

20 April 2018

Outperform
Unchanged

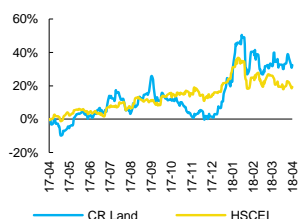
双轮驱动可持续，重申增持评级

华润置地 (1109 HK)

Market Data: 19 April 2018

Closing Price (HK\$)	29.20
Price Target (HK\$)	32.51
HSCEI	12,240
HSCCI	4,487
52-week High/Low (HK\$)	34.45/19.86
Market Cap (USD Mn)	25,785
Market Cap (HK\$ Mn)	202,385
Shares Outstanding (Mn)	6,931
Exchange Rate (RMB-HK\$)	1.25

Price Performance Chart:



Source: Bloomberg

Analyst

Kris Li
A0230511040076
ARG379
lihong@swsresearch.com

Related Reports

- Sturdy build, Mar21, 2018
- Development potential, Jan9, 2018
- Building momentum, Oct16, 2017

The company does not hold any equities or derivatives of the listed company mentioned in this report ("target"), but then we shall provide financial advisory services subject to the relevant laws and regulations. Any affiliates of the company may hold equities of the target, which may exceed 1 percent of issued shares subject to the relevant laws and regulations. The company may also provide investment banking services to the target. The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for relevant disclosure materials or log into www.swsresearch.com under disclosure column for further information. The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

Financial summary and valuation

	2016	2017	2018E	2019E	2020E
Revenue (HK\$m)	109,328	118,588	143,069	175,290	215,006
YOY (%)	6%	8%	21%	23%	23%
Underlying Net income (HK\$m)	16,270	19,160	24,196	29,681	34,858
YOY (%)	14%	18%	26%	23%	17%
EPS (HK\$)	2.81	3.32	4.53	4.93	5.68
Core EPS (HK\$)	2.35	2.76	3.49	4.28	5.03
ROE (%)	14.0%	14.8%	15.7%	16.7%	17.1%
Net Gearing (%)	24%	36%	38%	38%	38%
Dividend Yield (%)	2.4%	3.3%	4.2%	5.1%	6.0%
P/E (x)	12.4	10.6	8.4	6.8	5.8
P/B (x)	1.1	1.4	1.2	1.1	0.9

Core EPS is calculated as if all non-recurring items are excluded. P/E is calculated as closing price divided by each year's core EPS.

大型国有内地开发商华润置地首季实现合约销售额 322 亿元人民币，同比去年仅微增 6%（板块平均增速 30%），但三月单月的销售金额增至 155 亿，同比增速加快至 30%（板块平均增速 10%）。为更大程度上实现与同业的比较，公司今年开始不仅公布自己操盘项目的销售金额，同时也将参股但不操盘项目的销售一并纳入，按此口径首季的合约销售金额为 362 亿元。此前在三月底的业绩发布会上，公司表示今年整体可售货源 3100 亿元（同比增长 40%），销售目标 1830 亿（同比增 20%），但首季仅占全年供货的约 10%，70%的供货会集中在二三季度，意味着未来一段时间月度销售数据可期。

公司去年土地购置权益金额 650 亿，多数在当年付清，留待今年支付的仅 66 亿元人民币，其他包括建安和各种税费在内的资本开支总额 763 亿。按照与去年相仿的现金回款率计算，我们估计公司今年在保持经营现金流打平的情况下仍有约 700 亿元可用于土地购置。今年首季，公司在 10 个城市总计购入 14 个新项目，没有进入新的城市，全部都在公司已有项目的核心一二线城市（包括深圳，上海，广州，杭州等）。权益土地金额 230 亿，其中位于济南中心城区的体量超过百万平米商住项目即占到了近百亿投资。公司目前可供开发销售的权益土地储备面积 3800 万方，平均成本 5500 元，占当期销售均价的 32%。主要集中在 60 个城市，其中，二线城市占比 68%，三线城市占比 21%，一线城市和四线城市分别占 7%和 4%。

同期，公司商业物业租赁业务亦继续维持稳健增长。首季实现租金收入 21.65 亿元人民币，较去年同期增长 26%（17 年全年的租金收入增速为 21%）。截至 2017 年末，公司运营中的投资物业总建面达 690 万平米，已开业万象城 16 个，五彩城/万象汇 11 个。公司 2018 年计划还将新开业 8 个购物中心。此外，公司预计到 2020 年落成购物中心共计 48 个，之后还有 18 个购物中心会陆续建成。

2017 年底，公司净权益负债比约 36%（16 年底 24%），总负债规模和净负债规模分别为 1260 亿港元和 620 亿港元，平均融资成本 15-17 年分别为 4.63%，4.23%和 4.16%，公司自 14 年以后没有再发过美元债，有效控制外债比例逐年下降（14-17 年底分别为 57%，45%，26%和 23%）。公司于 16 和 17 年分别于中国银行间市场发行人民币中期票据各 50 亿元人民币，今年 3-4 月间又发行了总计 100 亿元人民币的中期票据，其中 3 月份发行的 60 亿元三年期票据利率为 5.38%，4 月份发行的 5 亿人民币三年期票据利率为 4.98%，35 亿人民币五年期票据利率为 5.23%。仍较同期多数同业的发债成本为低。

