

17 January 2019

Hold
Downgrade

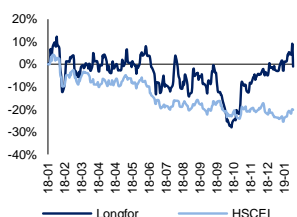
估值已较充分，下调龙湖评级至中性

龙湖集团 (00960 HK)

Market Data: 17 January 2019

Closing Price (HK\$)	22.45
Price Target (HK\$)	24.65
HSCEI	10,512
HSCCI	4,287
52-week High/Low (HK\$)	27.70/16.08
Market Cap (USD Mn)	17,008
Market Cap (HK\$ Mn)	133,416
Shares Outstanding (Mn)	5,943
Exchange Rate (RMB-HK\$)	1.16

Price Performance Chart:



Source: Bloomberg

Analyst

Kris Li
A0230511040076
ARG379
lihong@swsresearch.com

Related Reports

House keeper, Aug22, 2018
New era, Mar26, 2018
Rental yield, Jan23, 2018

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)	54,799	72,074	94,815	118,604	148,371
YOY (%)	16%	32%	32%	25%	25%
Underlying Net income (Rmbm)	7,760	9,770	12,644	15,719	19,634
YOY (%)	12%	26%	29%	24%	25%
EPS (Rmb)	1.57	2.17	2.80	3.30	3.98
Core EPS (Rmb)	1.33	1.68	2.16	2.64	3.30
ROE (%)	13.3%	14.8%	16.6%	17.7%	19.0%
Net Gearing (%)	54%	48%	54%	54%	50%
Dividend Yield (%)	5.3%	3.8%	4.4%	5.4%	6.7%
P/E (x)	6.6	11.7	9.2	7.5	6.0
P/B (x)	0.8	1.6	1.4	1.2	1.1

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.

我们预计龙湖集团 18 年核心净利润有望增长三成，且资产负债表维持强劲。但我们认为公司股价自去年 10 月底反弹至今已经超过五成，目前的估值已经显著超出多数同业，我们微调目标价至 24.65 港元，将评级从增持调至中性。

公司 2018 年实现合约销售 2000 亿人民币，同比增长 29%，与此前给出的全年销售目标一致，其中销售面积增长 22% 至 1240 万方，销售均价增长 6% 至每平方米 16231 元。但鉴于同业更快的增速，公司在全国房地产行业规模排名中，较 2017 年的第八位退后两位至第 10 位，被华润置地和新城控股赶超。我们看到龙湖在 2015 年以来的此轮行业上行周期中较好地把握了增长机会，公司 16 和 17 年的合约销售增速分别达到 62% 和 77%，即便考虑权益从此前的超过八成降到最近两年的七成左右，增速也仍然较为可观。而自 2018 年开始，公司销售增长开始步入稳健通道，鉴于 2019 年经济展望的不确定性，我们认为公司不会设定较为激进的销售目标，低两位数增长是大概率事件。

而与多数同业在 2018 年下半年显著放缓购地速度不同，良好的财务状况支持龙湖在地价下行时期仍有能力捕捉机会。2018 年全国公司权益购地支出超过 870 亿，较 17 年的 810 亿仍有进一步增长，公司增加的权益土地储备面积超过 1300 万方，也较 2017 年的 1100 万方增长接近两成，而平均土地购置成本较 16 年的 8032 元和 17 年的 8220 元显著走低，约为 6700 元。我们发现在这一轮市场热潮中，公司仍然选择了较为保守的城市扩张战略，仅有限地进入了部分强三线城市而并未将触角延伸到更低阶城市，公司目前为止仍仅进入 45 个城市，较同等销售规模的同业显著为少。到 18 年底，我们计算公司权益土地储备大约 4300 万方，平均成本 5500 元，相当于 18 年销售均价的 34%。以土地储备面积计，一二三线城市占比分别为 6%，65% 和 29%，以土地价值计，一二三线城市占比分别为 19%，72% 和 9%。

我们略微上调 18-20 年营业收入预测 1.1%、0.7% 和 0.3% 至 948 亿（同比增 32%）、1186 亿（同比增 25%）、1484 亿（同比增 25%），主要基于更高的租金收入增速，并因此上调 18-20 年核心每股净利 2.9%、0.5%、1.1% 至 2.16 元（同比增 28%）、2.64 元（同比增 23%）、3.30 元（同比增 25%）。我们维持公司 18-20 年综合入账毛利率逐级小幅走低但仍高于 30% 的预测，尽管房屋销售面临定价下行压力，公司显著增长的高毛利租金业务将缓解毛利率下滑趋势。我们并预计公司良好的销售回款将令年末净负债率水平维持在低于 60% 的健康位置（相比行业平均 100% 左右的水平），融资成本也将稳定在低位 4.5% 左右，公司因此有能力将分红率继续维持在至少四成的水平。

作为我们过去两年力推的个股，我们看到龙湖集团优秀的基本面，来自于平衡的物业组合（开发和租赁）以及自律的加杠杆。我们认为未来两年中国房地产行业将重新进入去库存和去杠杆阶段，这样的环境下龙湖具备足够的防御性。但我们也注意到公司股价过去三个月的大幅反弹，而管理层以及二股东则在近期陆续减持了一些股份。公司目前的股价相当于 18 年 9.2 倍市盈率 1.4 倍市净率，以及大约 4.4% 股息率和略超 20% 的净资产折价，超出了多数同业的估值水平，基本面优势已经大部分被反映。我们微调公司目标价至 24.65 港元，将评级从此前的增持下调至中性。我们认为目前市场基于政策放松预期而对地产股的追捧无法持续太长时间，我们建议投资者等待三月下旬年报前夕重新回到优质地产股。

We expect Beijing-based private developer Longfor to deliver 28.6% core earnings YoY growth in 2018E, while keeping a robust balance sheet. We revise up our diluted EPS forecasts from Rmb2.70 to Rmb2.76 in 18E (+29.6% YoY) and from Rmb3.90 to Rmb3.92 in 20E (+20.6% YoY), while maintaining our 19E forecast at Rmb3.25 (+17.8% YoY). We lift our target price from HK\$24.06 to HK\$24.65. With 9.8% upside, we downgrade our rating from Outperform to Hold.

