	93	123	145	52	90.4
Overseas	-	-	-	-	1	3	4	4	1	3.0
Total	54	73	78	103	118	171	209	238		
Breakdown by region										
Guangdong province	52%	60%	62%	60%	57%	44%	39%	37%		28%
Non-Guangdong province	48%	40%	38%	40%	42%	54%	59%	61%		70%
Overseas	0%	0%	0%	0%	1%	2%	2%	2%		2%

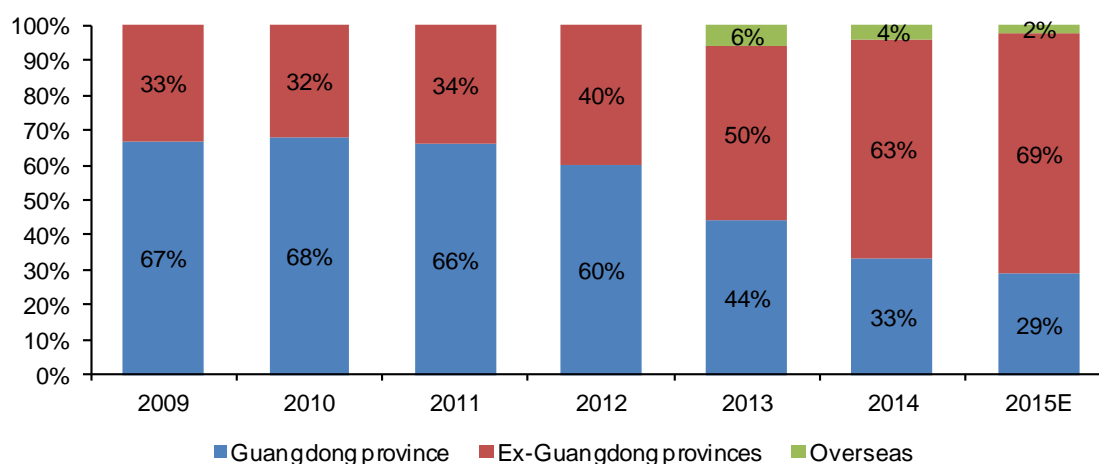
Source: Company data, Macquarie Research, March 2015

Sales contribution from non-Guangdong provinces to further increase in 2015E (*Neutral*)

The weight of sales contribution from ex-Guangdong provinces continued to go up from 32-34% in 2012 to 50% in 2013, followed by the sales jump from Rmb47.6bn in 2012 to Rmb106bn in 2013. We attribute this to successful expansion to source new demand.

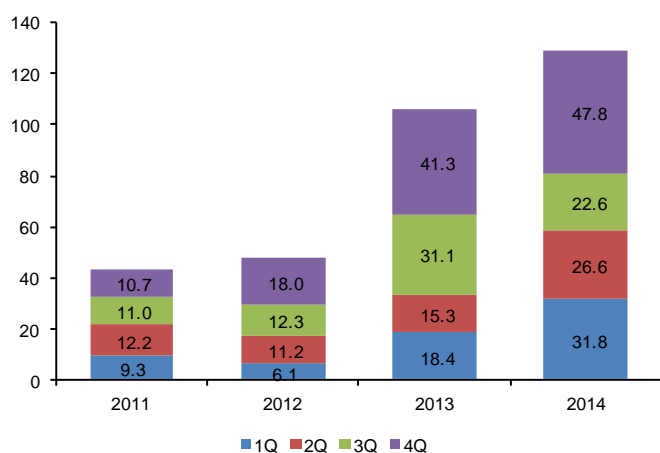
The trend is similar in the allocation of new projects with 61% of projects in ex-Guangdong and 37% in Guangdong provinces. However, one of its top 10 best selling project, Guangzhou Country Garden Phoenix City, is almost fully complete after more than 10 years of development. This project alone contributed around Rmb3-4bn p.a over the past few years. We expect its sales contribution from Guangdong provinces will moderate from 33% in 2014 to 29% in 2015E.

Fig 8 Contribution of contracted sales by major region



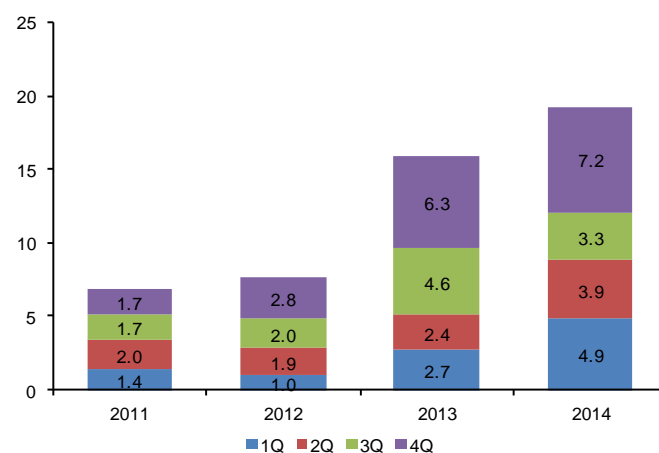
Source: Company data, Macquarie Research, March 2015

Fig 9 Quarterly contracted sales (Rmb bn)



Source: Company data, Macquarie Research, March 2015

Fig 10 Quarterly GFA sold (m sqm)



Source: Company data, Macquarie Research, March 2015

What has changed?

We lower our target price by 7.5% and lower our NAV assessment by 9.4%, due to the following changes in assumptions:

- High construction cost assumptions
- Inclusion of new land purchases, including Shijiangzhuang, Hebei; Guizhou; Nanshan; Nanchang, Jiangxi; and Dongguan Jade Bay projects.
- Increase in our 2015 contracted sales assumption from Rmb115bn to Rmb130bn and 2016 sales from Rmb92bn to Rmb110bn
- Assuming redemption of Rmb3.1bn perpetual securities by the end of May 2015
- Lower dividend payout ratio to 30% of core profit (from 35%)

Fig 11 Changes and versus consensus (RMBm)

	Price target HK\$	NAV HK\$	Revenue		Underlying profits*	
			2015E	2016E	2015E	2016E
New	3.22	4.04	100,735	129,992	10,409	12,692
Old	3.48	4.46	97,763	117,267	11,096	13,386
Difference (%)	-7.5%	-9.4%	3.0%	10.9%	-6.2%	-5.2%
Consensus			100,396	114,059	10,614	12,152
Difference (%)			0.3%	14.0%	-1.9%	4.4%

* Adjusted for revaluation gains of investment properties and net of deferred tax.

Source: Bloomberg, Macquarie Research, March 2015

Valuation methodology

Our end-1H15E NAV estimate of HK\$4.04 includes HK\$6.55 of development properties for sale, HK\$0.08 of investment properties for lease and HK\$1.98 of net debt and other liabilities. Our new target price of HK\$3.22 is at a 20% discount to our end-1H15E NAV.

Our NAV estimate is the sum of GAV (gross asset value, before deducting net debt and other working capital) of individual projects plus net cash, net working capital and other investments of the whole company. Non-real estate assets and investments are stated at the latest reported book value. GAV is the sum of all projects' free cash flows (FCF) over the next ten years, as shown in the table below. We assume all rental assets will be disposed of in 2023, and there is no terminal value.

We assume property prices in Hong Kong continue to trend down, with 5% downside in 2015. For mainland China, we assume property prices will increase by 5% for the luxury segment in tier-one cities and 5-10% for the rest of tier-1/2 cities, respectively, in 2015, and rise another 5-10% in 2016. In our scenario analysis, Figure 16, price and rental growth, occupancy and transaction volume assumptions are modified to result in different NAVs, implied values and earnings forecasts. The discount rate we use is based on a risk-free rate of 5%, an equity risk premium of 8% and a historical beta of 1.53. For projects with negative total free cash flows, especially investment properties, we keep a floor value at the costs already incurred and carried on the book.

Our target price is an adjusted version of NAV. For our target price calculation, we factor in only the next three years of FCF derived from a bottom-up project launch projection but followed by FCF based on top-down company-wide volume and price growth or decline assumptions in the remaining seven years, without considering individual project performance. The three stages of FCF are: 1) near-term (42% of total GAV), based on the current land bank without factoring in any new acquisitions between 2014 and 2016; 2) medium-term (28% of total GAV), based on continuous replenishment to keep the land bank size unchanged over 2017-19; and 3) long-term (30% of total GAV) based on a gradually depleting land bank after 2019 without acquisitions. Our target price values non-real estate assets using P/E, P/B or EV/EBITDA multiples. A subjective forward beta of 1.60 is used for our target price instead of historical beta of 1.53 for NAV to account for higher management execution risks and future market volatilities affecting the valuation of assets.

