

20 July 2018

Hold  
Unchanged

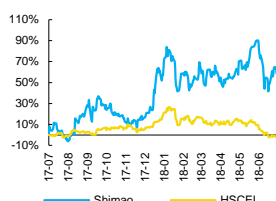
## 预计中期业绩增两成，维持中性评级

### 世茂房地产 (813:HK)

#### Market Data: 19 July 2018

Closing Price (HK\$)	20.95
Price Target (HK\$)	19.60
HSCEI	10,523
HSCCI	4,208
52-week High/Low (HK\$)	26.20/13.14
Market Cap (USD Mn)	9,041
Market Cap (HK\$ Mn)	70,958
Shares Outstanding (Mn)	3,387
Exchange Rate (RMB-HK\$)	1.16

#### Price Performance Chart:



Source: Bloomberg

#### Analyst

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#### Related Reports

Mixed outlook, Jun6, 2018

Gearing up, Mar28, 2018

Management change, Jan23, 2018

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 (Rmbm)	59,286	70,426	89,789	107,229	128,103
YoY (%)	3%	19%	27%	19%	19%
Underlying net income (Rmbm)	6,251	6,930	8,410	10,060	11,595
YoY (%)	1%	11%	21%	20%	15%
EPS (Rmb)	1.51	2.32	2.67	3.27	3.80
Core EPS (Rmb)	1.82	2.05	2.50	2.99	3.44
ROE (%)	12.2%	12.6%	13.9%	14.9%	15.3%
Net Gearing (%)	59%	63%	72%	74%	70%
Dividend Yield (%)	7.7%	4.9%	5.1%	6.1%	7.0%
PE (x)	4.8	8.5	6.9	5.8	5.0
PB (x)	0.6	1.0	0.9	0.8	0.7

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.

我们预计世茂房地产今年上半年将实现核心净利润同比增长约 20%，同期净负债率将小幅上升 5-10 个百分点至 70%左右。此外，公司自 7 月初开始连续回购股票，并将于 7 月末开始进入静默期。考虑到近期政策风险带来的负面影响，我们将公司目标价从 22.4 港币调整至 19.6 港币，并维持中性评级。

**合约销售。**公司于今年上半年实现合约销售金额 720 亿元，同比增速达 60%（相比同期板块平均增速为 37%），较公司全年再增四成的 1400 亿元销售目标完成率达 52%（相比板块平均完成率为 51%）。与此同时，公司今年上半年合约销售面积同比增长 66%至 450 万平米，同期合约销售均价同比小幅下降 4%至 16040 元/平米。为达成公司设定的全年销售目标，公司今年下半年需完成合约销售金额 680 亿元（同比增长 23%），而当前调控新政如棚改货币化安置收紧等，将使得今年下半年的销售有所承压。

**积极拿地。**公司在 2018 年继续积极拿地，于今年上半年新增约 40 个项目，拿地权益金额同比增长 33%至 300 亿元。此前，公司自去年开始显著加速拿地步伐，于 2017 年全年新增 51 个项目（相比 2015/2016 年分别为 14 个/25 个），拿地权益金额为 680 亿元（相比 2015/2016 年分别为 200 亿元/300 亿元）。此外，公司在今年年初将全年权益土地款预算定为 780 亿元，较去年再增 15%。我们计算公司总土储达 5000 万平米，权益土储为 3600 万平米，覆盖全国约 50 个城市，平均土地成本为 5100 元/平米，占目前销售均价约 32%。按区域划分来看，一线城市和二线城市占总土储的比例分别为 10%和 50%，其余 40%则位于三四线城市。

**中报前瞻。**公司将于 8 月中下旬公告中期业绩，我们预计其归属于股东的核心净利将同比增长约 20%，主要受益于双位数的收入增长，以及小幅改善的毛利率（预计将从 2017 年上半年的 30%提升至 2018 年上半年的 31%）。此外，伴随公司自 2017 年开始至今大幅增加的土储支出，公司净负债率将持续上升，但相比其他更为激进的同行，仍将维持在健康水平。若将 42 亿元永续债作为负债考虑，我们预计公司净负债率将从 2017 年末的 63%上升至 2018 年中的 67-72%，相对应地，若将 42 亿元永续债作为权益考虑，我们估算公司净负债率将从 2017 年末的 56%上升至 2018 年中的 60-65%。同时，我们预计公司的平均融资成本将从 2015-2017 年的 6.9%、5.8%和 5.3%进一步上升至 2018 年上半年的 5.5-6.0%。

**股票回购。**6 月末以来，受行业调控新政以及人民币贬值影响，板块整体有所回调，世茂自 7 月 5 日开始，累计斥资约 8 亿港元于交易日连续回购股票共计 3900 万股。上一轮股票回购可追溯至 2016 年下半年，当时世茂于 7 月至 12 月共计斥资约 8 亿港元回购股票 8600 万股。我们预计此次股票回购金额将不会超过 20 亿港元。

**维持中性。**我们认为公司未来两大风险点在于销售可能承压以及融资持续收紧。我们维持对公司 2018-2020 年每股核心净利的谨慎预测，分别为 2.50 元（同比增长 21%）、2.99 元（同比增长 20%）和 3.45 元（同比增长 15%）。我们维持公司每股净资产值为 28.0 港币，并将目标净资产值折价从 20%扩大至 30%，由此得到新目标价为 19.6 港币（相比原目标价为 22.4 港币）。考虑到目前股价较新目标价存在约 6%的下行空间，我们维持世茂房地产中性评级。