Contract sales. Longfor achieved contract sales of Rmb201bn in 2018 (+29% YoY), with sold area of 12.4msqm (+22% YoY) and an average selling price of Rmb16,231/sqm (+6% YoY). This is in line with its 2018 target; however, we note the firm lost two positions, to China Resources Land (01109:HK – Outperform) and Future Land Development (01030:HK – Not rated), in the sales ranking of Chinese developers, now occupying the tenth position. After delivering sales growth of 62% YoY in 2016 and 77% YoY in 2017 (+43% YoY and +65% YoY in terms of attributable sales, respectively) amid the industry upcycle, we note the company entered a stable growth stage in 2018. We expect it to set a low-teen sales growth target for 2019, given the unclear economic outlook.

Land replenishment. In contrast with peers, which largely cut land purchases in 2H18 due to tight financing and weakening sales, Longfor did not significantly slow down acquisitions and maintained its full-year expenditure at Rmb87bn (vs Rmb81bn in 2017 and Rmb52bn in 2016). With incremental attributable gross floor area (GFA) of 13msqm in 2018 (vs 11msqm in 2017 and 7msqm in 2016), the average floor area replenishment cost declined to Rmb6,693/sqm (vs Rmb8,220/sqm in 2017 and Rmb8,032/sqm in 2016). We like its selective expansion in lower-tier cities in 2017-18. We estimate its reserves at 43msqm, at a cost at Rmb5,500/sqm, covering 45 cities. As of end-2018, tier-1, tier-2, and tier-3 cities accounted for 19%, 72%, and 9% of its total land bank by value, respectively.

Forecast adjustments. We lift our revenue forecasts by 1.1% in 18E, 0.7% in 19E, and 0.3% in 20E, mainly due to upward revisions on rental income from shopping malls and long-term apartments. Accordingly, we revise up our core EPS forecasts by 2.9% in 18E, 0.5% in 19E, and 1.1% in 20E. We maintain our gross profit margin forecasts unchanged at 30%-plus in 2018-20E. We expect the firm to maintain its 2018E payout ratio at c.40%, and believe it will keep a healthy balance sheet, with yearend gearing of less than 60% and an average borrowing cost of c.4.5%.

Downgrade to Hold. We like Longfor for its balanced growth in both development and investment properties, and see sufficient safety margin from its strong financial position, despite the industry downcycle. Its share price has rebounded by c.50% since October, but we believe the market has already factored in its improving fundamentals. We forecast core EPS of Rmb2.16 in 18E (+28.6% YoY), Rmb2.64 in 19E (+22.2% YoY), and Rmb3.30 in 20E (+25.0% YoY). Taking 4Q18 land acquisitions into account, we revise up our net asset value estimate from HK\$28.3 to HK\$29.0, and maintain our NAV discount at 15% (the lowest in the sector). As such, we lift our target price from HK\$24.06 to HK\$24.65. With 9.8% upside, we downgrade our rating from Outperform to Hold.

Steady sales growth

Longfor achieved contract sales of Rmb201bn in 2018 (+29% YoY), with sold area of 12.4msqm (+22% YoY) and an average selling price of Rmb16,231/sqm (+6% YoY).

This is in line with its 2018 target; however, we note the firm lost two positions, to China Resources Land (01109:HK – Outperform) and Future Land Development (01030:HK – Not rated), in the sales ranking of Chinese developers, now occupying the tenth position.

After delivering sales growth of 62% YoY in 2016 and 77% YoY in 2017 (+43% YoY and +65% YoY in terms of attributable sales, respectively) amid the industry upcycle, we note the company entered a stable growth stage in 2018. We expect it to set a low-teen sales growth target for 2019, given the unclear economic outlook.

Fig 1: Contract sales of key listed Chinese developers, 2012-2018 (unit: Rmb bn)

Code	Listed company	12A	13A	14A	15A	16A	17A	18A	13A	14A	15A	16A	17A	18A
2007 HK	Country Garden	48	106	129	140	309	551	729	123%	21%	9%	120%	78%	32%
2202 HK	Vanke	141	171	215	261	364	530	607	21%	26%	22%	39%	45%	15%
3333 HK	Evergrande	92	100	132	201	373	501	551	9%	31%	53%	85%	34%	10%
1918 HK	Sunac	32	51	66	68	151	362	461	61%	30%	4%	121%	140%	27%
688 HK	COLI	89	111	115	154	185	207	268	24%	4%	34%	21%	11%	30%
960 HK	Longfor	40	48	49	55	88	156	201	20%	2%	11%	62%	77%	29%
1109 HK	CR Land	52	66	69	85	108	152	216	27%	4%	23%	27%	41%	42%
1030 HK	Future Land	16	21	24	32	65	126	221	28%	16%	33%	104%	94%	75%
884 HK	CIFI	10	15	21	30	53	104	152	61%	38%	43%	75%	96%	46%
813 HK	Shimao	46	67	70	67	68	101	176	46%	5%	-5%	2%	48%	75%
2777 HK	R&F	33	42	54	54	61	82	131	27%	29%	0%	12%	35%	60%
3383 HK	Agile	33	40	44	44	53	81	103	22%	9%	0%	19%	53%	27%
3377 HK	Sino-ocean	31	36	40	41	50	71	110	15%	12%	1%	24%	40%	55%
817 HK	China Jinmao	11	15	19	28	37	58	125	36%	27%	50%	35%	55%	115%
1628 HK	Yuzhou	7	11	12	14	23	40	56	68%	10%	17%	66%	74%	39%
1813 HK	KWG	16	22	27	25	29	38	66	37%	20%	-7%	14%	33%	72%
119 HK	Poly Ppty	23	27	24	30	35	38	41	14%	-10%	25%	16%	9%	8%
3900 HK	Greentown	51	62	79	72	96	103	101	22%	28%	-9%	33%	8%	-2%
Total/Average		771	1011	1189	1401	2149	3301	4313	31%	18%	18%	53%	54%	31%