重申增持评级。公司 17 年底已售未结收入达 1270 亿元人民币，毛利率高达 43%左右。我们看好公司开发和出租物业的双轮驱动模式以及高阶城市的区域分布，国企背景亦带来安全边际。公司目前估值仅相当于 18 年 8.4 倍 PE，1.2 倍 PB，净资产值折价 30%，作为盈利稳健增长能见度高的国企开发商，仍具备吸引。我们维持目标价 32.51 港元不变，较当前股价有 11%上行空间，重申华润置地增持评级。

State-owned developer CR Land achieved contract sales from self-operated projects of Rmb32.2bn in 1Q18 (+6% YoY, vs sector average of 30% YoY), with March sales of Rmb15.5bn (+30% YoY, vs sector average of 10% YoY). CR Land has also started to disclose gross contract sales data this year, reporting 1Q18 sales of Rmb36.2bn. The company guided full-year sellable resources at Rmb310bn (+40% YoY) and a 2018 sales target of Rmb183bn (+20% YoY), of which it expects 1Q18 to account for c.10% of supply and 2-3Q18 to account for 70%. Thus, we expect to encouraging monthly sales growth in coming months. We maintain our EPS forecasts of HK\$4.53 in 18E (+36.5% YoY, HK\$4.93 in 19E (+8.8% YoY) and HK\$5.68 in 20E (+15.2% YoY), as well as our target price of HK\$32.51. Maintain Outperform.

Land replenishment. Cost of land attributable to CR Land was Rmb65bn in 17A, while total capital expenditure amounted to Rmb76.3bn. By assuming a similar cash collection rate in 18E, we estimate the company's land cost may reach Rmb70.0bn while keeping operating cash flow flat. In 1Q18A, the company added 14 projects in 10 cities within existing coverage, mainly in core tier-1&2 cities in which it has an established presence (including Shenzhen, Shanghai, Guangzhou and Hangzhou). Cost of land attributable to the firm reached Rmb23.0bn, of which a large-sized residential and commercial project located in the central area of Shandong provincial capital Jinan accounted for nearly Rmb10.0bn. At present, total sellable land reserves attributable to CR Land reached 38msqm with average floor cost of Rmb5,500 per sqm (32% of current average selling price (ASP)). In terms of geographical breakdown, tier-2 cities account for 68% of the firm's landbank, while tier-3 cities account for 21%, tier-1 cities contribute 7% and tier-4 cities for 4%.

Investment portfolio. The company's investment properties maintained a steady pace of growth, with rental income of Rmb2.2bn in 1Q18A (+26% YoY, vs 21% in 17A). As of end-2017, investment properties in operation total 6.9mn sqm of gross floor area (GFA), including 16 *MIXc* malls and 11 *Hi5/MIXc One*. The company scheduled eight new mall openings in 2018 and expects the total number of malls in operation to reach 48 by 2020, with another 18 new malls in its pipeline after 2020.

Balance sheet. The company's net gearing rose from 24% at end-2016 to 36% at end-2017, with total interest-bearing debt of HK\$126bn and net debt of HK\$62bn, while average borrowing cost continued to decline from 4.2% in 16A to 4.2% in 17A. The company suspended new issues of foreign currency-denominated debt from 2014, with foreign currency debt declining from 57% of overall debt in 14A to 23% in 17A. Moreover, CR Land issued Rmb5.0bn in medium-term notes in the interbank market in each of 16A and 17A, and issued a further Rmb10.0bn in medium-term notes in March and April this year, at lower financing cost than most of its peers in the same period.

Maintain Outperform. The company's unbooked revenue amounted to Rmb127bn at end-2017 with gross margin as high as 43%. We like the firm for its strong development and investment properties capability, as well as its prime assets in higher-tier cities, and the security of its state-backing. The company currently trades at 8.4x 18E PE, 1.2x 18E PB, or 30% discount to NAV. We maintain our target price at HK\$32.51. With 11% upside, we maintain our Outperform recommendation.

Accelerating sales

State-owned developer CR Land achieved contract sales of Rmb32.2bn from self-operated projects in 1Q18 (+6% YoY, vs sector average of 30% YoY), with March sales of Rmb15.5bn (+30% YoY, vs sector average of 10% YoY). CR Land has also started to disclose gross contract sales data this year, reporting 1Q18 sales of Rmb36.2bn.

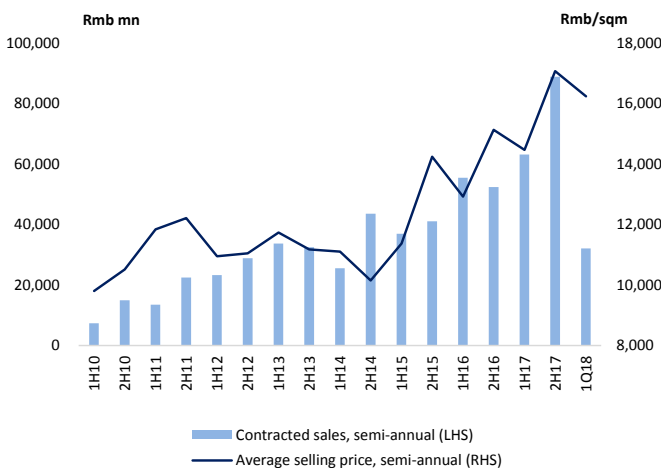
The company guided full-year sellable resources at Rmb310bn (+40% YoY) and a 2018 sales target of Rmb183bn (+20% YoY), of which it expects 1Q18 to account for c.10% of supply and 2-3Q18 to account for 70%. Thus, we expect to encouraging monthly sales growth in coming months.

