

Company Report: Longfor Group (00960 HK)

公司报告: 龙湖集团 (00960 HK)

Van Liu 刘斐凡
(86755) 2397 6672
liufeifan@gtjas.com
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Sustainable Growth Prospects, Maintain "Accumulate"

持续增长预期, 维持“收集”

- **2018 underlying net profit beat our expectation by 9.6% given higher-than-expected gross margin.** The Company's top line increased sharply by 60.7% YoY to RMB115,798 mn. Underlying net profit increased 43.1% YoY to RMB14,557 mn.
- **The Company's growth is expected to be sustainable.** Contracted sales is likely to maintain a steady growth rate given saleable resources of RMB350 bn, mainly in higher-tier cities. Rental income is expected to grow fast. In addition, the growth of apartment rental business is expected to remain fast. We expect rental income to increase from RMB4,090 mn in 2018 to RMB11,947 mn in 2021, or at a CAGR of 42.9% in 2018-2021.
- **We expect stable margins and a sustained healthy financial position for the Company.** A quality land bank, appropriate unit land cost (32.2% of ASP in 2018) and low funding costs could result in stable margins of over 32.0%.
- The Company will maintain healthy fundamentals alongside decreasing operating risk. We think that Longfor deserves a low NAV discount. We revise up our target price from HK\$25.71 to HK\$32.19, representing a 33% discount to its 2019E NAV, 7.3x 2019 underlying PER and 2.1x 2019 PBR. **We maintain "Accumulate".** Risk: lower-than-expected contracted sales and absent rental income growth.
- **基于高于预期的毛利率, 2018年核心净利好于我们预期9.6%。**总收入同比迅猛增长60.7%到人民币115,798百万元。核心净利同比上升43.1%到人民币14,557百万元。
- **公司预计可持续增长。**基于主要位于高线城市的人民币3,500亿元的可售货值, 合约销售很有可能稳定增长。租金收入将快速增长。另外, 长租公寓业务的增长预计会保持较快速度。我们预计租金收入将会从2018年的人民币40.90亿元上升到2021年的人民币119.47亿元, 相当于2018-2021年的复合增长率为42.9%。
- **我们预计公司拥有稳定的利润率和健康的财务状况。**有质量的土储, 合适的单位土地成本(2018年销售单价的32.2%)以及低的财务成本能导致高于32.0%的稳定的利润率。
- 公司将会维持一个运营风险降低下的健康基本面。我们认为龙湖地产应适用较低的每股净资产折让。我们将目标价从25.71港元上调至32.19港元, 相当于较其2019年每股净资产有33%折让, 也相当于7.3倍2019年核心市盈率 and 2.1倍2019年市净率。**我们维持“收集”。**风险: 低于预期的合约销售和强劲的租金收入增长无法实现。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP目标价:

HK\$32.19

Revised from 原目标价:

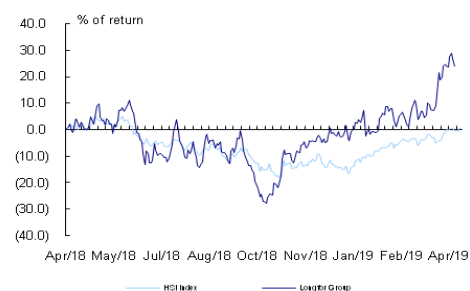
HK\$25.71

Share price 股价:

HK\$28.250

Stock performance

股价表现



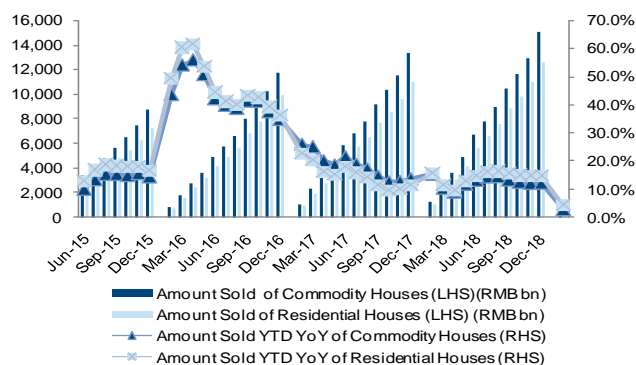
Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	16.0	25.8	22.4
Rel. % to HS Index 相对恒指变动 %	12.2	13.2	22.2
Avg. Share price(HK\$) 平均股价 (港元)	27.5	25.3	22.7

Source: Bloomberg, Guotai Junan International.