We expect Shimao Property to deliver c.20% YoY growth in core earnings in 1H18E, with net gearing up by 5-10 ppts to c.70%. Earlier this month the company began reporting a series of share buybacks. We maintain our diluted EPS forecasts of Rmb2.62 in 18E (+15% YoY), Rmb3.21 in 19E (+23% YoY), and Rmb3.73 in 20E (+16% YoY). We cut our target price from HK\$22.40 to HK\$19.60 to factor in negative impact from new policy headwinds, and, with 6% downside, we maintain our Hold rating.

**Contract sales.** Shimao 1H18 contract sales hit Rmb72bn (+60% YoY, vs sector average of 37%), or 52% of its 2018 target at Rmb140bn (+40% YoY), vs a sector average ratio at 51%. In total, the firm sold 4.5msqm in 1H18 (+66% YoY), while average selling price (ASP) dropped 4% YoY to Rmb16,040/sqm. Its full-year target implies sales of Rmb68bn in 2H18 (+23% YoY), which is likely made harder by recent policies such as curtailed cash payouts for relocated residents of urban slums scheduled for clearance.

**Land replenishment.** Shimao added c.40 projects newly in 1H18 for c.Rmb30bn (+c.33% YoY), representing an acceleration of land purchases since last year, when it acquired 51 projects (vs 14 in 2015 and 25 in 2016), representing a value attributable to the firm's share in the projects of Rmb68bn (vs Rmb20bn in 2015 and Rmb30bn in 2016). In early 2018, it announced a full-year replenishment target of Rmb78bn (+15% YoY). We calculate its total land reserves at c.50msqm (or c.36mn sqm attributable to the firm) across 50 cities in China, with an average floor cost exceeding Rmb5,100/sqm or 32% of the current ASP. The four largest cities in China ("tier-1" cities) accounted for c.10% of the firm's land bank; provincial capitals and major population centres ("tier-2" cities) accounted for c.50%.

**Interim results.** Shimao will announce interim results in late August. We expect c.20% YoY growth in core earnings attributable to shareholders, driven by double-digit top-line growth and a gross margin improvement from c.30% in 1H17 to c.31% in 1H18. Following a sharp rise in land expenditure since last year, leverage has increased, though it remains under control compared with more aggressive peers. We forecast Shimao's gearing ratio may rise from 63% at end-2017 to 67-72% as at end-June (or, if we consider its perpetual securities as equity, from 56% as of end-2017 to 60-65%). Meanwhile, we expect its average cost of funding rebounded from 5.3% in 2017 to 5.5-6.0% in 1H18.

**Shares buyback.** Amid a recent sector-wide correction, triggered by policy tightening and renminbi depreciation in late June, Shimao began to buy back shares on each trading day since 5 July, buying a total of 39m shares for c.HK\$800m. The firm's previous buyback spree in July to December 2016 saw it spend c.HK\$800mn for c.86m shares. We do not expect the current buyback to exceed HK\$2bn.

**Maintain Hold.** We see pressure on the firm's sales outlook and difficulty in refinancing as two major risks for the firm. We maintain our cautious core EPS forecasts of Rmb2.50 in 18E (+21% YoY), Rmb2.99 in 19E (+20% YoY), Rmb3.45 in 20E (+15% YoY), and maintain our net asset value (NAV) estimate at HK\$28.00. We enlarge our target NAV discount from 20% to 30%, and cut our target price from HK\$22.40 to HK\$19.60. With 6% downside, we maintain our Hold rating.

## Contract sales

We expect Shimao Property to deliver c.20% YoY growth in core earnings in 1H18E, with net gearing up by 5-10 ppts to c.70%. Earlier this month the company began reporting a series of share buybacks.

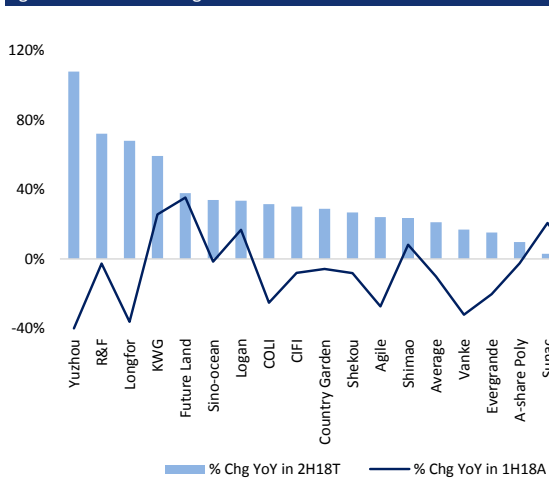
Shimao achieved contract sales of Rmb72bn in 1H18 (+60% YoY, vs sector average of 37%), or 52% of its 2018 target at Rmb140bn (+40% YoY), vs a sector average ratio at 51%. In total, the firm sold 4.5msqm in 1H18 (+66% YoY), while the average selling price (ASP) dropped 4% YoY to Rmb16,040/sqm. To meet its full-year target, the firm needs to complete sales of Rmb68bn in 2H18 (+23% YoY), which is likely made more challenging by recent policies such as curtailed cash compensation for relocated residents of urban slums scheduled for clearance.

