

18 April 2019

Hold  
Unchanged

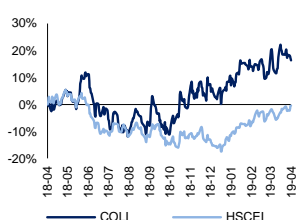
## 中海海外一季报点评，销售稳健，买地温和

### 中国海外发展 (00688 HK)

#### Market Data: 18 April 2019

Closing Price (HK\$)	28.75
Price Target (HK\$)	31.45
HSCEI	11,769
HSCCI	4,657
52-week High/Low (HK\$)	31.30/22.35
Market Cap (USD Mn)	40,151
Market Cap (HK\$ Mn)	314,985
Shares Outstanding (Mn)	10,956
Exchange Rate (RMB-HK\$)	1.17

#### Price Performance Chart:



Source: Bloomberg

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#### Related Reports

Prudent strategy, Mar21, 2019

Mixed outlook, Oct30, 2018

Caution ahead, Aug24, 2018

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 (HK\$m)	166,045	171,461	199,322	231,027	267,539
YOY (%)	1%	3%	16%	16%	16%
Underlying Net income (HK\$m)	34,260	37,090	42,115	47,714	53,536
YOY (%)	9%	8%	14%	13%	12%
Net income (HK\$m)	40,767	44,900	48,779	54,445	60,334
EPS (HK\$)	3.72	4.10	4.45	4.97	5.51
Core EPS (HK\$)	3.13	3.39	3.84	4.36	4.89
ROE (%)	14.0%	13.5%	13.9%	13.9%	13.8%
Net Gearing (%)	27%	32%	33%	33%	33%
Dividend Yield (%)	2.8%	3.1%	3.3%	3.8%	4.2%
P/E (x)	9.2	8.5	7.5	6.6	5.9
P/B (x)	1.2	1.1	1.0	0.9	0.8

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.

大型国有内地开发商中国海外发展公布 2019 年一季报，收入同比增长 2.0%，经营溢利同比增长 5.3%。我们维持公司 2019-2021 年每股核心净利预测值分别为 3.84 港币（同比增长 13.3%）、4.36 港币（同比增长 13.5%）和 4.89 港币（同比增长 12.2%），并维持公司目标价为 31.45 港币，对应 9.4% 上升空间，维持中性评级。

**业绩要点。**公司于 2019 年一季度实现收入同比增长 2.0% 至 282 亿港元，经营溢利同比增长 5.3% 至 87 亿港元，占我们 2019 年全年预测值比例分别为 14.1% 和 12.2%（相比 2018 年首季度占比分别为 16.1% 和 11.6%）。截止 2019 年一季度末，公司手持现金从 2018 年末的 1010 亿港元下降至 960 亿港元，推动净负债率从 2018 年末的 32% 小幅上升至 38%。

**合约销售。**公司于 2019 年一季度实现合约销售金额同比增长 21% 至 800 亿港元，相比今年全年 3500 亿港元的销售目标（同比增长 16%，vs 板块平均目标增速为 19%），完成率约 23%（vs 板块平均完成率为 18%），这一销售表现超出同业，同期我们跟踪的 25 家大中型开发商一季度合约销售总额基本持平。中海海外销售增速在 18 年迎头赶上，实现合约销售金额同比增长 30% 至 3010 亿港元，此前 16-17 年公司曾连续两年以同比增速 17% 和 10% 落后于同期板块平均增速的 53% 和 54%，我们认为这主要归功于公司自 17 年以来加快土地购置使得可售资源于 18 年大幅增长（升 58% 至 5550 亿港元）。公司预计 19 年全年可售货源达 7000 亿港元，较 18 年再增 27%。