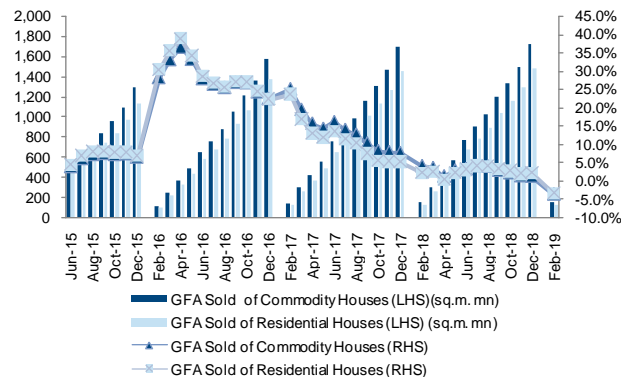
Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2017A	72,075	12,599	2.134	36.1	11.0	11.952	2.0	0.481	2.0	19.0
2018A	115,798	16,237	2.726	27.7	9.1	13.712	1.8	0.701	2.8	21.3
2019F	171,203	20,432	3.738	37.1	6.4	17.625	1.4	1.057	4.4	23.0
2020F	206,989	25,438	4.644	24.2	5.2	20.926	1.1	1.314	5.5	24.1
2021F	249,785	30,738	5.251	13.1	4.6	23.354	1.0	1.483	6.2	24.5
Shares in issue (m) 总股数 (m)				5,949.8	Major shareholder 大股东		HSBC International Trustee Limited 67.5%			
Market cap. (HK\$ m) 市值 (HK\$ m)				168,081.9	Free float (%) 自由流通比率(%)		32.5			
3 month average vol. 3 个月平均成交股数('000)				9,784.6	FY19 Net gearing (%) FY19 净负债/股东资金 (%)		35.6			
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				30.400 / 16.080	FY19 Est. NAV (HK\$) FY19 每股估值 (港元)		48.0			

Source: the Company, Guotai Junan International.

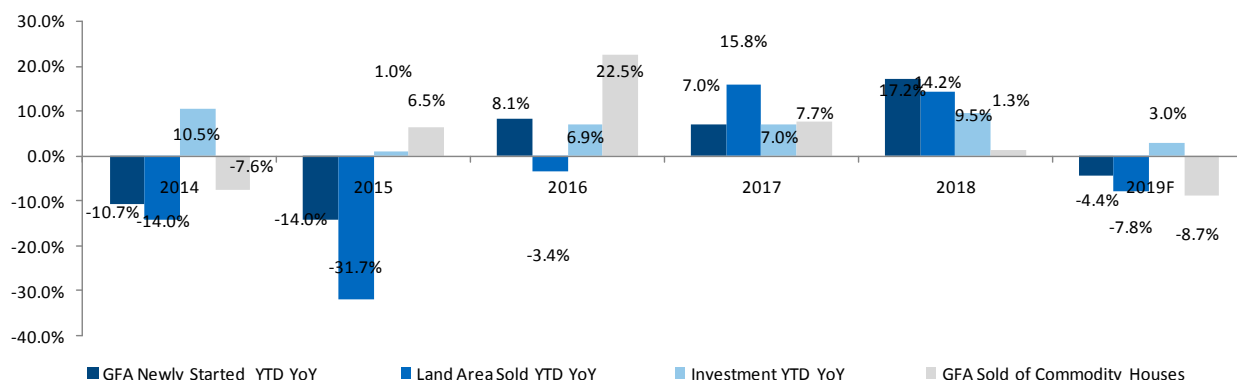
Fundamental bounced back in Mar. 2019. During Jan.-Mar. 2019, YoY increase in commodity house sales increased 2.80 ppts compared to that during Jan.-Feb. 2019. Investment maintained a strong YoY growth rate. Sources of funds for real estate development enterprises rebounded to 5.9%. We see a fundamental bounce back alongside some stimulative measures related to policy and credit environment.

Figure 1: Cumulative House Sales Amount in China


Source: National Bureau of Statistics of China, Guotai Junan International.

Figure 2: Cumulative House Sales GFA in China


Source: National Bureau of Statistics of China, Guotai Junan International.

Figure 3: Key Property Development and Sales Data


Source: National Bureau of Statistics of China, Guotai Junan International.

External environment is likely to ease at a slower rate than our previous expectation due to the rebound in fundamentals. Targeted policies will be maintained to promote the steady and sound development of the property sector. In Apr. 2019, the National Development and Reform Commission ("NDRC") announced new easing measures in the household register system, which will accelerate urbanization and lead to population inflow in tier-2 and tier-3 cities. Considering the stable development of the property sector and recovery in fundamentals, we expect that governments will slow down its steps in advancing loosening measures in the external environment. However, with downside pressure in the property sector in 2H19, we expect easing measures to be published by local governments in 2H19. Overall, for the policy and monetary environment, the key note of healthy property market maintenance will not change.

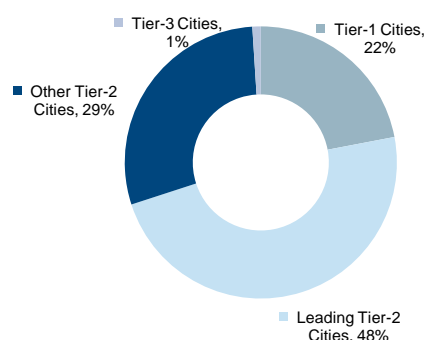
2018 underlying net profit beat our expectation by 9.6% given higher-than-expected gross margin. Total revenue increased sharply by 60.7% YoY to RMB115,798 mn. Because of strong rental income growth and GFA delivered with higher GPM, we see GPM improvement of 0.2 ppt increase. Gross profit amounted to RMB39,529 mn, surging up 61.8% YoY. With more land appreciation tax paid and higher ratio of minority interests, net profit increased 28.9% YoY to RMB16,237 mn, which beat our expectation by 5.7%. Underlying net profit increased 43.1% YoY to RMB14,557 mn, also beating our expectation. Net profit margin fell 1.5 ppts YoY to 12.6%. Net gearing ratio increased by 7.1 ppts YoY on decreasing cash collection. Cash balance rose by 22.9% YoY to RMB84,596 mn.

