

22 May 2019

Hold
Unchanged

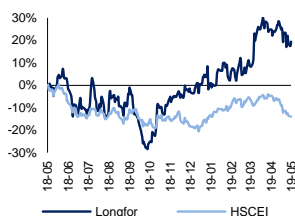
基本面优势已反映，维持中性评级

龙湖集团 (00960 HK)

Market Data: 22 May 2019

Closing Price (HK\$)	27.35
Price Target (HK\$)	25.50
HSCEI	10,605
HSCCI	4,302
52-week High/Low (HK\$)	30.40/16.08
Market Cap (USD Mn)	20,746
Market Cap (HK\$ Mn)	162,833
Shares Outstanding (Mn)	5,954
Exchange Rate (RMB-HK\$)	1.14

Price Performance Chart:



Source: Bloomberg

Analyst

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Related Reports

Balanced growth, Mar26, 2019
Full valuation, Jan17, 2019

The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

Financial summary and valuation

	2017	2018	2019E	2020E	2021E
Revenue (Rmbm)	72,074	115,797	141,379	171,184	204,909
YOY (%)	32%	61%	22%	21%	20%
Underlying Net income (Rmbm)	9,770	12,850	15,719	19,634	23,295
YOY (%)	26%	32%	22%	25%	19%
EPS (Rmb)	2.17	2.78	3.26	3.93	4.57
Core EPS (Rmb)	1.68	2.20	2.64	3.30	3.92
ROE (%)	14.8%	16.9%	17.9%	19.4%	19.9%
Net Gearing (%)	48%	53%	50%	48%	48%
Dividend Yield (%)	3.1%	4.1%	4.9%	6.2%	7.3%
P/E (x)	14.3	10.9	9.1	7.3	6.1
P/B (x)	2.0	1.7	1.5	1.3	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.

总部位于北京的民营开发商龙湖集团股价年初至今上涨近两成，并自3月创出新高以来仅回调7%，同期板块平均下跌约20%，恒生国企指数下跌约10%。我们看好公司严格的财务纪律，外债风险可控，同时坚持较谨慎的城市扩张战略，重点聚焦一二线城市。但我们也注意到公司股价已经大部分反映其基本面优势。考虑到新增项目提升公司每股净资产值，我们将公司目标价从24.9港币上调至25.5港币，仍对应7%下行空间，维持中性。

外债比例低。龙湖2018年末净负债率处于健康水平53%（相比板块平均为85%），平均融资成本维持低位在4.6%（相比板块平均约6%）。尽管今年首季以来同行纷纷加大境外融资力度，公司却未在离岸市场发行任何票据。因此我们估算，截止今年4月末，公司以美元或港币计价的外债规模维持在等价250亿元人民币，而同期20家香港上市的大中型中资开发商平均外债规模从去年末的420亿元人民币上升至今年4月末的480亿元人民币，若剔除外债规模最大的中国恒大，则板块平均外债规模从2018年末的360亿元人民币上升至今年4月末的410亿元人民币。目前其外债占总债务规模的比例约两成，而20家可比公司的平均外债比率超过35%，其中占比最高的公司达到约55%。

销售增速放缓。龙湖今年前4个月合约销售同比增长9%至640亿元（同期板块平均增速约两成），合约销售面积同比增长8%至400万平米，对应销售均价同比微增1%至15889元/平米，延续了公司去年以来销售增长从快速趋于稳健的态势，除和市场整体走势同步外，我们认为这也与公司平衡周转率和利润率有关。公司2018年合约销售增速为29%（同期板块平均增速为28%），较2016和2017年的62%和77%（同期板块平均增速分别为53%和54%）有所放缓，也因此在全国房地产行业规模排名中退后两位至第10位。公司将2019年合约销售目标谨慎地定为2200亿元，对应同比增速为10%，较板块平均目标增速20%略低。

城市扩张审慎。公司在今年前4个月新增23个项目，新增权益土储面积250万平米（同比下降27%），对应权益购地支出为234亿元（同比下降10%）。在此期间，公司新进入4个三四线城市，包括咸阳，漳州，中山和茂名，由此共计覆盖48个城市。但就公司目前整体土储而言，仍主要集中在一二线城市。公司目前的权益土储面积达4600万平米，平均土地成本5218元/平米。我们计算，以土地价值计，一二三线城市占比分别为15%，75%和10%，以土储面积计，则一二三线城市占比分别为5%，70%和25%。

维持中性评级。五月以来我们跟踪的主要城市住宅销售情况较三四月小阳春明显走弱，且个别地区由于土地价格走升遭遇新一轮调控收紧。尽管受外部环境压力，我们预计房地产行业受益于政策再次放松的可能性较小，我们对于行业在经历2016-2018年荣景之后的需求可持续性仍然表示担忧。尽管龙湖在行业下行周期中具备充足安全边际，我们认为其目前的估值溢价已反映其基本面优势。考虑到新增项目，我们将公司每股净资产值从29.3港币上调至30港币，并维持目标净资产值折价为15%，由此将公司目标价从24.9港币上调至25.5港币，对应7%下行空间，维持龙湖集团中性评级。

Longfor's share price gained c.20% YTD and retreated only 7% from its recent high in March, amid sector-wide corrections (-c.20% for the sector since April, vs -c.10% for the HSCEI). We like the company for its strict financial discipline, with low exposure to foreign debt, and its selective expansion, mostly in tier-1 and tier-2 cities. However, we believe those advantages have already been priced in by the market. We maintain our core EPS forecasts of Rmb2.64 in 19E (+20.0% YoY), Rmb3.30 in 20E (+25.0% YoY), and Rmb3.92 in 21E (+18.9% YoY). Given new acquisitions, we lift our target price from HK\$24.90 to HK\$25.50. With 7% downside, we maintain our Hold rating.

Low foreign debt ratio. Longfor has not issued any senior notes on the offshore market this year, despite a strong issuance trend from peers. As a result, its total foreign debt denominated in US\$ or HK\$ remained unchanged at an estimated c.Rmb25bn in April, vs an average increase from c.Rmb42bn in end-2018 to c.Rmb48bn in end-April for 20 large- and medium-sized Hong Kong-listed Chinese developers or from c.Rmb36bn to c.Rmb41bn if we exclude Evergrande (03333:HK – Not rated), the company with the largest foreign debt position. Given a net gearing of 53% in end-2018 (vs sector average: 85%) and a borrowing cost of 4.6% (vs sector average: c.6%), the ratio of foreign debt to total debt reached c.21% (vs peer average: 35%-plus, the highest reading reaching c.55%).