Fig 1: Contract sales of key listed Chinese developers, 2018

Listcos	Monthly Contract Sales			% Chg YoY, Monthly			% Chg YoY, YTD		
	2018-1	2018-2	2018-3	2018-1	2018-2	2018-3	2018-1	2018-2	2018-3
China Jinmao	16,652	13,963	8,052	745%	570%	46%	745%	655%	304%
China Aoyuan	4,050	4,056	5,505	140%	93%	143%	140%	114%	125%
Logan	4,210	4,050	7,640	108%	100%	120%	108%	104%	111%
KWG	5,560	4,128	5,060	155%	128%	35%	155%	143%	90%
Sunac	22,180	19,110	30,830	173%	88%	38%	173%	126%	78%
SCE	4,108	3,903	3,612	123%	95%	23%	123%	108%	71%
Future Land	10,284	8,750	18,835	110%	67%	45%	110%	88%	64%
Fantasia	1,620	1,405	1,521	101%	96%	18%	101%	99%	62%
Shimao	10,021	7,102	15,790	96%	36%	54%	96%	66%	60%
Times	3,053	3,002	4,725	172%	83%	19%	172%	119%	60%
Powerlong	2,068	1,952	2,621	37%	88%	48%	37%	58%	54%
A-share Poly	31,649	21,647	33,636	106%	61%	18%	106%	85%	51%
Evergrande	64,360	48,140	49,370	73%	54%	28%	73%	64%	51%
R&F	6,510	5,840	11,770	75%	42%	45%	75%	58%	51%
Sino-ocean land	3,520	4,500	8,020	83%	19%	26%	83%	41%	33%
Country Garden	69,160	54,680	64,130	42%	41%	1%	42%	42%	25%
Central China	1,673	1,366	2,619	35%	-20%	47%	35%	3%	20%
CR Land	11,170	7,600	17,400	9%	-9%	47%	9%	1%	19%
Merchant Shekou	11,760	7,243	12,309	77%	-18%	11%	77%	23%	18%
CIFI	10,100	6,820	10,200	17%	24%	12%	17%	19%	17%
COLI	20,661	13,194	18,810	30%	10%	5%	30%	22%	15%
Yuexiu	3,039	1,651	5,302	-14%	25%	27%	-14%	-3%	11%
Vanke	67,980	35,600	50,680	41%	-8%	-20%	41%	20%	3%
Longfor	16,020	13,250	14,750	33%	7%	-21%	33%	20%	2%
Yuzhou	2,758	3,053	4,543	34%	2%	-11%	34%	15%	2%
Agile	6,990	5,560	8,850	51%	-13%	-14%	51%	14%	1%
Greentown	4,800	2,900	7,400	41%	-29%	-13%	41%	3%	-6%
Gemdale	8,110	4,590	13,410	7%	-46%	-22%	7%	-21%	-21%
BCL	4,060	1,840	2,620	-35%	-2%	-42%	-35%	-28%	-33%
Total/Average	428,126	310,895	440,009	60%	31%	10%	60%	46%	30%