Table 1: Comparison of the Company's Balance Sheet and Income Statement in 2017 and 2018

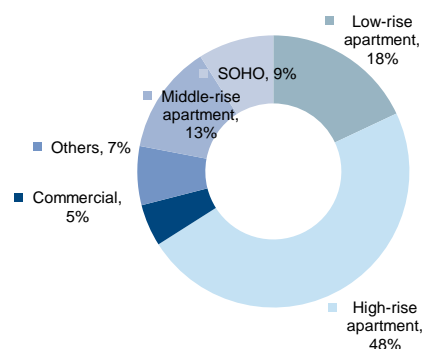
RMB mn	2017	2018	Change
Total revenue	72,075	115,798	60.7%
Gross profit	24,436	39,529	61.8%
GPM	33.9%	34.1%	0.2 pts
Net profit (Inc. after-tax fair value gains on IP)	12,599	16,237	28.9%
Net profit (Ex. after-tax fair value gains on IP)	10,174	14,557	43.1%
NPM (Inc. after-tax fair value gains on IP)	17.5%	14.0%	-3.5 pts
NPM (Ex. after-tax fair value gains on IP)	14.1%	12.6%	-1.5 pts
DPS (RMB cent)	0.481	0.701	45.7%
Underlying EPS (RMB cent)	2.170	2.779	28.0%
Land appreciation tax	4,605	8,625	87.3%
Cash and cash equivalents	86,691	102,442	18.2%
Total assets	362,764	506,884	39.7%
Properties under development	151,421	232,015	53.2%
Total debt	75,426	119,820	58.9%
Shareholders' equity	70,567	81,661	15.7%
ROE	19.0%	21.3%	2.1 pts
Net gearing ratio	45.8%	52.9%	7.1 pts

Source: the Company, Guotai Junan International.

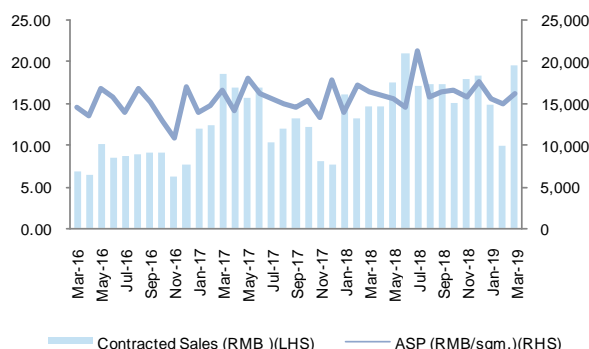
Contracted sales is expected to maintain sustainable growth. In 2018, contracted sales reached RMB200.64 billion, up by 28.5% YoY, achieving 100.3% of its 2018 sales target. Sales target and saleable resources for 2019 is expected to reach RMB 220 bn (indicating 10.0% YoY growth) and RMB 350 bn (indicating 62.9% target sale-through rate), respectively. As per the Company's plan, saleable resources in tier-1 cities, leading tier-2 cities, other tier-2 cities, satellite cities and tier-3 cities will account for 22%, 48%, 25%, 4% and 1% of total saleable resources, respectively. Moreover, the company's future pipeline will mainly focus on tier-1, tier-2 and satellite cities. With population inflows given the loosening measures related to the household register system, we expect the sales target to be achievable. During Jan. to Mar. 2018, Longfor Properties recorded RMB44.48 bn in contracted sales, increasing 1.0% YoY. GFA amounted to 2.8 mn sq.m., up 0.6% YoY. The company has achieved 20.22% of its 2019 annual sales target.

Figure 4: Longfor's Saleable Sources in 2018 By Region


Source: the Company.

Figure 5: Longfor's Saleable Sources in 2018 By Type


Source: the Company.

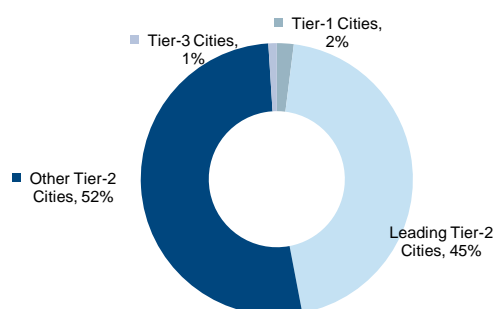
Figure 6: The Company's Contracted Sales


Source: the Company.