NAV reflects the value of the land bank and tends to be higher than reported book value (HK\$3.48/sh at Dec 2014). In our view, the latter does not give sufficient credit or discount to the company's market positioning, growth aspirations and execution track record. We believe our target price captures all the above aspects and it is heavily influenced by our judgment of management's quality, as reflected in our choice of beta and our medium-term assumptions for the company's overall volume, price and cost growth. A detailed valuation breakdown is shown in Figure 14

Fig 12 Enterprise free cash flows

(in RMB billion) fiscal year	Near term 42% of GAV		Medium term 28% of GAV			Long term 30% of GAV			
	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Cash flows of development properties only (based on existing land bank, attributable basis unless specified)									
Contracted sales (Gross)	129.6	107.0	66.6	52.2	37.1	37.8	34.5	22.5	3.9
Cash sales	121.5	109.4	89.7	55.6	41.3	38.1	35.4	26.2	11.1
Land purchase	(4.9)	-	-	-	-	-	-	-	-
Construction capex	(65.8)	(55.8)	(37.4)	(23.8)	(17.0)	(15.3)	(15.3)	(9.9)	(2.3)
SGA outflows	(9.7)	(8.7)	(7.2)	(4.4)	(3.3)	(3.0)	(2.8)	(2.1)	(0.9)
Taxes and other outflows	(14.6)	(13.0)	(11.0)	(10.4)	(7.7)	(6.5)	(5.8)	(4.5)	(2.4)
#1 Free cash flows	26.5	31.8	34.2	16.9	13.2	13.4	11.5	9.7	5.6
Cash flows of investment properties only (attributable)									
Rental income of operating assets	1.3	1.4	1.5	1.6	1.6	1.6	1.6	1.6	1.6
Related expenses	(1.7)	(1.8)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.1)
Total capex	(0.3)	(0.3)	(0.1)	-	(0.0)	(0.2)	(0.2)	(0.1)	-
#2 Free cash flows	(0.7)	(0.7)	(0.5)	(0.4)	(0.5)	(0.6)	(0.6)	(0.5)	(0.4)
Attributable free cash flow (including both development properties and investment properties)									
	25.8	31.1	33.7	16.5	12.7	12.8	10.9	9.1	5.1
For valuation purposes of development properties: existing land bank + land bank replenishment during medium term (attributable)									
Cash sales	121.5	109.4	88.0	70.4	56.3	56.3	56.3	56.3	56.3
Total capex	95.0	77.6	62.6	51.5	46.3	36.6	36.6	36.6	35.9
#3 Free cash flows	26.5	31.8	25.4	18.9	10.0	19.7	19.7	19.7	20.4

Source: Macquarie Research, March 2015

Fig 13 Target price derivation

HKD/share		
DCF for development properties	5.73	A / shares
GAV for investment properties	0.08	B / shares
Net cash	(2.22)	C / shares
Other assets	(0.37)	D / shares
Target price	3.22	(A+B+C+D) / shares
HK\$ m		
	118,123	A + B
Total development properties (DCF)	116,524	A
Near term from 2014 to 2016	48,085	
Medium term from 2017 to 2019	32,984	
Long term beyond 2019	35,454	
Total investment properties (GAV)	1,600	B
Hotel	925	
Retail for Lease	611	
Office for Lease	-	
Residential for Lease	63	
Carparks	-	

Source: Macquarie Research, March 2015

Fig 14 NAV derivation

HKD/share		
NAV/share	4.04	E / share
HK\$ m		
NAV	82,248	E = F + X + Y + Z
Total gross asset value	134,912	F = G + H
Net cash	(45,151)	X
Net working capital	(7,811)	Y
Other investments	297	Z
Total development properties	133,313	G
Residential	133,144	
Retail for Sale	-	
Office for Sale	169	
Total investment properties	1,600	H
Hotel	925	
Residential for Lease	63	
Retail for Lease	611	
Office for Lease	-	
Carparks	-	
Number of outstanding shares (m)	20,355	

Source: Macquarie Research, March 2015

Key assumptions and sensitivity analysis

Fig 15 Key price and rental assumptions

Residential price growth	China – Tier-one cities			China – Tier-two cities			Hong Kong		
	2015F	2016F	Cap rate	2015F	2016F	Cap rate	2015F	2016F	Cap rate
Villas	5%	5%		5%	5%		0%	0%	
Luxury	5%	5%		5%	5%		0%	5%	
Above average	10%	10%		10%	10%		-5%	5%	
Mass market	10%	10%		5%	10%		-5%	5%	
Remote	5%	5%		5%	5%		-5%	5%	
Office rental growth									
Top Grade A	0%	0%	6.0%	0%	0%	9.0%	6%	5%	4.0%
Grade A	0%	0%	8.0%	0%	0%	10.0%	5%	5%	3.5%
Grade B	0%	0%	10.0%	0%	0%	11.0%	5%	5%	5.5%
Retail rental growth									
Mall	0%	0%	7.0%	0%	0%	8.0%	4%	3%	4.5%
Street	0%	0%	8.0%	0%	0%	9.0%	4%	3%	3.5%
Auxiliary	0%	0%	9.0%	0%	0%	10.0%	2%	1%	5.5%
Hotel rental growth									
5-star	0%	0%	8.0%	0%	0%	9.0%	0%	0%	6.5%
4-star	0%	0%	9.0%	0%	0%	10.0%	0%	0%	7.5%
3-star	0%	0%	10.0%	0%	0%	11.0%	0%	0%	8.5%

Source: Macquarie Research, March 2015

Fig 16 Scenario analysis

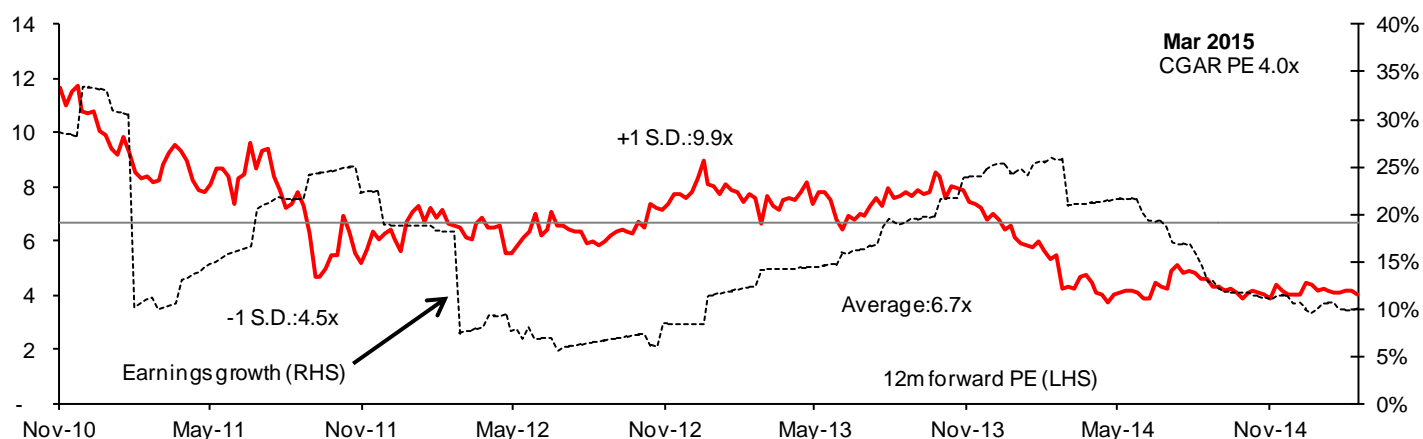
	Worst	Worse	Better	Best	Base
Results					
NAV (HKD/share)	2.7	3.9	5.5	6.6	4.04
Implied value (HKD /share)	0.2	2.5	5.1	7.2	3.22
FY15E net gearing (%)	72%	43%	16%	-4%	33%
Revenue (RMB bn)					
2015E	88.3	95.2	101.8	106.7	100.7
2016E	112.2	125.6	139.4	150.1	130.0
Earnings (RMB bn)					
2015E	5.7	8.4	11.2	13.6	10.4
2016E	4.2	10.5	17.1	22.6	12.7
Free Cash Flows (HKD bn)					
2015E	10.5	26.0	42.2	55.3	33.2
2016E	27.7	37.9	54.9	62.5	39.7
Price					
2015 Variance	0%	5%	10%	15%	n/a
2016 Growth	0%	0%	5%	5%	n/a
Volume					
2015 Variance	-20%	-10%	0%	10%	0%
2016 Variance	-20%	-10%	10%	20%	0%