Softening growth. Longfor achieved contract sales of Rmb64bn in January-April (+9% YoY, vs sector average: +22% YoY), with sold area of 4.0msqm (+8% YoY) and an average selling price of Rmb15,889/sqm (+1% YoY), indicating softening growth since 2018, as the firm seeks the right balance between turnover and margin. The company lost two positions in 2018, ranking 10th in terms of sales among Chinese developers, as sales growth slowed down to +29% YoY in 2018 (vs sector average: +28% YoY) from +62% YoY in 2016 and +77% YoY in 2017 (vs sector average: +53% YoY and +54% YoY, respectively). The firm set a prudent sales target of Rmb220bn for 2019, representing 10% YoY growth (vs sector average: +c.20% YoY).

Selective expansion. In the first four months, the firm acquired 23 projects with attributable gross floor area (GFA) of 2.5msqm (-27% YoY) and a corresponding expenditure of Rmb23.4bn (-10% YoY). Over the period, it entered four new city markets, all of them being tier-3 and tier-4 cities, namely Xianyang, Zhangzhou, Zhongshan, and Maoming, and expanded its coverage to 48 cities. Its existing land reserves represent an attributable GFA of 46msqm and an average cost of Rmb5,218/sqm, with still a larger proportion of higher-tier cities. Tier-1, tier-2, and tier-3 and -4 cities account for 15%, 75%, and 10% of its total land bank by value and 5%, 70%, and 25% by floor area, respectively.

Maintain Hold. We believe the real estate sector is unlikely to benefit again from policy loosening despite external environmental pressure. We are concerned about the weaker affordability following the 2016-2018 industry boom. Longfor has sufficient safety margin to go through the downcycle; however, we believe it is not the best timing to revisit the stock, given sector-wide corrections. We update our NAV estimate from HK\$29.3 to HK\$30.0 given new acquisitions, but maintain our NAV discount at 15%. As a result, we lift our target price from HK\$24.90 to HK\$25.50. Maintain Hold.

Beijing-based private developer Longfor's share price gained c.20% YTD and retreated only 7% from its recent high in March, amid sector-wide corrections (-c.20% for the sector since April, vs -c.10% for the HSCEI). We like the company for its strict financial discipline, with low exposure to foreign debt, and its selective expansion, mostly in tier-1 and tier-2 cities. However, we believe those advantages have already been priced in by the market.

Low foreign debt ratio

Longfor has not issued any senior notes on the offshore market this year, despite a strong issuance trend from peers. As a result, its total foreign debt denominated in US\$ or HK\$ remained unchanged at an estimated c.Rmb25bn in April, vs an average increase from c.Rmb42bn in end-2018 to c.Rmb48bn in end-April for 20 large- and medium-sized Hong Kong-listed Chinese developers or from c.Rmb36bn to c.Rmb41bn if we exclude Evergrande (03333:HK – Not rated), the company with the largest foreign debt position.

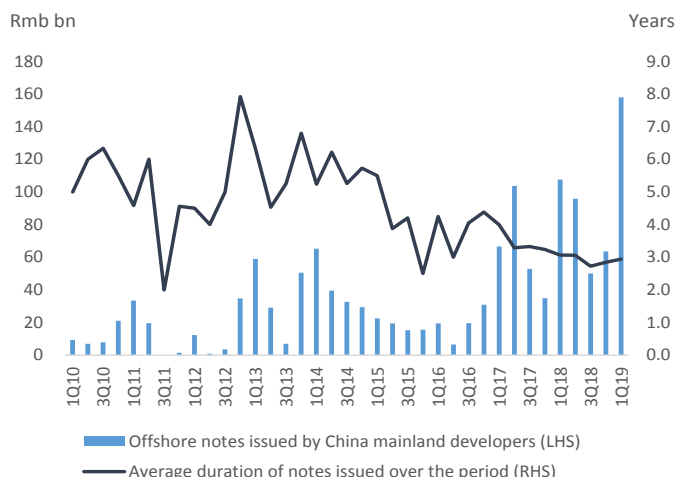
Given a net gearing of 53% in end-2018 (vs sector average: 85%) and a borrowing cost of 4.6% (vs sector average: c.6%), the ratio of foreign debt to total debt reached c.21% (vs peer average: 35%-plus, the highest reading reaching c.55%).

Fig 1: Major Hong Kong-listed Chinese developers' exposure to foreign debt

Tiker	Listco	Net gearing ratio			Total debts (Rmbm)		Debt in US\$/HK\$ (Rmbm)		% of foreign debt	
		End-16	End-17	End-18	End-17	End-18	End-18	Present	End-18	Present
03333 HK	Evergrande	432%	184%	152%	732,625	673,142	149,394	191,394	22%	27%
02007 HK	Country Garden	49%	57%	50%	216,569	329,269	88,000	105,500	27%	30%
00688 HK	COLI	8%	27%	32%	178,238	195,948	87,197	87,197	45%	45%
00813 HK	Shimao	59%	63%	65%	91,705	114,231	59,727	62,877	52%	54%
01109 HK	CR Land	24%	36%	37%	105,356	135,175	43,622	49,222	32%	35%
03383 HK	Agile	71%	96%	111%	67,204	96,864	44,358	47,858	46%	46%
02777 HK	R&F	175%	180%	184%	144,647	163,299	34,680	43,430	21%	25%
01908 HK	Sunac	208%	257%	170%	228,558	234,936	28,290	43,340	12%	17%
00884 HK	CIFI	50%	71%	82%	51,420	81,747	36,786	40,706	45%	48%
00817 HK	Jinmao	74%	118%	135%	85,032	106,572	40,339	40,339	38%	38%
02202 HK	Vanke	26%	9%	31%	190,624	261,206	33,763	33,763	13%	13%
03377 HK	Sino-ocean	42%	62%	73%	61,032	88,575	33,659	33,659	38%	38%
01813 HK	KWG	67%	68%	65%	59,646	77,782	26,039	30,939	33%	37%
03883 HK	Aoyuan	51%	59%	69%	42,493	59,417	20,796	27,796	35%	42%
03380 HK	Logan	72%	85%	75%	43,203	61,304	23,576	25,676	38%	40%
00960 HK	Longfor	54%	48%	53%	77,403	119,819	25,105	25,105	21%	21%
01628 HK	Yuzhou	72%	77%	83%	29,479	45,544	13,300	23,800	29%	42%
01030 HK	Future Land	89%	100%	79%	49,381	83,573	16,811	20,311	20%	23%
01233 HK	Times Property	55%	58%	63%	33,289	47,631	14,371	17,871	30%	35%
00081 HK	COGO	21%	25%	-19%	27,370	29,455	15,641	15,641	53%	53%
Total/Average		85%	84%	79%			41,773	48,321	33%	36%

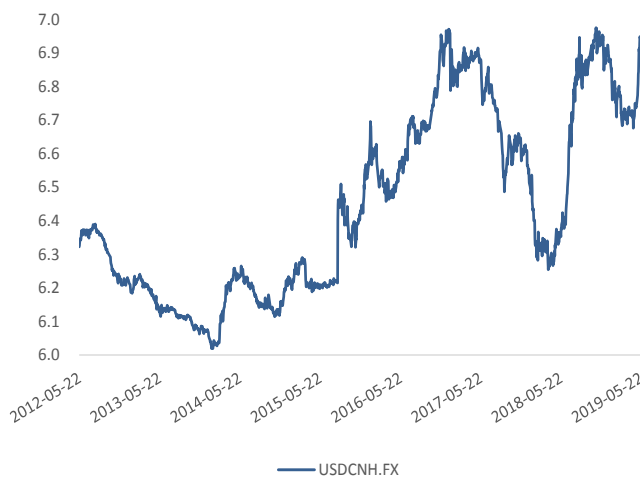
Source: Company data, SWS Research

Fig 2: Issuance of senior notes on offshore market by Chinese developers



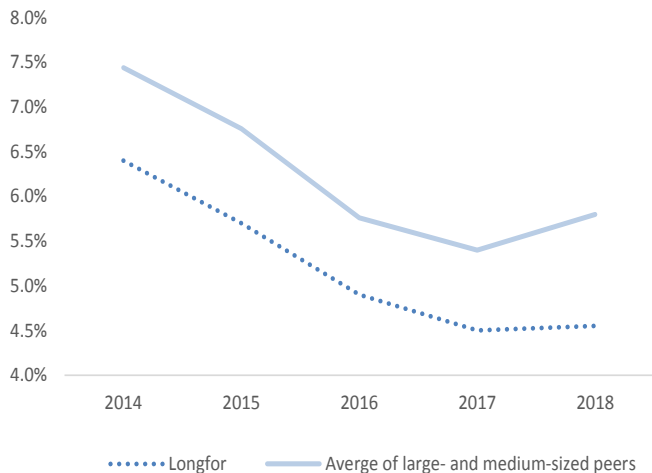
Source: Company data, Wind, SWS Research

Fig 3: US\$-Rmb exchange rate



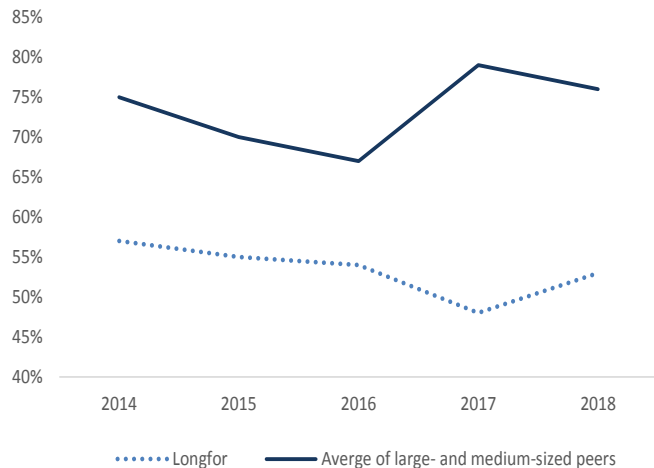
Source: Wind, SWS Research

Fig 4: Longfor's funding cost vs sector average



Source: Company data, SWS Research

Fig 5: Longfor's net gearing ratio vs peers'



Source: Company data, SWS Research

Softening growth

Longfor achieved contract sales of Rmb64bn in January-April (+9% YoY, vs sector average: +22% YoY), with sold area of 4.0msqm (+8% YoY) and an average selling price of Rmb15,889/sqm (+1% YoY), indicating softening growth since 2018, as the firm seeks the right balance between turnover and margin.

The company lost two positions in 2018, ranking 10th in terms of sales among Chinese developers, as sales growth slowed down to +29% YoY in 2018 (vs sector average: +28% YoY) from +62% YoY in 2016 and +77% YoY in 2017 (vs sector average: +53% YoY and +54% YoY, respectively).

The firm set a prudent sales target of Rmb220bn for 2019, representing 10% YoY growth (vs sector average: +c.20% YoY).

Fig 6: Contract sales in the first four months this year of major Hong Kong-listed Chinese developers