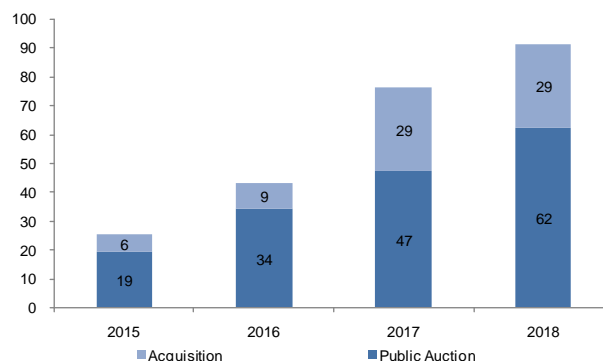
Longfor's rental income growth will maintain high levels. In 2018, gross rental revenue recorded 42.2% YoY growth with 97.4% occupancy rate. Rental GFA under development amounted to 2.089 mn sq.m. as at 31 Dec. 2018. During 2019-2020, there will be around 25 malls added to the company's investment property portfolios. With recently opened malls gradually turning into mature ones and new malls being added to their investment property portfolios, we expect rental income to increase from RMB4,090 mn in 2018 to RMB11,947 mn in 2021, or at a CAGR of 42.9% in 2018-2021. As a result of the high gross margins of rental income (amounting to over 64.9% during 2015-2018), the fast growth in rental income will also help to stabilize Longfor's gross margins.

Apartment rental business will maintain fast growth and is likely to meet breakeven in 2021. As at the end of 2018, the Company's apartment rental business operated over 53,000 rooms with occupancy rate of approximately 50.1%. As per the Company's plan, rental income from apartment rental business will reach RMB2.0 bn and meet breakeven in 2020.

Numerous land bank replenishments will support contracted sales growth but the quality has fallen somewhat. In 2018, the Company acquired 91 new projects with total GFA of 21.9 mn sq.m., up 8.4% YoY. Attributable GFA was 13.72 mn sq.m., up 19.3% YoY. Total consideration amounted to RMB 72.7 bn, down 1.8% YoY. Longfor Properties entered into 11 cities to spread coverage to 47 cities. In addition, 29 of 91 acquired new projects were through M&As. Average land cost only decreased by 17.8% YoY to 5,297 per sq.m. However, the new cities entered are mainly tier-3 cities, so the quality of land bank decreased somewhat.

Figure 7: Breakdown of New Land in 2018 By GFA


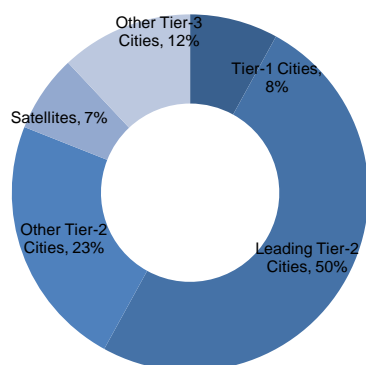
Source: the Company.

Figure 8: Acquisition Type and Amount


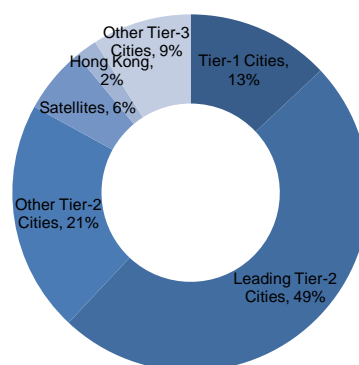
Source: the Company.

Proper unit land costs stabilize Longfor's margins. As at the end of 2018, the Company had a total land bank of 66.36 mn sq.m., up 21.6% comparing to the end of 2017. Land banks in tier-1 and tier-2 cities accounted for approximately 81% of total land bank. According to the Company, its unit land cost amounted to RMB5,218 per sq.m., 32.2% of ASP in 2018. We think that this quality land bank and proper unit land cost could protect the Company's gross margins over the next three years.

Figure 9: Breakdown of Total Land Bank By GFA as at end of 2018 **Figure 10: Breakdown of Total Land Bank By Amount as at end of 2018**



Source: the Company.

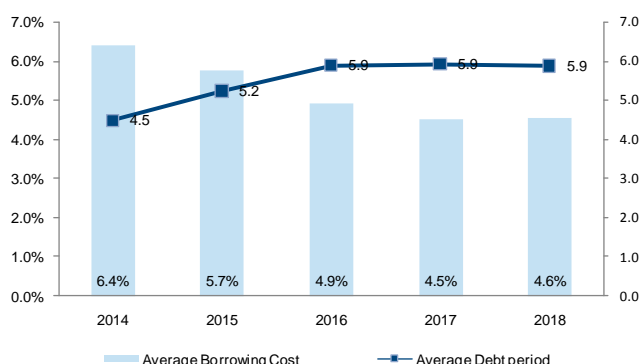


Source: the Company.