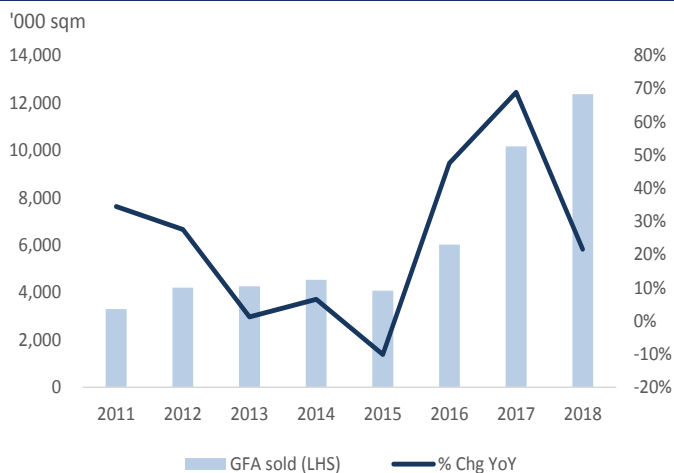
Source: Company data, SWS Research

Fig 2: Stake in contract sales and attributable contract sales of major developers, 2015-2018

Code	Listed company	Stake in contract sales				Attributable contract sales (Rmbbn)				YoY change		
		15A	16A	17A	18A	15A	16A	17A	18A	16A	17A	18A
2007 HK	Country Garden	89%	76%	71%	69%	125	235	389	502	89%	66%	29%
2202 HK	Vanke	70%	71%	71%	70%	183	260	377	425	42%	45%	13%
3333 HK	Evergrande	95%	95%	95%	95%	191	355	477	524	86%	34%	10%
1918 HK	Sunac	64%	69%	73%	71%	43	104	266	326	139%	155%	23%
688 HK	COLI	95%	95%	91%	90%	146	176	188	241	21%	7%	28%
960 HK	Longfor	85%	75%	70%	70%	46	66	109	140	43%	65%	28%
1109 HK	CR Land	90%	86%	85%	85%	77	93	129	183	21%	39%	42%
1030 HK	Future Land	78%	77%	79%	77%	25	50	100	170	100%	100%	70%
884 HK	CIFI	66%	55%	53%	50%	20	29	55	76	45%	88%	38%
813 HK	Shimao	75%	73%	74%	75%	50	50	75	132	0%	50%	76%
2777 HK	R&F	100%	100%	100%	100%	54	61	82	131	12%	35%	60%
3383 HK	Agile	93%	93%	90%	79%	41	49	73	81	19%	49%	11%
3377 HK	Sino-ocean	80%	69%	71%	60%	32	35	50	66	8%	43%	32%
817 HK	China Jinmao	65%	68%	68%	63%	18	26	39	78	40%	54%	100%
1628 HK	Yuzhou	91%	90%	74%	70%	13	21	30	39	64%	44%	31%
1813 HK	KWG	81%	78%	75%	65%	20	22	29	42	11%	29%	48%
119 HK	Poly Ppty	80%	75%	70%	66%	24	26	27	27	9%	1%	2%
3900 HK	Greentown	54%	53%	53%	55%	39	51	55	56	32%	7%	1%
Total/Average		81%	78%	76%	73%	1148	1709	2548	3240	49%	49%	27%

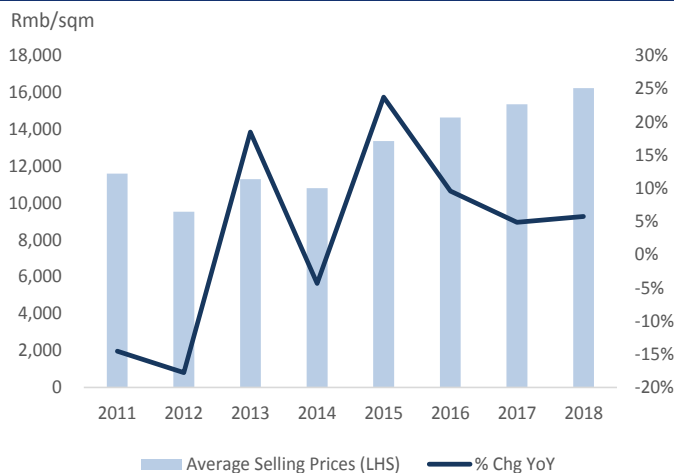
Source: Company data, SWS Research

Fig 3: GFA sold by Longfor through contract sales, 2011-2018



Source: Company data, SWS Research

Fig 4: Average selling prices achieved by Longfor through contract sales, 2011-2018



Source: Company data, SWS Research

Normal acquisition pace

In contrast with peers, which largely cut land purchases in 2H18 due to tight financing and weakening sales, Longfor did not significantly slow down acquisitions and maintained its full-year expenditure at Rmb87bn (vs Rmb81bn in 2017 and Rmb52bn in 2016). This demonstrates the firm's strong financial position and clear long-term strategy.