**土地购置。**2019 年一季度，核心一二线城市的土地市场自 2018 年四季度的底部有所回温，中海海外仍维持稳健的拿地策略，于一季度在公开市场新增 8 个项目，新增权益土储 162 万平米（总土储 167 万平米），土地支出共计 165 亿元。实际上，公司基于稳健的财务状况，在 2018 年四季度土地市场有所降温时成功把握拿地机会，该季度土地支出共计 313 亿元，项目重点布局在核心一二线城市，由此推动该季度占 18 年全年土地支出比例达 34%，相比板块平均占比为 15%。

**土地储备。**截止 2019 年一季度末，我们计算公司总土储为 6800 万平米，权益土储达 5600 万平米，平均土地成本为 5222 元/平米，占当前 21516 港币/平米的销售均价比例约 28%。按土储面积划分，一线城市、二线城市和三四线城市分别占比 10%、74% 和 16%，按土储价值划分，则一线城市、二线城市和三四线城市分别占比 22%、67% 和 11%。

**维持中性。**中海海外年初至今上涨 7%（相比板块平均反弹超过三成），主要原因在于公司 18 年业绩小幅低于预期，且市场担心公司 17 年大量拿地可能侵蚀利润率。尽管在目前行业下行周期中依靠大幅增长供应推动销售规模扩张，确实让我们担忧其库存和利润率短期可能面临压力，但我们看好公司强劲的资产负债表以及集中在高阶城市的土地储备。我们维持公司每股净资产值为 37 港币，并维持目标净资产值折价为 15%，由此维持公司目标价为 31.45 港币。较目前股价上行空间为 9.4%，我们因此维持中海海外中性评级。

State-owned developer China Overseas Land & Investment (COLI) reported its 1Q19 results, with revenue of HK\$28.2bn (+2.0% YoY) and operating profit of HK\$8.7bn (+5.3% YoY), representing 14.1% and 12.2% of our full-year estimates, respectively (vs 16.1% and 11.6% in 1Q18). As of end-March, cash on hand totalled HK\$96.0bn (vs HK\$101bn in end-December), while the firm's net gearing ratio rose slightly to 38% (vs 32% in end-December). We maintain our core EPS forecasts of HK\$3.84 in 19E (+13.3% YoY), HK\$4.36 in 20E (+13.5% YoY), and HK\$4.89 in 21E (+12.2% YoY). Our target price is unchanged at HK\$31.45. With 9.4% upside, we maintain our Hold rating.

**Contract sales.** COLI achieved HK\$80bn in 1Q19 sales (+21% YoY), realising 23% (vs sector average: 18%) of its 2019 target of HK\$350bn (+16% YoY, vs sector average 2019 target growth: +19%). The firm's sales performance exceeded that of peers, as the 25 large- and medium-sized developers we monitor reported flat sales growth on average in 1Q19. We note COLI's sales began to catch up in 2018, with sales value of HK\$301bn (+30% YoY), after two years behind peers (+17% YoY in 2016, vs sector average: +53%; +10% YoY in 2017, vs sector average: +54%). We attribute this mainly to an increase in sellable resources (HK\$555bn in 2018; +58% YoY) as a result of accelerating land investment since 2017. The company expects total sellable resources to rise 27% YoY to HK\$700bn this year, as mentioned during an analyst briefing in March.

**Land expenditure.** In 1Q19, while China's key city markets witnessed a rebound in land prices from a low in 4Q18, COLI's investment pace remained stable. The firm acquired eight projects on the open market in 1Q19, representing 1.62msqm of attributable gross floor area (GFA), or total GFA of 1.67msqm, for a total consideration of Rmb16.5bn. We note the company successfully acquired land opportunities in 4Q18, when the whole market was cooling down amid a tightened environment, thanks to its strong financial capacity. The firm spent a total of Rmb31.3bn in 4Q18, mainly in tier-1 and tier-2 cities, accounting for 34% of full-year acquisitions (vs sector average: c.15%). We estimate its total land reserves at 68msqm, or 56msqm in the attributable sense, as of end-March, with an average floor cost of Rmb5,222/sqm, or 28% of its average selling price achieved in 1Q19 (HK\$21,516/sqm). In particular, tier-1, tier-2, and tier-3 and -4 cities account for 10%, 74%, and 16% of total land reserves by area, respectively, or 22%, 67%, and 11% by value.