The Company's funding costs are expected to slightly decrease and remain at a low level. In 2018, Longfor's funding costs increased by 0.05 ppts to 4.55%. However, funding cost of the Company could slightly decrease in 2018 because of easing monetary policies. As at Dec. 2018, the Company's net gearing ratio was 52.9%, up by 7.1 ppt from last year. With expected double-digit growth of contract sales and restrained land acquisition initiatives in 2019, we expect net gearing ratios to gradually decline. The Company should maintain a healthy financial position.

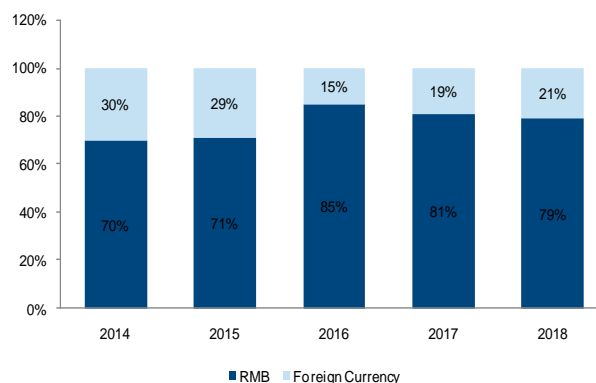
Figure 11: Longfor's Average Borrowing Cost and Debt

Period



Source: the Company, Guotai Junan International.

Figure 12: Longfor's Debt Structure



Source: the Company, Guotai Junan International.

We revise up underlying profit estimations. We expect that the Company's contracted sales will steadily grow due to sufficient saleable resources in higher-tier cities and a favorable pipeline. In addition, we expect faster rental income than our previous expectation. Apartment rental income will be a new growth engine for the Company. We revise up 2019F and 2020F total revenue by 13.7% and 8.7% to RMB171,203 mn and RMB206,989 mn, respectively. We expect stable gross margin; gross margin in 2018 was higher than our previous assumption. Therefore we revise up gross margin in 2019F and 2020F by 1.1 ppt and 1.9 ppt, respectively. We also expect higher land appreciation tax, which partially offsets the gross margin increase in 2019F and 2020F. Overall, we revise up 2019F and 2020F underlying net profit by 11.0% and 10.0% to RMB18,137 mn and RMB21,409 mn, respectively. Due to more cash collection from contracted sales and restrained land replenishment initiatives, net gearing ratios should be lower than our previous assumptions; we revise down net gearing ratio in 2019F and 2020F by 19.4 ppts and 20.4 ppts, respectively.

Table 2: Revisions to 2019-2021 Profit Estimations

	New estimation			Old estimation			Change		
	2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
Total revenue	171,203	206,989	249,785	150,518	190,363	n.a.	13.7%	8.7%	n.a.
Gross profit	55,861	67,263	81,596	47,524	58,150	n.a.	17.5%	15.7%	n.a.
Operating profit	50,488	63,740	75,824	40,471	50,202	n.a.	24.8%	27.0%	n.a.
Net profit	20,432	25,438	30,738	19,033	23,364	n.a.	7.3%	8.9%	n.a.
Underlying profit	18,137	21,409	26,319	16,342	19,465	n.a.	11.0%	10.0%	n.a.
Gross margin	32.6%	32.5%	32.7%	31.6%	30.5%	n.a.	1.1 ppts	1.9 ppts	n.a.
Operating profit margin	29.5%	30.8%	30.4%	26.9%	26.4%	n.a.	2.6 ppts	4.4 ppts	n.a.
Net profit margin	11.9%	12.3%	12.3%	12.6%	12.3%	n.a.	-0.7 ppts	0.0 ppts	n.a.
Underlying net profit margin	10.6%	10.3%	10.5%	10.9%	10.2%	n.a.	-0.3 ppts	0.1 ppts	n.a.
ROE	23.0%	24.1%	24.5%	21.9%	23.2%	n.a.	1.0 ppts	0.9 ppts	n.a.
ROCE	23.1%	26.3%	27.1%	18.5%	19.4%	n.a.	4.6 ppts	6.9 ppts	n.a.
ROA	7.9%	8.7%	9.2%	6.4%	6.6%	n.a.	1.5 ppts	2.0 ppts	n.a.
Net gearing ratio	35.6%	35.8%	30.3%	55.0%	56.2%	n.a.	-19.4 ppts	-20.4 ppts	n.a.

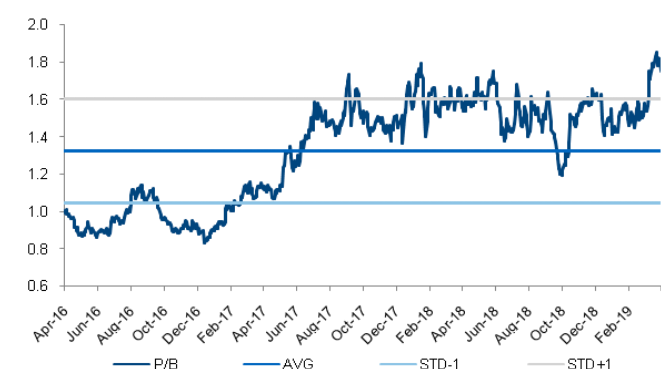
Source: Guotai Junan International.