Source: Macquarie Research, March 2015

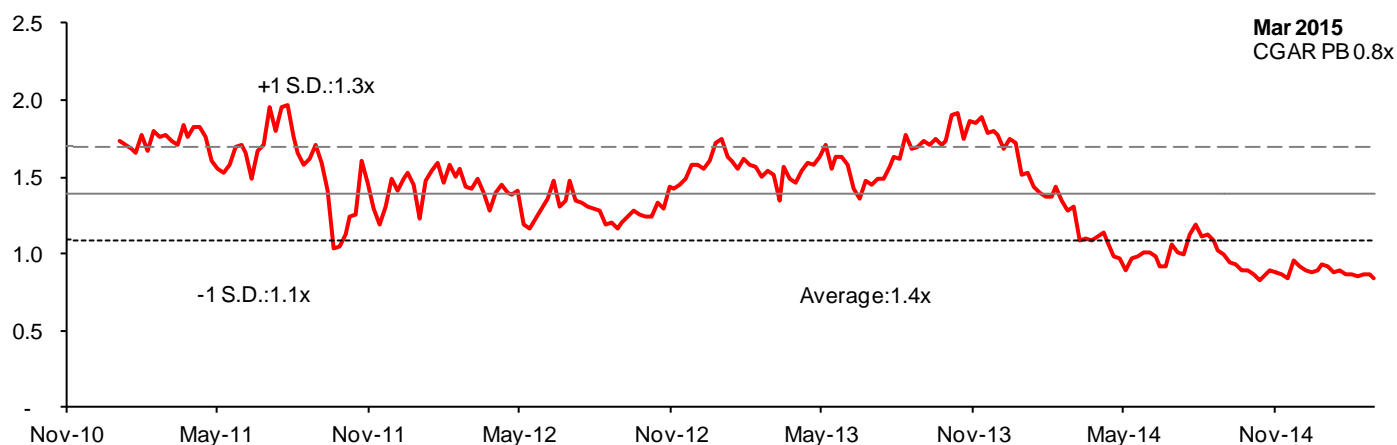
Fig 17 Financial summary (RMB m)

Summary	2013	2014	2015E	2016E	2017E
Revenue	62,682	84,549	100,735	129,992	127,515
Cost of sales	(43,713)	(62,494)	(75,748)	(100,897)	(95,032)
Gross profit	18,969	22,055	24,986	29,096	32,483
Adjusted net profit	8,514	9,238	10,409	12,692	14,520
Gross margin	30%	26%	25%	22%	25%
Underlying profit margin	14%	11%	10%	10%	11%
Financial stability					
Net gearing*	67%	60%	33%	-13%	-28%
Interest coverage	3.2	2.9	3.5	4.2	4.8
Associates/Net profit	0%	0%	0%	0%	0%
SGA/Revenue	10%	9%	8%	7%	7%
Tax/Pre-tax income	34%	35%	39%	36%	35%
Net operating cash flow	(6,050)	221	437	35,552	19,441
Net investing cash flow	(4,752)	(10,859)	(1,155)	(988)	(767)
Net financing cash flow	17,985	11,172	13,680	(4,455)	(4,682)

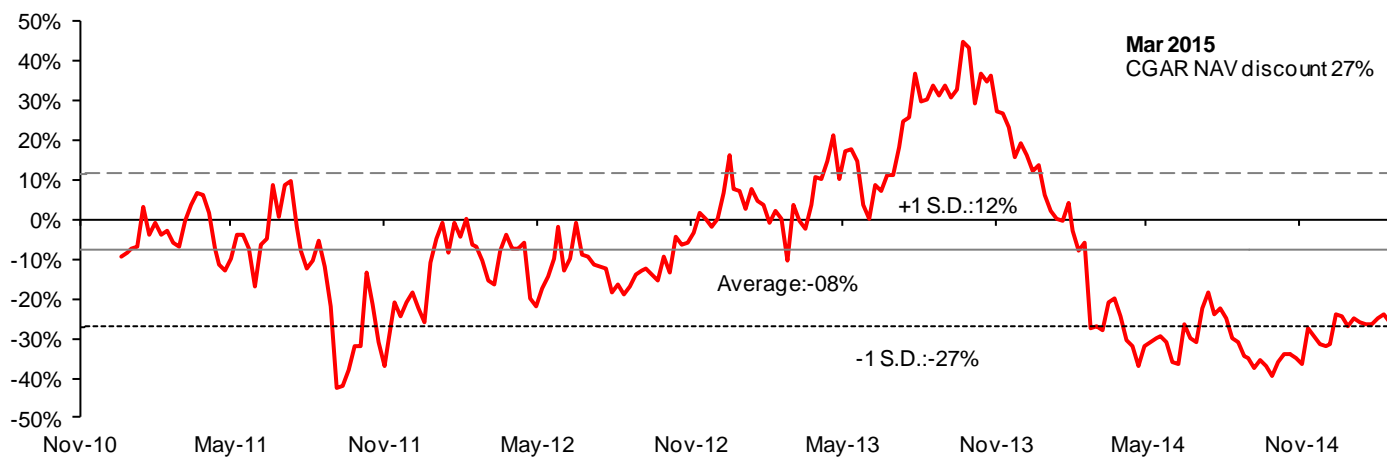
Source: Company data, Macquarie Research, March 2015

Fig 18 Consensus 12-mth forward PER for CGAR

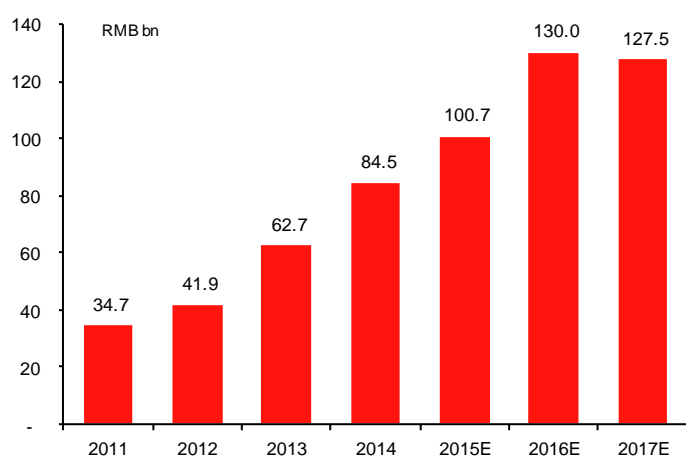
Source: Datastream, Macquarie Research, March 2015

Fig 19 P/BV for CGAR

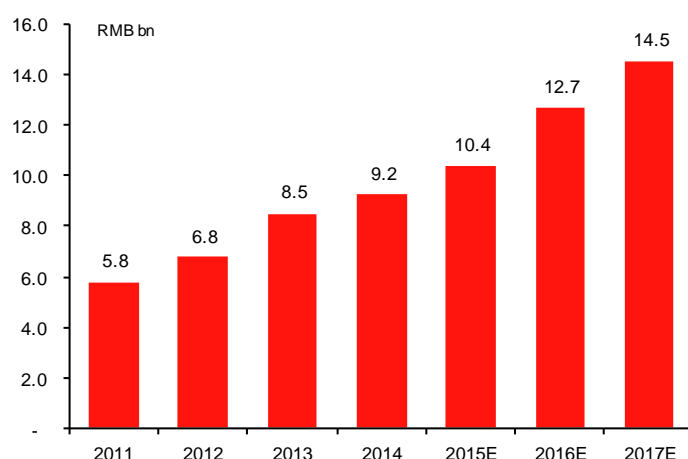
Source: Datastream, Macquarie Research, March 2015

Fig 20 NAV discount for CGAR

Source: Datastream, Macquarie Research, March 2015

Fig 21 CGAR revenue growth, FY11–17E

Source: Company data, Macquarie Research, March 2015

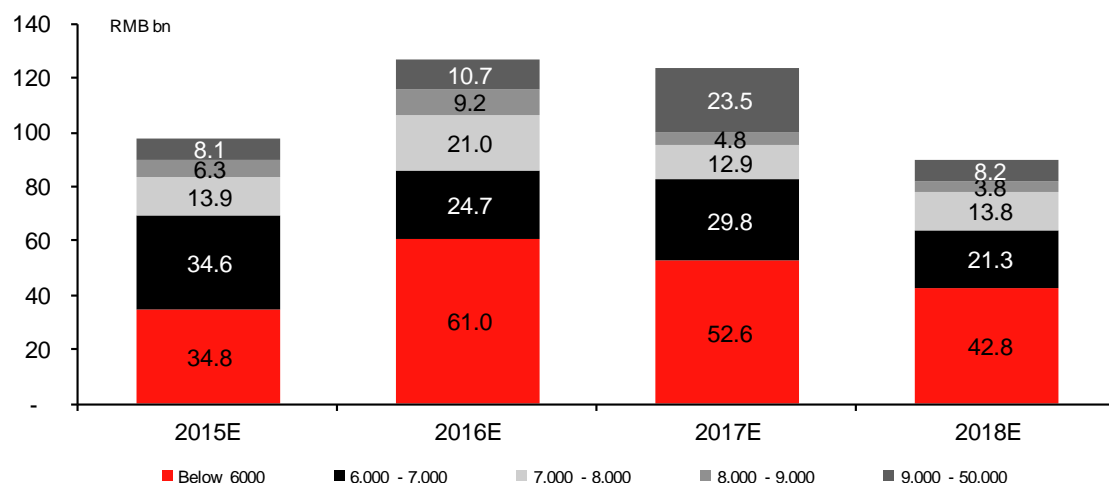
Fig 22 CGAR adjusted earnings growth, FY11–17E

