

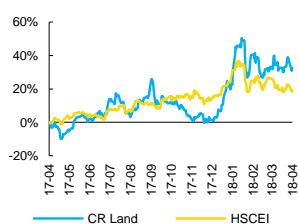
20 April 2018

**Outperform**  
**Unchanged**

**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**

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**Related Reports**

**Sturdy build, Mar21, 2018**

**Development potential, Jan9, 2018**

**Building momentum, Oct16,2017**

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# Accelerating sales

## CHINA RESOURCES LAND LTD (1109 HK )

### 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.

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.

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，净资产折价 30%，作为盈利稳健增长可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。

## 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.

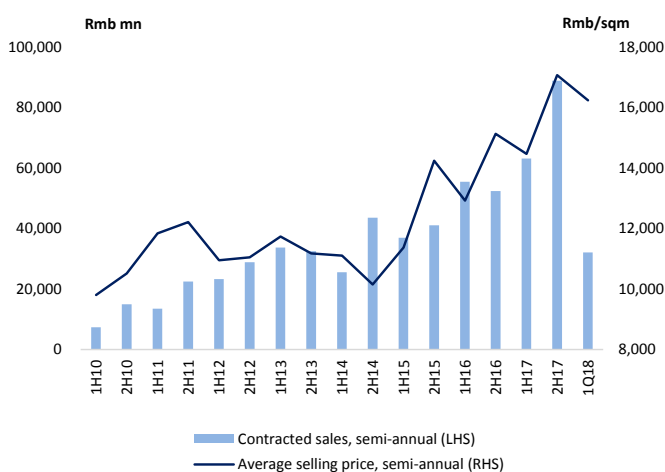
The company guided full-year sellable resources at Rmb310bn (+40% YoY) and a 2018 sales target of Rmb183bn (+20% YoY), of which it expects 1Q18 to account for c.10% of supply and 2-3Q18 to account for 70%. Thus, we expect to encouraging monthly sales growth in coming months.

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%       |
| <b>Total/Average</b> | <b>428,126</b>         | <b>310,895</b> | <b>440,009</b> | <b>60%</b>         | <b>31%</b> | <b>10%</b> | <b>60%</b>     | <b>46%</b> | <b>30%</b> |

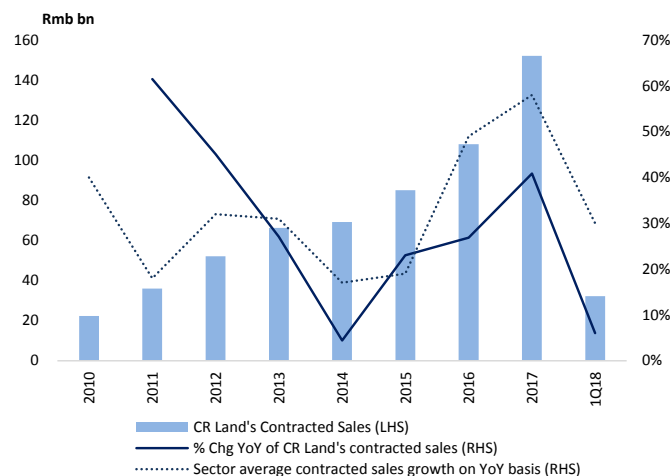
Source: Company data, SWS Research

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

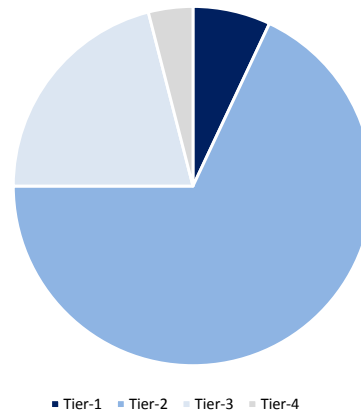
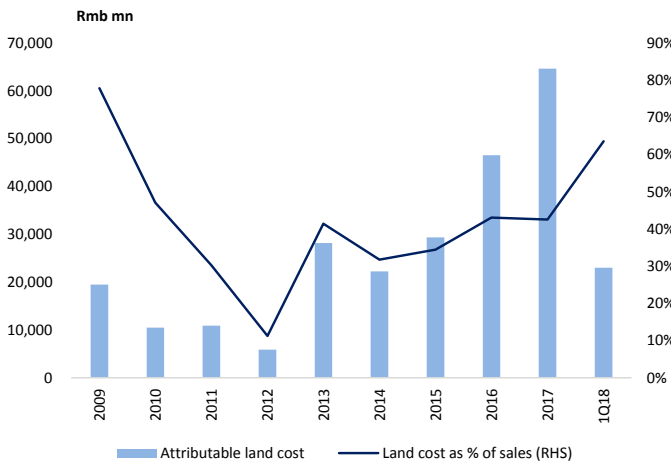
Cost of land attributable to CR Land was Rmb65bn in 17A, while total capital expenditure amounted to Rmb76.3bn. By assuming a similar cash collection rate in 18E, we estimate the company's land cost may reach Rmb70.0bn while keeping operating cash flow flat.

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          |

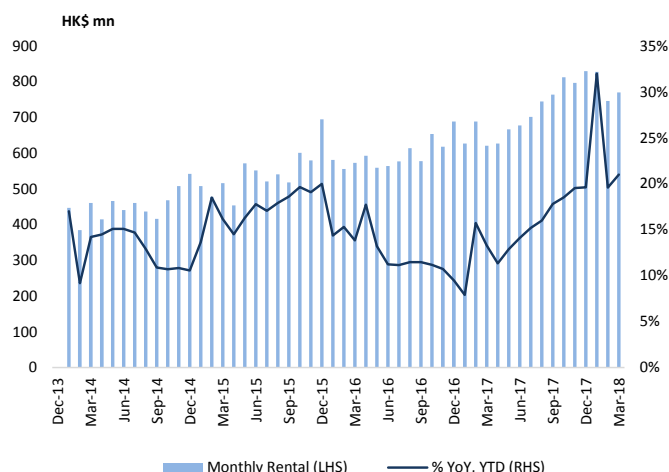
Source: Company data, SWS Research

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  |

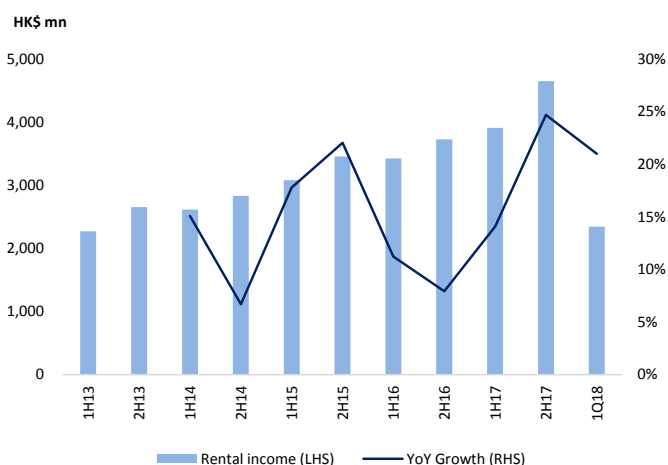
Source: Company data, SWS Research

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      |

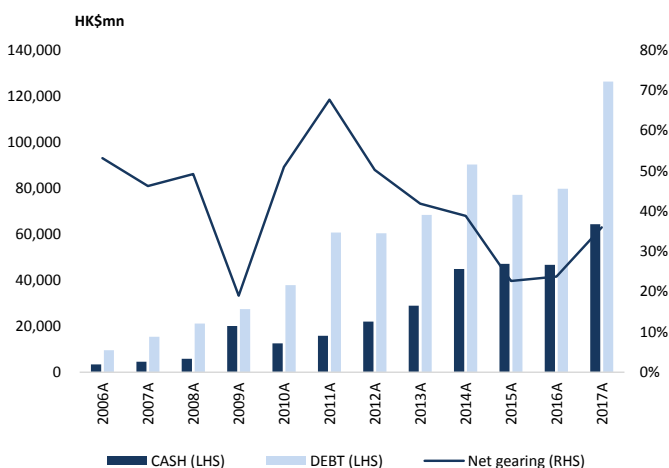
Source: Company data, SWS Research

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<br>(HK\$bn) | Rating     | Target price<br>(HK\$) | PE (x) |     |     | PB (x) |     |     | NAV Disc | 17A Dividend<br>yield | Shares<br>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         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenue</b>                      | 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         |
| <b>Cost of Sales</b>                | (27,667)      | (51,282)      | (62,351)      | (71,095)      | (72,439)      | (70,851)      | (83,072)      | (107,294)     | (136,673)     |
| <b>Gross Profit</b>                 | <b>16,697</b> | <b>20,107</b> | <b>27,353</b> | <b>32,298</b> | <b>36,889</b> | <b>47,737</b> | <b>59,997</b> | <b>67,996</b> | <b>78,333</b> |
| <b>Revaluation gains</b>            | 4,001         | 7,168         | 4,967         | 4,602         | 4,831         | 5,980         | 9,569         | 5,980         | 6,040         |
| <b>Other Income</b>                 | 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)       |
| <b>EBIT</b>                         | <b>17,750</b> | <b>24,115</b> | <b>28,135</b> | <b>33,145</b> | <b>37,980</b> | <b>47,386</b> | <b>61,840</b> | <b>64,839</b> | <b>73,890</b> |
| 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)       |
| <b>Profit before tax</b>            | <b>17,494</b> | <b>24,278</b> | <b>27,366</b> | <b>32,520</b> | <b>38,387</b> | <b>46,094</b> | <b>60,076</b> | <b>62,866</b> | <b>71,700</b> |
| 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           |               |               |               |
| <b>Profit for the year</b>          | <b>11,196</b> | <b>15,187</b> | <b>16,479</b> | <b>19,378</b> | <b>22,499</b> | <b>25,409</b> | <b>33,884</b> | <b>36,803</b> | <b>42,157</b> |
| Minority interests                  | (628)         | (491)         | (1,338)       | (1,850)       | (2,998)       | (2,392)       | (2,512)       | (2,637)       | (2,769)       |
| <b>Profit attr. to shareholders</b> | <b>10,568</b> | <b>14,696</b> | <b>15,141</b> | <b>17,528</b> | <b>19,501</b> | <b>23,017</b> | <b>31,373</b> | <b>34,166</b> | <b>39,388</b> |
| Dividends paid                      | 1,952         | 2,547         | 3,335         | 3,975         | 4,879         | 6,702         | 8,464         | 10,382        | 12,193        |
| <b>Core earnings</b>                | <b>7,249</b>  | <b>9,442</b>  | <b>11,921</b> | <b>14,210</b> | <b>16,270</b> | <b>19,160</b> | <b>24,196</b> | <b>29,681</b> | <b>34,858</b> |
| 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)               | <b>125</b>    | <b>162</b>    | <b>204</b>    | <b>210</b>    | <b>235</b>    | <b>276</b>    | <b>349</b>    | <b>428</b>    | <b>503</b>    |
| 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         |
| <b>Non-current assets</b>           | <b>54,142</b>  | <b>74,188</b>  | <b>93,802</b>  | <b>112,147</b> | <b>129,100</b> | <b>174,928</b> | <b>194,987</b> | <b>205,589</b> | <b>216,397</b> |
| 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         |
| <b>Current assets</b>               | <b>174,112</b> | <b>227,436</b> | <b>268,477</b> | <b>285,470</b> | <b>297,944</b> | <b>399,638</b> | <b>436,268</b> | <b>483,277</b> | <b>533,588</b> |
| <b>Total assets</b>                 | <b>228,254</b> | <b>301,624</b> | <b>362,279</b> | <b>397,616</b> | <b>427,045</b> | <b>574,566</b> | <b>631,255</b> | <b>688,866</b> | <b>749,985</b> |
| 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        |
| <b>Majority interests</b>           | <b>69,109</b>  | <b>85,273</b>  | <b>105,631</b> | <b>115,574</b> | <b>116,438</b> | <b>143,087</b> | <b>165,996</b> | <b>189,780</b> | <b>216,975</b> |
| Minority interests                  | 7,391          | 8,900          | 11,492         | 16,914         | 22,721         | 29,335         | 30,215         | 31,122         | 32,056         |
| <b>Total equity</b>                 | <b>76,500</b>  | <b>94,173</b>  | <b>117,123</b> | <b>132,488</b> | <b>139,159</b> | <b>172,423</b> | <b>196,212</b> | <b>220,902</b> | <b>249,030</b> |
| 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            |
| <b>Non-current liabilities</b>      | <b>52,808</b>  | <b>61,954</b>  | <b>80,704</b>  | <b>76,207</b>  | <b>83,778</b>  | <b>115,308</b> | <b>128,229</b> | <b>139,000</b> | <b>149,810</b> |
| 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         |
| <b>Current liabilities</b>          | <b>98,946</b>  | <b>145,497</b> | <b>164,452</b> | <b>188,922</b> | <b>204,108</b> | <b>286,835</b> | <b>306,814</b> | <b>328,964</b> | <b>351,145</b> |
| <b>Total liabilities</b>            | <b>151,754</b> | <b>207,451</b> | <b>245,156</b> | <b>265,129</b> | <b>287,886</b> | <b>402,143</b> | <b>435,043</b> | <b>467,964</b> | <b>500,955</b> |
| <b>Total equity and liabilities</b> | <b>228,254</b> | <b>301,624</b> | <b>362,279</b> | <b>397,616</b> | <b>427,045</b> | <b>574,566</b> | <b>631,254</b> | <b>688,866</b> | <b>749,985</b> |

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)       |
| <b>Net cash generated from operating activities</b> | <b>16,394</b>  | <b>6,087</b>    | <b>10,410</b>   | <b>6,131</b>   | <b>4,421</b>   | <b>(20,594)</b> | <b>(2,874)</b> | <b>(401)</b> | <b>(441)</b>   |
| 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)          |
| <b>Net cash generated from Investing activities</b> | <b>(5,307)</b> | <b>(12,665)</b> | <b>(13,544)</b> | <b>(6,138)</b> | <b>(3,536)</b> | <b>(3,403)</b>  | <b>(3,419)</b> | <b>(826)</b> | <b>(237)</b>   |
| 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)       |
| <b>Net cash generated from financing activities</b> | <b>(5,816)</b> | <b>13,463</b>   | <b>18,036</b>   | <b>1,919</b>   | <b>(1,269)</b> | <b>41,646</b>   | <b>11,017</b>  | <b>2,748</b> | <b>(972)</b>   |
| <b>Increase in cash and cash equivalents</b>        | <b>5,271</b>   | <b>6,885</b>    | <b>14,902</b>   | <b>1,912</b>   | <b>(384)</b>   | <b>17,649</b>   | <b>4,724</b>   | <b>1,520</b> | <b>(1,650)</b> |
| 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



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