Ticker	Listco	Monthly contract sales (Rmbm)				% chg YoY, monthly				Accomplishment in 4M19 (Rmbm)				
		2019-1	2019-2	2019-3	2019-4	2019-1	2019-2	2019-3	2019-4	2019T	%Chg YoY	4M19A	%Chg YoY	% of 19T
01238 HK	Powerlong	3,181	2,870	4,624	5,379	54%	47%	76%	173%	50,000	22%	16,054	87%	32%
02868 HK	BCL	4,150	4,940	4,820	4,890	2%	168%	84%	96%	80,000	13%	18,800	71%	24%
00123 HK	Yuxiu	4,700	2,246	7,355	6,898	55%	36%	39%	63%	68,000	18%	21,199	49%	31%
03377 HK	Sino-ocean	5,050	6,000	11,020	11,200	43%	33%	37%	49%	140,000	28%	33,270	41%	24%
01109 HK	CR Land	16,390	9,010	25,840	17,790	47%	19%	49%	26%	248,000	15%	69,030	37%	28%
00813 HK	Shimao	11,515	10,036	19,210	15,091	15%	41%	22%	86%	210,000	19%	55,852	36%	27%
03883 HK	China Aoyuan	5,600	5,630	7,500	9,570	38%	39%	36%	33%	115,000	25%	28,300	36%	25%
01030 HK	Future Land	10,958	12,701	23,055	21,395	7%	45%	22%	68%	270,000	22%	68,109	35%	25%
000024 CH	Merchant	11,787	8,303	17,805	17,932	0%	15%	45%	72%	200,000	17%	55,827	34%	28%
00884 HK	CIFI	9,010	6,350	19,040	15,720	-11%	-7%	87%	43%	190,000	25%	50,120	31%	26%
00688 HK	COLI	24,778	17,965	25,102	25,662	12%	28%	25%	50%	300,000	16%	93,507	28%	31%
600048 CH	A-share Poly	33,591	33,404	42,664	37,423	6%	54%	27%	15%	n.a.	n.a.	147,082	23%	n.a.
01233 HK	Times	4,180	3,122	6,668	5,180	37%	4%	41%	5%	75,000	24%	19,150	22%	26%
03380 HK	Logan*	4,350	4,810	7,850	7,300	3%	19%	3%	53%	85,000	18%	24,310	18%	29%
03383 HK	Agile	6,160	7,150	11,770	9,230	-12%	29%	33%	11%	113,000	10%	34,310	16%	30%
01628 HK	Yuzhou	2,804	3,080	5,118	5,137	2%	1%	13%	28%	65,000	16%	16,139	12%	25%
01918 HK	Sunac	23,960	18,270	37,640	39,120	8%	-4%	22%	11%	550,000	19%	118,990	11%	22%
01813 HK	KWG	5,103	4,052	6,306	6,714	-8%	-2%	25%	28%	85,000	30%	22,175	11%	26%
03900 HK	Greentown	4,400	4,800	8,900	8,700	-8%	66%	20%	-7%	120,000	19%	26,800	9%	22%
00960 HK	Longfor	14,940	9,980	19,560	19,600	-7%	-25%	33%	35%	220,000	10%	64,080	9%	29%
000002 CH	Vanke	48,880	43,190	57,370	60,170	-28%	21%	13%	44%	n.a.	n.a.	209,610	7%	n.a.
02777 HK	R&F*	6,890	6,050	11,870	8,910	6%	4%	1%	0%	165,000	26%	33,720	2%	20%
02007 HK	Country	33,070	41,810	45,130	47,220	-28%	8%	2%	1%	n.a.	n.a.	167,230	-5%	n.a.
03333 HK	Evergrande	43,170	21,530	54,900	58,410	-33%	-55%	11%	16%	600,000	9%	178,010	-16%	30%
00817 HK	China Jinmao	10,316	7,977	10,035	12,792	-38%	-43%	25%	28%	150,000	20%	41,121	-16%	27%
00119 HK	Poly HK	2,300	2,000	2,900	4,400	-53%	43%	-15%	-6%	42,000	3%	11,600	-19%	28%
Total/Avg		348,933	295,276	491,153	477,433	-16%	-2%	17%	28%	--	18%	--	22%	27%

Source: Company data, SWS Research

Fig 7: Contract sales of major Hong Kong-listed Chinese developers, 2012-2018 (Rmbbn)

Code	Listcos	12A	13A	14A	15A	16A	17A	18A	13A	14A	15A	16A	17A	18A
02007 HK	Country Garden	48	106	129	140	309	551	665	123%	21%	9%	120%	78%	21%
02202 HK	Vanke	141	171	215	261	364	530	607	21%	26%	22%	39%	45%	15%
03333 HK	Evergrande	92	100	132	201	373	501	551	9%	31%	53%	85%	34%	10%
01918 HK	Sunac	32	51	66	68	151	362	461	61%	30%	4%	121%	140%	27%
00688 HK	COLI	89	111	115	154	185	207	268	24%	2%	28%	17%	10%	30%
00960 HK	Longfor	40	48	49	55	88	156	201	20%	2%	11%	62%	77%	29%
01109 HK	CR Land	52	66	69	85	108	152	216	27%	4%	23%	27%	41%	42%
01030 HK	Future Land	16	21	24	32	65	126	221	28%	16%	33%	104%	94%	75%
00884 HK	CIFI	10	15	21	30	53	104	152	61%	38%	43%	75%	96%	46%
00813 HK	Shimao	46	67	70	67	68	101	176	46%	5%	-5%	2%	48%	75%
02777 HK	R&F	33	42	54	54	61	82	131	27%	29%	0%	12%	35%	60%
03383 HK	Agile	33	40	44	44	53	81	103	22%	9%	0%	19%	53%	27%
03377 HK	Sino-ocean	31	36	40	41	50	71	110	15%	12%	1%	24%	40%	55%
00817 HK	China Jinmao	11	15	19	28	37	58	125	36%	27%	50%	35%	55%	115%
01628 HK	Yuzhou	7	11	12	14	23	40	56	68%	10%	17%	66%	74%	39%
01813 HK	KWG	16	22	27	25	29	38	66	37%	20%	-7%	14%	33%	72%
00119 HK	Poly Ppty	23	27	24	30	35	38	41	14%	-10%	25%	16%	9%	8%
03900 HK	Greentown	51	62	79	72	96	103	101	22%	28%	-9%	33%	8%	-2%
Total/Average		771	1011	1189	1401	2149	3301	4250	31%	18%	18%	53%	54%	29%

Source: Company data, SWS Research

Selective expansion

In the first four months, the firm acquired 23 projects with attributable gross floor area (GFA) of 2.5msqm (-27% YoY) and a corresponding expenditure of Rmb23.4bn (-10% YoY).

Over the period, it entered four new city markets, all of them being tier-3 and tier-4 cities, namely Xianyang, Zhangzhou, Zhongshan, and Maoming, and expanded its coverage to 48 cities.