Source: Company data, Macquarie Research, March 2015

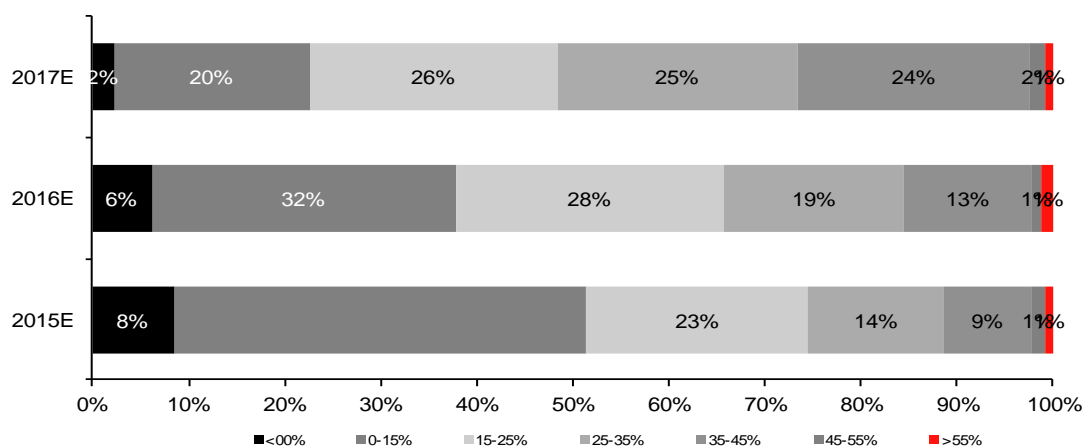
Fig 23 Property-related revenue breakdown and contributions of associates (RMB m)

Revenue	2015E	2016E	Share of associates	2015E	2016E
Residential for Sale	97,699	126,486	Residential for Sale	(7)	10
Retail for Sale	-	-	Retail for Sale	-	-
Office for Sale	-	-	Office for Sale	-	-
Development properties	97,699	126,486	Development properties	(7)	10
Hotel	1,232	1,357	Hotel	-	-
Residential for Lease	6	8	Residential for Lease	-	-
Retail for Lease	79	79	Retail for Lease	-	-
Office for Lease	-	-	Office for Lease	-	-
Investment properties	1,317	1,444	Investment properties	-	-
Car parks	-	-	Car parks	-	-
Total	99,016	127,930	Total	(7)	10
China and others	99,016	127,930	China and others	(7)	10
Hong Kong	-	-	Hong Kong	-	-
Total	99,016	127,930	Total	(7)	10

Source: Company data, Macquarie Research, March 2015

Fig 24 Revenue breakdown of development projects by ASP (RMB psm)

Source: Macquarie Research, March 2015

Fig 25 Breakdown of contracted sales by gross margin (%) – forecasts

Source: Macquarie Research, March 2015

Fig 26 Breakdown of property sales and GFA completion

In reported currency, fiscal year	2015E	2016E	2017E	2018E
Development and investment properties, gross, before sharing (000 sqm)				
GFA Completed	14,525	19,394	18,925	13,836
For sales (development properties)	14,468	19,349	18,859	13,836
For rent (investment properties)	57	44	66	-
Development properties, gross, before sharing (000 sqm)				
GFA sold by contract	20,838	17,146	11,658	8,616
GFA inventory	2,206	394	1,174	486
Attributable GFA sold by contract, after sharing (000 sqm)	19,961	16,416	10,986	8,212
Development properties of subsidiaries, after sharing				
GFA Booked (000 sqm)	15,037	20,996	17,928	14,375
Previous years' inventory sold this year	944	1,842	237	713
Pre-sold last year, completed this year	11,633	16,818	14,654	11,842
Sold and completed this year	2,460	2,336	3,037	1,820
Revenue (m)	97,699	126,486	123,499	89,851
Previous year's inventory sold this year	15,431	14,915	10,062	8,460
Pre-sold last year, completed this year	55,337	80,833	74,795	60,321
Sold and completed this year	26,931	30,739	38,642	21,070
Gross contracted sales, including 100% associates, before sharing (m, reported currency)				
Total amount	127,705	114,888	94,827	59,366
Consolidated amount of subsidiaries after sharing	125,668	112,641	92,590	57,188
Breakdown of booked sales (Rmb/sqm)				
Average selling price, after sharing	6,497	6,024	6,888	6,251
Average construction cost, after sharing	3,462	3,468	3,649	3,041
Average land cost, after sharing	796	803	855	716

Source: Company data, Macquarie Research, March 2015

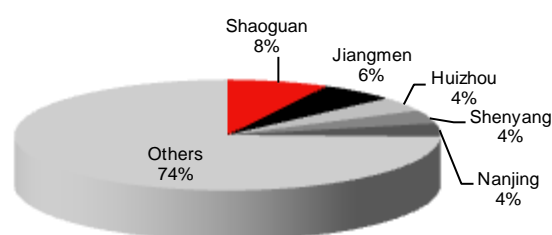
Fig 27 End-14E land bank breakdown by city

	000 sqm	% of total
Shaoguan	6,048	8%
Jiangmen	4,450	6%
Huizhou	3,309	4%
Shenyang	3,064	4%
Nanjing	3,025	4%
Others	58,184	75%
Total	78,081	100%

The company has projects spread over 102 cities. In terms of GFA, Shaoguan has the largest land bank, accounting for 8% of total GFA, followed by Jiangmen, Huizhou, Shenyang and Nanjing. Tier-one cities, including HK and Macau, contribute 2% of GFA while tier-two cities account for 11%.

Source: Company data, Macquarie Research, March 2015

Fig 28 End-14E land bank breakdown by city



Source: Company data, Macquarie Research, March 2015

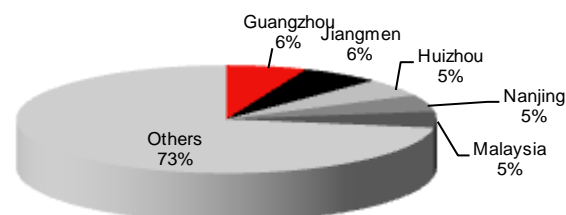
Fig 29 End-FY14E GAV breakdown by city

	RMB m	% of total
Guangzhou	7,127	6%
Jiangmen	6,996	6%
Huizhou	6,184	5%
Nanjing	5,786	5%
Malaysia	5,572	5%
Others	83,228	72%
Total	114,893	100%

We estimate end-14 GAV of Guangzhou accounts for 6% of the value, followed by Jiangmen, Huizhou, Nanjing and Malaysia. Tier-one cities, including HK and Macau, contribute 6% to value while tier-two and tier-three cities account for 14% and 79%.