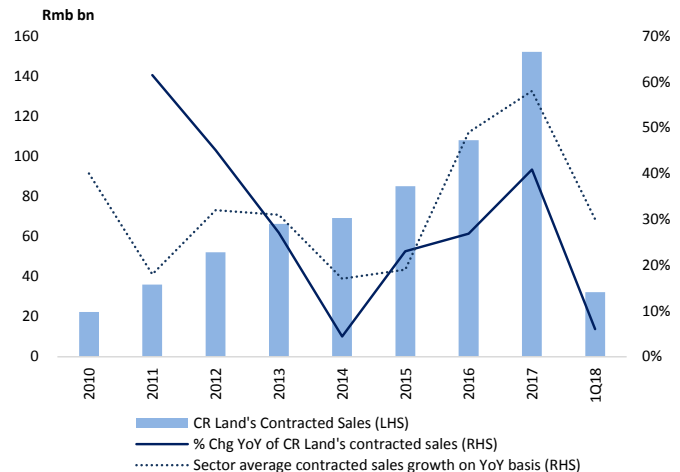
Source: Company data, SWS Research

Fig 2: CR Land's semi-annual contract sales with ASP, 2010-2018



Source: Company data, SWS Research

Fig 3: CR Land's annual contract sales with YoY growth, 2010-2018



Source: Company data, SWS Research

Land replenishment

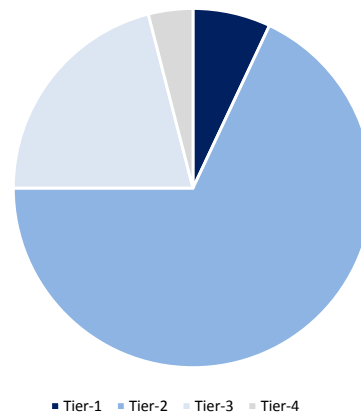
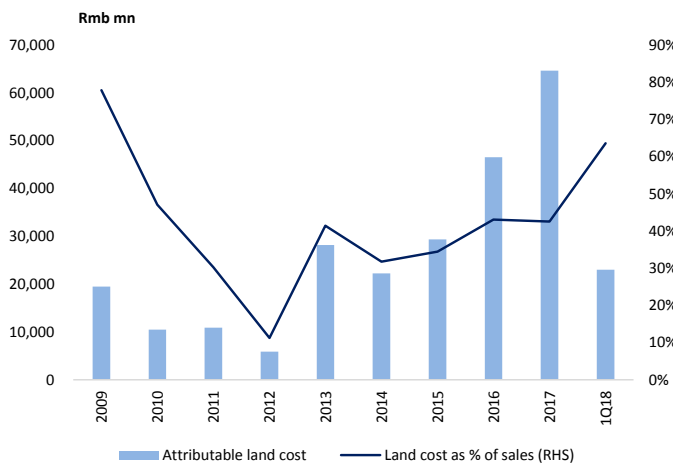
Cost of land attributable to CR Land was Rmb65bn in 17A, while total capital expenditure amounted to Rmb76.3bn. By assuming a similar cash collection rate in 18E, we estimate the company's land cost may reach Rmb70.0bn while keeping operating cash flow flat.

In 1Q18A, the company added 14 projects in 10 cities within existing coverage, mainly in core tier-1&2 cities in which it has an established presence (including Shenzhen, Shanghai, Guangzhou and Hangzhou). Cost of land attributable to the firm reached Rmb23.0bn, of which a large-sized residential and commercial project located in the central area of Shandong provincial capital Jinan accounted for nearly Rmb10.0bn.

At present, total sellable land reserves attributable to CR Land reached 38msqm with average floor cost of Rmb5,500 per sqm (32% of current average selling price (ASP)). In terms of geographical breakdown, tier-2 cities account for 68% of the firm's landbank, while tier-3 cities account for 21%, tier-1 cities contribute 7% and tier-4 cities for 4%.

Fig 4: Attributable land cost and percentage as of sales, 2009-1Q18

Fig 5: Breakdown of land reserves by city tier, 2018



Source: Company data, SWS Research

Source: Company data, SWS Research

Investment portfolio

The company's investment properties maintained a steady pace of growth, with rental income of Rmb2.2bn in 1Q18A (+26% YoY, vs 21% in 17A).

As of end-2017, investment properties in operation total 6.9mn sqm of gross floor area (GFA), including 16 MIXc malls and 11 Hi5/MIXc One.

The company scheduled eight new mall openings in 2018 and expects the total number of malls in operation to reach 48 by 2020, with another 18 new malls in its pipeline after 2020.

Fig 6: CR Land's products series

Products Series	Positioning	Size ('000 sqm)
Mixc	Large-scale high-end complex	300-400
Mixc One	Large-scale mid- to high-end shopping centre	50-150
Hi5	Mid-scale community shopping centre	50-100

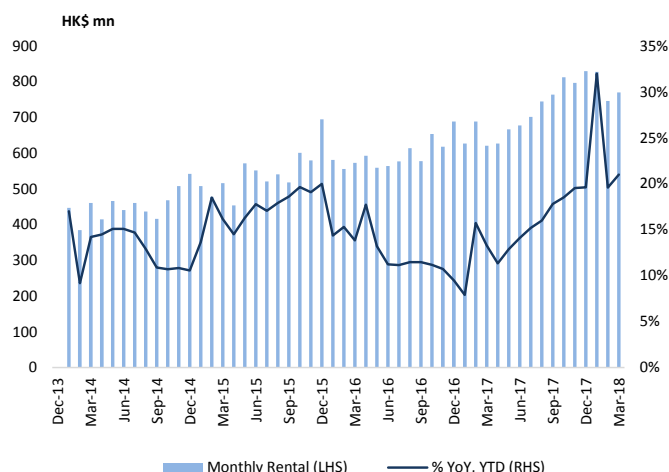
Source: Company data, SWS Research

Fig 7: Shopping malls in the company's pipeline

By yearend	2016	2017	2018	2019
No. of malls	23	27	35	44
GFA	2.8	3.4	4.5	5.5

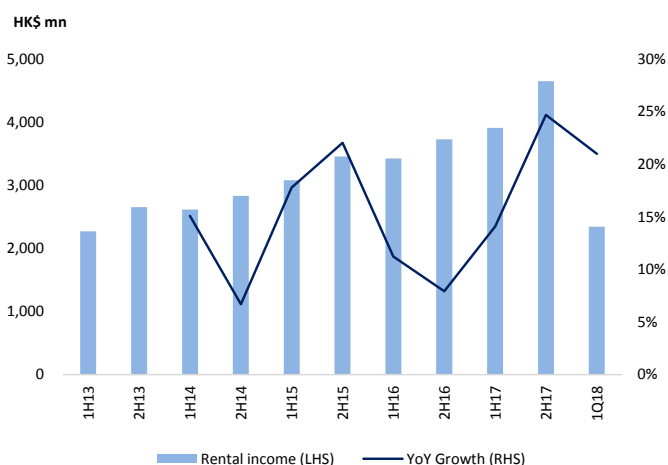
Source: Company data, SWS Research

Fig 8: Monthly rental income with YoY growth, YTD



Note: Rental income in Dec-17 was based on our estimates.
Source: Company data, SWS Research