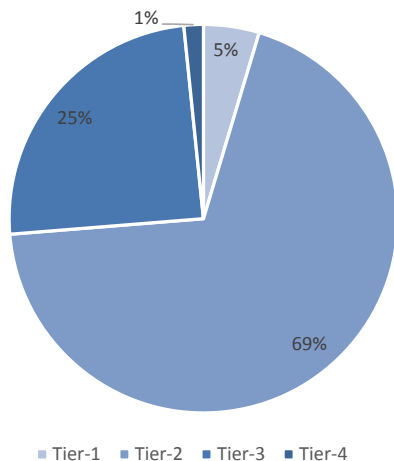
Its existing land reserves represent an attributable GFA of 46msqm and an average cost of Rmb5,218/sqm, with still a larger proportion of higher-tier cities.

Tier-1, tier-2, and tier-3 and -4 cities account for 15%, 75%, and 10% of its total land bank by value and 5%, 70%, and 25% by floor area, respectively.

Fig 8: Longfor's geographical expansion during 2005-4M19

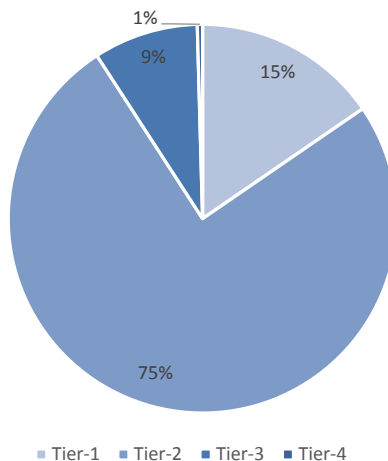
# of projects acquired	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	4M19
Chongqing	1	2	4		2		1	1	2		2	5	5	7	
Chengdu			3		2		1	1		2	2	4	3	8	3
Beijing	2		1	2	2	3		1	1	3	7	3	7	1	1
Xi'an			3			2			2	1	1	1	1	4	
Shanghai			1	1	1	1	1		3	3	3	3	3	1	
Shenyang					2	2		2	1		1	2	1	4	2
Qingdao			1		1		2	2				2	3	6	2
Wuxi			3		1	1	1	1					1	5	
Changzhou			3		1								2		1
Hangzhou			1		1			1	1	3	4	6	7	6	1
Kunming			1						1					4	
Yantai			1				1							1	
Dalian			1					1	1			1	1	4	1
Ningbo							1			1	1	3	5	2	
Yixing								1						2	
Cixi								1							
Shaoxing								1						1	
Xiamen											2	2	1		1
Jinjiang								1						1	
Changsha									2				4	3	
Suzhou									1		1		2	4	1
Jinan									1			5	6	3	
Nanjing										1	1	2	3	3	
Foshan										1			1		
Guangzhou										1		2	1		1
Tianjin												2	3		1
Wuhan												1		1	2
Hefei													3	3	1
Fuzhou													1	1	2
Baoding													2		
Shenzhen													1		
Hong Kong													1		
Jiaying													4		
Zhuhai													1		
Nanchang														3	
Nantong														3	
Zhengzhou														1	
Shijiazhuang														1	1

Fig 14: Longfor's land reserves by floor area, breakdown by city type



Source: Company data, SWS Research

Fig 15: Longfor's land reserves by value, breakdown by city type



Source: Company data, SWS Research

Maintain Hold

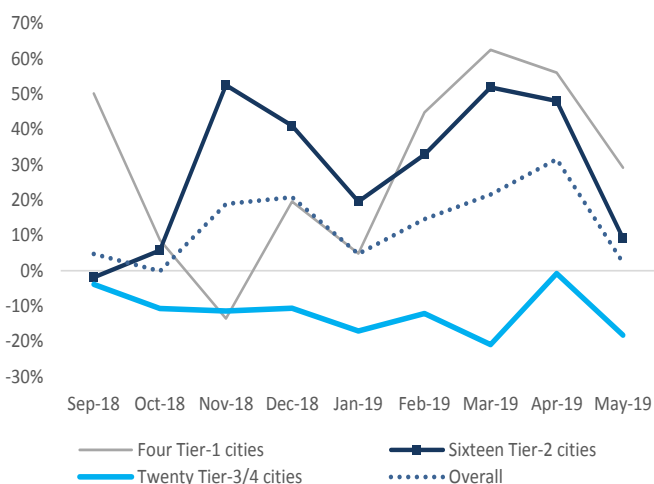
We believe the real estate sector is unlikely to benefit again from policy loosening despite external environmental pressure. We are concerned about the weaker affordability following the 2016-2018 industry boom.

Longfor has sufficient safety margin to go through the downcycle; however, we believe it is not the best timing to revisit the stock, given sector-wide corrections.

We update our NAV estimate from HK\$29.3 to HK\$30.0 given new acquisitions, but maintain our NAV discount at 15%.

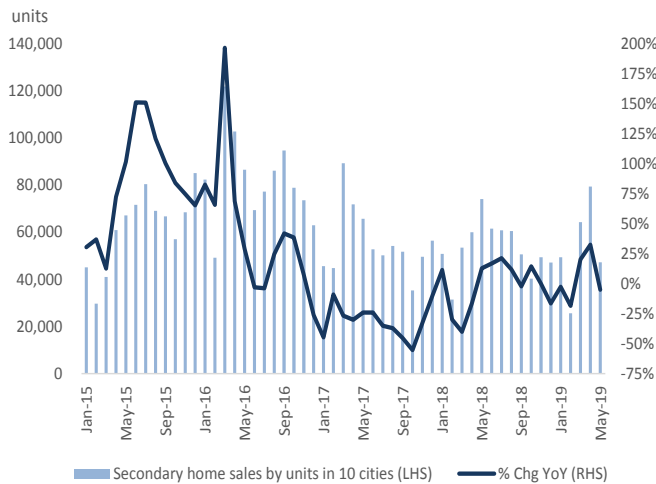
As a result, we lift our target price from HK\$24.90 to HK\$25.50. With 7% downside, we maintain our Hold rating.