Source: Company data, Macquarie Research, March 2015

Fig 30 End-14E GAV breakdown by city



Source: Company data, Macquarie Research, March 2015

Fig 31 CGAR property development exposure by city

	BJ	SH	GZ	Tier-1 cities SZ	HK	Singapore+ Macau	Tier-2 cities	Tier-3 cities	Others	Total
Revenue – 2015E	0%	0%	7%	0%	0%	0%	21%	21%	52%	100%
Revenue – 2016E	0%	0%	2%	0%	0%	0%	10%	26%	63%	100%
GAV - 2014E	0%	0%	6%	0%	0%	0%	15%	22%	57%	100%
GAV - 2015E	0%	0%	6%	0%	0%	0%	14%	22%	58%	100%
GFA – 2014E	0%	0%	2%	0%	0%	0%	12%	17%	70%	100%
GFA – 2015E	0%	0%	2%	0%	0%	0%	11%	16%	71%	100%

Source: Company data, Macquarie Research, March 2015

Fig 32 Major revenue contribution by development properties in years ahead (RMB m)

Revenue	City	2015E	2016E	2017E	2018E
Phoenix City	Guangzhou	854	0	0	0
Jurong Phoenix City	Nanjing	2,955	583	8,692	3,793
Nansha Country Garden - Hill Lake Bay	Guangzhou	2,868	429	0	0
Country Garden	Shaoguan	755	1,103	1,260	1,677
Country Garden — Eco City	Wuhan	1,679	1,087	359	0
Galaxy Palace	Shenyang	5,935	268	2,260	3,262
Ten Miles Beach	Huizhou	5,418	6,586	472	6,634
Lanzhou New City	Lanzhou	3,346	2,340	2,337	3,000
Huaxi Country Garden	Guiyang	3,337	1,982	1,951	1,796
Country Garden	Danyang	2,121	631	633	0
Beijiao Country Garden	Foshan	0	4,092	148	2,118
Country Garden	Luan	0	2,117	1,248	1,248
Jade Bay 翡翠湾	Jiangmen	625	2,081	906	788
Cixi Country Garden	Ningbo	0	1,802	158	0
Country Garden	Zhoukou	0	1,365	0	858
Country Garden Danga Bay	Johor Bahru	0	0	10,548	1,103
Ryde Garden	Sydney	0	0	3,162	0
City Garden	Guangzhou	0	0	2,258	2,561
Sun Palace	Shaoguan	297	1,167	1,495	1,372
Sanming Country Garden	Sanming	0	793	1,490	1,545
Longines Bay	Putian	1,219	68	1,303	1,350
Ten Miles Golden Beach	Yantai	24	1,033	1,098	1,271
Gaozhou Phoenix City	Maoming	1,139	0	1,226	1,254
Phoenix City	Shenyang	1,690	1,175	1,258	1,201
Cullinan Bay	Tongzhou	0	761	811	1,153
Others		58,117	86,269	52,501	40,771
Total		92,379	117,733	97,574	78,572

Source: Company data, Macquarie Research, March 2015

Fig 33 Major gross contracted sale contribution in upcoming years (RMB m)

Contracted sale	City	2015E	2016E	2017E	2018E
Ten Miles Beach	Huizhou	3,152	3,741	2,443	4,613
Lanzhou New City	Lanzhou	3,040	2,867	3,000	3,000
Jurong Phoenix City	Nanjing	3,711	3,793	3,793	3,793
Galaxy Palace	Shenyang	2,606	1,230	0	0
Country Garden	Luan	1,622	250	0	0
Huaxi Country Garden	Guiyang	2,410	2,242	1,796	449
*Asian Games Project	Guangzhou	1,980	2,178	2,178	2,178
Jade Bay 翡翠湾	Jiangmen	1,844	1,127	788	158
Country Garden Danga Bay	Johor Bahru	1,800	735	735	1,103
Beijiao Country Garden	Foshan	1,696	2,119	1,401	244
City Garden	Guangzhou	1,516	1,921	640	0
Sun Palace	Shaoguan	735	1,800	1,366	1,375
Gaozhou Phoenix City	Maoming	598	1,631	251	0
Sanming Country Garden	Sanming	1,104	1,545	1,797	1,882
Phoenix City	Shenyang	1,252	1,365	1,201	1,201
Country Garden	Shaoguan	1,482	1,260	1,603	1,717
Ten Miles Golden Beach	Yantai	1,071	1,247	1,271	1,271
Country Garden	Anqing	909	1,155	1,123	1,145
Dianbai City Garden	Maoming	580	979	1,023	1,023
Country Garden	Wuhu	1,155	981	1,022	840
Forest Lake	Jiangmen	904	1,020	1,020	1,022
Taishan Country Garden	Jiangmen	640	1,291	1,012	1,012
Country Garden	Changsha	936	1,186	353	1,010
Yichun Country Garden	Yichun	588	768	192	983
Gonghe Country Garden	Jiangmen	1,031	897	897	897
Others		93,202	69,859	37,831	23,473
Total		131,564	109,185	68,734	54,386

Source: Company data, Macquarie Research, March 2015

Fig 34 Summary of development properties (RMB m) – 2015

Development properties	City	Own (%) GFA*	Sales	Time of Delivery	Cost^ of Land Const.	Current Price^ margin	GFA sold year-end	During the year Revenue	Asso	Projected Attributable free cash flows										Disc Rate	Gross asset value				
										2014	2015	2016	2017	2018	2019	2020	2021	2022	2014		2015	2016			
2015																									
Ten Miles Beach (D, presold in 1H14) P4b	Huizhou	100%	780	Sep 12	Jan 15	220	3,500	6,700	44%	100%	5,307	-	729	241	(71)	-	-	-	-	-	-	13.1%	168	(66)	-
Galaxy Palace (D, presold in 1H14) P5b	Shenyang	100%	450	Sep 13	Mar 15	632	3,500	6,000	31%	100%	2,915	-	279	(64)	(11)	-	-	-	-	-	-	13.1%	(70)	(10)	-
Galaxy Palace (D, presold in 1H14) P5a	Shenyang	100%	450	Sep 13	Mar 15	632	3,500	6,000	31%	100%	2,915	-	279	(64)	(11)	-	-	-	-	-	-	13.1%	(70)	(10)	-
Nansha Country Garden - Hill Lake Bay (天玺湾) P2	Guang- zhou	100%	301	Sep 14	Sep 15	2,761	3,500	10,600	41%	65%	2,868	-	611	767	221	(40)	-	-	-	-	-	13.1%	876	175	(37)
Jurong Phoenix City (D) P5	Nanjing	100%	395	Sep 14	Sep 15	340	3,500	6,100	37%	70%	2,182	-	135	247	149	(19)	-	-	-	-	-	13.1%	343	125	(17)
Country Garden P1	Danyang	100%	326	Jul 13	Jul 15	1,260	3,500	6,500	27%	100%	2,121	-	237	(181)	(1)	-	-	-	-	-	-	13.1%	(172)	(1)	-
Huaxi Country Garden (花溪碧桂园, D, presold in 1H14) P1	Guiyang	100%	232	Dec 13	Sep 15	640	3,500	7,800	47%	100%	1,807	-	482	66	(72)	-	-	-	-	-	-	13.1%	2	(68)	-
*Asian Games Project (亚运城) P5	Guang- zhou	20%	150	Sep 14	Sep 15	5,820	4,000	12,000	18%	75%	-	(3)	102	90	31	1	-	-	-	-	-	9.0%	114	30	1
Huaxi Country Garden (花溪碧桂园) P2	Guiyang	100%	266	Sep 14	Sep 15	640	3,500	7,800	47%	25%	1,530	-	(266)	619	318	(65)	-	-	-	-	-	13.1%	800	246	(61)
Country Garden — Eco City (D, presold in 2013) P4B	Wuhan	55%	185	Sep 13	Jan 15	563	3,500	8,500	52%	100%	1,387	-	144	59	(15)	-	-	-	-	-	-	13.1%	42	(14)	-
Xuancheng Country Garden (宣城碧桂园, presold in 1H14) P4	Xuancheng	100%	249	Oct 13	Oct 15	600	3,500	5,500	25%	100%	1,371	-	20	(235)	(1)	-	-	-	-	-	-	13.1%	(222)	(1)	-
Country Garden — Jade Hill (D, presold in 1H14) P4	Chenzhou	100%	266	Sep 12	Mar 15	670	2,500	5,000	37%	100%	1,332	-	(157)	(56)	(6)	-	-	-	-	-	-	13.1%	(57)	(6)	-
Fengshun Country Garden (丰顺碧桂园) P1	Meizhou	100%	250	May 14	Nov 15	560	3,500	5,000	19%	100%	1,249	-	179	(24)	4	-	-	-	-	-	-	13.1%	(20)	3	-
Country Garden Riverside City (碧桂园江湾城) P3	Huang- gang	100%	224	Oct 13	Oct 15	300	3,500	5,500	31%	100%	1,230	-	160	(99)	(7)	-	-	-	-	-	-	13.1%	(99)	(7)	-
Dianjiang Country Garden (垫江碧桂园, presold in 1H14) P3	Chong- qing	100%	204	Sep 13	Mar 15	530	3,500	6,000	33%	100%	1,226	-	111	(20)	(4)	-	-	-	-	-	-	13.1%	(21)	(3)	-
Nanchong Country Garden (南充碧桂园) P1	Jialing	100%	225	Dec 13	Jun 15	750	3,500	5,400	21%	100%	1,216	-	174	148	1	-	-	-	-	-	-	13.1%	140	1	-
Gaochun Country Garden (高淳碧桂园, presold in 1H14) P1	Nanjing	100%	169	Dec 13	Jun 15	900	3,500	7,000	37%	100%	1,180	-	142	69	(25)	-	-	-	-	-	-	13.1%	44	(23)	-
Yichun Country Garden (宜春碧桂园) P1	Yichun	100%	211	Oct 13	Apr 15	810	3,500	5,500	22%	100%	1,159	-	18	(69)	0	-	-	-	-	-	-	13.1%	(65)	0	-
JingJiang Country Garden (靖江碧桂园, presold in 1H14) P1	Taizhou	100%	163	Oct 13	Oct 15	1,510	3,500	7,000	28%	100%	1,139	-	18	(148)	(1)	-	-	-	-	-	-	13.1%	(140)	(1)	-
Gaozhou Phoenix City (高州碧桂园凤凰城) P1	Maoming	100%	219	Dec 13	Dec 15	600	3,500	5,200	21%	100%	1,139	-	185	(46)	1	-	-	-	-	-	-	13.1%	(43)	1	-
Country Garden (D, presold in 1H14) P1	Heng- yang	51%	227	Dec 13	Dec 15	500	3,500	4,500	11%	100%	1,026	-	66	(33)	4	-	-	-	-	-	-	13.1%	(27)	4	-
Xinhui Country Garden - Hill Lake Bay (F) P5	Jiangmen	100%	164	Sep 14	Sep 15	500	3,500	6,500	38%	80%	989	-	181	114	31	(5)	-	-	-	-	-	13.1%	129	25	(5)
Grand Garden (D, presold in 1H14) P4b	Guang- zhou	100%	120	Sep 13	Jan 15	1,177	3,500	8,000	42%	100%	977	-	181	23	(8)	-	-	-	-	-	-	13.1%	15	(7)	-
Country Garden (淄博碧桂园,presold in 1H14) P1	Zibo	100%	175	Nov 13	Nov 15	1,670	3,500	5,500	6%	100%	965	-	(65)	(177)	3	-	-	-	-	-	-	13.1%	(164)	3	-
Country Garden (D 碧桂园天玺湾) P5	Changsha	100%	111	Sep 14	Sep 15	195	3,500	11,000	66%	30%	950	-	7	395	83	(80)	-	-	-	-	-	13.1%	381	12	(76)
Others										57,519	(4)														
Sub-total										97,699	(7)														