Maintain "Buy". With some stimulative measures, the property sector bounced back in Mar. 2019. Longfor's contracted sales will maintain steady growth. Rental income is likely to accelerate. Apartment rental business is expected to experience fast growth. Therefore, we expect Longfor to maintain sustainable revenue growth at a fairly fast pace. Despite quality decreasing somewhat, reasonable proper unit land cost will drive stability for Longfor's margins. The Company will retain their healthy financial position. The Company will maintain its healthy fundamentals alongside decreasing operating risk. Therefore, we think that the positive factors justify a low NAV discount. As we revise up underlying net profit, we revise up our target price from HK\$25.71 to HK\$32.19, representing a 33% discount to its 2019E NAV, 7.3x 2019 underlying PER and 2.1x 2019 PBR. Therefore, we maintain "Buy". Risk factors include lower-than-expected contracted sales and absent strong rental income growth.

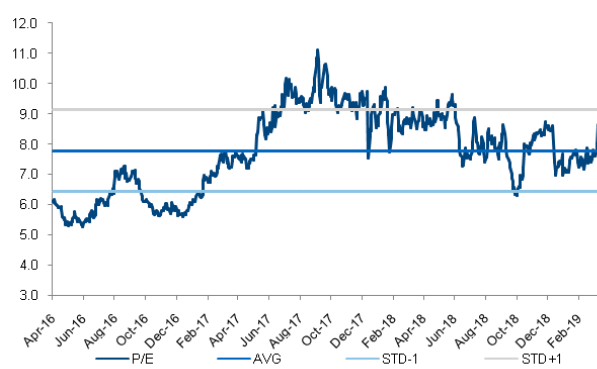
Table 3: Breakdown of the Company's 2019 NAV

	NAV/share				
	(RMB m)	(HK\$ m)	(HK\$)	% of NAV	% of GAV
Development property	243,133	286,039	48.03	100.0%	80.6%
Investment property	58,435	68,747	11.54	24.0%	19.4%
Gross asset value	301,569	354,787	59.57	124.0%	100.0%
(Net debt)/Net cash	-58,353	-68,651	(11.53)	-24.0%	
NAV	243,215	286,136	48.04	100.0%	
NAV/Share	40.84	48.04			

Source: the Company, Guotai Junan International.

Figure 13: Longfor Properties 3-Year Historical P/B


Source: Bloomberg, Guotai Junan International.

Figure 14: Longfor Properties 3-Year Historical P/E


Source: Bloomberg, Guotai Junan International.