**Maintain Hold.** COLI's share price has only increased 7% YTD (vs 30%-plus for the sector), owing to disappointing 2018 results and margin erosion concerns due to heavy investments in 2017. Despite increased pressure on inventories and margins due to supply-driven sales growth amid an industry downcycle, we like the firm's relatively low leverage and geographical concentration in higher-tier cities. We maintain our net asset value (NAV) estimate of HK\$37 and our target NAV discount of 15%. As such, our target price is unchanged at HK\$31.45. With 9.4% upside, we maintain Hold.

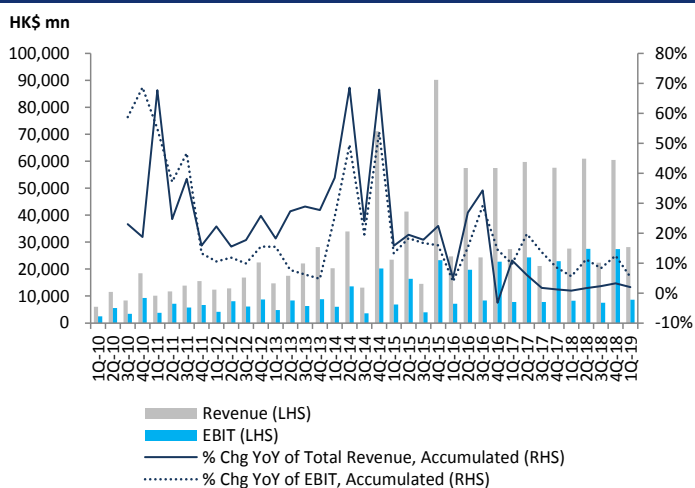
## Cautious growth

State-owned developer China Overseas Land & Investment (COLI) reported its 1Q19 results on Thursday.

The firm posted 1Q19 revenue of HK\$28.2bn (+2.0% YoY) and operating profit of HK\$8.7bn (+5.3% YoY), representing 14.1% of our estimated 19E revenue of HK\$199bn (+16% YoY) and 12.2% of our forecast 19E operating profit of HK\$71.4bn (+1% YoY).

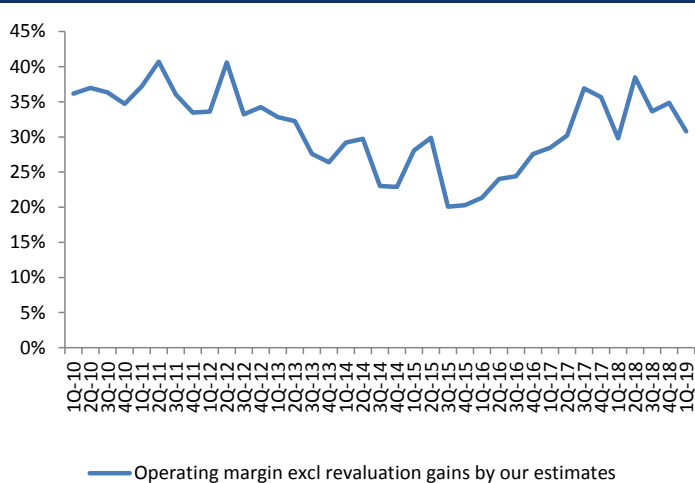
As of end-March, cash on hand totalled HK\$96.0bn (vs HK\$101bn in end-December), while the firm's net gearing ratio rose slightly to 38% (vs 32% in end-December), albeit still the lowest in the sector.

Fig 1: Quarterly revenue and operating profit (Ebit), 2010-2019



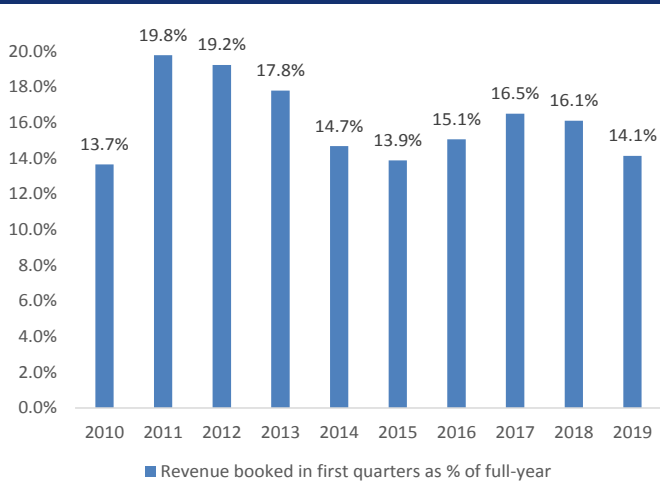
Source: Company data, SWS Research

Fig 2: Quarterly operating profit margin (estimates), 2010-2019



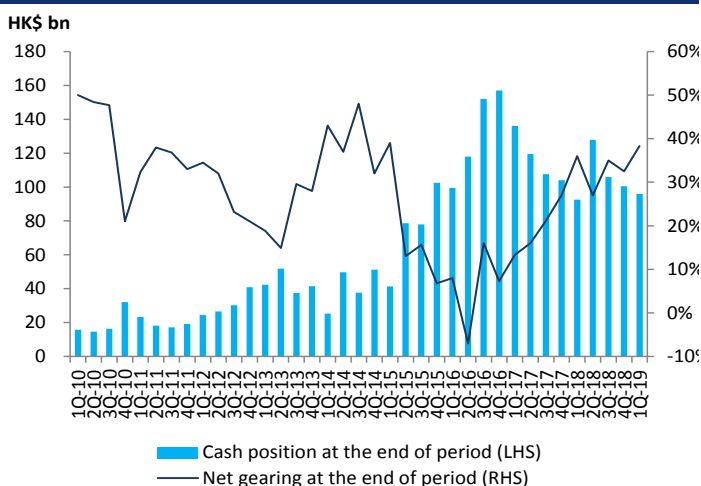
Source: Company data, SWS Research

Fig 3: 1Q revenue as a percentage of full-year revenue, 2010-2019



Source: Company data, SWS Research

Fig 4: Quarter-end cash positions and net gearing ratio, 2010-2019



Source: Company data, SWS Research

## Contract sales

COLI achieved HK\$80bn in 1Q19 sales (+21% YoY), realising 23% (vs sector average: 18%) of its 2019 target of HK\$350bn (+16% YoY, vs sector average 2019 target growth: +19%). The firm's sales performance exceeded that of peers, as the 25 large- and medium-sized developers we monitor reported flat sales growth on average in 1Q19.

We note COLI's sales began to catch up in 2018, with sales value of HK\$301bn (+30% YoY), after two years behind peers (+17% YoY in 2016, vs sector average: +53%; +10% YoY in 2017, vs sector average: +54%). We attribute this mainly to an increase in sellable resources (HK\$555bn in 2018; +58% YoY) as a result of accelerating land investment since 2017.

The company expects total sellable resources to rise 27% YoY to HK\$700bn this year, as mentioned during an analyst briefing in March.