Source: Company data, Macquarie Research, March 2015; *In '000 sqm. ^ China: Rmb/sqm. HK: HK\$/sqft/ # reported currency mn

Fig 35 Summary of development properties (RMBm) – 2016

Development properties	City	Own (%)	GFA*	Sales	Time of Delivery	Cost^ of		Current Price^ margin	GFA sold year-end	During the year Revenue	Asso	Projected Attributable free cash flows										Disc Rate	Gross asset value		
						Land	Const.					2014	2015	2016	2017	2018	2019	2020	2021	2022	2014		2015	2016	
2016																									
Ten Miles Beach (D) P5	Huizhou	100%	460	Mar 14	Mar 16	220	3,500	7,500	50%	40%	3,450	-	298	961	247	(99)	-	-	-	-	-	13.1%	1,036	149	(93)
Ten Miles Beach (D) P6	Huizhou	100%	460	Sep 14	Mar 16	220	3,500	7,500	50%	35%	3,027	-	203	358	705	201	(58)	-	-	-	-	13.1%	1,033	788	141
Beijiao Country Garden P1	Foshan	100%	233	Apr 14	Apr 16	1,510	3,500	9,100	45%	100%	2,120	-	814	128	(196)	-	-	-	-	-	-	13.1%	(43)	(184)	-
Country Garden (六安碧桂园, presold in 1H14) P1	Luan	100%	359	Jan 14	Jan 16	1,020	3,500	5,900	23%	100%	2,117	-	478	120	(45)	-	-	-	-	-	-	13.1%	76	(42)	-
Jade Bay 翡翠湾 (F) P6	Jiangmen	100%	389	Sep 15	Sep 16	580	3,500	5,500	26%	0%	1,989	-	(171)	260	224	121	(1)	-	-	-	-	13.1%	519	310	113
Beijiao Country Garden P2	Foshan	100%	233	Apr 15	Oct 16	1,510	3,500	9,100	45%	0%	1,972	-	(288)	644	377	33	(16)	-	-	-	-	13.1%	933	371	18
*Asian Games Project (亚运城) P6	Guangzhou	20%	150	Sep 15	Sep 16	5,820	4,000	12,000	18%	0%	-	15	(15)	118	100	31	1	-	-	-	-	9.0%	226	124	30
Huaxi Country Garden (花溪碧桂园) P3	Guiyang	100%	219	Sep 15	Sep 16	640	3,500	7,800	47%	0%	1,437	-	(167)	86	388	154	(39)	-	-	-	-	13.1%	491	464	112
Country Garden — Grand Palace (碧桂园豪庭)	Dongguan	100%	181	Dec 14	Dec 16	1,239	3,500	6,500	27%	75%	1,192	-	245	56	(171)	(2)	-	-	-	-	-	13.1%	(91)	(162)	(2)
Yichun Country Garden (宜春碧桂园) P2	Yichun	100%	214	Oct 14	Jan 16	810	3,500	5,500	22%	50%	1,176	-	37	71	139	1	-	-	-	-	-	13.1%	183	131	1
Guangyuan Country Garden (广元碧桂园) P2	Guangyuan	100%	193	Sep 14	Mar 16	647	3,500	6,000	31%	30%	1,156	-	(126)	203	135	(9)	-	-	-	-	-	13.1%	296	119	(8)
Yizheng Country Garden (仪征碧桂园) P2	Yangzhou	100%	190	Sep 14	Sep 16	1,082	3,500	6,000	24%	30%	1,141	-	(218)	273	35	(1)	-	-	-	-	-	13.1%	285	32	(1)
JingJiang Country Garden (靖江碧桂园) P2	Taizhou	100%	158	Sep 14	Sep 16	1,509	3,500	7,000	28%	50%	1,105	-	18	240	(12)	(3)	-	-	-	-	-	13.1%	213	(14)	(3)
Country Garden (岳阳碧桂园)	Yueyang	100%	184	Oct 14	Apr 16	1,259	3,500	6,000	21%	50%	1,103	-	(29)	30	59	1	-	-	-	-	-	13.1%	78	56	1
Country Garden (D) P5	Shaoguan	100%	214	Sep 15	Sep 16	485	3,500	5,600	29%	0%	1,103	-	(94)	119	146	82	(2)	-	-	-	-	13.1%	292	204	76
Sun Palace (D) P5	Shaoguan	100%	242	Mar 15	Mar 16	108	3,500	5,500	34%	0%	1,098	-	(319)	(58)	435	164	(12)	-	-	-	-	13.1%	420	537	144
Coral Palace (碧桂园·珊瑚宫殿) P1	Lingshui	100%	83	Nov 14	May 16	1,160	3,500	12,800	64%	65%	1,081	-	198	170	(59)	(32)	-	-	-	-	-	13.1%	87	(82)	(30)
Country Garden (D) P6	Anqing	100%	244	Mar 15	Mar 16	656	3,500	4,600	10%	0%	1,044	-	(321)	66	306	85	3	-	-	-	-	13.1%	382	361	83
Ten Miles Golden Beach (D) P2	Yantai	90%	185	Sep 14	Mar 16	200	3,500	5,500	33%	75%	1,033	-	144	81	(6)	(4)	-	-	-	-	-	13.1%	69	(9)	(4)
Qingdao Country Garden (青岛碧桂园) P1	Qingdao	100%	161	Sep 14	Sep 16	810	3,500	6,200	30%	95%	1,001	-	286	65	(165)	(1)	-	-	-	-	-	13.1%	(77)	(156)	(1)
Country Garden (温州碧桂园)	Wenzhou	100%	142	Sep 14	Sep 16	1,000	3,500	7,000	36%	90%	994	-	270	86	(142)	(2)	-	-	-	-	-	13.1%	(38)	(135)	(2)
Shunde Diamond Bay (碧桂园钻石湾) P1	Foshan	100%	57	Sep 14	Mar 16	8,129	5,000	17,000	23%	95%	979	-	193	(96)	(26)	(0)	-	-	-	-	-	13.1%	(112)	(25)	(0)
Country Garden — Eco City (D) P5	Wuhan	55%	115	Sep 14	Sep 16	1,330	3,500	8,500	43%	100%	978	-	222	51	(74)	-	-	-	-	-	-	13.1%	(13)	(69)	-
Forest Lake (天麓湖) P3	Jiangmen	100%	136	Sep 15	Sep 16	1,840	3,500	7,500	29%	0%	949	-	(289)	269	210	53	(1)	-	-	-	-	13.1%	466	241	49
Kowloon Bay (碧桂园九龙湾) P1	Baoding	55%	135	Oct 14	Oct 16	1,000	3,500	7,000	36%	65%	945	-	79	46	(47)	(4)	-	-	-	-	-	13.1%	2	(47)	(4)
Others										92,294	(5)														
Sub-total										126,486	10														