Table 4: Peers Comparison

Company	Stock Code	Mkt Cap (HK\$ m)	Last Price HK\$	PE			PB			D/Y%	ROE	EV/EBITDA
				2019F	2020F	2021F	2019F	2020F	2021F			
HK listed large developers with major revenue from mainland												
China Overseas Land &	00688 HK		29.750	7.2	6.1	5.5	1.0	0.9	0.8	3.7	15.1	3.7
China Evergrande	03333 HK		25.600	5.5	5.1	4.5	1.7	1.4	1.1	9.2	34.8	9.2
China Resources Land	01109 HK		34.250	8.4	7.3	6.3	1.3	1.2	1.0	4.7	16.6	4.7
Country Garden	02007 HK		13.160	5.8	5.0	4.5	1.6	1.3	1.0	5.4	29.9	5.4
Longfor Group Holdings	00960 HK		28.850	8.8	7.3	6.2	1.6	1.4	1.2	4.9	19.0	4.9
China Vanke Co Ltd-H	02202 HK		33.250	7.6	6.8	5.9	1.7	1.4	1.2	4.5	23.3	4.5
Sunac China Holdings	01918 HK		43.200	6.7	5.4	4.3	2.1	1.5	1.2	3.2	33.1	3.2
Agile Group Holdings	03383 HK		12.720	5.2	4.6	4.2	0.9	0.8	0.7	8.6	16.9	8.6
Shimao Property	00813 HK		25.600	6.4	5.3	4.4	1.0	0.9	0.8	6.2	17.0	6.2
Guangzhou R&F	02777 HK		17.020	3.7	3.1	2.7	0.6	0.5	0.5	10.9	17.5	10.9
Bbmj Corp-H	02009 HK		3.000	6.3	5.9	6.2	0.5	0.4	0.4	2.9	8.2	2.9
Sino-Ocean Group	03377 HK		3.830	6.2	4.8	4.5	0.5	0.4	0.4	7.0	7.6	7.0
China Jinmao Holdings	00817 HK		5.580	8.2	6.4	5.1	1.3	1.1	1.0	4.9	15.6	4.9
Hopson Development	00754 HK		9.250	10.1	9.2	n.a.	n.a.	n.a.	n.a.	2.9	n.a.	2.9
Zhenro Properties	06158 HK		5.350	5.9	4.2	3.4	1.1	0.9	0.8	n.a.	17.9	n.a.
Kwg Group Holdings Ltd	01813 HK		9.560	5.0	4.1	3.3	0.8	0.7	0.6	7.4	16.1	7.4
Yuexiu Property Co Ltd	00123 HK		1.940	7.2	6.5	6.6	0.6	0.6	0.5	5.5	7.9	5.5
Shenzhen Investment	00604 HK		3.210	7.5	6.9	6.4	0.6	0.6	0.5	5.5	7.8	5.5
Ronshine China	03301 HK		11.820	4.0	3.2	2.8	0.9	0.7	0.6	5.2	27.0	5.2
Yuzhou Properties Co	01628 HK		4.560	4.0	3.3	2.9	0.8	0.7	0.6	8.4	21.5	8.4
Greentown China	03900 HK		7.880	5.5	5.3	4.7	0.5	0.4	0.4	3.9	7.4	3.9
China Aoyuan Group	03883 HK		9.680	5.9	4.1	3.1	1.7	1.4	1.2	6.8	28.4	6.8
Soho China Ltd	00410 HK		3.000	24.4	21.8	18.7	0.4	0.4	0.4	3.2	1.4	3.2
Median				6.3	5.3	4.5	1.0	0.8	0.7	5.3	17.0	5.3
Simple Average				7.2	6.2	5.3	1.0	0.9	0.8	5.7	17.7	5.7
Weighted Average				6.9	6.0	5.2	1.4	1.2	1.0	5.4	22.5	5.4
HK listed mid-small developers with major revenue from												
China Overseas Grand	00081 HK		4.430	5.4	4.2	3.3	0.7	0.6	0.5	4.1	13.0	4.1
Poly Property Group Co	00119 HK		3.530	4.4	4.0	3.0	0.4	0.4	0.3	6.5	10.0	6.5
Shanghai Industrial	00563 HK		1.710	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Modern Land China Co	01107 HK		1.430	3.5	3.0	4.1	0.6	0.5	0.5	7.8	14.8	7.8
Powerlong Real Estate	01238 HK		4.050	3.5	2.9	0.1	0.4	0.4	0.4	9.5	13.1	9.5
C C Land Holdings Ltd	01224 HK		1.800	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fantasia Holdings	01777 HK		1.620	6.6	5.5	n.a.	0.6	0.5	n.a.	4.7	6.8	4.7
Yuexiu Real Estate	00405 HK		5.300	18.5	18.1	n.a.	1.0	1.0	1.2	6.4	8.1	6.4
Central China Real	00832 HK		4.070	6.3	4.3	4.0	0.9	0.8	0.8	5.5	15.2	5.5
China Scc Group	01966 HK		3.830	4.0	3.1	2.8	0.7	0.6	0.6	7.9	19.6	7.9
Top Spring International	03688 HK		2.290	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Beijing Capital Land	02868 HK		3.200	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.7	n.a.	7.7
Zhong An Real Estate	00672 HK		0.305	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Beijing North Star Co	00588 HK		2.890	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China South City	01668 HK		1.280	3.1	2.5	2.1	0.3	0.3	0.2	5.6	7.2	5.6
Shui On Land Ltd	00272 HK		1.980	7.2	6.3	18.8	0.3	0.3	0.3	5.5	4.2	5.5
Glorious Property	00845 HK		0.385	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Median				4.9	4.1	3.2	0.6	0.5	0.5	6.4	11.5	6.4
Simple Average				6.2	5.4	4.8	0.6	0.5	0.5	6.5	11.2	6.5
Weighted Average				6.7	5.9	5.1	0.6	0.5	0.6	6.5	11.1	6.5

Source: the Company, Guotai Junan International.

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F
Total Revenue	72,075	115,798	171,203	206,989	249,785
- Sales of properties	67,462	108,719	161,205	193,164	231,120
- Property management	2,019	2,989	3,945	5,168	6,718
- Property investment	2,593	4,090	6,054	8,657	11,947
Cost of sales	(47,639)	(76,270)	(115,342)	(139,727)	(168,189)
Gross Profit	24,436	39,529	55,861	67,263	81,596
- Change in Fair Value of IPs	4,923	4,702	5,831	10,280	11,075
- SG&A	(5,064)	(8,590)	(12,827)	(15,353)	(18,342)
- Other Gains, Net	436	1,274	1,622	1,550	1,495
Operating Profit	24,731	36,914	50,488	63,740	75,824
- Finance income/(costs), net	(45)	(75)	(81)	(91)	(100)
- Others	1,868	643	772	888	1,021
Profit before Tax	26,554	37,483	51,178	64,537	76,745
Income Tax	(10,075)	(16,592)	(22,401)	(28,196)	(33,452)
Profit after Tax	16,478	20,891	28,778	36,340	43,293
Non-controlling Interest	(3,880)	(4,654)	(8,346)	(10,902)	(12,555)
Shareholders' Profit / Loss	12,599	16,237	20,432	25,438	30,738
Adjusted net profit	10,174	14,557	18,137	21,409	26,319
Basic EPS	2.134	2.726	3.738	4.644	5.251
Underlying EPS (RMB)	1.723	2.444	3.318	3.909	4.496