Fig 9: Semi-annual rental income with YoY growth



Note: Rental income in Dec-17 was based on our estimates.
Source: Company data, SWS Research

Fig 10: Scheduled shopping mall openings

Product Series	Cities with scheduled openings												
Mixc mall	Shenzhen	Hangzhou	Shenyang	Chengdu, Nanning	Zhengzhou, Chongqing, Wuxi	Qingdao, Hefei, Ganzhou	Wenzhou	Shanghai, Shenzhen, Taizhou	Shenzhen, Xiamen, Jinan, Taiyuan, Nantong, Liuzhou	Shijiazhuang, Guilin, Ningbo			
Hi5 mall				Beijing	Ningbo, Hefei, Shanghai								
Mixc One mall						Shenyang, Changsha, Zibo	Rizhao	Beijing	Hangzhou, Chongqing	Suzhou, Kunshan, Linyi, Hefei, Harbin			
Other malls	Shanghai			Beijing									
Year	Before	2004	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	

Source: Company data, SWS Research

Balance sheet

The company's net gearing rose from 24% at end-2016 to 36% at end-2017, with total interest-bearing debt of HK\$126bn and net debt of HK\$62bn, while average borrowing cost continued to decline from 4.2% in 16A to 4.2% in 17A.

The company suspended new issues of foreign currency-denominated debt from 2014, with foreign currency debt declining from 57% of overall debt in 14A to 23% in 17A.

Moreover, CR Land issued Rmb5.0bn in medium-term notes in the interbank market in each of 16A and 17A, and issued a further Rmb10.0bn in medium-term notes in March and April this year, at lower financing cost than most of its peers in the same period.

Fig 11: Offshore bonds issued by CR Land

Currency	Start Date	Due date	Amount (mn)	Tenor	Yield (%)
US\$	May-11	May-16	1,000	5	4.63
			400	5	4.48
US\$	Feb-14	Feb-19	50	5	4.63
			350	5	4.41
US\$	Feb-14	Feb-24	700	10	6.03
HK\$	Oct-14	Oct-29	3,500	15	6.11

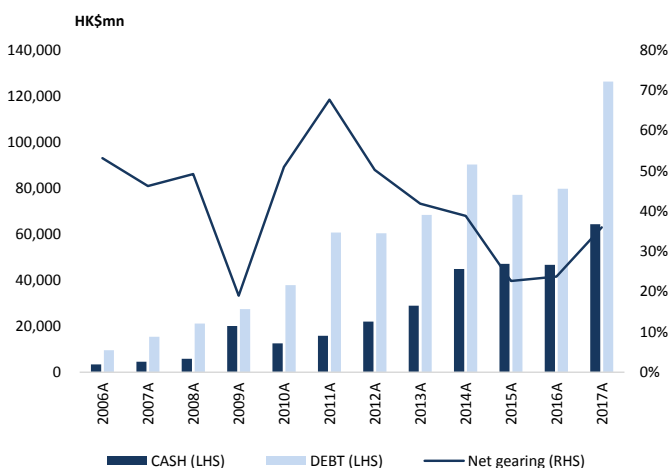
Source: Company data, SWS Research

Fig 12: Onshore medium-term notes issued by CR Land

Currency	Start Date	Due date	Amount (mn)	Tenor	Yield (%)
RMB	May-16	May-19	2,000	3	3.36
RMB	May-16	May-21	3,000	5	3.70
RMB	Jul-17	Jul-20	3,800	3	4.55
RMB	Jul-17	Jul-22	1,200	5	4.70
RMB	Mar-18	Mar-21	6,000	3	5.38
RMB	Apr-18	Apr-21	500	3	4.98
RMB	Apr-18	Apr-23	3,500	5	5.23

Source: Bloomberg, Company data, SWS Research

Fig 13: Cash, debt and net gearing



Source: Company data, SWS Research

Fig 14: Average borrowing cost



Source: Company data, SWS Research

Maintain Outperform

The company's unbooked revenue amounted to Rmb127bn at end-2017 with gross margin as high as 43%. We like the firm for its strong development and investment properties capability, as well as its prime assets in higher-tier cities, and the security of its state-backing.

The company currently trades at 8.4x 18E PE, 1.2x 18E PB, or 30% discount to NAV. We maintain our target price at HK\$32.51. With 11% upside, we maintain our Outperform recommendation.

Fig 15: Valuation and target price

Company	Code	Market Cap (HK\$bn)	Rating	Target price (HK\$)	PE (x)			PB (x)			NAV Disc	17A Dividend yield	Shares Performance	
					17E	18E	19E	17E	18E	19E			2017	2018
COLI	688 HK	291	Hold	28.58	8.5	7.6	6.5	1.1	1.0	0.9	-26%	3.0%	25%	6%
Country Garden	2007 HK	345	Outperform	17.98	11.5	9.7	7.7	3.0	2.4	2.0	-12%	2.1%	248%	7%
CR land	1109 HK	202	Outperform	32.51	10.6	8.4	6.8	1.4	1.2	1.1	-28%	3.3%	36%	27%
Longfor	960HK	139	Outperform	27.50	11.8	9.4	7.5	1.6	1.4	1.2	-14%	2.7%	106%	20%
Shimao	813 HK	72	Hold	21.02	8.8	7.3	6.1	1.1	1.0	0.9	-19%	4.7%	73%	25%
Sino-ocean	3377 HK	43	Outperform	6.84	8.8	7.1	5.9	0.6	0.6	0.5	-55%	5.7%	60%	4%
KWG	1813 HK	35	Hold	10.62	8.2	6.8	6.2	1.1	0.9	0.8	-21%	4.4%	128%	22%
Poly Ppty	119 HK	14	Outperform	4.75	9.4	4.9	4.1	0.5	0.4	0.4	-53%	3.6%	58%	-9%
Yuzhou	1628 HK	23	Outperform	5.88	6.3	5.2	4.2	1.3	1.1	1.0	-34%	4.8%	74%	34%
					9.3	7.4	6.1	1.3	1.1	1.0	-29%	3.8%	90%	15%