Source: Company data, Macquarie Research, March 2015; *In '000 sqm. ^China: Rmb/sqm. HK: HK\$/sqft/ # reported currency mn

Fig 36 Upcoming investment properties (RMB m)

Investment properties	City	Own (%)	GFA*	Time of Delivery	Costs^ of		Spot Rent^	Occupancy			Average rent^			Gross rental#			Share of asso.#			Fair value#		
					Land	Const.		2014E	2015E	2016E	2014E	2015E	2016E	2014E	2015E	2016E	2014E	2015E	2016E	2014E	2015E	2016E
2015																						
Holiday Hotel	Meizhou	100%	2	Sep 15	469	10,000	263	0%	10%	48%	263	263	263	-	1	3	-	-	-	21	-	-
Yangshan Phoenix Hotel	Qingyuan	100%	5	Sep 15	209	10,000	263	0%	10%	48%	263	263	263	-	2	8	-	-	-	53	-	-
Hilton Tianjin Binhai	Tianjin	100%	50	Sep 15	4,110	10,000	338	0%	10%	48%	338	338	338	-	21	100	-	-	-	699	8	25
Sub-total			57											-	24	112	-	-	-	772	8	25
2016																						
Country Garden Airport Plaza (碧桂园空港国际)	Guangzhou	100%	8	Dec 16	2,000	10,000	375	0%	0%	0%	375	375	375	-	-	-	-	-	-	67	100	3
Phoenix Hotel, Xilian	Shaoguan	100%	5	Dec 16	108	10,000	263	0%	0%	0%	263	263	263	-	-	-	-	-	-	32	52	-
Longjiang Phoenix Hotel	Foshan	100%	8	Dec 16	1,066	10,000	263	0%	0%	0%	263	263	263	-	-	-	-	-	-	55	85	1
Lingao Golden Beach Hotel	Haikou	51%	3	Dec 16	1,500	10,000	263	0%	0%	0%	263	263	263	-	-	-	-	-	-	13	20	-
Kaiping Phoenix Hotel	Jiangmen	100%	12	Dec 16	500	10,000	338	0%	0%	0%	338	338	338	-	-	-	-	-	-	75	122	-
Phoenix Hotel	Maoming	100%	8	Dec 16	500	10,000	263	0%	0%	0%	263	263	263	-	-	-	-	-	-	52	84	-
Sub-total			44											-	-	-	-	-	-	293	463	4

Source: Company data, Macquarie Research, March 2015; *In '000 sqm. ^ China: Rmb/sqm. HK: HK\$/sqft/ # reported currency mn

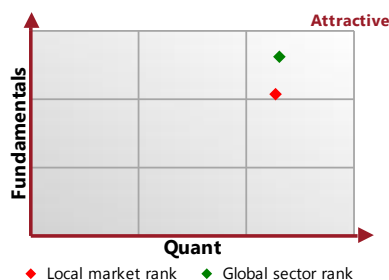
Macquarie Quant View

The quant model currently holds a reasonably positive view on Country Garden. The strongest style exposure is Valuations, indicating this stock is under-priced in the market relative to its peers. The weakest style exposure is Price Momentum, indicating this stock has had weak medium to long term returns which often persist into the future.

204/880

Global rank in
Real Estate

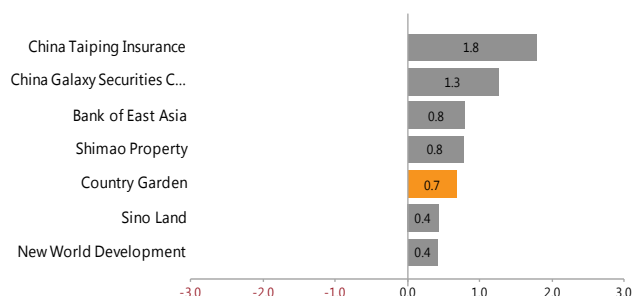
% of BUY recommendations	46% (11/24)
Number of Price Target downgrades	9
Number of Price Target upgrades	4



Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model. Two rankings: Local market (China) and Global sector (Real Estate)

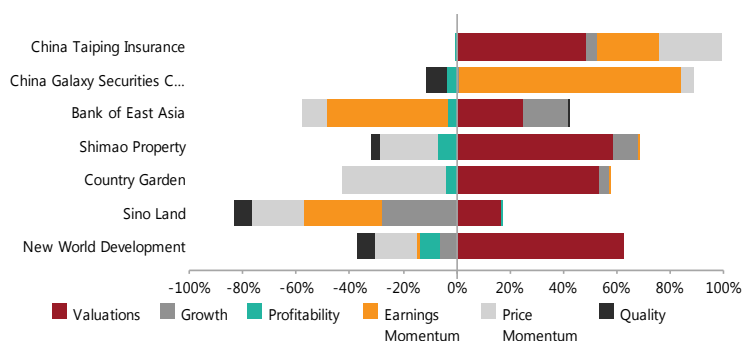
Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



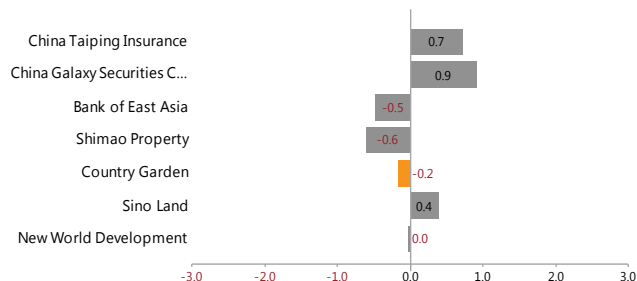
Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



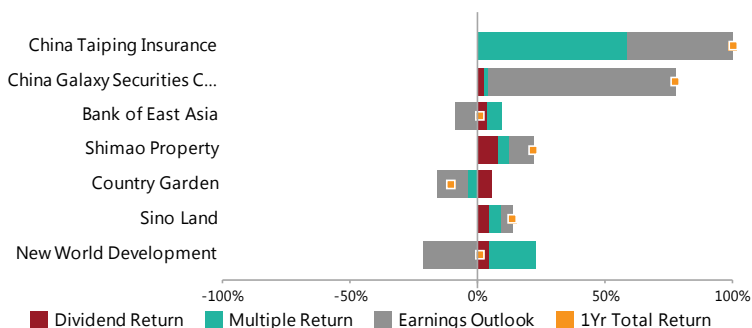
Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



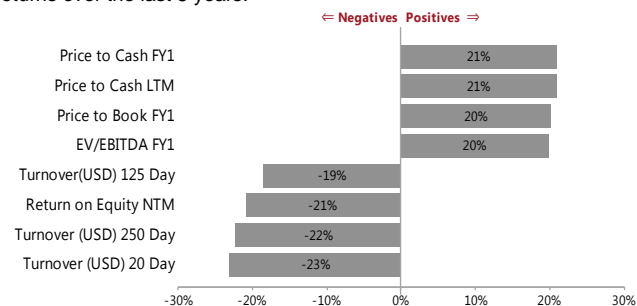
Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



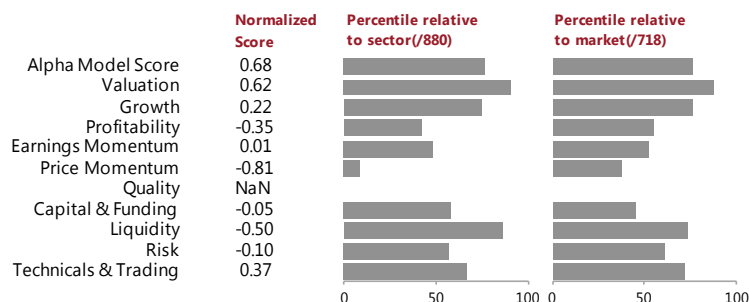
What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Research. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group (cpg@macquarie.com)

Country Garden (2007 HK, Outperform, Target Price: HK\$3.22)