Cash Flow Statement					
Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F
Operating activities					
Profit Before Taxation	26,554	37,483	51,178	64,537	76,745
Finance Costs	45	75	81	91	100
D&A	29	0	0	0	0
Changes in Fair Value of IPs	(4,420)	(4,702)	(5,831)	(10,280)	(11,075)
Interest income	(315)	(703)	(719)	(736)	(754)
Others	(2,336)	(643)	(772)	(888)	(1,021)
Changes in Working Capital:	58,938	(38,320)	9,097	8,774	8,785
Net Cash from Operations	78,494	(6,811)	53,034	61,497	72,780
Income Taxes Paid	(7,147)	(10,333)	(7,983)	(20,554)	(27,527)
Cash from Operating Activities	71,347	(17,144)	45,050	40,943	45,253
Investing activities					
Additions to IPs	(4,167)	(11,613)	(14,416)	(38,484)	(29,419)
Payment for land use right	(80,928)	(4,471)	(2,159)	(229)	(229)
Purchases of PPE	(190)	(2,503)	(1,683)	(1,010)	(1,212)
Other investing cash flow	(25,620)	(5,501)	(2,816)	(1,870)	(2,232)
Cash from Investing Activities	(110,904)	(24,088)	(21,073)	(41,592)	(33,091)
Financing activities					
Debt raised/(repaid)	17,565	42,416	22,014	14,183	15,602
Dividends paid	(2,739)	(4,098)	(5,751)	(7,161)	(8,652)
Interests paid	(3,110)	(4,898)	(5,352)	(5,947)	(6,541)
Other financing cash flow	37,226	26,252	3,347	2,946	3,181
Cash from Financing Activities	48,941	59,672	14,257	4,022	3,589
Net Changes in Cash	9,384	18,441	38,235	3,373	15,751
Cash at Beg of Year	17,258	26,642	45,083	83,318	86,691
Exchange Losses	0	0	0	0	0
Cash at End of Year	26,642	45,083	83,318	86,691	102,442

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F
Property and equipment	863	3,366	5,049	6,058	7,270
Prepaid lease payments	37,139	16,519	20,506	21,319	22,157
Investment properties	68,095	84,410	104,656	153,420	193,914
Other Non-current Assets	22,999	30,561	39,446	44,435	49,665
Total Non-current Assets	129,096	134,855	169,657	225,233	273,005
Cash & Cash Equivalents	26,642	45,083	83,318	86,691	102,442
Properties for Sale	151,421	232,015	264,413	286,645	296,010
Trade and Other Receivables	14,184	22,573	32,357	38,338	45,339
Other Current Assets	41,421	72,358	88,772	99,415	110,987
Total Current Assets	233,668	372,029	468,860	511,089	554,778
Total Assets	362,764	506,884	638,516	736,321	827,784
Accounts payable	125,430	175,674	238,472	278,121	306,297
Short-term borrowings	3,611	11,743	12,917	14,209	15,630
Other current liabilities	48,453	62,427	75,116	84,629	93,104
Total Current Liabilities	177,494	249,844	326,506	376,958	415,031
Long-term borrowings	65,528	99,456	119,347	131,282	144,410
Other long-term liabilities	13,563	16,766	28,819	35,056	40,676
Total Non-current Liabilities	79,091	116,222	148,166	166,338	185,087
Total Liabilities	256,585	366,066	474,672	543,297	600,118
Total Shareholders' Equity	70,567	81,661	96,342	114,620	136,706
Minority Interest	35,612	59,157	67,502	78,404	90,960
Total Equity	106,179	140,818	163,845	193,024	227,666

Financial Ratios					
	2017A	2018A	2019F	2020F	2021F
Revenue Growth (%)	31.5	60.7	47.8	20.9	20.7
Gross Profit Growth (%)	53.3	61.8	41.3	20.4	21.3
Reported Net Profit Growth (%)	37.6	28.9	25.8	24.5	20.8
Underlying EPS Growth (%)	23.2	41.8	35.7	17.8	15.0
Gross Margin (%)	33.9	34.1	32.6	32.5	32.7
Operating Profit Margin (%)	34.3	31.9	29.5	30.8	30.4
Adjusted Net Margin (%)	14.1	12.6	10.6	10.3	10.5
ROE (%)	19.0	21.3	23.0	24.1	24.5
ROCE (%)	18.3	19.9	23.1	26.3	27.1
ROA (%)	6.8	7.3	7.9	8.7	9.2
Net Gearing Ratio	45.8	52.9	35.6	35.8	30.3
Debt to Equity Ratio	106.9	146.7	147.2	136.1	125.5
Underlying P/E (x)	13.6	10.2	7.2	6.1	5.3
P/E (Basic) (x)	10.8	8.9	6.4	5.1	4.6
P/E (Diluted) (x)	11.0	9.1	6.4	5.2	4.6
P/B (x)	2.0	1.8	1.4	1.1	1.0
Dividend Yield (%)	2.0	2.8	4.4	5.5	6.2

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk