



Company Report: Powerlong Real Estate (01238 HK)

公司报告: 宝龙地产 (01238 HK)

Jack Liu 柳晨
(852) 2509 2149
chen.liu@gtjas.com.hk
5 December 2019

Raised Contracted Sales Target and Solid Fundamentals, "Buy"
提升的合约销售目标和稳固的基本面, "买入"

- **Powerlong Real Estate revised up its 2019 contracted sales target from RMB50 bn to RMB55 bn.** In Jan.-Oct 2019, accumulated contracted sales grew by 52.4% YoY and reached RMB50.51 bn, achieving 91.8% of the Company's revised 2019 sales target. Saleable resources in 2H19 is expected to reach around RMB63.1 bn, indicating a sell-through rate of only 40.9% to complete the revised 2019 sales target.
- **Abundant land bank with low unit land cost could protect the Company's gross margins.** As at 30 Jun. 2019, the Company had a total land bank GFA of approximately 24.37 million sq.m with an average unit land cost of RMB2,701 per sq.m, representing only 16.5% of contracted sales ASP in 1H19. Land bank in YRD accounted for 72.6% of its total land bank GFA, while land bank in tier-1/2 cities accounted for 57.3% of its total land bank GFA.
- **1H19 underlying net profit surged by 48.9% YoY to RMB1,245 mn.** The Company's 1H19 top line grew by 32.0% YoY to RMB12,251 mn in 1H19, mainly due to increase in both GFA and ASP of the delivered projects. We expect underlying net profit in 2019-2021 to reach RMB2,737 mn, RMB3,711 mn and RMB4,933 mn, respectively.
- We set our target price at HK\$6.23, representing a 50% discount to 2019E NAV of HK\$12.46 per share, 8.5x 2019 underlying PER and 0.8x 2019 PBR. **Investment rating is "Buy".** Risk factors: lower-than-expected contracted sales, delayed opening of commercial property projects.
- **宝龙地产将 2019 年合约销售目标由人民币 500 亿元调升至人民币 550 亿元。** 2019 年 1 至 10 月合约销售同比增长 52.4%至人民币 505.1 亿元, 相当于公司调整后 2019 年销售目标的 91.8%。2019 年下半年可售资源预计将达到约人民币 631 亿元, 相当于约 40.9%的去化率即可完成调整后的全年的销售目标。
- **充裕的土地储备与较低的单位土地成本将维护公司的毛利率。** 截至 2019 年 6 月 30 日, 公司土储总建筑面积达到 2,437 万平米, 单位土地成本为每平方米人民币 2,701 元, 仅相当于公司 2019 年上半年销售均价的 16.5%。长三角地区的土储占到了总土储建筑面积的 72.6%, 而一二线城市的土储占到了总土储建筑面积的 57.3%。
- **2019 年上半年核心净利同比上升 48.9%至人民币 12.45 亿元。** 由于交付建面和交付项目的销售均价上升, 公司 2019 年上半年收入同比上升 32.0%至人民币 122.51 亿元。我们预计 2019 至 2021 年核心净利将分别达到人民币 27.37 亿元、人民币 37.11 亿元和人民币 49.33 亿元。
- 我们给予公司 6.23 港元的目标价, 相较于公司 2019 年每股估值 12.46 港元有 50%的折让, 也分别相当于 8.5 倍 2019 年核心市盈率及 0.8 倍 2019 年市净率。**投资评级为“买入”。** 风险因素: 低于预期的合约销售, 商业物业项目的延迟开业。

Rating: Buy

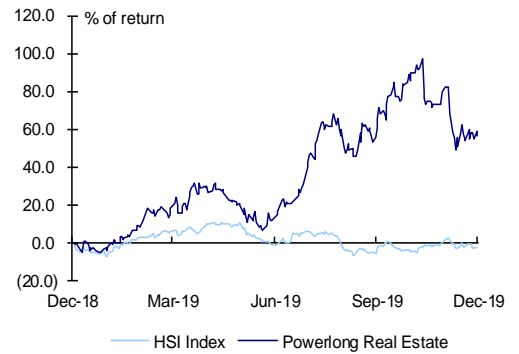
评级: 买入

6-18m TP 目标价: HK\$6.23

Share price 股价: HK\$4.690

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 %	(14.3)	(8.9)	49.4
Rel. % to HS Index 相对恒指变动 %	(9.0)	(7.8)	51.6
Avg. share price (HK\$) 平均股价 (港元)	4.7	5.1	4.0

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)	(△%)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2017A	15,593	3,337	0.841	35.0	4.5	6.339	0.6	0.218	5.8	13.9
2018A	19,594	2,837	0.710	(15.6)	5.6	6.826	0.6	0.261	6.5	10.8
2019F	26,111	3,855	0.930	31.0	4.4	7.435	0.5	0.372	9.1	13.3
2020F	36,003	5,003	1.207	29.8	3.4	8.272	0.5	0.483	11.8	15.4
2021F	48,175	6,418	1.549	28.3	2.6	9.340	0.4	0.620	15.2	17.6

Shares in issue (m) 总股数 (m)	4,143.9	Major shareholder 大股东	Hoi Kin Hong 44.3%
Market cap. (HK\$ m) 市值 (HK\$ m)	18,813.3	Free float (%) 自由流通比率 (%)	34.8
3 month average vol. 3 个月平均成交股数 ('000)	12,142.8	FY19 Net gearing (%) FY19 净负债/股东资金 (%)	86.9
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	5.950 / 3.000	FY19 Est. NAV (HK\$) FY19 每股估值 (港元)	12.5

Source: the Company, Guotai Junan International.