Source: Bloomberg, Company data, SWS Research

Financials

Figure 1: Forecast Income Statement

HK\$m	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Revenue	44,364	71,389	89,705	103,393	109,328	118,588	143,069	175,290	215,006
Property Sales Revenue	38,522	64,818	81,759	93,536	98,727	104,559	126,966	156,760	193,633
Rental Income	3,720	3,960	4,673	5,685	6,267	7,403	8,884	10,661	12,793
Hotel management revenue		662	810	969	985	1,381	1,450	1,522	1,598
Construction & Decoration	2,122	1,949	2,463	3,202	3,348	5,245	5,770	6,347	6,981
Cost of Sales	(27,667)	(51,282)	(62,351)	(71,095)	(72,439)	(70,851)	(83,072)	(107,294)	(136,673)
Gross Profit	16,697	20,107	27,353	32,298	36,889	47,737	59,997	67,996	78,333
Revaluation gains	4,001	7,168	4,967	4,602	4,831	5,980	9,569	5,980	6,040
Other Income	763	765	1,139	2,556	2,589	1,786	1,804	1,822	1,840
Distribution expenses	(1,902)	(2,106)	(3,071)	(3,306)	(3,245)	(3,898)	(4,678)	(5,379)	(6,186)
Administrative expenses	(1,809)	(1,820)	(2,253)	(3,006)	(3,083)	(4,219)	(4,852)	(5,580)	(6,138)
EBIT	17,750	24,115	28,135	33,145	37,980	47,386	61,840	64,839	73,890
Profits of JCEs	414	309	62	298	601	236	240	245	250
Finance Costs	(670)	(146)	(832)	(923)	(193)	(1,527)	(2,004)	(2,218)	(2,440)
Profit before tax	17,494	24,278	27,366	32,520	38,387	46,094	60,076	62,866	71,700
Tax expense	(6,298)	(9,091)	(10,887)	(13,142)	(15,888)	(20,686)	(26,192)	(26,063)	(29,543)
Inc tax	(3,190)	(3,946)	(4,680)	(5,838)	(10,807)	(10,982)	(15,019)	(15,716)	(17,925)
LAT	(2,090)	(2,690)	(4,247)	(5,720)	(6,631)	(10,214)	(11,173)	(10,346)	(11,618)
Deferred	(1,018)	(2,455)	(1,960)	(1,584)	1,551	511			
Profit for the year	11,196	15,187	16,479	19,378	22,499	25,409	33,884	36,803	42,157
Minority interests	(628)	(491)	(1,338)	(1,850)	(2,998)	(2,392)	(2,512)	(2,637)	(2,769)
Profit attr. to shareholders	10,568	14,696	15,141	17,528	19,501	23,017	31,373	34,166	39,388
Dividends paid	1,952	2,547	3,335	3,975	4,879	6,702	8,464	10,382	12,193
Core earnings	7,249	9,442	11,921	14,210	16,270	19,160	24,196	29,681	34,858
Basic EPS (HK\$ cents)	182	252	260	259	281	332	453	493	568
Diluted EPS (HK\$ cents)	182	252	259	259	281	332	453	493	568
Core EPS (HK\$ cents)	125	162	204	210	235	276	349	428	503
DPS (HK\$ cents)	33.6	43.7	49.5	57.4	70.4	96.7	122.1	149.8	175.9