Interim Results		2H/14A	1H/15E	2H/15E	1H/16E	Profit & Loss		2014A	2015E	2016E	2017E
Net Property Income	m	1,284	1,237	1,237	1,416	Net Property Income	m	2,183	2,474	2,832	3,208
Development Income	m	44,890	36,717	60,982	57,908	Development Income	m	81,898	97,699	126,486	123,499
Other Revenue	m	51	281	281	337	Other Revenue	m	468	561	674	808
Total Revenue	m	46,226	38,235	62,500	59,661	Total Revenue	m	84,549	100,735	129,992	127,515
Management Fees	m	0	0	0	0	Management Fees	m	0	0	0	0
Other Expenses	m	0	0	0	0	Other Expenses	m	0	0	0	0
EBITDA	m	7,423	6,675	11,425	9,637	EBITDA	m	15,472	18,100	21,553	25,025
Dep & Amortisation	m	432	364	439	367	Dep & Amortisation	m	789	803	809	809
EBIT	m	6,992	6,311	10,986	9,270	EBIT	m	14,683	17,297	20,744	24,215
Net Interest Income	m	-332	114	114	-7	Net Interest Income	m	-196	228	-13	-1,410
Associates	m	-27	5	-12	6	Associates	m	-40	-7	10	18
Exceptionals	m	636	0	0	0	Exceptionals	m	1,880	0	0	0
Other Pre-Tax Income	m	336	21	21	21	Other Pre-Tax Income	m	42	42	42	42
Pre-Tax Profit	m	7,605	6,451	11,109	9,290	Pre-Tax Profit	m	16,369	17,560	20,783	22,865
Tax Expense	m	-2,592	-2,632	-4,162	-3,411	Tax Expense	m	-5,757	-6,794	-7,509	-7,988
Net Profit	m	5,013	3,819	6,947	5,879	Net Profit	m	10,612	10,766	13,274	14,878
Minority Interests	m	-207	-267	39	-276	Minority Interests	m	-383	-228	-582	-357
Reported Earnings	m	4,806	3,552	6,985	5,603	Reported Earnings	m	10,229	10,538	12,692	14,520
Adjusted Earnings	m	4,526	3,552	6,857	5,603	Adjusted Earnings	m	9,238	10,409	12,692	14,520
EPS (rep)	fen	25.4	18.3	34.8	27.5	EPS (rep)	fen	54.5	53.4	62.4	71.3
EPS (adj)	fen	23.9	18.3	34.2	27.5	EPS (adj)	fen	49.2	52.5	62.4	71.3
EPS Growth yoy (adj)	%	14.1	-27.8	42.9	50.7	EPS Growth (adj)	%	13.5	6.6	18.8	14.4
						PE (rep)	x	4.4	4.5	3.8	3.3
						PE (adj)	x	4.8	4.5	3.8	3.3
EBITDA Margins	%	16.1	17.5	18.3	16.2	Total DPS	fen	14.7	15.3	18.7	21.4
EBIT Margins	%	15.1	16.5	17.6	15.5	Total Div Yield	%	6.2	6.5	7.9	9.0
Earnings Split	%	49.0	34.1	65.9	44.2	Basic Shares Outstanding	m	20,352	20,352	20,352	20,352
Revenue Growth	%	29.4	-0.2	35.2	56.0	Diluted Shares Outstanding	m	18,770	19,746	20,353	20,353
EBIT Growth	%	17.0	-17.9	57.1	46.9						
Profit & Loss Ratios		2014A	2015E	2016E	2017E	Cashflow Analysis		2014A	2015E	2016E	2017E
Revenue Growth	%	34.9	19.1	29.0	-1.9	EBITDA	m	15,472	18,100	21,553	25,025
EBITDA Growth	%	16.1	17.0	19.1	16.1	Tax Paid	m	5,409	6,635	7,254	7,588
EBIT Growth	%	15.3	17.8	19.9	16.7	Chg in Working Capital	m	-15,545	-19,346	11,750	-8,242
EBITDA Margins	%	18.3	18.0	16.6	19.6	Net Interest Paid	m	-5,075	-4,945	-5,015	-4,949
EBIT Margins	%	17.4	17.2	16.0	19.0	Other	m	-40	-7	10	18
Net Profit Margins	%	10.9	10.3	9.8	11.4	Operating Cashflow	m	221	437	35,552	19,441
Payout Ratio	%	30.0	29.2	30.0	30.0	Acquisitions	m	-6,891	-26	-28	42
EV/EBITDA	x	5.3	4.5	3.8	3.3	Capex	m	0	0	0	0
EV/EBIT	x	5.6	4.8	4.0	3.4	Asset Sales	m	-3,604	-1,129	-959	-809
						Other	m	-364	0	0	0
Balance Sheet Ratios						Investing Cashflow	m	-10,859	-1,155	-988	-767
ROE	%	18.4	17.2	18.4	18.4	Dividend (Ordinary)	m	-3,106	-3,002	-3,251	-3,807
ROA	%	6.2	6.1	7.1	8.7	Equity Raised	m	6,142	0	0	0
ROIC	%	12.6	11.0	15.1	23.7	Debt Movements	m	4,820	0	0	0
Net Debt/Equity	%	54.2	31.2	-12.2	-27.0	Other	m	2,632	16,682	-1,204	-875
Interest Cover	x	75.1	nmf	1,552.9	17.2	Financing Cashflow	m	10,489	13,680	-4,455	-4,682
Price/Book	x	0.9	0.8	0.7	0.6						
Book Value per Share		2.8	3.2	3.6	4.1	Net Chg in Cash/Debt	m	-149	12,962	30,109	13,991
						Free Cashflow	m	221	437	35,552	19,441
		2014A	2015E	2016E	2017E	Balance Sheet		2014A	2015E	2016E	2017E
						Cash	m	27,214	40,176	70,285	84,277
						Receivables	m	28,230	33,627	28,665	33,199
						Inventories	m	135,078	144,535	111,968	69,496
						Investments	m	53,709	53,745	53,805	53,773
						Fixed Assets	m	20,738	21,064	21,213	21,213
						Intangibles	m	29	29	29	29
						Other Assets	m	3,035	3,855	4,904	6,298
						Total Assets	m	268,032	297,031	290,871	268,285
						Payables	m	130,494	158,463	141,433	106,370
						Short Term Debt	m	14,929	14,929	14,929	14,929
						Long Term Debt	m	46,139	46,139	46,139	46,139
						Provisions	m	14,028	10,611	12,662	14,944
						Other Liabilities	m	0	0	0	0
						Total Liabilities	m	205,590	230,143	215,164	182,383
						Shareholders' Funds	m	56,686	64,222	73,662	84,375
						Minority Interests	m	5,756	2,666	2,045	1,527
						Total S/H Equity	m	62,442	66,888	75,707	85,903
						Total Liab & S/H Funds	m	268,032	297,031	290,871	268,285

All figures in Rmb unless noted.

Source: Company data, Macquarie Research, March 2015

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand

Outperform – return >3% in excess of benchmark return
Neutral – return within 3% of benchmark return
Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe

Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie First South - South Africa

Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Canada

Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie - USA

Outperform (Buy) – return >5% in excess of Russell 3000 index return
Neutral (Hold) – return within 5% of Russell 3000 index return
Underperform (Sell) – return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to Asia/Australian/NZ/Canada stocks only

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 December 2014

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	51.80%	58.06%	45.07%	44.42%	60.54%	46.81%	(for US coverage by MCUSA, 5.29% of stocks followed are investment banking clients)
Neutral	31.80%	27.37%	30.99%	50.10%	35.37%	33.51%	(for US coverage by MCUSA, 3.08% of stocks followed are investment banking clients)
Underperform	16.39%	14.57%	23.94%	5.48%	4.08%	19.68%	(for US coverage by MCUSA, 0.44% of stocks followed are investment banking clients)

2007 HK vs HSI, & rec history



(all figures in HKD currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, March 2015

12-month target price methodology

2007 HK: HK\$3.22 based on a Sum of Parts methodology

Company-specific disclosures:

2007 HK: Macquarie Capital Securities Limited makes a market in the securities of Country Garden Holdings Company Limited.

Important disclosure information regarding the subject companies covered in this report is available at www.macquarie.com/disclosures.

Date	Stock Code (BBG code)	Recommendation	Target Price
24-Nov-2014	2007 HK	Outperform	HK\$3.48
09-Sep-2014	2007 HK	Outperform	HK\$4.26
20-Aug-2014	2007 HK	Outperform	HK\$4.65
12-Aug-2014	2007 HK	Outperform	HK\$4.95
13-Mar-2014	2007 HK	Outperform	HK\$5.03
10-Oct-2013	2007 HK	Outperform	HK\$6.59
07-Aug-2013	2007 HK	Outperform	HK\$6.04
20-Mar-2013	2007 HK	Outperform	HK\$5.06
15-Jan-2013	2007 HK	Neutral	HK\$4.33
06-Sep-2012	2007 HK	Outperform	HK\$3.24

Target price risk disclosures:

2007 HK: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification:

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