Housing sales growth slightly recovered in Jun.-Oct. 2019 and is likely to maintain its uptrend in Nov.-Dec. 2019. During Jan.-Oct. 2019, commodity housing sales amount and GFA recorded mild recovery, with decline in growth rate only in May. 2019 and Jun. 2019. During the first 10 months in 2019, cumulative commodity house sales amount grew by 7.3% YoY, while cumulative commodity house sales GFA increased by 0.1% YoY. We expect housing sales to continue to grow for the rest of 2019, given that developers have started to accelerate contracted sales in order to accomplish the full-year sales target. Housing sales in lower-tier cities is expected to face more challenges because property sales in lower-tier cities benefited from a large number of shantytown redevelopment programs in the past. In aggregate, we are likely to see some recovery in commodity housing sales.

Figure 1: Cumulative House Sales Amount in China

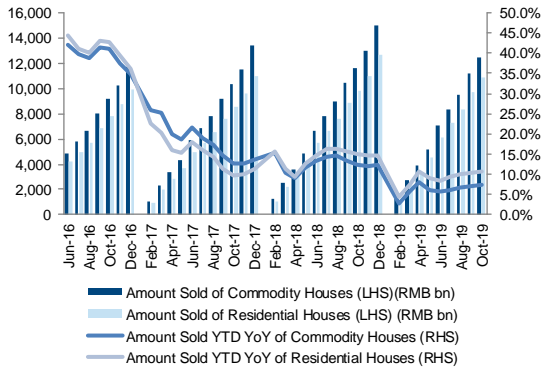
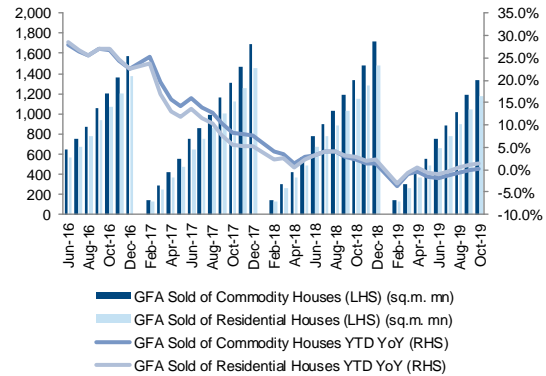


Figure 2: Cumulative House Sales GFA in China

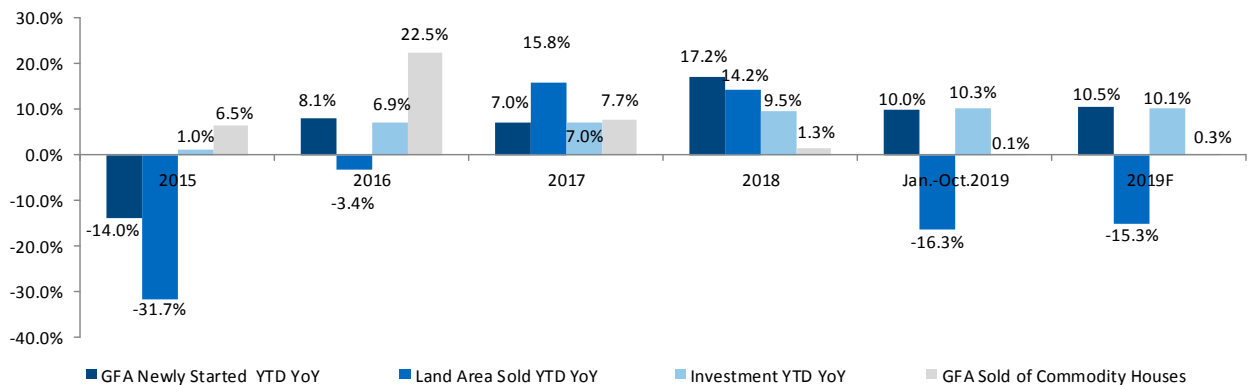


Source: National Bureau of Statistics of China, Guotai Junan International.

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

Targeted and tightening policies will be maintained but monetary environment has started to become moderately loose with the recent decline in loan rates. Targeted policies will be maintained to promote the steady and sound development of the property sector. Both CPC political bureau meetings held in Apr. 2019 and Jul. 2019 reaffirmed that: 1) houses should be used for accommodation only and not for investment; 2) local governments must be responsible for the long-term regulation and control of local property markets; 3) local property market policies should be formulated and implemented on a city-by-city basis. In Sep. 2019, the PBOC announced an RRR cut. The PBOC also announced that monthly loan prime rates (LPR) will act as the guidance for personal housing mortgage rate from 8 Oct. 2019. In Nov. 2019, the 1-year MLF rate declined by 5 bps to 3.25% and the latest 5-year LPR also dropped by 5 bps to 4.80%, indicating a moderately loose monetary environment. We believe it is possible that commercial banks could offer loan products with lower interest rates to both house buyers and developers, thus benefiting the whole real-estate industry.

Figure 3: Key Property Development and Sales Data

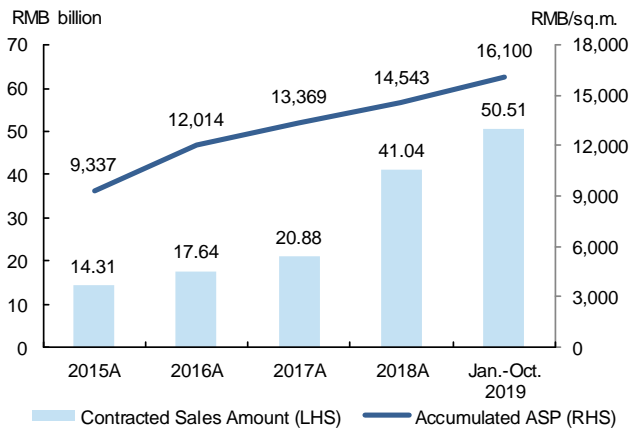


Source: National Bureau of Statistics of China, Guotai Junan International.