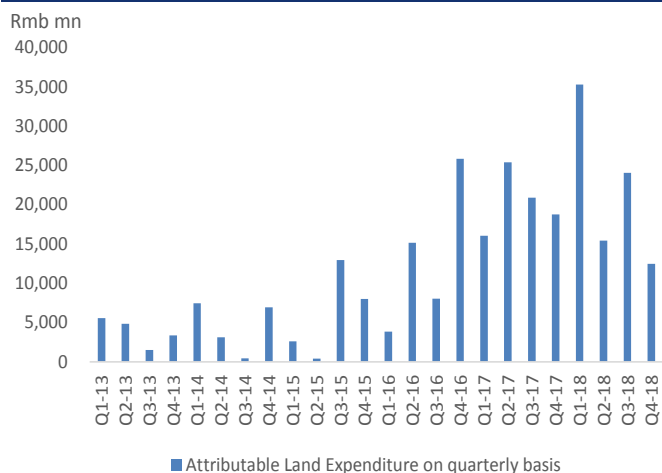
With incremental attributable gross floor area (GFA) of 13msqm in 2018 (vs 11msqm in 2017 and 7msqm in 2016), the average floor area replenishment cost declined to Rmb6,693/sqm (vs Rmb8,220/sqm in 2017 and Rmb8,032/sqm in 2016).

We like its selective expansion in lower-tier cities in 2017-18, with a presence in only 45 cities.

We estimate its reserves at 43msqm, at a cost at Rmb5,500/sqm (c.34% of its current selling prices).

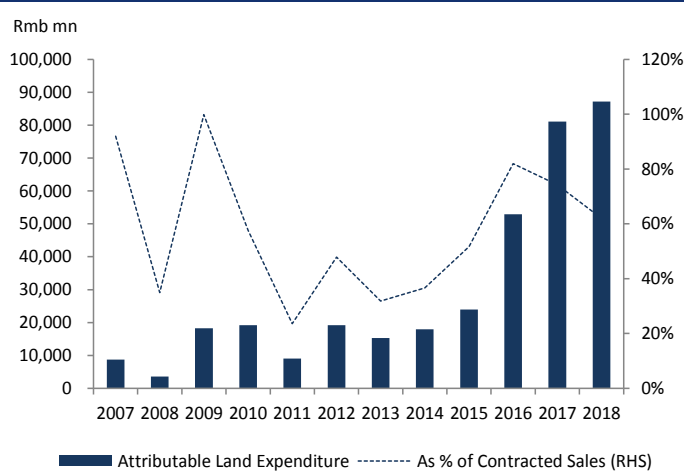
Tier-1, tier-2, and tier-3 cities account for 6%, 65%, and 28% of the company's land reserves by floor area, vs only c.1% for tier-4 and lower-tier cities. By value, the percentage of higher-tier cities is even larger: 19% for tier-1 cities, 72% for tier-2 cities, and 9% for tier-3 cities, vs 0.4% for tier-4 and lower-tier cities.

Fig 5: Longfor's attributable land expenditure, quarterly basis



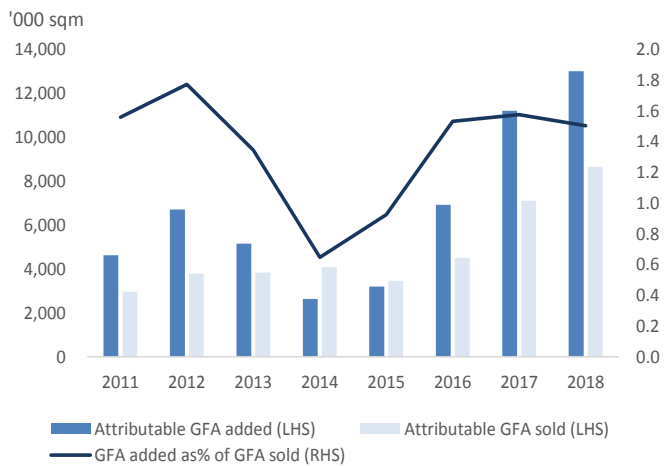
Source: Company data, SWS Research

Fig 6: Longfor's attributable land expenditure, annual basis



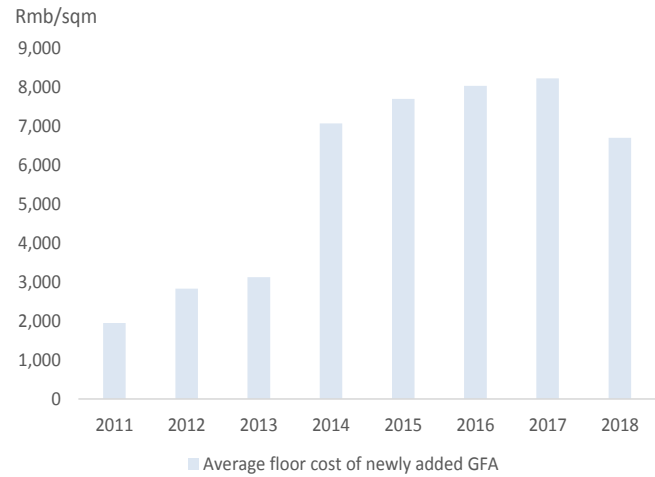
Source: Company data, SWS Research

Fig 7: Longfor's attributable GFA



Source: Company data, SWS Research

Fig 8: Longfor's average cost of newly added GFA



Source: Company data, SWS Research

Fig 9: Longfor's geographical expansion in terms of new cities entered, 2005-2018