Fig 16: YoY growth of new residential sales volume in 40 cities we monitor



Note: The May-19 figure above refers to the data for the first 20 days in May 2019. Source: Wind, SWS Research

Fig 17: Existing home sales in ten tier-1 and tier-2 cities we monitor



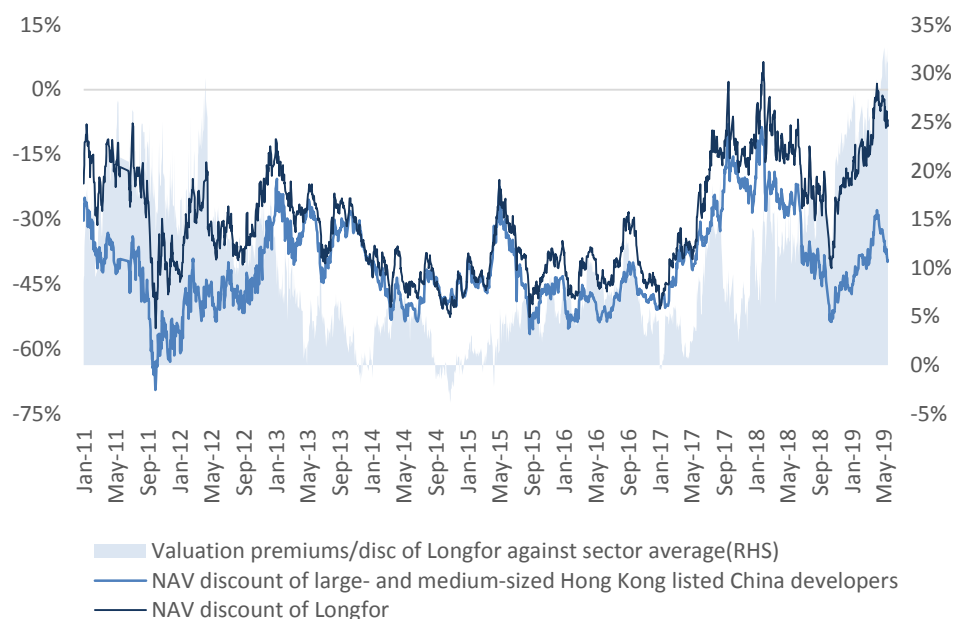
Note: The May-19 figure above refers to the data for the first 20 days in May 2019. Source: Wind, SWS Research

Fig 18: Valuation and target price of key listed Chinese developers

Company	Code	Market Cap (HK\$bn)	Rating	Target price (HK\$)	PE (x)		PB (x)		Dividend yield		NAV Disc	Shares Performance		
					18E	19E	18E	19E	18E	19E		2017	2018	2019
COLI	00688 HK	305	Hold	31.5	8.3	7.3	1.1	1.0	3.2%	3.4%	-24%	25%	8%	4%
Country Garden	02007 HK	232	Hold	10.9	5.8	5.4	1.6	1.3	5.3%	5.7%	-36%	248%	-33%	14%
CR land	01109 HK	221	Outperform	36.1	9.7	7.9	1.4	1.2	3.9%	4.8%	-25%	36%	35%	5%
Longfor	00960 HK	160	Hold	25.5	10.6	8.8	1.7	1.5	4.2%	5.1%	-9%	106%	20%	19%
Shimao	00813 HK	72	Hold	22.5	7.1	5.9	1.0	0.9	6.0%	6.0%	-29%	73%	22%	2%
CIFI	00884 HK	36	Hold	5.7	5.5	4.9	1.2	1.0	6.6%	7.2%	-51%	138%	-14%	11%
Sino-ocean	03377 HK	23	Hold	3.7	7.6	3.7	0.3	0.3	7.2%	10.6%	-71%	60%	-34%	-11%
KWG	01813 HK	24	Hold	7.5	9.5	6.0	0.7	0.6	8.4%	7.5%	-42%	128%	-34%	13%
Yuzhou	01628 HK	15	Outperform	5.0	4.1	3.5	0.9	0.7	9.2%	10.6%	-57%	74%	-19%	13%
Poly Ppty	00119 HK	10	Outperform	3.6	5.0	2.6	0.3	0.3	4.5%	11.5%	-66%	58%	-38%	12%
					7.3	5.6	1.0	0.9	5.9%	7.2%	-41%	95%	-9%	8%

Source: Bloomberg, Company data, SWS Research

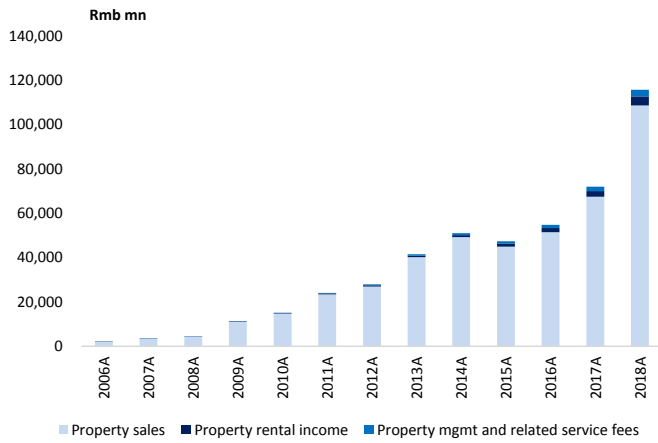
Fig 19: The premium Longfor enjoyed against sector average in valuation has hit a new high