Powerlong Real Estate revised up 2019 contracted sales target and we expect contracted sales to maintain its uptrend in Nov. and Dec. 2019. Powerlong Real Estate (the "Company") raised its 2019 contracted sales target from RMB50 bn to RMB55 bn. In Jan.-Oct.2019, contracted sales amounted to RMB50.51 bn, up 52.4% YoY, achieving 91.8% of the Company's revised 2019 sales target. Saleable resources in 2H19 is expected to reach RMB63.1 bn, indicating a target sell-through rate of only 40.9% to accomplish the revised full-year sales target. Saleable resources in 2H19 include 86 projects covering 31 cities and 78.1% of the saleable resources are located in the YRD region. In addition, 64.5% of the saleable resources in 2H19 will be

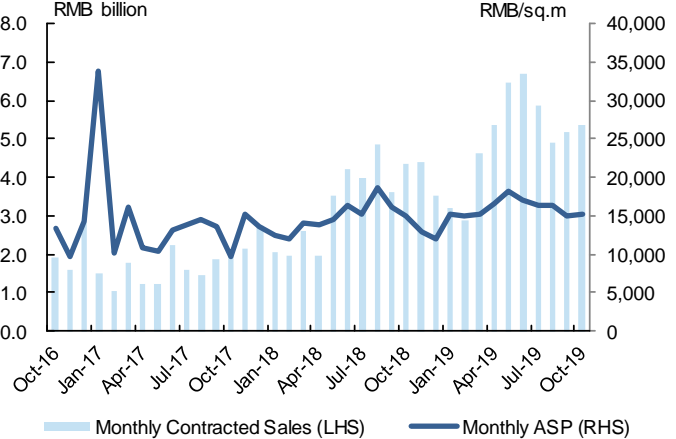
residential properties. We expect the growth momentum in contracted sales to be maintained for the next two months in 2019 and we believe the revised sales target is achievable.

Figure 4: The Company's Contracted Sales Amount



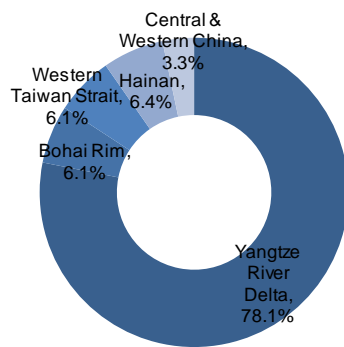
Source: the Company, Guotai Junan International.

Figure 5: The Company's Monthly Contracted Sales



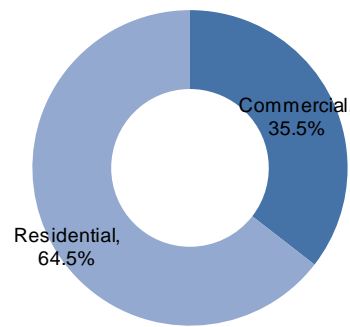
Source: the Company, Guotai Junan International.

Figure 6: The Company's 2019 Saleable Resources Breakdown by Region



Source: the Company, Guotai Junan International.

Figure 7: The Company's 2019 Saleable Resources Breakdown by Product Type



Source: the Company, Guotai Junan International.

Powerlong Real Estate's (the "Company") 1H19 net profit increased by 35.5% YoY. The Company's top line grew by 32.0% YoY to RMB12,251 mn in 1H19. Revenue from property development business grew by 32.6% YoY to RMB10,498 mn, which accounted for 85.7% of the Company's total revenue. During 1H19, the GFA delivered increased by 18.0% YoY to 0.851 mn sq.m, while the ASP of recognised property sales grew by 12.4% YoY to RMB12,335 per sq.m. Gross profit amounted to RMB4,753 mn, up 35.6% YoY. The Company's shareholders' net profit surged by 35.5% YoY to RMB1,803 mn. Excluding post-tax fair value gains on investment properties, exchange losses and other non-recurring items, underlying net profit increased by 48.9% YoY to RMB1,245 mn. GPM increased by 1.0 pts YoY to 38.8%. Net profit margin also increased by 0.4 pts YoY to 14.7%. The Company declared an interim dividend of HK cent 9.0 per share for the six months ended 30 June 2019, representing a 32.4% YoY increase in DPS and a dividend payout ratio of 17.6%.

Table 1: Comparison of the Company's Income Statement in 1H18 and 1H19

RMB mn	1H18	1H19	Change
Total revenue	9,284	12,251	32.0%
- Property development	7,916	10,498	32.6%
- Property investment	1,059	1,391	36.6%
- Hotel operation and others	309	362	17.4%
Gross profit	3,505	4,753	35.6%
GPM	37.8%	38.8%	1.0 pts
Shareholders' net profit	1,330	1,803	35.5%
Underlying shareholders' net profit	836	1,245	48.9%
Shareholders' NPM	14.3%	14.7%	0.4 pts

Underlying Shareholders' NPM	8.96%	11.89%	2.9 ppts
DPS (RMB)	0.057	0.079	38.1%
Underlying EPS (RMB)	0.209	0.311	48.9%

Source: the Company, Guotai Junan International.

Table 2: Comparison of the Company's Balance Sheet as at the end of 2018 and 1H19

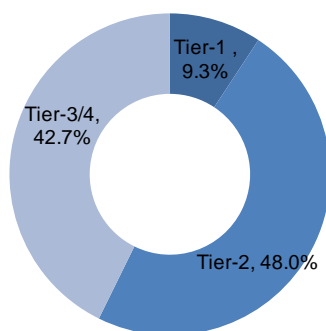
RMB mn	2018	1H19	Change
Cash and cash equivalents	14,840	16,608	11.9%
Total asset	132,055	142,158	7.7%
Properties under development	32,350	35,382	9.4%
Completed properties	9,443	10,019	6.1%
Contract liabilities	16,444	18,809	14.4%
Total debt	49,101	49,594	1.0%
Shareholders' equity	27,287	28,275	3.6%
Net debt / Total equity	101.6%	91.4%	(10.2 ppts)
Net debt / Shareholders' equity	122.1%	109.9%	(12.3 ppts)

Source: the Company, Guotai Junan International.