No. of projects acquired	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Chongqing	1	2	4		2		1	1	2		2	5	5	7
Chengdu			3		2		1	1		2	2	4	3	8
Beijing	2		1	2	2	3		1	1	3	7	3	7	1
Xi'an			3		2	2		2	1	1	1		1	4
Shanghai			1	1	1	1	1		3	3	3	3	3	1
Shenyang					2	2		2	1		1	2	1	4
Qingdao					1		2	2				2	3	6
Wuxi					3	1	1	1					1	3
Changzhou					3	1							2	
Hangzhou					1	1		1	1	3	4	6	7	6
Kunming						1			1					4
Yantai						1	1							1
Dalian						1		1						4
Ningbo							1		1	1	1	3	5	2
Yixing								1						2
Cixi								1						
Shaoxing								1						1
Xiamen								1			2	2	1	
Jinjiang								1						1
Changsha									2				4	3
Suzhou									1		1		2	4
Jinan									1			5	6	3
Nanjing										1	1	2	3	3
Foshan										1			1	
Guangzhou										1		2	1	
Tianjin												2	3	
Wuhan												1	2	1
Hefei													3	3
Fuzhou													1	1
Baoding													2	
Shenzhen													1	
Hong Kong													1	
Jiaxing													4	
Zhuhai													1	
Nanchang														3
Nantong														1
zhengzhou														1
Shijiazhuang														1
Guiyang														1
Changde														1
Weihai														1
Ganzhou														1
Dongguan														1
Wenzhou														1
Nanning														1
Total	3	2	12	3	17	14	8	17	15	16	25	43	75	88

Note: Red highlights refer to the number of projects Longfor acquired in a new city over the year.

Source: Company data, SWS Research

Fig 10: Number of cities newly entered by major listed developers over the past three years

2018	Longfor	CIFI	Jinmao	COLI	CR Land	Yuzhou	KWG	Shimao	Sino-ocean	R&F	Future Land	Vanke
Tier-1						1						
Tier-2	4	1	2			4	2	1	3	2		
Tier-3	5	14	10		4	2	5	4	10	4	6	7
Tier-4	2	3	1	1	6	1	2	10	2	15	23	2
Total	11	18	13	1	10	8	9	15	15	21	29	9

2017	Longfor	CIFI	Jinmao	COLI	CR Land	Yuzhou	KWG	Shimao	Sino-ocean	R&F	Future Land	Vanke
Tier-1	2	1			1		2					
Tier-2	3	9	5			1	6	2	4	5	4	2
Tier-3	2	4		5	3	5	6	2	5	8	14	3
Tier-4		1					2	1		18	19	6
Total	7	15	5	5	4	6	16	5	9	31	37	11

2016	Longfor	CIFI	Jinmao	COLI	CR Land	Yuzhou	KWG	Shimao	Sino-ocean	R&F	Future Land	Vanke
Tier-1			1							1		
Tier-2	2	3	5		2	3	1			2	3	
Tier-3		2						1		4	6	
Tier-4										1		
Total	2	5	6	0	2	3	1	1	0	8	9	0

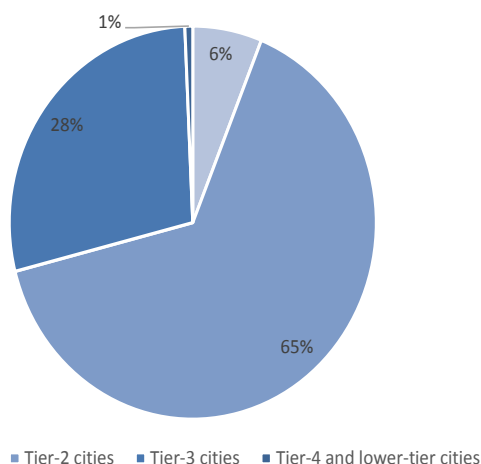
Source: Company data, SWS Research

Fig 11: Number of cities covered by major listed developers as of end-2018

2018	Longfor	CIFI	Jinmao	COLI	CR Land	Yuzhou	KWG	Shimao	Sino-ocean	R&F	Future Land	Vanke
Tier-1	4	3	4	4	4	2	4	4	4	4	1	4
Tier-2	26	26	20	26	28	14	19	28	22	26	23	28
Tier-3	14	23	11	10	29	9	11	25	17	25	37	36
Tier-4	1	2	1	1	8	3	4	16	1	36	43	12
Total	45	54	36	41	69	28	38	73	44	91	104	80

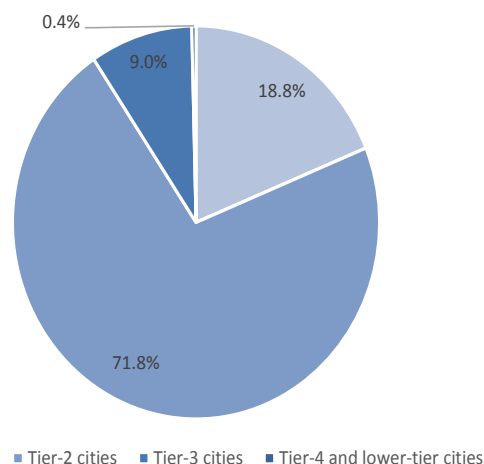
Source: Company data, SWS Research

Fig 12: Longfor's land reserves by floor area, breakdown by city type



Source: Company data, SWS Research

Fig 13: Longfor's land reserves by value, breakdown by city type



Source: Company data, SWS Research

Robust earnings forecasts

We lift our revenue forecasts by 1.1% in 18E, 0.7% in 19E, and 0.3% in 20E, mainly due to upward revisions on rental income from shopping malls and long-term apartments. Accordingly, we revise up our core EPS forecasts by 2.9% in 18E, 0.5% in 19E, and 1.1% in 20E.

We maintain our gross profit margin forecasts unchanged at 30%-plus in 2018-20E. Even though property sales margin may be slightly reduced due to the downward pressure on home prices, the rising proportion of rental income will help mitigate the pressure.

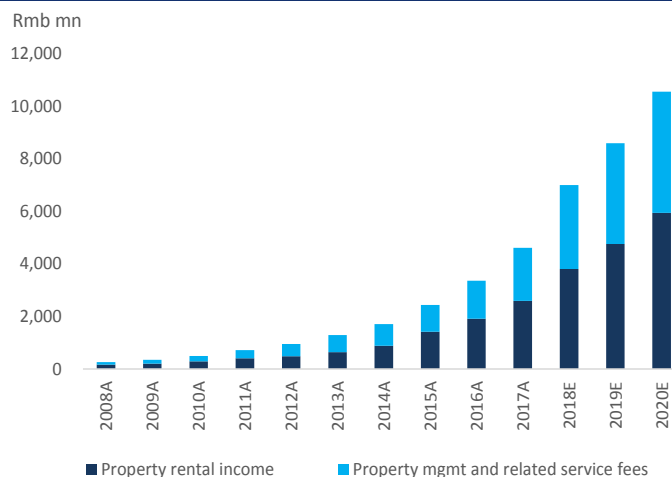
We expect the firm to maintain its 2018E payout ratio at c.40%, and believe it will keep a healthy balance sheet, with yearend gearing of less than 60% and an average borrowing cost of c.4.5%.

Fig 14: Sales revenue breakdown by segment, 2008-2018E



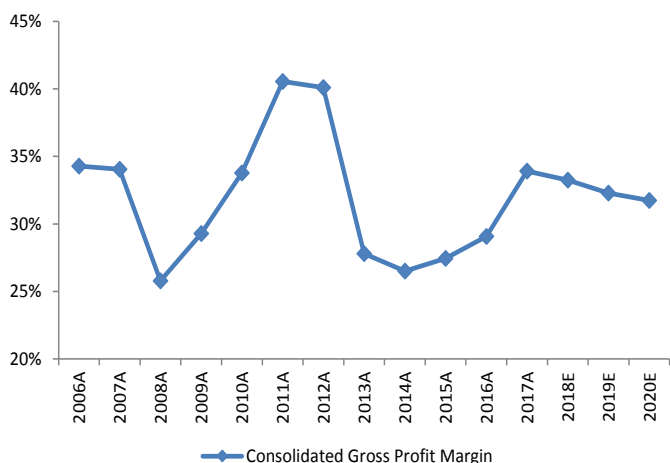
Source: Company data, SWS Research

Fig 15: Property rental income and property management fees



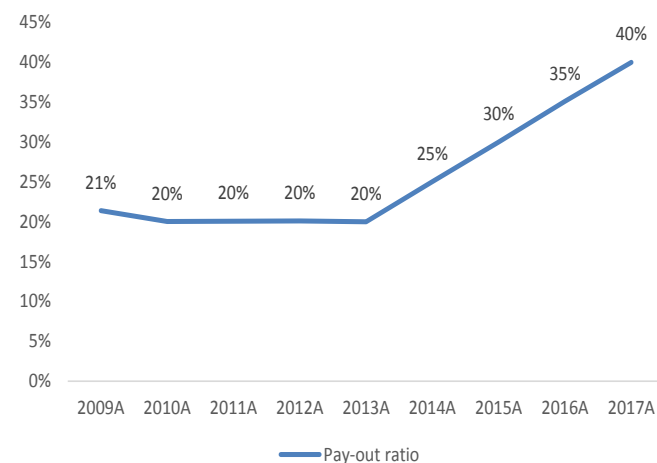
Source: Company data, SWS Research

Fig 16: Gross profit margin



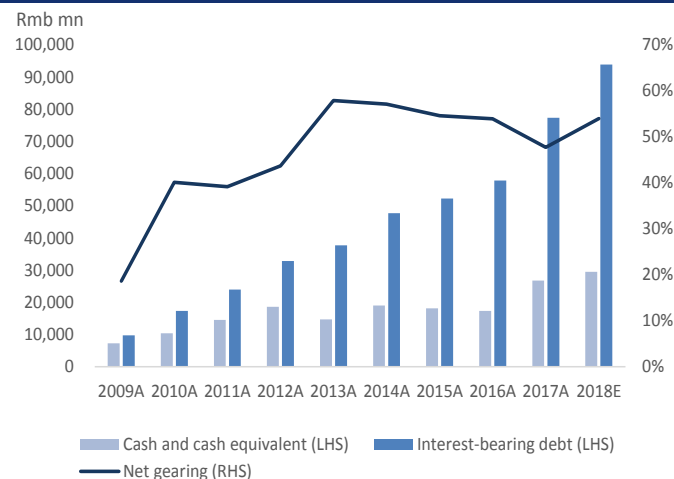
Source: Company data, SWS Research

Fig 17: Payout ratio



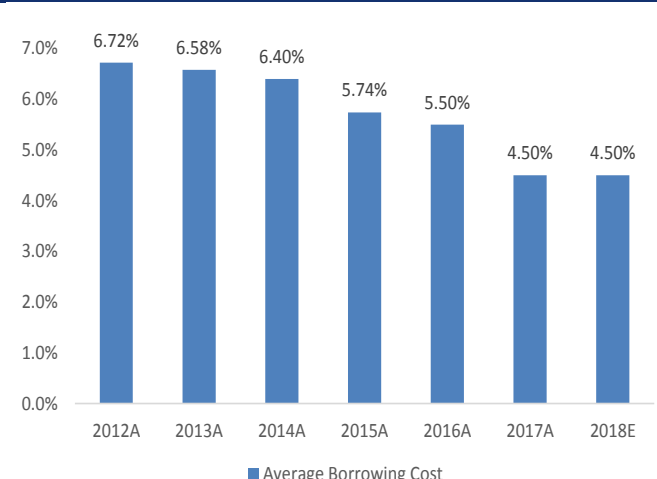
Source: Company data, SWS Research

Fig 18: Cash equivalents, interest-bearing debt, and net gearing



Source: Company data, SWS Research

Fig 19: Average borrowing cost



Source: Company data, SWS Research

Shareholding changes

The firm's second largest shareholder, Cai Kui (ex-husband of Longfor's chairwoman Wu Yajun) sold 150m shares (c.2.5% of existing shares) on Wednesday night at a price of HK\$22.7/share, close to the lower end of the offering range of HK\$22.6-23.3 and representing 8.1% discount to the closing price.