Source: Bloomberg, Company data, SWS Research

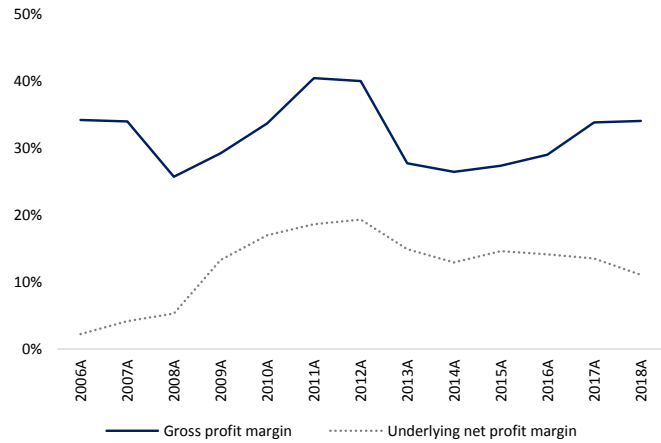
Appendix1, Key figures and ratios

Fig 1: Revenue breakdown by segment



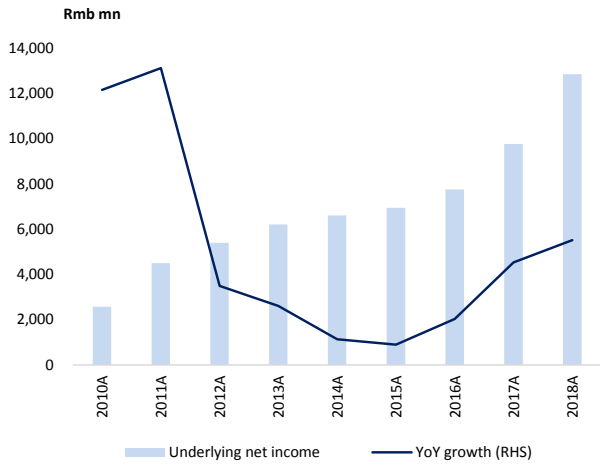
Source: Company data, SWS Research

Fig 2: Gross profit margin and underlying net profit margin



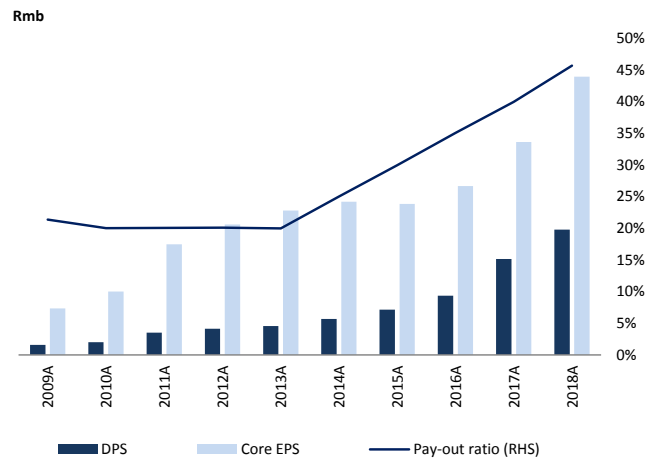
Source: Company data, SWS Research

Fig 3: Underlying net income with YoY growth



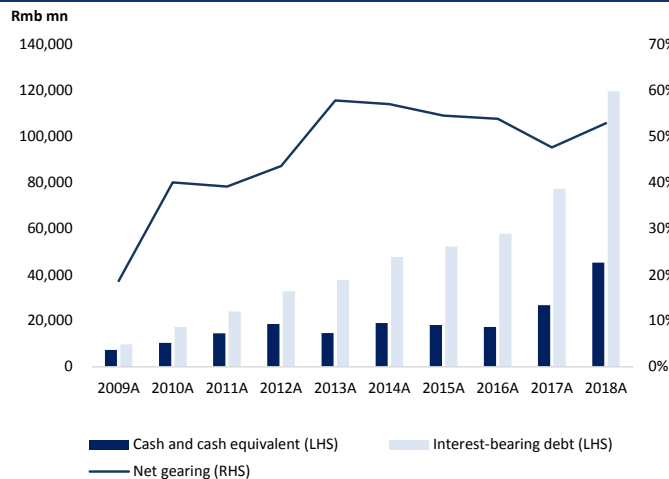
Source: Company data, SWS Research

Fig 4: DPS, core EPS and pay-out ratio



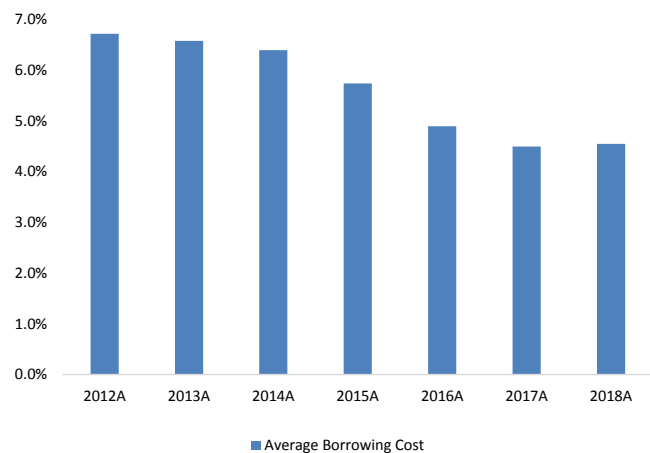
Source: Company data, SWS Research

Fig 5: Cash equivalents, interest-bearing debt, and net gearing



Source: Company data, SWS Research

Fig 6: Average borrowing cost



Source: Company data, SWS Research

Appendix2, Financial statements

Figure 1: Forecast Income Statement

RMB mn	2013A	2014A	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Revenue	41,511	50,991	47,423	54,799	72,074	115,797	141,379	171,184	204,909
Property sales revenue	40,224	49,289	44,993	51,441	67,462	108,719	132,681	160,491	192,396
Property rental income	635	876	1,415	1,913	2,593	4,090	5,113	6,391	7,349
Property mgmt fees	652	826	1,015	1,445	2,019	2,988	3,586	4,303	5,163
Cost of Sales	(29,972)	(37,475)	(34,408)	(38,864)	(47,639)	(76,270)	(94,623)	(115,510)	(139,784)
Gross Profit	11,539	13,516	13,015	15,935	24,435	39,527	46,755	55,674	65,124
Revaluation gains	2,592	2,554	2,874	2,018	4,923	4,702	4,843	4,988	5,138
Other Income	778	(334)	297	72	436	1,273	1,286	1,299	1,312
Distribution expenses	(887)	(1,065)	(1,018)	(1,428)	(1,797)	(3,193)	(3,832)	(4,406)	(5,067)
Administrative expenses	(1,084)	(1,298)	(1,435)	(2,022)	(3,267)	(5,397)	(5,937)	(6,530)	(7,183)
EBIT	12,938	13,373	13,733	14,575	24,730	36,912	43,116	51,025	59,323
Profits from JCEs	321	276	248	1,434	1,868	643	772	965	1,158
Finance Costs	(39)	(23)	(43)	(53)	(45)	(75)	(82)	(90)	(99)
Profit before tax	13,219	13,627	13,938	15,956	26,553	37,481	43,806	51,899	60,382
Tax expense	(4,583)	(4,876)	(4,574)	(6,021)	(10,074)	(16,591)	(19,617)	(22,680)	(26,447)
Income tax	(2,837)	(3,508)	(3,017)	(3,384)	(5,406)	(8,274)	(10,951)	(12,975)	(15,096)
LAT	(1,746)	(1,368)	(1,557)	(2,637)	(4,668)	(8,318)	(8,665)	(9,705)	(11,351)
Profit for the year	8,636	8,750	9,364	9,935	16,479	20,890	24,189	29,220	33,935
Minority interests	(599)	(397)	(376)	(782)	(3,880)	(4,654)	(4,838)	(5,844)	(6,787)
Profit attr. to shareholders	8,038	8,354	8,988	9,153	12,599	16,236	19,351	23,376	27,148
Dividends	1,241	1,654	2,083	2,722	4,476	5,877	7,074	8,835	10,483
Underlying profit	6,207	6,610	6,950	7,760	9,770	12,850	15,719	19,634	23,295
Basic EPS	1.48	1.53	1.54	1.57	2.17	2.78	3.26	3.93	4.57
Diluted EPS	1.46	1.52	1.53	1.57	2.13	2.73	3.20	3.86	4.48
Core EPS	1.14	1.21	1.19	1.33	1.68	2.20	2.64	3.30	3.92
DPS	0.23	0.28	0.36	0.47	0.76	0.99	1.19	1.49	1.76