Alongside accelerating investment property portfolio expansion, we expect fast rental income growth. During 1H19, rental income from investment properties increased by 36.6% YoY to RMB634.8 mn, representing 5.2% of the Company's total revenue. As at the end of 1H19, the Company had a total self-owned rental GFA of 3,151,144 sq.m. for malls in operation. The Company plans to add another 6, 10 and 9 new malls in 2H19, 2020 and 2021, respectively. With recently opened malls gradually turning into mature ones and new malls being added to the portfolio, we expect rental income to increase from RMB1,124 mn in 2018 to RMB2,203 mn in 2021, or at a CAGR of 25.2% in 2019-2021.

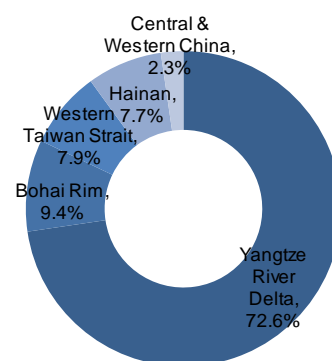
Abundant high-quality land bank in YRD with low unit land cost could protect the Company's gross margin. As at the end of 1H19, the Company's land bank had a total GFA of 24.37 mn sq.m, of which, tier-1 cities (9.3%) and tier-2 cities (48.0%) accounted for 57.3% of the Company's total land bank. Land bank in the YRD region exceeded 17.73 mn sq.m and accounted for 72.6% of the total land bank GFA. We noticed that land bank portion in both tier-1 and tier-3/4 cities declined, while land bank portion in tier-2 cities increased. The Company's average unit land cost increased and amounted to RMB2,701 per sq.m in 1H19, however representing only 16.5% of ASP in 1H19. We think the Company's low proper unit land cost could maintain the Company's gross margins at around 36.2% to 37.3% in 2019-2021.

Figure 8: Powerlong's Land Bank GFA by City Tier in 1H19



Source: the Company.

Figure 9: Powerlong's Land Bank GFA by Region in 1H19



Source: the Company.

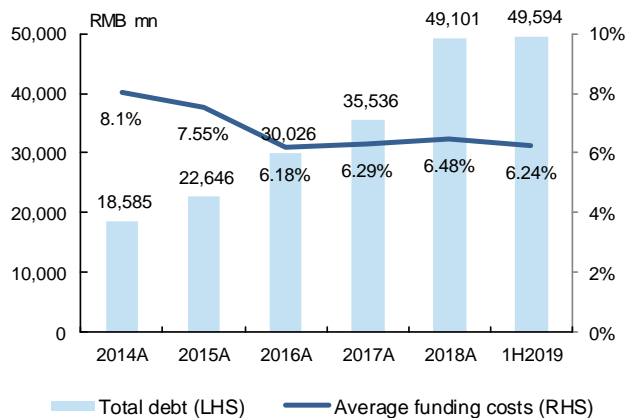
The Company proposed to split and separately list its property management business. During 1H19, income from property management services grew by 27.2% to RMB756.4 mn, representing 6.2% of the Company's total revenue. The Company has gained experience in managing both commercial and residential properties over years of development. We believe the Company's top-tier property management capability could enhance operational efficiency and support the expansion of its commercial property projects. In Aug. 2019, the Company proposed to split and separately list its property management business (Powerlong Commercial Management) on the main board of the HK Stock Exchange. We expect the spin-off and separate listing could provide a revaluation opportunity for the Company's property management business. Powerlong Real

Estate is expected to have at least 50% interest in Powerlong Commercial Management and Powerlong Commercial Management will remain as a subsidiary of the Company upon completion of the proposed spin-off and listing.

The Company implemented several major financing activities in 2H19. In Jul. 2019, the Company issued senior notes worth US\$170 mn due 2023 with interest rate of 6.95% per annum. In Nov. 2019, the Company issued another batch of senior notes worth US\$300 mn, due 2022 with interest rate of 7.125% per annum. Powerlong Real Estate issued these two batches of senior notes for the purpose of refinancing existing debt. In Oct. 2019, the Company completed a share placing of 146.6 mn shares at a price of HK\$5.40 per share. The number of placing shares represented 3.54% of the enlarged total number of shares in issue upon completion of the placing. Excluding all expenses related to this share placing, the Company received a net proceed of HK\$781.378 mn. Powerlong Real Estate intends to use the net proceeds for possible business development or investments in the future when opportunities arise and as general working capital of the Company.

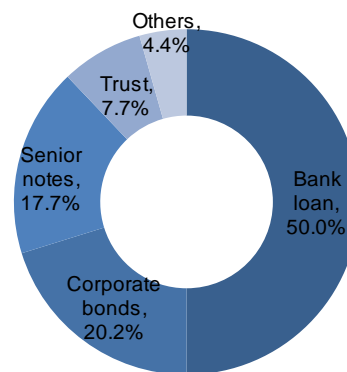
Funding costs are expected to slightly increase and solvency risk is limited. The weighted average funding cost in 1H19 was 6.24%, slightly decreasing 0.24 ppts compared with that in 2018. We expect funding costs to slightly increase in 2H19 due to stringent financing restrictions promulgated by the regulating authorities. The Company's diversified financing channel mainly includes bank loans, corporate bonds, senior notes and trust loans. Considering steady contracted sales growth and investment property portfolio expansion, we expect net gearing ratio to maintain a level of 80%-90% during 2019-2021. We think the Company's large amount of recurring income could cover the majority of its interest expenses. In Oct. 2019, S&P revised its outlook on Powerlong Real Estate from "negative" to "stable" and affirmed the "B+" long-term issuer credit rating. In aggregate, we think the Company's solvency risk is limited.

Figure 10: Powerlong's Total Debt and Funding Costs



Source: the Company, Guotai Junan International.

Figure 11: Powerlong's Debt Structure in 1H19



Source: the Company, Guotai Junan International.

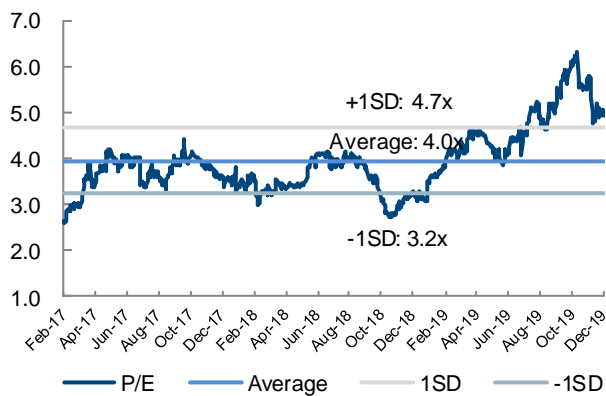
We set the Company's target price at HK\$6.23 and investment rating as "Buy". Powerlong Real Estate revised up 2019 contracted sales target and we expect contracted sales to maintain its uptrend in Nov. and Dec. 2019. With plenty of saleable resources and low target sell-through rate, we believe that the Company's revised 2019 sales target is achievable. Abundant and quality land bank with low unit land cost is expected to protect the Company's gross margins. The Company implemented several major financing activities including issuance of senior notes and share placing in 2H19. We expect funding cost to slightly increase and the Company's solvency risk is limited. According to MSCI, Powerlong Real Estate was excluded from the MSCI China Small Cap Index during the 2019 semi-annual index review on 7 Nov. 2019, which we believe has put downside pressure on the Company's share price. However, we think that the fundamentals of Powerlong Real Estate are still solid. Thus, we set our target price to HK\$6.23, representing a 50% discount to 2019E NAV of HK\$12.46 per share, 8.5x 2019 underlying PER and 0.8x 2019 PBR. We set Powerlong Real Estate's investment rating as "Buy". Risk factors include lower-than-expected contracted sales and delayed opening of commercial property projects.

Table 3: Breakdown of Powerlong Real Estate 2019 NAV

	Asset value (RMB m)	Asset Value (HK\$ m)	NAV/share (HK\$)	% of NAV	% of GAV
Development properties	42,790	47,544	11.47	92.1%	53.4%
Investment properties	37,287	41,430	10.00	80.2%	46.6%
Gross asset value	80,077	88,974	21.47	172.3%	100.0%
(Net debt)/Net cash	(32,713)	(36,348)	(8.77)	(70.4%)	
Perpetual capital instruments	(879)	(977)	(0.24)	(1.9%)	
NAV	46,485	51,650	12.46	100.0%	
NAV/Share	11.22	12.46			

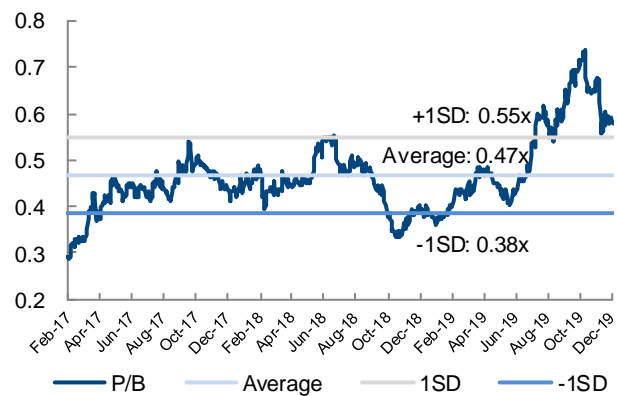
Source: the Company, Guotai Junan International.

Figure 12: The Company's Historical P/E Ratio



Source: Bloomberg, Guotai Junan International.

Figure 13: The Company's Historical P/B Ratio



Source: Bloomberg, Guotai Junan International.

Table 4: Peers Comparison

Company	Stock Code	Currency	Mkt Cap (HK\$ m)	PE				PB				ROE(%)		D/Y(%)	
				2018A	2019F	2020F	2021F	2018A	2019F	2020F	2021F	2019F	2019F	2019F	2019F
HK listed large developers with major revenue from mainland															
China Vanke Co Ltd-H	02202 HK	HKD	346,555	8.0	7.1	6.2	5.4	1.8	1.6	1.3	1.2	23.1	4.7		
China Overseas Land & Invest	00688 HK	HKD	293,078	6.5	6.5	5.6	4.9	1.0	0.9	0.8	0.7	14.8	4.1		
China Evergrande Group	03333 HK	HKD	252,238	5.7	5.1	4.7	4.3	1.7	1.4	1.2	1.0	30.4	11.2		
Country Garden Holdings Co	02007 HK	HKD	240,291	5.8	5.2	4.5	4.0	1.7	1.4	1.1	0.9	29.4	6.0		
China Resources Land Ltd	01109 HK	HKD	251,009	8.5	9.4	8.0	6.8	1.5	1.4	1.3	1.1	16.2	3.7		
Longfor Group Holdings Ltd	00960 HK	HKD	190,216	9.7	10.3	8.5	7.0	2.0	1.8	1.6	1.4	18.8	4.3		
Sunac China Holdings Ltd	01918 HK	HKD	179,918	9.0	6.2	4.9	4.1	2.8	2.0	1.5	1.2	35.4	3.5		
Shimao Property Holdings Ltd	00813 HK	HKD	93,102	9.0	7.6	6.1	5.1	1.4	1.2	1.1	0.9	16.9	5.2		
Logan Property Holdings Co.L	03380 HK	HKD	63,144	6.6	5.8	4.7	3.9	2.1	1.7	1.3	1.1	30.5	7.1		
China Jinmao Holdings Group	00817 HK	HKD	61,051	9.7	8.4	6.6	5.2	1.5	1.3	1.2	1.0	15.4	4.9		
Cifi Holdings Group Co Ltd	00884 HK	HKD	46,699	7.1	5.9	4.7	3.5	1.6	1.3	1.1	0.9	23.1	6.0		
Agile Group Holdings Ltd	03383 HK	HKD	42,147	4.9	5.0	4.3	3.7	0.9	0.8	0.7	0.6	15.5	9.5		
Guangzhou R&F Properties - H	02777 HK	HKD	40,408	4.1	3.0	2.5	2.2	0.5	0.5	0.4	0.4	17.2	13.4		
China Aoyuan Group Ltd	03883 HK	HKD	30,778	10.7	6.5	4.5	3.4	2.3	1.8	1.4	1.1	31.4	6.1		
Times China Holdings Ltd	01233 HK	HKD	28,661	5.2	4.8	3.9	3.2	1.4	1.2	1.0	0.8	26.8	6.2		
Shenzhen Investment Ltd	00604 HK	HKD	27,649	7.5	7.5	6.8	6.1	0.6	0.6	0.6	0.5	8.1	5.8		
Yuexiu Property Co Ltd	00123 HK	HKD	25,391	6.3	6.7	6.0	5.7	0.5	0.6	0.6	0.5	8.3	5.7		
Kwg Group Holdings Ltd	01813 HK	HKD	30,224	6.3	5.3	4.3	3.6	0.9	0.8	0.7	0.6	16.4	7.3		
Midea Real Estate Holding Lt	03990 HK	HKD	23,597	5.4	4.8	3.6	2.8	1.3	1.1	0.9	0.7	24.6	8.3		
Sino-Ocean Group Holding Ltd	03377 HK	HKD	21,554	5.0	5.4	3.6	3.4	0.4	0.4	0.4	0.3	6.8	8.6		
Zhenro Properties Group Ltd	06158 HK	HKD	22,363	8.3	6.4	4.8	3.7	1.4	1.2	1.0	0.9	18.6	4.3		
Kaisa Group Holdings Ltd	01638 HK	HKD	18,742	5.7	4.3	3.1	2.3	0.8	0.7	0.6	0.4	17.6	5.6		
Zhongliang Holdings Group Co	02772 HK	HKD	22,744	n.a.	4.6	3.3	2.6	n.a.	2.1	1.4	1.0	59.5	7.9		
Powerlong Real Estate Holdin	01238 HK	HKD	19,435	5.6	6.6	4.9	3.9	0.6	0.6	0.5	0.5	10.1	6.8		
Simple Average				7.0	6.2	5.0	4.2	1.3	1.2	1.0	0.8	21.4	6.5		
Weighted Average				7.4	6.8	5.7	4.9	1.6	1.4	1.2	1.0	22.6	5.8		
HK listed mid-small developers with major revenue from mainland															
Greentown China Holdings	03900 HK	HKD	17,194	37.1	6.1	6.0	5.0	0.5	0.5	0.5	0.5	7.1	3.8		
Yuzhou Properties Co	01628 HK	HKD	19,320	4.0	3.9	3.2	2.8	0.9	0.7	0.6	0.6	20.5	10.6		
Hopson Development Holdings	00754 HK	HKD	16,781	2.9	5.6	4.5	3.9	0.3	n.a.	n.a.	n.a.	n.a.	5.3		
Ronshine China Holdings Ltd	03301 HK	HKD	16,163	5.8	3.8	2.9	2.4	1.0	0.9	0.7	0.6	18.3	6.6		
China Sce Group Holdings Ltd	01966 HK	HKD	15,934	3.7	4.5	3.4	2.8	0.9	0.8	0.7	0.6	18.9	7.1		
Gemdale Properties And Inves	00535 HK	HKD	14,617	5.5	3.9	3.1	2.6	1.1	0.9	0.7	0.6	22.8	7.3		
China Overseas Grand Oceans	00081 HK	HKD	14,994	6.0	4.2	3.5	3.0	0.8	0.7	0.6	0.5	16.8	4.7		
Central China Real Estate	00832 HK	HKD	11,421	8.0	6.0	4.0	2.6	1.1	1.0	0.8	0.7	15.8	8.5		
Beijing North Star Co Ltd-H	00588 HK	HKD	10,790	4.9	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.		
Dexin China Holdings Co Ltd	02019 HK	HKD	8,239	3.6	4.3	3.7	3.3	2.9	1.3	1.0	0.7	16.5	n.a.		
Redsun Properties Group Ltd	01996 HK	HKD	8,234	3.2	4.9	3.7	2.9	0.6	0.5	0.5	0.4	10.6	5.1		
Beijing Capital Land Ltd-H	02868 HK	HKD	7,933	4.9	2.1	1.8	1.5	0.4	n.a.	n.a.	n.a.	6.6	11.1		
Greenland Hong Kong Holdings	00337 HK	HKD	8,180	4.1	3.6	3.0	n.a.	0.7	n.a.	n.a.	n.a.	n.a.	n.a.		
Fantasia Holdings Group Co	01777 HK	HKD	7,383	8.5	3.5	3.1	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	5.3		
China South City Holdings	01668 HK	HKD	7,378	1.6	2.3	n.a.	n.a.	0.2	0.2	n.a.	n.a.	9.0	4.0		
C&D International Investment	01908 HK	HKD	7,324	3.5	4.0	3.1	2.4	1.5	0.9	0.8	0.7	21.9	11.4		
Guorui Properties Ltd	02329 HK	HKD	6,844	5.7	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.		
Shanghai Industrial Urban De	00563 HK	HKD	4,568	8.0	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.		
Dafa Properties Group Ltd	06111 HK	HKD	4,454	6.2	5.5	4.0	3.2	1.1	0.9	0.8	0.7	18.6	4.7		
Minmetals Land Ltd	00230 HK	HKD	4,251	3.8	4.7	4.4	4.0	0.3	0.4	0.4	0.4	9.0	7.0		
Modern Land China Co Ltd	01107 HK	HKD	3,102	5.0	3.5	2.9	2.4	0.5	0.3	0.3	0.3	13.1	6.0		
Glorious Property Holdings	00845 HK	HKD	1,878	2.9	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.		
Top Spring International Hld	03688 HK	HKD	1,907	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Zhong An Group Ltd	00672 HK	HKD	1,336	3.9	n.a.	n.a.	n.a.	0.2	n.a.	n.a.	n.a.	n.a.	n.a.		
Simple Average				6.2	4.2	3.5	3.0	0.7	0.7	0.6	0.5	15.0	6.8		
Weighted Average				7.3	4.4	3.6	3.1	0.8	0.7	0.7	0.6	15.8	6.8		

Source: the Company, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F	Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F
Total revenue	15,593	19,594	26,111	36,003	48,175	PPE	3,529	3,371	3,708	4,078	4,486
- Property development	13,302	16,667	22,383	31,076	42,264	Investment properties	39,218	45,659	51,661	58,420	65,878
- Property investment	1,804	2,249	2,946	3,769	4,501	Interests in associates & JVs	4,187	4,127	4,953	5,448	5,993
- Hotel operation & others	487	678	783	1,158	1,410	Deferred tax assets	368	499	514	530	546
Cost of sales	(10,368)	(12,041)	(16,363)	(22,766)	(30,722)	Other non-current assets	2,729	1,530	1,572	1,651	1,733
Gross profit	5,225	7,553	9,749	13,237	17,453	Total non-current assets	50,030	55,187	62,408	70,127	78,636
- Fair value gains on IPs	2,135	2,501	2,740	3,100	3,505	Properties under development	10,345	32,350	41,494	50,540	56,477
- Selling and marketing expenses	(500)	(786)	(1,037)	(1,430)	(1,913)	Completed properties for sale	10,417	9,443	10,576	11,739	12,913
- Administrative expenses	(895)	(1,481)	(1,953)	(2,694)	(3,604)	Trade and other receivables	10,193	16,253	19,503	27,305	38,226
- Other income and gains	558	216	262	270	283	Restricted bank deposits	576	936	1,872	2,059	2,162
Operating profit	6,523	8,003	9,759	12,484	15,724	Cash & cash equivalents	9,387	14,840	20,021	21,950	24,063
- Finance income/(costs), net	(573)	(1,377)	(1,020)	(1,109)	(1,186)	Other current assets	4,544	3,046	3,813	4,551	5,129
- Share of results of associates & JVs	197	187	468	515	566	Total current assets	45,461	76,868	97,279	118,144	138,972
Profit before tax	6,148	6,813	9,208	11,889	15,105	Total assets	95,491	132,055	159,687	188,271	217,607
Income tax	(2,280)	(3,166)	(4,055)	(5,233)	(6,594)	Trade and other payables	17,208	20,726	28,164	39,186	52,881
Profit after tax	3,868	3,648	5,153	6,656	8,511	Contract liabilities	3,819	16,444	25,300	31,552	33,882
Non-controlling interest	(414)	(688)	(1,237)	(1,597)	(2,043)	Current tax liabilities	4,720	6,642	7,306	7,672	8,055
Perpetual capital instruments	(117)	(123)	(62)	(55)	(50)	Bank borrowings	9,756	12,977	13,665	15,022	16,649
Shareholders' profit / loss	3,337	2,837	3,855	5,003	6,418	Convertible bonds	0	1,744	0	0	0
Underlying net profit	1,831	2,128	2,737	3,711	4,933	Total current liabilities	35,503	58,533	74,436	93,431	111,467
Basic EPS (RMB)	0.841	0.710	0.930	1.207	1.549	Bank borrowings	25,780	34,380	40,941	45,037	49,424
Underlying EPS (RMB)	0.462	0.532	0.660	0.896	1.190	Other payables	0	206	247	297	356
						Deferred tax liabilities	4,734	6,130	6,437	6,759	7,096
						Total non-current liabilities	30,514	40,717	47,625	52,093	56,876
						Total liabilities	66,017	99,250	122,061	145,524	168,344
						Total shareholders' equity	25,337	27,287	30,810	34,279	38,703
						Minority interest	2,415	3,965	5,202	6,799	8,842
						Perpetual capital instruments	1,722	1,552	1,614	1,669	1,719
						Total equity	29,474	32,805	37,626	42,747	49,264
Cash Flow Statement						Financial Ratios					
Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F		2017A	2018A	2019F	2020F	2021F
Operating activities						Revenue Growth (%)	9.1	25.7	33.3	37.9	33.8
Profit before income tax	6,148	6,813	9,208	11,889	15,105	Gross Profit Growth (%)	33.5	38.5	37.3	36.8	36.2
D&A	184	233	254	267	281	Reported Net Profit Growth (%)	35.4	-15.0	35.9	29.8	28.3
Fair value gains on IPs	(2,135)	(2,501)	(2,740)	(3,100)	(3,505)	Underlying Net Profit Growth (%)	2.0	16.2	28.6	35.6	32.9
Share of results of associates and JVs	(197)	(187)	(468)	(515)	(566)	Gross Margin (%)	33.5	38.5	37.3	36.8	36.2
Other income and gains - net	(558)	(216)	(262)	(270)	(283)	Operating Profit Margin (%)	41.8	40.8	37.4	34.7	32.6
Finance costs - net	573	1,377	1,020	1,109	1,186	Reported Net Margin (%)	21.4	14.5	14.8	13.9	13.3
Changes in working capital	290	(596)	(354)	(716)	(1,490)	Underlying Net Margin (%)	11.7	10.9	10.5	10.3	10.2
Net cash from operations	4,304	4,923	6,658	8,665	10,726	ROE (%)	13.9	10.8	13.3	15.4	17.6
PRC income tax paid	(658)	(628)	(1,222)	(2,127)	(2,835)	ROA (%)	6.6	4.7	6.1	7.1	8.2
LAT paid	(375)	(527)	(1,950)	(2,515)	(3,141)	Net Gearing Ratio	86.8	101.6	86.9	84.3	80.9
Interest paid	(1,952)	(2,683)	(3,210)	(3,603)	(3,905)	Debt to Equity Ratio	100.9	122.1	106.2	105.2	103.0
Cash from operating activities	1,320	1,086	276	420	845	Underlying P/E (x)	8.2	7.5	6.2	4.6	3.4
Investing activities						P/E (Basic) (x)	4.5	5.6	4.4	3.4	2.6
Purchases of property and equipment	(516)	(130)	(556)	(600)	(649)	P/E (Diluted) (x)	4.5	6.0	4.8	3.7	2.9
Payments for investment properties	(1,217)	(2,883)	(3,262)	(3,659)	(3,953)	P/B (x)	0.6	0.6	0.6	0.5	0.4
Investments in associates and JVs	(760)	(367)	(825)	(495)	(545)	Dividend Yield (%)	5.7	6.5	9.1	11.8	15.1
Interest received	159	167	210	217	230						
Other investing cash flow	(5,853)	(5,504)	(42)	(79)	(83)						
Cash from investing activities	(8,187)	(8,718)	(4,475)	(4,616)	(4,999)						
Financing activities											
Bank and other borrowings raised, net	3,871	10,908	7,249	5,453	6,014						
Issue of senior notes and bonds, net	1,201	850	1,531	1,080	1,188						
Proceeds from issue of shares, net	0	0	703	0	0						
Dividends paid to shareholders	(735)	(902)	(1,042)	(1,542)	(2,001)						
Distribution to perpetual bond holders	(115)	(149)	(62)	(55)	(50)						
Other financing cash flow	3,067	2,371	1,000	1,188	1,116						
Cash from financing activities	7,290	13,077	9,380	6,125	6,267						
Net changes in cash	423	5,445	5,182	1,929	2,113						
Cash at beginning of year	8,974	9,387	14,840	20,021	21,950						
Exchange losses	(10)	8	0	0	0						
Cash at end of year	9,387	14,840	20,021	21,950	24,063						