Source: Company data, SWS Research

Figure 2: Forecast Balance Sheet

HK\$m	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Pre-paid land premiums	300	2,470	744	301	405	930	977	1,026	1,077
Investment property	44,357	60,438	79,240	89,550	95,141	118,683	133,036	142,007	151,067
PP&E	4,972	5,900	6,961	7,207	9,031	9,831	10,814	11,895	13,085
Others	4,513	5,381	6,857	15,089	24,522	45,483	50,159	50,661	51,168
Non-current assets	54,142	74,188	93,802	112,147	129,100	174,928	194,987	205,589	216,397
Properties under development	136,790	161,517	186,402	193,103	195,663	267,360	294,509	334,907	381,423
Cash and cash equivalents	21,953	28,923	44,857	47,058	46,674	64,323	69,047	70,567	68,917
Receivable	13,033	29,594	27,590	27,667	44,291	50,269	53,787	57,552	61,581
Others	2,336	7,401	9,628	17,642	11,316	17,687	18,925	20,250	21,667
Current assets	174,112	227,436	268,477	285,470	297,944	399,638	436,268	483,277	533,588
Total assets	228,254	301,624	362,279	397,616	427,045	574,566	631,255	688,866	749,985
Share capital and premiums	583	583	583	693	693	693	693	693	693
Reserves	68,526	84,690	105,048	114,881	115,744	142,394	165,303	189,087	216,281
Majority interests	69,109	85,273	105,631	115,574	116,438	143,087	165,996	189,780	216,975
Minority interests	7,391	8,900	11,492	16,914	22,721	29,335	30,215	31,122	32,056
Total equity	76,500	94,173	117,123	132,488	139,159	172,423	196,212	220,902	249,030
Borrowings	39,885	44,306	44,568	47,513	46,734	68,444	80,444	85,444	90,444
Senior notes	7,735	7,755	23,113	15,342	15,343	15,203	15,203	15,203	15,203
Medium-term notes									
Deferred Tax	5,188	7,934	9,924	11,369	12,421	14,676	15,410	16,181	16,990
Others		1,958	3,099	1,983	3,594	5,049	236	237	238
Non-current liabilities	52,808	61,954	80,704	76,207	83,778	115,308	128,229	139,000	149,810
Advanced sales proceeds	51,631	73,980	81,497	96,316	105,663	142,806	157,086	172,795	190,075
Payable	23,910	36,100	45,683	52,193	58,645	76,595	80,425	84,447	88,669
Borrowings	5,283	16,256	21,219	6,416	11,988	30,213	31,413	32,625	32,035
Senior notes									
Tax payable	6,745	8,355	9,267	15,526	16,302	23,463	24,636	25,868	27,161
Others	11,377	10,806	6,785	10,697	11,509	13,276	13,253	13,229	13,204
Current liabilities	98,946	145,497	164,452	188,922	204,108	286,835	306,814	328,964	351,145
Total liabilities	151,754	207,451	245,156	265,129	287,886	402,143	435,043	467,964	500,955
Total equity and liabilities	228,254	301,624	362,279	397,616	427,045	574,566	631,254	688,866	749,985

Source: Company data, SWS Research

Figure 3: Forecast Cash Flow Statement

HK\$m	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Cash generated from/(used in) operations	20,810	12,150	18,736	17,174	17,602	(5,436)	13,800	17,940	19,734
Others	(4,416)	(6,063)	(8,326)	(11,043)	(13,181)	(15,158)	(16,674)	(18,341)	(20,175)
Net cash generated from operating activities	16,394	6,087	10,410	6,131	4,421	(20,594)	(2,874)	(401)	(441)
Acquisitions	(3,817)	(5,772)	(8,872)	(3,802)	(1,901)	(951)	(475)	(238)	(119)
Others	(1,490)	(6,893)	(4,672)	(2,336)	(1,635)	(2,453)	(2,943)	(589)	(118)
Net cash generated from Investing activities	(5,307)	(12,665)	(13,544)	(6,138)	(3,536)	(3,403)	(3,419)	(826)	(237)
Proceeds from issuance of shares	0	0	0	110	0	0	0	0	0
Proceeds from placement of shares				17,000					
Proceeds of CB issuance									
Proceeds of senior notes issuance	(18)	20	15,358	2	(2,087)	6,590	4,519	5,000	5,000
Net borrowings	(7,803)	15,395	5,225	(11,858)	4,793	39,935	13,200	6,212	4,410
Repurchase of CB									
Senior notes payback									
Others	2,005	(1,952)	(2,547)	(3,335)	(3,975)	(4,879)	(6,702)	(8,464)	(10,382)
Net cash generated from financing activities	(5,816)	13,463	18,036	1,919	(1,269)	41,646	11,017	2,748	(972)
Increase in cash and cash equivalents	5,271	6,885	14,902	1,912	(384)	17,649	4,724	1,520	(1,650)
Cash and cash equivalents at beginning of year	15,792	21,953	28,923	44,857	47,058	46,674	64,323	69,047	70,567
Exchange losses on cash and cash equivalents	890	86	1,032	289		(1)			
Cash and cash equivalents at end of the year	21,953	28,923	44,857	47,058	46,674	64,323	69,047	70,567	68,917

Source: Company data, SWS Research

Information Disclosure :

The views expressed in this report accurately reflect the personal views of the analyst. The analyst declares that neither he/she nor his/her associate serves as an officer of nor has any financial interests in relation to the listed corporation reviewed by the analyst. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this report to any of the analyst, the Company or the group company(ies). A group company(ies) of the Company confirm that they, whether individually or as a group (i) are not involved in any market making activities for any of the listed corporation reviewed; or (ii) do not have any individual employed by or associated with any group company(ies) of the Company serving as an officer of any of the listed corporation reviewed; or (iii) do not have any financial interest in relation to the listed corporation reviewed or (iv) do not, presently or within the last 12 months, have any investment banking relationship with the listed corporation reviewed.

Undertakings of the Analyst

I (We) am (are) conferred the Professional Quality of Securities Investment Consulting Industry by the Securities Association of China and have registered as the Securities Analyst. I hereby issue this report independently and objectively with due diligence, professional and prudent research methods and only legitimate information is used in this report. I am also responsible for the content and opinions of this report. I have never been, am not, and will not be compensated directly or indirectly in any form for the specific recommendations or opinions herein.

Disclosure with respect to the Company

The company is a subsidiary of Shenwan Hongyuan Securities. The company is a qualified securities investment consulting institute approved by China Securities Regulatory Commission with the code number ZX0065.