Source: Company data, SWS Research

Figure 2: Forecast Balance Sheet:

(RMB mn)	2013A	2014A	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Pre-paid land premiums	5,653	4,959	4,849	11,926	5,477	9,968	10,965	12,061	13,267
Investment property	23,813	33,362	43,385	49,030	68,095	84,410	91,190	98,174	105,367
PP&E	185	190	208	199	863	3,365	3,702	4,072	4,479
Pre-paid lease payments	11,602	14,940	11,775	17,422	37,139	16,519	17,345	18,212	19,123
Others	4,173	4,769	3,694	7,765	17,522	20,593	22,936	25,514	28,349
Non-current assets	45,426	58,219	63,911	86,342	129,096	134,855	146,138	158,033	170,586
Properties under development	65,368	68,091	70,830	89,426	151,421	232,015	243,901	259,651	279,648
Completed properties held for sale	10,963	10,266	10,429	10,247	10,779	14,547	14,692	14,839	14,987
Cash and cash equivalents	14,399	18,794	17,920	17,258	26,642	45,083	53,159	51,454	46,744
Restricted cash	277	242	240	97	119	180	207	238	274
Receivable	4,343	5,668	9,920	10,324	14,183	22,573	24,830	27,313	30,045
Others	3,396	6,876	10,838	11,137	30,524	57,631	63,394	69,734	76,707
Current assets	98,746	109,937	120,177	138,489	233,668	372,029	400,184	423,229	448,404
Total assets	144,172	168,156	184,089	224,831	362,764	506,884	546,322	581,262	618,990
Share capital and premiums	477	506	508	508	514	517	517	517	517
Retained earnings	36,507	47,258	54,617	61,256	70,052	81,145	93,422	107,963	124,628
Majority interests	36,984	47,764	55,125	61,765	70,567	81,661	93,939	108,479	125,145
Minority interests	2,792	2,508	7,343	13,350	35,612	59,157	62,115	65,220	68,481
Total equity	39,775	50,272	62,468	75,115	106,179	140,818	156,054	173,700	193,626
Borrowings	18,461	32,194	38,158	47,027	65,528	99,456	111,331	115,487	119,435
Senior notes	10,175	7,575	7,929	5,512	6,287	8,620	8,620	8,620	8,620
Others	3,174	3,753	4,487	5,713	7,276	8,146	8,961	9,857	10,842
Non-current liabilities	31,810	43,522	50,574	58,252	79,091	116,222	128,911	133,964	138,898
Advanced sales proceeds	53,664	54,490	52,942	43,991	93,217	113,440	119,112	125,068	131,321
Trade payable				22,735	32,212	62,234	65,346	68,613	72,044
Tax Payable	8,512	9,577	10,305	12,940	15,211	21,611	22,692	23,826	25,017
Borrowings	9,067	7,973	6,178	5,333	5,588	11,743	11,493	11,244	10,996
Others	1,344	2,323	1,622	6,465	31,266	40,816	42,714	44,848	47,088
Current liabilities	72,587	74,362	71,047	91,464	177,494	249,844	261,357	273,599	286,466
Total liabilities	104,397	117,884	121,621	149,716	256,585	366,066	390,268	407,562	425,364
Total equity and liabilities	144,172	168,156	184,089	224,830	362,764	506,884	546,322	581,262	618,990

Source: Company data, SWS Research

Figure 3: Forecast Cash Flow Statement:

(RMB mn)	2013A	2014A	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Cash generated from/(used in) operations	17,071	22,412	17,164	36,592	78,494	25,175	27,693	29,078	30,531
Others	(3,899)	(3,838)	(3,083)	(3,919)	(7,147)	(7,862)	(8,648)	(9,513)	(10,464)
Net cash generated from operating activities	13,172	18,574	14,081	32,673	71,347	17,314	19,045	19,565	20,068
Additions to investment properties	(2,222)	(3,777)	(3,280)	(2,954)	(4,166)	(4,791)	(5,510)	(6,336)	(7,286)
Other Investment	(16,039)	(19,040)	(14,352)	(37,162)	(106,738)	(32,021)	(11,207)	(11,768)	(12,356)
Net cash generated from Investing activities	(18,261)	(22,817)	(17,632)	(40,116)	(110,904)	(36,812)	(16,717)	(18,104)	(19,643)
Proceeds from issuance of shares			143	53					
Proceeds of senior notes issuance	3,117	(2,851)		(2,862)	775	2,333	0	0	0
Net borrowings	2,018	12,484	3,268	7,319	18,756	40,083	11,625	3,907	3,700
Dividends paid	(1,082)	(1,241)	(1,654)	(2,083)	(2,722)	(4,476)	(5,877)	(7,074)	(8,835)
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	37,940	5,748	(3,166)	(5,135)
Increase in cash and cash equivalents	(3,944)	4,395	(875)	(662)	9,384	18,441	8,076	(1,705)	(4,710)
Cash and cash equivalents at beginning of year	18,383	14,399	18,794	17,920	17,258	26,642	45,083	53,159	51,454
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	45,083	53,159	51,454	46,744

Source: Company data, SWS Research

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