Upon the completion of the sale, Cai Kui holds 23.5% of the company's shares. Last time he sold shares was in September 2016 (150m shares sold at HK\$12/share).

Prior to the sale, Wu Yajun's indirectly-owned 43.9% stake in Longfor was transferred to her daughter in end-2018 through a family trust. We note Wu Yajun had never sold any share since the IPO in 2009. Moreover, we note her daughter's trust has purchased 8.8m shares out of the 150m shares sold by Cai Kui, thus increasing her shareholdings to 44.1%.

Valuation

We like Longfor for its balanced growth in both development and investment properties, and see sufficient safety margin from its strong financial position, despite the industry downcycle. Its share price has rebounded by c.50% since October, but we believe the market has already factored in its improving fundamentals. We forecast core EPS of Rmb2.16 in 18E (+28.6% YoY), Rmb2.64 in 19E (+22.2% YoY), and Rmb3.30 in 20E (+25.0% YoY). Taking 4Q18 land acquisitions into account, we revise up our net asset value estimate from HK\$28.3 to HK\$29.0, and maintain our NAV discount at 15% (the lowest in the sector). As such, we lift our target price from HK\$24.06 to HK\$24.65. With 9.8% upside, we downgrade our rating from Outperform to Hold.

Fig 20: Valuation and target price of key listed Chinese developers

Company	Code	Market Cap (HK\$bn)	Rating	Target price (HK\$)	PE (x)			PB (x)			NAV Discount	Dividend yield		Share performance	
					17A	18E	19E	17A	18E	19E		17A	18E	2017	2018
COLI	688 HK	303	Hold	25.20	9.3	8.3	7.1	1.2	1.1	0.9	-25%	2.9%	3.2%	25%	8%
Country Garden	2007 HK	210	Hold	9.35	7.3	5.5	4.6	1.9	1.5	1.2	-44%	5.2%	6.9%	248%	-33%
CR land	1109 HK	213	Outperform	32.80	11.8	9.4	7.6	1.6	1.4	1.2	-26%	3.2%	4.0%	36%	35%
Longfor	960 HK	131	Hold	24.65	11.7	9.2	7.5	1.6	1.4	1.2	-23%	4.1%	4.5%	106%	20%
Shimao	813 HK	74	Hold	18.00	9.0	7.4	6.2	1.1	1.0	0.9	-30%	5.0%	5.0%	73%	22%
CIFI	884 HK	34	Outperform	4.80	6.5	5.2	4.0	1.3	1.2	1.0	-56%	5.5%	6.9%	138%	-14%
Sino-ocean	3377 HK	27	Hold	4.20	5.9	4.7	3.9	0.4	0.4	0.3	-70%	8.9%	8.9%	60%	-34%
KWG	1813 HK	23	Hold	8.62	5.8	4.8	4.3	0.7	0.7	0.6	-48%	6.6%	7.9%	128%	-34%
Yuzhou	1628 HK	15	Outperform	4.58	4.2	3.4	2.8	1.0	0.8	0.7	-60%	7.6%	10.8%	74%	-19%
Poly Ppty	119 HK	10	Outperform	3.60	7.0	3.7	3.0	0.4	0.3	0.3	-68%	5.3%	8.8%	58%	-38%
					7.8	6.1	5.1	1.1	1.0	0.8	-45%	5.4%	6.7%	95%	-9%

Source: Bloomberg, Company data, SWS Research

Appendix, Financial statements

Figure 1: Forecast Income Statement

	RMB mn	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Revenue		41,511	50,991	47,423	54,799	72,074	94,815	118,604	148,371
Property sales revenue		40,224	49,289	44,993	51,441	67,462	87,815	110,014	137,826
Property rental income		635	876	1,415	1,913	2,593	3,800	4,750	5,938
Property mgmt fees		652	826	1,015	1,445	2,019	3,200	3,840	4,608
Cost of Sales		(29,972)	(37,475)	(34,408)	(38,864)	(47,639)	(63,286)	(80,309)	(101,289)
Gross Profit		11,539	13,516	13,015	15,935	24,435	31,529	38,295	47,083
Revaluation gains		2,592	2,554	2,874	2,018	4,923	5,071	5,223	5,379
Other Income		778	(334)	297	72	436	440	445	449
Distribution expenses		(887)	(1,065)	(1,018)	(1,428)	(1,797)	(2,067)	(2,377)	(2,733)
Administrative expenses		(1,084)	(1,298)	(1,435)	(2,022)	(3,267)	(3,594)	(3,954)	(4,349)
EBIT		12,938	13,373	13,733	14,575	24,730	31,379	37,633	45,830
Profits from JCEs		321	276	248	1,434	1,868	2,298	2,665	2,932
Finance Costs		(39)	(23)	(43)	(53)	(45)	(50)	(55)	(60)
Profit before tax		13,219	13,627	13,938	15,956	26,553	33,627	40,243	48,701
Tax expense		(4,583)	(4,876)	(4,574)	(6,021)	(10,074)	(13,068)	(16,002)	(19,480)
Income tax		(2,837)	(3,508)	(3,017)	(3,384)	(5,406)	(8,239)	(10,061)	(12,175)
LAT		(1,746)	(1,368)	(1,557)	(2,637)	(4,668)	(4,830)	(5,941)	(7,305)
Profit for the year		8,636	8,750	9,364	9,935	16,479	20,558	24,242	29,221
Minority interests		(599)	(397)	(376)	(782)	(3,880)	(4,112)	(4,606)	(5,552)
Profit attr. to shareholders		8,038	8,354	8,988	9,153	12,599	16,447	19,636	23,669
Dividends		1,241	1,654	2,083	2,722	4,476	5,057	6,287	7,854
Underlying profit		6,207	6,610	6,950	7,760	9,770	12,644	15,719	19,634
Basic EPS		1.48	1.53	1.54	1.57	2.17	2.80	3.30	3.98
Diluted EPS		1.46	1.52	1.53	1.57	2.13	2.76	3.25	3.92
Core EPS		1.14	1.21	1.19	1.33	1.68	2.16	2.64	3.30
DPS		0.23	0.28	0.36	0.47	0.76	0.86	1.06	1.32

Source: Company data, SWS Research

Figure 2: Forecast Balance Sheet:

	(RMB mn)	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Pre-paid land premiums		5,653	4,959	4,849	11,926	5,477	6,025	6,627	7,290
Investment property		23,813	33,362	43,385	49,030	68,095	75,194	82,506	90,037
PP&E		185	190	208	199	863	949	1,044	1,149
Pre-paid lease payments		11,602	14,940	11,775	17,422	37,139	38,996	40,946	42,993
Others		4,173	4,769	3,694	7,765	17,522	19,558	21,798	24,262
Non-current assets		45,426	58,219	63,911	86,342	129,096	140,722	152,921	165,731
Properties under development		65,368	68,091	70,830	89,426	151,421	171,473	186,705	200,950
Completed properties held for sale		10,963	10,266	10,429	10,247	10,779	10,887	10,996	11,106
Cash and cash equivalents		14,399	18,794	17,920	17,258	26,642	29,353	30,590	32,212
Restricted cash		277	242	240	97	119	137	157	181
Receivable		4,343	5,668	9,920	10,324	14,183	15,601	17,161	18,878
Others		3,396	6,876	10,838	11,137	30,524	33,576	36,934	40,627
Current assets		98,746	109,937	120,177	138,489	233,668	261,027	282,543	303,954
Total assets		144,172	168,156	184,089	224,831	362,764	401,749	435,464	469,684
Share capital and premiums		477	506	508	508	514	514	514	514
Retained earnings		36,507	47,258	54,617	61,256	70,052	81,442	94,790	110,605
Majority interests		36,984	47,764	55,125	61,765	70,567	81,956	95,304	111,119
Minority interests		2,792	2,508	7,343	13,350	35,612	37,393	39,262	41,225
Total equity		39,775	50,272	62,468	75,115	106,179	119,349	134,566	152,345
Borrowings		18,461	32,194	38,158	47,027	65,528	78,479	87,544	93,890
Senior notes		10,175	7,575	7,929	5,512	6,287	10,125	10,125	10,125
Others		3,174	3,753	4,487	5,713	7,276	8,004	8,804	9,684
Non-current liabilities		31,810	43,522	50,574	58,252	79,091	96,607	106,473	113,699
Advanced sales proceeds		53,664	54,490	52,942	43,991	93,217	97,878	102,772	107,910
Trade payable					22,735	32,212	33,823	35,514	37,289
Tax Payable		8,512	9,577	10,305	12,940	15,211	15,972	16,770	17,609
Borrowings		9,067	7,973	6,178	5,333	5,588	5,338	5,088	4,839
Others		1,344	2,323	1,622	6,465	31,266	32,783	34,280	35,992
Current liabilities		72,587	74,362	71,047	91,464	177,494	185,793	194,424	203,640
Total liabilities		104,397	117,884	121,621	149,716	256,585	282,401	300,897	317,339
Total equity and liabilities		144,172	168,156	184,089	224,830	362,764	401,749	435,464	469,684

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	17,071	22,412	17,164	36,592	78,494	35,322	38,855	40,797
Others	(3,899)	(3,838)	(3,083)	(3,919)	(7,147)	(7,862)	(8,648)	(9,513)
Net cash generated from operating activities	13,172	18,574	14,081	32,673	71,347	27,461	30,207	31,285
Additions to investment properties	(2,222)	(3,777)	(3,280)	(2,954)	(4,166)	(4,791)	(5,510)	(6,336)
Other Investment	(16,039)	(19,040)	(14,352)	(37,162)	(106,738)	(32,021)	(27,218)	(23,135)
Net cash generated from Investing activities	(18,261)	(22,817)	(17,632)	(40,116)	(110,904)	(36,812)	(32,728)	(29,471)
Proceeds from issuance of shares			143	53				
Proceeds of senior notes issuance	3,117	(2,851)		(2,862)	775	3,838	0	0
Net borrowings	2,018	12,484	3,268	7,319	18,756	12,701	8,815	6,097
Dividends paid	(1,082)	(1,241)	(1,654)	(2,083)	(2,722)	(4,476)	(5,057)	(6,287)
Others	(2,908)	246	919	4,354	32,132			
Net cash generated from financing activities	1,145	8,638	2,676	6,781	48,941	12,062	3,758	(191)
Increase in cash and cash equivalents	(3,944)	4,395	(875)	(662)	9,384	2,711	1,237	1,623
Cash and cash equivalents at beginning of year	18,383	14,399	18,794	17,920	17,258	26,642	29,353	30,590
Exchange losses on cash and cash equivalents	(40)							
Cash and cash equivalents at end of the year	14,399	18,794	17,920	17,258	26,642	29,353	30,590	32,212

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.

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:

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.