Releasing securities research reports is the basic form of the securities investment consulting services. The company may analyze the values or market trends of securities and related products or other relevant affecting factors, provide investment analysis advice on securities valuation/ investment rating, etc. by issuing securities research reports solely to its clients.

The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for the relevant disclosure materials or log into www.swsresearch.com for the analysts' qualifications, the arrangement of the quiet period and the affiliates' shareholdings.

Introduction of Share Investment Rating

Security Investment Rating :

When measuring the difference between the markup of the security and that of the market's benchmark within six months after the release of this report, we define the terms as follows:

Trading BUY: Share price performance is expected to generate more than 20% upside over a 6-month period.

BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

SELL: Share price performance is expected to generate more than 20% downside over a 12-month period.

Industry Investment Rating:

When measuring the difference between the markup of the industry index and that of the market's benchmark within six months after the release of the report, we define the terms as follows:

Overweight : Industry performs better than that of the whole market ;

Equal weight : Industry performs about the same as that of the whole market ;

Underweight : Industry performs worse than that of the whole market.

We would like to remind you that different security research institutions adopt different rating terminologies and rating standards. We adopt the relative rating method to recommend the relative weightings of investment. The clients' decisions to buy or sell securities shall be based on their actual situation, such as their portfolio structures and other necessary factors. The clients shall read through the whole report so as to obtain the complete opinions and information and shall not rely solely on the investment ratings to reach a conclusion. The Company employs its own industry classification system. The industry classification is available at our sales personnel if you are interested.

HSCEI is the benchmark employed in this report.

Disclaimer :

This report is to be used solely by the clients of SWS Research Co., Ltd. (subsidiary of Shenwan Hongyuan Securities, hereinafter referred to as the "Company"). The Company will not deem any other person as its client notwithstanding his receipt of this report.

This report is based on public information, however, the authenticity, accuracy or completeness of such information is not warranted by the Company. The materials, tools, opinions and speculations contained herein are for the clients' reference only, and are not to be regarded or deemed as an invitation for the sale or purchase of any security or other investment instruments.

The clients understand that the text message reminder and telephone recommendation are no more than a brief communication of the research opinions, which are subject to the complete report released on the Company's website (<http://www.swsresearch.com>). The clients may ask for follow-up explanations if they so wish.

The materials, opinions and estimates contained herein only reflect the judgment of the Company on the day this report is released. The prices, values and investment returns of the securities or investment instruments referred to herein may fluctuate. At different periods, the Company may release reports which are inconsistent with the materials, opinions and estimates contained herein.

Save and except as otherwise stipulated in this report, the contactor upon the first page of the report only acts as the liaison who shall not provide any consulting services.

The clients shall consider the Company's possible conflict of interests which may affect the objectivity of this report, and shall not base their investment decisions solely on this report. The clients should make investment decisions independently and solely at your own risk. Please be reminded that in any event, the company will not share gains or losses of any securities investment with the clients. Whether written or oral, any commitment to share gains or losses of securities investment is invalid. The investment and services referred to herein may not be suitable for certain clients and shall not constitute personal advice for individual clients. The Company does not ensure that this report fully takes into consideration of the particular investment objectives, financial situations or needs of individual clients. The Company strongly suggests the clients to consider themselves whether the opinions or suggestions herein are suitable for the clients' particular situations; and to consult an independent investment consultant if necessary.

Under no circumstances shall the information contained herein or the opinions expressed herein forms an investment recommendation to anyone. Under no circumstances shall the Company be held responsible for any loss caused by the use of any contents herein by anyone. Please be particularly cautious to the risks and exposures of the market via investment.

Independent investment consultant should be consulted before any investment decision is rendered based on this report or at any request of explanation for this report where the receiver of this report is not a client of the Company.

The Company possesses all copyrights of this report which shall be treated as non-public information. The Company reserves all rights related to this report. Unless otherwise indicated in writing, all the copyrights of all the materials herein belong to the Company. In the absence of any prior authorization by the Company in writing, no part of this report shall be copied, photocopied, replicated or redistributed to any other person in any form by any means, or be used in any other ways which will infringe upon the copyrights of the Company. All the trademarks, service marks and marks used herein are trademarks, service marks or marks of the Company, and no one shall have the right to use them at any circumstances without the prior consent of the Company.

This report may be translated into different languages. The Company does not warrant that the translations are free from errors or discrepancies.

This report is for distribution in Hong Kong only to persons who fall within the definition of professional investors whether under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") or the Securities and Futures (Professional Investor) Rules (Chapter 571D of the laws of the Hong Kong under the SFO).

This report is for distribution in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) order 2001 (as amended) (the "Order") or (ii) are persons falling within Article 49(2)(a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc") of the Order (All such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons. Other Persons who are not Relevant Persons must not act or rely upon this document or any of its contents.

Distribution in Singapore

If distributed in Singapore, this report is meant only for Accredited Investors and Institutional Investors as defined under Section 4A of the Securities and Futures Act of Singapore. If you are not an Accredited Investor or an Institutional Investor, you shall ignore the report and its contents. The Singapore recipients of the report are to contact the Singapore office of Shenwan Hongyuan Singapore Private Limited at 65-6323-5208, or 65-6323-5209 in respect of any matters arising from, or in connection with, the report.