Source: the Company, Guotai Junan International.

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.

DISCLOSURE OF INTERESTS

- (1) The Analysts and their associates do not serve as an officer of the issuer mentioned in this Research Report.
- (2) The Analysts and their associates do not have any financial interests in relation to the issuer mentioned in this Research Report.
- (3) Except for HAITIAN ANTENNA (08227 HK), CH TIANBAO GP (01427 HK), KAISA GROUP (01638 HK), GUOTAI JUNAN I (01788 HK), JXR (01951 HK), BANK OF GANSU (02139 HK), JINSHANG BANK (02558 HK), ZHONGLIANG HLDG (02772 HK), BINHAI INVESTMENT (02886 HK), CAM SCSMALLCAP (03157 HK), Guotai Junan and its group companies do not hold equal to or more than 1% of the market capitalization of the issuer mentioned in this Research Report.
- (4) Guotai Junan and its group companies have had investment banking relationships with the issuer mentioned in this Research Report within the preceding 12 months.
- (5) Guotai Junan and its group companies are not making a market in the securities in respect of the issuer mentioned in this Research Report.
- (6) Guotai Junan and its group companies have not employed an individual serving as an officer of the issuer mentioned in this Research Report. There is no officer of the issuer mentioned in this Research Report associated with Guotai Junan and its group companies.

DISCLAIMER

This Research Report does not constitute an invitation or offer to acquire, purchase or subscribe for securities by Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"). Guotai Junan and its group companies may do business that relates to companies covered in research reports, including investment banking, investment services, etc. (for example, the placing agent, lead manager, sponsor, underwriter or invest proprietarily).

Any opinions expressed in this report may differ or be contrary to opinions or investment strategies expressed orally or in written form by sales persons, dealers and other professional executives of Guotai Junan group of companies. Any opinions expressed in this report may differ or be contrary to opinions or investment decisions made by the asset management and investment banking groups of Guotai Junan.

Though best effort has been made to ensure the accuracy of the information and data contained in this Research Report, Guotai Junan does not guarantee the accuracy and completeness of the information and data herein. This Research Report may contain some forward-looking estimates and forecasts derived from the assumptions of the future political and economic conditions with inherently unpredictable and mutable situation, so uncertainty may contain. Investors should understand and comprehend the investment objectives and its related risks, and where necessary consult their own financial advisers prior to any investment decision.

This Research Report is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Guotai Junan and its group companies to any registration or licensing requirement within such jurisdiction.

© 2019 Guotai Junan Securities (Hong Kong) Limited. All Rights Reserved.
 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