Fig 1: Contract sales of key listed Chinese developers in 1H18

Listcos	Monthly Contracted Sales (Rmb bn)						% Chg YoY, Monthly						YoY					1H18 as % of 18T	
	Jan -18	Feb -18	Mar -18	Apr -18	May -18	Jun -18	Jan -18	Feb -18	Mar -18	Apr -18	May -18	Jun -18	1H18	YoY in 1H18	18T	YoY in 18T	2H18T		YoY in 2H18T
China Jinmao	16.7	14.0	8.1	10.0	8.1	15.0	745%	570%	46%	435%	137%	62%	72	198%	92	60%	20	-39%	78%
Future Land	10.3	8.8	18.8	12.7	16.6	28.1	110%	67%	45%	39%	86%	255%	95	94%	200	60%	105	38%	48%
KWG	5.6	4.1	5.1	5.3	5.6	6.8	155%	128%	35%	82%	44%	107%	32	82%	65	70%	32	59%	50%
Sunac	22.2	19.1	30.8	35.2	38.3	46.0	173%	88%	38%	84%	86%	61%	192	76%	450	25%	258	3%	43%
Logan	4.2	4.1	7.6	4.8	8.2	4.2	108%	100%	120%	22%	101%	10%	33	71%	66	50%	33	34%	50%
Shimao	10.0	7.1	15.8	8.1	10.6	20.7	96%	36%	54%	30%	50%	83%	72	60%	140	40%	68	23%	52%
CR Land	11.2	7.6	17.4	14.2	15.6	28.3	9%	-9%	47%	34%	29%	181%	94	49%	183	20%	88	-1%	52%
Sino-ocean	3.5	4.5	8.0	7.5	7.2	14.4	83%	19%	26%	36%	63%	70%	45	48%	100	40%	55	34%	45%
R&F	6.5	5.8	11.8	8.9	10.5	13.5	75%	42%	45%	21%	44%	63%	57	47%	130	60%	73	72%	44%
A-share Poly	31.6	21.6	33.6	32.5	35.7	60.2	106%	61%	18%	24%	43%	58%	215	47%	400	27%	185	10%	54%
Country Garden	69.2	54.7	64.1	69.6	77.2	77.8	42%	41%	1%	30%	93%	74%	412	43%	750	36%	338	29%	57%
CIFI	10.1	6.8	10.2	11.0	12.7	15.2	17%	24%	12%	49%	70%	69%	66	40%	140	35%	74	30%	47%
Merchant Shekou	11.8	7.2	12.3	10.4	10.2	23.2	77%	-18%	11%	33%	14%	122%	75	40%	150	33%	75	27%	50%
Evergrande	64.4	48.1	49.4	50.4	41.8	50.1	73%	54%	28%	33%	10%	-18%	304	25%	600	20%	296	15%	53%
COLI	20.7	13.2	18.8	16.5	21.9	31.3	30%	10%	5%	6%	30%	25%	122	18%	258	25%	136	32%	47%
Agile	7.0	5.6	8.9	8.3	8.7	8.4	51%	-13%	-14%	38%	67%	6%	47	16%	97	20%	50	24%	48%
Vanke	68.0	35.6	50.7	41.9	42.9	65.6	41%	-8%	-20%	0%	19%	34%	305	10%	600	13%	295	17%	53%
Poly Property	4.9	1.4	3.4	4.7	6.5	3.2	14%	0%	-21%	9%	71%	-22%	24	9%	38	0%	14	-12%	63%
Longfor	16.0	13.3	14.8	14.6	17.5	21.0	33%	7%	-21%	-14%	11%	24%	97	5%	200	30%	103	68%	49%
Yuzhou	2.8	3.1	4.5	4.0	4.1	3.0	34%	2%	-11%	3%	3%	-13%	21	0%	60	50%	39	108%	36%
<b>Total/Average</b>	<b>396</b>	<b>286</b>	<b>394</b>	<b>370</b>	<b>400</b>	<b>536</b>	<b>62%</b>	<b>31%</b>	<b>10%</b>	<b>27%</b>	<b>44%</b>	<b>44%</b>	<b>2,382</b>	<b>37%</b>	<b>4,719</b>	<b>29%</b>	<b>2,336</b>	<b>21%</b>	<b>51%</b>

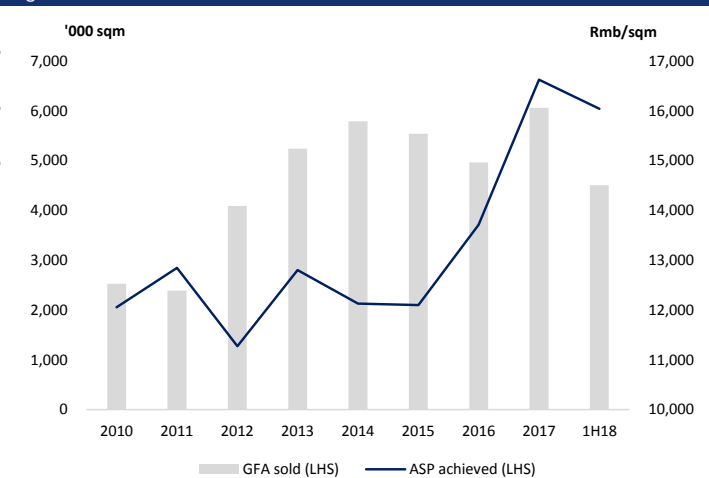
Source: Company data, SWS Research

Fig 2: Contracted sales growth in 1H18A and 2H18T



Source: Company data, SWS Research

Fig 3: ASP achieved



Source: Company data, SWS Research

## Land replenishment

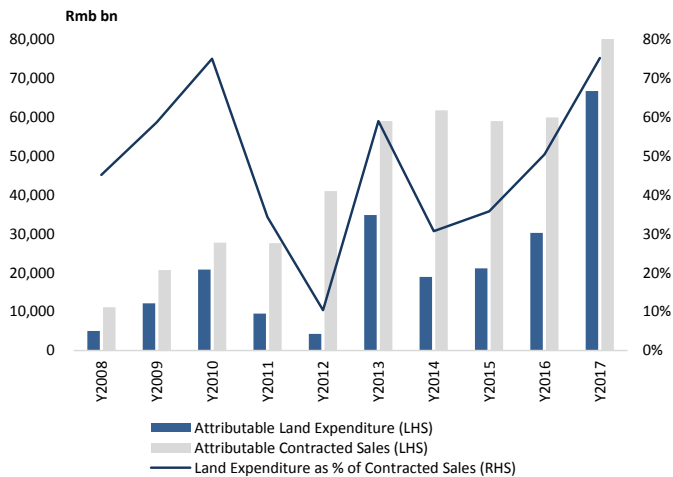
Shimao remained proactive on the land market this year with c.40 projects newly added in 1H18 for a total cost at c.Rmb30bn (+c.33% YoY). The company has significantly accelerated its land purchases since last year, with 51 projects acquired in 2017 (vs 14 in 2015 and 25 in 2016), representing a value attributable to the firm's share in the projects of Rmb68bn (vs Rmb20bn in 2015 and Rmb30bn in 2016). In early 2018, it announced a full-year replenishment target of Rmb78bn (+15% YoY). We calculate its total land reserves at c.50msqm (or c.36mn sqm attributable to the firm) across 50 cities in China, with an average floor cost exceeding Rmb5,100/sqm or 32% of the current ASP. The four largest cities in China ("tier-1" cities) accounted for c.10% of the firm's land bank; provincial capitals and major population centres ("tier-2" cities) accounted for c.50%.

Fig 4: Land expenditure and the corresponding percentage of attributable contracted sales, 2009-1H18

	Land purchase by value (Rmb bn)										As % of contracted Sales									
	09A	10A	11A	12A	13A	14A	15A	16A	17A	1H18	09A	10A	11A	12A	13A	14A	15A	16A	17A	1H18
Listcos																				
CIFI	2	2	3	3	11	6	13	13	45	33	36%	47%	83%	39%	100%	41%	65%	44%	90%	91%
Country Garden	3	7	8	10	28	16	43	128	327	125	15%	20%	19%	21%	27%	13%	34%	54%	85%	43%
Shimao	12	21	10	4	35	19	21	30	67	30	54%	68%	33%	9%	52%	27%	31%	44%	75%	52%
Longfor	18	19	9	19	15	18	24	53	81	51	100%	58%	24%	47%	34%	41%	52%	81%	74%	75%
COLI	23	21	24	36	51	42	71	76	105	45	54%	39%	34%	40%	46%	37%	46%	42%	55%	41%
Vanke	25	59	25	44	75	29	79	125	196	71	39%	55%	20%	31%	44%	13%	30%	34%	52%	33%
CR land	19	10	11	6	28	22	29	47	65	51	78%	47%	30%	11%	42%	32%	34%	43%	50%	64%
Poly Ppty	12	13	4	2	9	11	3	2	8	6	148%	112%	25%	9%	34%	46%	9%	6%	26%	31%
Average	114	152	94	124	252	163	283	474	894	412	66%	56%	34%	26%	47%	31%	38%	44%	63%	54%

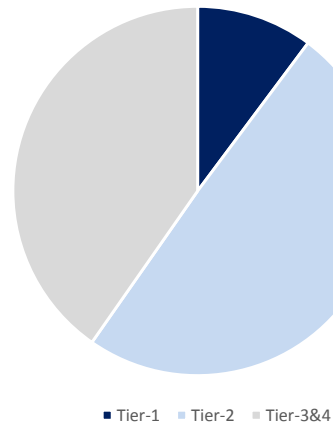
Source: Company data, SWS Research

Fig 5: Land expenditure in 2008-2017



Source: Company data, SWS Research

Fig 6: Land reserve breakdown by tier of cities

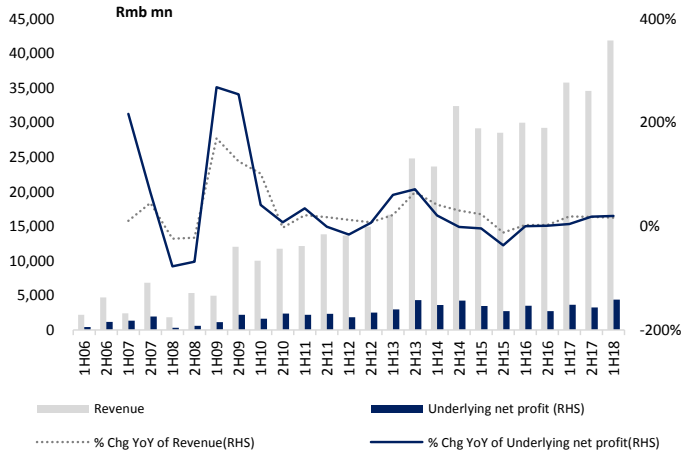


Source: Company data, SWS Research

## Interim results

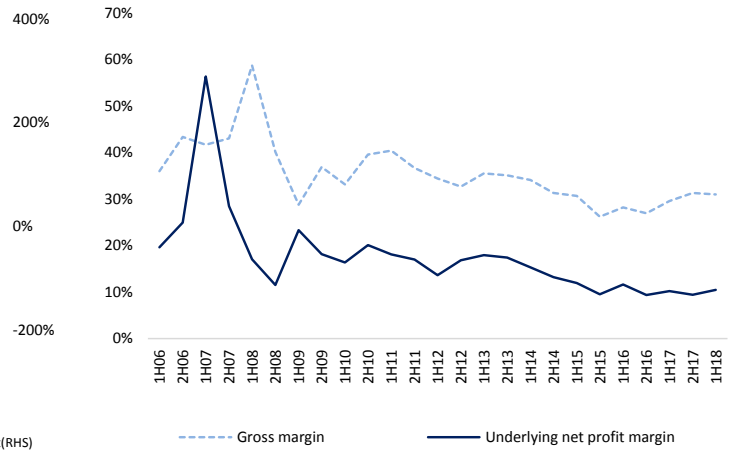
Shimao will announce interim results in late August. We expect c.20% YoY growth in core earnings attributable to shareholders, driven by double-digit top-line growth and a gross margin improvement from c.30% in 1H17 to c.31% in 1H18. Following a sharp rise in land expenditure since last year, leverage has increased, though it remains under control compared with more aggressive peers. We forecast Shimao's gearing ratio may rise from 63% at end-2017 to 67-72% as at end-June (or, if we consider its perpetual securities as equity, from 56% as of end-2017 to 60-65%). Meanwhile, we expect its average cost of funding rebounded from 5.3% in 2017 to 5.5-6.0% in 1H18.

Fig 7: Revenue and underlying net profit with growth, 2006-1H18



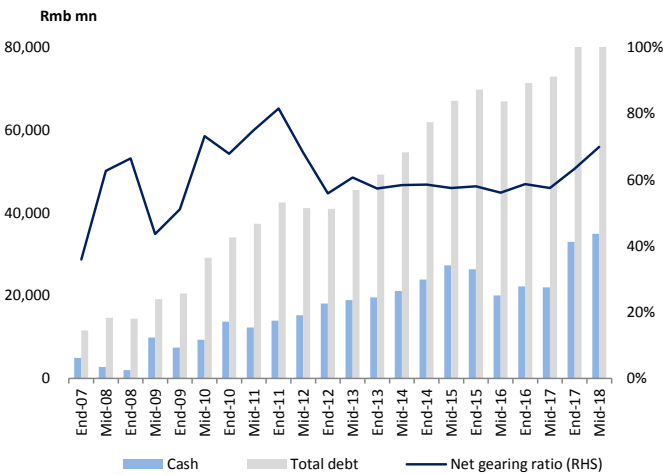
Source: Company data, SWS Research

Fig 8: Gross margin and net profit margin, 2006-1H18



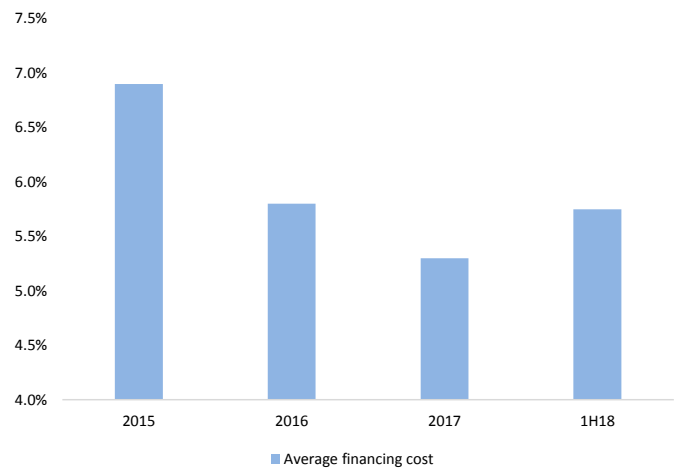
Source: Company data, SWS Research

Fig 9: Cash, debt and net gearing, 2007-1H18



Source: Company data, SWS Research

Fig 10: Average borrowing cost, 2015-1H18

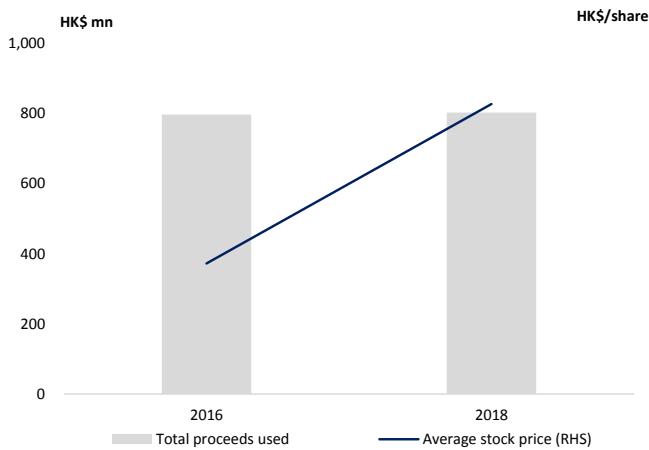


Source: Company data, SWS Research

## Shares buyback

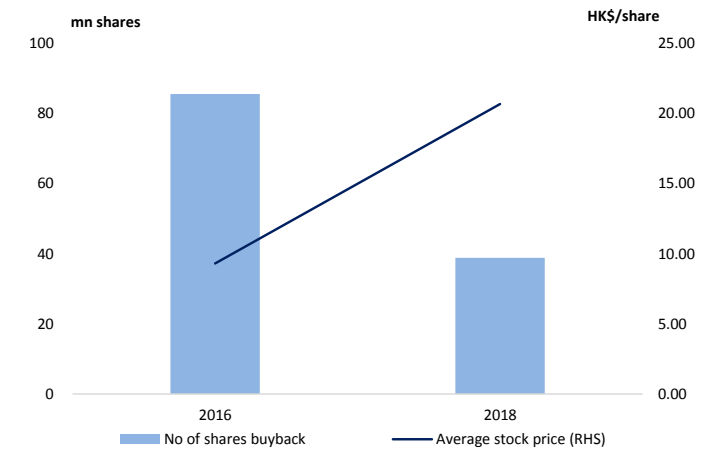
Amid a recent sector-wide correction, triggered by policy tightening and renminbi depreciation in late June, Shimao began to buy back shares on each trading day since 5 July, buying a total of 39m shares for c.HK\$800m. The firm's previous buyback spree in July to December 2016 saw it spend c.HK\$800mn for c.86m shares. We do not expect the current buyback to exceed HK\$2bn.

Fig 11: Total proceeds used and average stock price thereof, 2016-2018



Source: Company data, SWS Research

Fig 12: Numbers of shares buyback and average stock price thereof, 2016-2018



Source: Company data, SWS Research

## Maintain Hold

We see pressure on the firm’s sales outlook and difficulty in refinancing as two major risks for the firm. We maintain our cautious core EPS forecasts of Rmb2.50 in 18E (+21% YoY), Rmb2.99 in 19E (+20% YoY), Rmb3.45 in 20E (+15% YoY), and maintain our net asset value (NAV) estimate at HK\$28.00. We enlarge our target NAV discount from 20% to 30%, and cut our target price from HK\$22.40 to HK\$19.60. With 6% downside, we maintain our Hold rating

Fig 13: Valuation and target price

Company	Code	Market Cap (HK\$bn)	Rating	Target price (HK\$)	PE (x)			PB (x)			NAV Disc	17A Dividend yield	Share performance	
					17E	18E	19E	17E	18E	19E			2017	2018
COLI	688 HK	259	Hold	28.00	7.6	6.7	5.8	1.0	0.9	0.8	-32%	3.4%	3.7%	25%
Country Garden	2007 HK	264	Outperform	17.3	8.8	7.4	5.9	2.3	1.8	1.5	-32%	4.0%	4.7%	248%
CR land	1109 HK	186	Outperform	32.51	9.7	7.7	6.3	1.3	1.1	1.0	-34%	3.6%	4.5%	36%
Longfor	960 HK	117	Outperform	27.50	9.9	7.9	6.3	1.4	1.2	1.0	-26%	4.6%	5.0%	106%
Shimao	813 HK	71	Hold	19.60	8.4	6.9	5.8	1.0	0.9	0.8	-25%	4.8%	5.0%	73%
Sino-ocean	3377 HK	32	Outperform	6.84	6.6	5.3	4.4	0.5	0.4	0.4	-65%	7.4%	7.4%	60%
KWG	1813 HK	25	Hold	10.62	6.0	5.0	4.5	0.8	0.7	0.6	-41%	5.9%	7.0%	128%
Poly Ppty	119 HK	11	Outperform	4.75	7.8	4.1	3.4	0.4	0.4	0.3	-61%	4.4%	7.3%	58%
Yuzhou	1628 HK	18	Outperform	5.88	4.7	3.9	3.1	1.1	1.0	0.8	-49%	6.3%	8.9%	74%
Average					7.7	6.1	5.0	1.1	0.9	0.8	-41%	4.9%	6.0%	90%

Source: Bloomberg, Company data, SWS Research



# Appendix, Financial statements

Figure 1: Forecast Income Statement

(RMB mn)	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
<b>Revenue</b>	<b>41,502</b>	<b>56,081</b>	<b>57,733</b>	<b>59,286</b>	<b>70,426</b>	<b>89,789</b>	<b>107,229</b>	<b>128,103</b>
Property sales	39,503	53,567	54,595	56,197	66,796	85,830	102,910	123,389
Property rentals	556	687	739	710	680	714	750	787
Hotel mgmt revenue	979	1,178	1,302	1,466	1,708	1,879	2,067	2,273
Others	465	648	1,097	913	1,242	1,366	1,503	1,653
<b>Cost of Sales</b>	<b>(26,862)</b>	<b>(37,855)</b>	<b>(41,285)</b>	<b>(42,938)</b>	<b>(48,996)</b>	<b>(61,888)</b>	<b>(75,133)</b>	<b>(91,903)</b>
<b>Gross Profit</b>	<b>14,641</b>	<b>18,225</b>	<b>16,448</b>	<b>16,349</b>	<b>21,430</b>	<b>27,901</b>	<b>32,096</b>	<b>36,200</b>
Revaluation gains	1,031	1,511	2,777	1,997	679	1,019	1,529	1,605
Other income	845	502	1,571	839	545	488	467	468
Distribution expenses	(1,306)	(1,496)	(1,615)	(1,353)	(1,462)	(2,047)	(2,660)	(3,459)
Administrative expenses	(2,283)	(2,808)	(3,278)	(2,743)	(2,990)	(3,438)	(3,954)	(4,547)
Other operating expenses	(592)	(263)	(288)	(269)	(524)	(550)	(577)	(606)
<b>EBIT</b>	<b>12,336</b>	<b>15,671</b>	<b>15,614</b>	<b>14,820</b>	<b>17,679</b>	<b>23,374</b>	<b>26,900</b>	<b>29,661</b>
Profits from JCEs	843	(175)	(483)	(448)	(315)	(325)	(335)	(345)
Finance Costs	(122)	(241)	(1,409)	(1,176)	1,328	(436)	(510)	(561)
<b>Profit before tax</b>	<b>13,057</b>	<b>15,256</b>	<b>13,722</b>	<b>13,196</b>	<b>18,692</b>	<b>22,613</b>	<b>26,055</b>	<b>28,755</b>
Tax expense	(4,832)	(5,769)	(5,564)	(5,685)	(8,121)	(10,627)	(11,743)	(12,334)
Inc tax	(2,725)	(3,929)	(3,868)	(3,674)	(4,108)	(5,735)	(6,597)	(7,275)
LAT	(2,107)	(1,840)	(1,696)	(2,012)	(4,013)	(4,892)	(5,146)	(5,059)
Deferred								
<b>Profit for the year</b>	<b>8,225</b>	<b>9,488</b>	<b>8,159</b>	<b>7,510</b>	<b>10,571</b>	<b>11,986</b>	<b>14,312</b>	<b>16,421</b>
Minority interests	(836)	(1,384)	(2,043)	(2,339)	(2,730)	(3,002)	(3,296)	(3,622)
<b>Profit attr to shareholders</b>	<b>7,390</b>	<b>8,104</b>	<b>6,116</b>	<b>5,172</b>	<b>7,840</b>	<b>8,984</b>	<b>11,016</b>	<b>12,799</b>
Dividends paid	(2,196)	(2,456)	(1,985)	(2,465)	(2,896)	(2,943)	(3,521)	(4,058)
<b>Basic EPS (RMB)</b>	2.13	2.34	1.77	1.506	2.32	2.67	3.27	3.80
<b>Diluted EPS (RMB)</b>	2.13	2.34	1.76	1.504	2.32	2.66	3.26	3.79
<b>DPS (RMB)</b>	0.63	0.74	0.59	0.68	0.86	0.87	1.04	1.20
<b>Core EPS (RMB)</b>	2.11	2.29	1.79	1.82	2.05	2.50	2.99	3.44

Source: Company data, SWS Research

Figure 2: Forecast Balance Sheet

(RMB mn)	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Land use rights	5,645	7,287	7,922	8,219	8,177	8,994	9,894	10,883
Investment property	26,942	26,976	30,025	32,271	34,036	35,565	37,858	40,266
PP&E	10,378	11,952	11,572	13,494	13,514	13,649	13,786	13,923
JV Assets	7,015	9,792	10,683	10,096	14,947	16,441	18,086	19,894
Others	7,839	7,641	9,115	8,634	14,354	15,072	15,825	16,616
<b>Non-current assets</b>	<b>57,819</b>	<b>63,648</b>	<b>69,318</b>	<b>72,713</b>	<b>85,027</b>	<b>89,721</b>	<b>95,448</b>	<b>101,583</b>
Properties under development	62,560	83,540	100,727	101,568	102,676	113,798	121,170	124,347
Completed properties held for sale	11,605	21,167	18,140	18,775	18,000	17,820	17,642	17,465
Cash and cash equivalents	17,026	20,472	22,592	19,359	28,537	27,349	25,308	26,979
Restricted cash	2,547	3,463	3,818	2,876	4,469	4,693	4,927	5,174
Receivable	11,217	12,457	14,787	20,257	15,584	16,363	17,181	18,040
Pre-paid land premiums	9,632	12,753	11,134	17,951	21,606	22,686	23,820	25,011
Others	3,362	3,034	3,739	8,405	31,659	33,989	36,362	38,855
<b>Current assets</b>	<b>117,949</b>	<b>156,886</b>	<b>174,937</b>	<b>189,190</b>	<b>222,531</b>	<b>236,698</b>	<b>246,411</b>	<b>255,871</b>
<b>Total assets</b>	<b>175,768</b>	<b>220,533</b>	<b>244,255</b>	<b>261,903</b>	<b>307,558</b>	<b>326,419</b>	<b>341,859</b>	<b>357,454</b>
Share capital and premiums	356	356	356	349	349	349	349	349
Retained earnings	41,386	46,507	49,805	52,107	57,286	63,327	70,822	79,563
<b>Majority interests</b>	<b>41,742</b>	<b>46,863</b>	<b>50,162</b>	<b>52,456</b>	<b>57,635</b>	<b>63,676</b>	<b>71,171</b>	<b>79,912</b>
Minority interests	10,110	18,120	24,588	31,261	34,912	35,959	37,038	38,149
Perpetual securities				4,500	4,200	4,200	4,200	4,200
<b>Total equity</b>	<b>51,852</b>	<b>64,983</b>	<b>74,749</b>	<b>88,217</b>	<b>96,747</b>	<b>103,835</b>	<b>112,409</b>	<b>122,261</b>
Borrowings	37,554	43,269	52,867	49,188	69,309	82,309	89,309	94,309
Deferred Tax	3,985	4,339	5,858	5,889	6,025	6,327	6,643	6,975
<b>Non-current liabilities</b>	<b>41,539</b>	<b>47,609</b>	<b>58,726</b>	<b>55,077</b>	<b>75,335</b>	<b>88,636</b>	<b>95,952</b>	<b>101,284</b>
Advanced sales proceeds	29,901	33,220	30,767	31,903	34,117	35,823	37,614	39,495
Trade Payable	20,995	29,866	25,963	27,308	33,524	35,200	36,961	38,809
Borrowings	11,775	18,725	16,954	17,755	18,195	17,695	17,195	16,695
Tax payable	9,327	11,018	12,460	13,683	15,641	16,423	17,245	18,107
Payable to partners	10,336	14,731	24,448	27,789	33,869	28,788	24,470	20,800
Others	43	381	189	171	131	18	12	4
<b>Current liabilities</b>	<b>82,377</b>	<b>107,942</b>	<b>110,780</b>	<b>118,609</b>	<b>135,477</b>	<b>133,949</b>	<b>133,497</b>	<b>133,909</b>
<b>Total liabilities</b>	<b>123,916</b>	<b>155,550</b>	<b>169,505</b>	<b>173,686</b>	<b>210,812</b>	<b>222,585</b>	<b>229,449</b>	<b>235,193</b>
<b>Total equity and liabilities</b>	<b>175,768</b>	<b>220,533</b>	<b>244,255</b>	<b>261,903</b>	<b>307,559</b>	<b>326,420</b>	<b>341,858</b>	<b>357,454</b>

Source: Company data, SWS Research

**Figure 3: Forecast Cash Flow Statement**

(RMB mn)	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Cash generated from/(used in) operations	(4,012)	(4,068)	5,096	6,000	23,323	11,000	10,000	13,000
Tax and Interest payment	(6,935)	(8,695)	(9,799)	(9,460)	(11,844)	(12,436)	(13,058)	(13,711)
Others	26	809	2,495					
<b>Net cash generated from operating activities</b>	<b>(10,921)</b>	<b>(11,954)</b>	<b>(2,208)</b>	<b>(3,460)</b>	11,479	<b>(1,436)</b>	<b>(3,058)</b>	<b>(711)</b>
Acquisitions	(907)	(1,585)	(2,364)	(2,395)	(25,957)	(12,979)	(6,489)	(2,596)
Others	(5,113)	1,390	1,321	(3,006)	2,952	3,100	3,410	3,444
<b>Net cash generated from Investing activities</b>	<b>(6,020)</b>	<b>(195)</b>	<b>(1,043)</b>	<b>(5,401)</b>	<b>(23,005)</b>	<b>(9,879)</b>	<b>(3,080)</b>	<b>848</b>
Proceeds from issuance of shares				(795)	(65)			
Net borrowings	8,335	12,665	7,827	(81)	22,290	12,500	6,500	4,500
Dividend payment	(1,549)	(2,196)	(2,456)	(2,325)	(2,541)	(2,896)	(2,943)	(3,521)
Others	11,399	4,912		8,804	1,044	524	539	556
<b>Net cash generated from financing activities</b>	<b>18,185</b>	<b>15,381</b>	<b>5,371</b>	<b>5,603</b>	<b>20,728</b>	<b>10,127</b>	<b>4,096</b>	<b>1,535</b>
<b>Increase in cash and cash equivalents</b>	<b>1,244</b>	<b>3,232</b>	<b>2,119</b>	<b>(3,258)</b>	<b>9,202</b>	<b>(1,188)</b>	<b>(2,042)</b>	<b>1,672</b>
Cash and cash equivalents at beginning of year	15,894	17,026	20,472	22,591	19,359	28,537	27,349	25,308
Exchange losses on cash and cash equivalents	(113)	215		26	(24)			
Cash and cash equivalents at end of the year	17,026	20,472	22,591	19,359	28,537	27,349	25,308	26,979

Source: Company data, SWS Research



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