Fig 5: Contract sales of key listed Chinese developers in 1Q19

Ticker	Listco	Monthly Contract Sales (Rmbm)			% Chg YoY, Monthly			YTD Contract Sales (Rmbm)			% Chg YoY, YTD			Accomplishment in 1Q19		
		2019-1	2019-2	2019-3	2019-1	2019-2	2019-3	2019-1	2019-2	2019-3	2019-1	2019-2	2019-3	2019T	%Chg YoY	1Q19A %
01109 HK	CR Land	16	9	26	47%	19%	49%	16	25	51	47%	35%	42%	248	15%	21%
03883 HK	China Aoyuan	6	6	8	38%	39%	36%	6	11	19	38%	39%	38%	115	25%	16%
03377 HK	Sino-ocean	5	6	11	43%	33%	37%	5	11	22	43%	38%	38%	140	28%	16%
01233 HK	Times	4	3	7	37%	4%	41%	4	7	14	37%	21%	30%	75	24%	19%
00884 HK	CIFI	9	6	19	-11%	-7%	87%	9	15	34	-11%	-9%	27%	190	25%	18%
600048 SH	A-share Poly	34	33	43	6%	54%	27%	34	67	110	6%	26%	26%	n.a.	n.a.	n.a.
00813 HK	Shimao	12	10	19	15%	41%	22%	12	22	41	15%	26%	24%	210	19%	19%
01030 HK	Future Land	11	13	23	7%	45%	22%	11	24	47	7%	24%	23%	270	22%	17%
000024 SZ	Shekou	12	8	18	0%	15%	45%	12	20	38	0%	6%	21%	200	17%	19%
00688 HK	COLI	25	18	25	12%	28%	25%	25	43	68	12%	18%	21%	300	16%	23%
03900 HK	Greentown	4	5	9	-8%	66%	20%	4	9	18	-8%	19%	20%	120	19%	15%
03383 HK	Agile	6	7	12	-12%	29%	33%	6	13	25	-12%	6%	17%	113	10%	22%
01918 HK	Sunac	24	18	38	8%	-4%	22%	24	42	80	8%	2%	11%	550	19%	15%
03380 HK	Logan*	4	5	8	3%	19%	3%	4	9	17	3%	11%	7%	85	18%	20%
01628 HK	Yuzhou	3	3	5	2%	1%	13%	3	6	11	2%	1%	6%	65	16%	17%
01813 HK	KWG	5	4	6	-8%	-2%	25%	5	9	15	-8%	-6%	5%	85	30%	18%
00081 HK	COGO	3	3	3	3%	1%	6%	3	6	9	3%	2%	3%	n.a.	n.a.	n.a.
02777 HK	R&F*	7	6	12	6%	4%	1%	7	13	25	6%	5%	3%	165	26%	15%
00960 HK	Longfor	15	10	20	-7%	-25%	33%	15	25	44	-7%	-15%	1%	220	10%	20%
000002 SZ	Vanke	49	43	57	-28%	21%	13%	49	92	149	-28%	-11%	-3%	n.a.	n.a.	n.a.
02007 HK	CountryGarden	33	42	45	-28%	8%	2%	33	75	120	-28%	-11%	-7%	n.a.	n.a.	n.a.
00119 HK	Poly HK	2	2	3	-53%	43%	-15%	2	4	7	-53%	-32%	-26%	42	3%	17%
03333 HK	Evergrande	43	22	55	-33%	-55%	11%	43	65	120	-33%	-42%	-26%	600	9%	20%
00817 HK	China Jinmao	10	8	10	-38%	-43%	25%	10	18	28	-38%	-40%	-27%	150	20%	19%
Total/Average		343	290	481	-17%	-3%	15%	343	632	1,113	-17%	-11%	-1%		19%	18%

Source: Company data, SWS Research

Fig 6: Contract sales of key listed Chinese developers (Rmbm) with YoY growth, 2012-2018

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%
<b>00813 HK</b>	<b>Shimao</b>	<b>46</b>	<b>67</b>	<b>70</b>	<b>67</b>	<b>68</b>	<b>101</b>	<b>176</b>	<b>46%</b>	<b>5%</b>	<b>-5%</b>	<b>2%</b>	<b>48%</b>	<b>75%</b>
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 Pty	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

## Land expenditure

In 1Q19, while China's key city markets witnessed a rebound in land prices from a low in 4Q18, COLI's investment pace remained stable. The firm acquired eight projects on the open market in 1Q19, representing 1.62msqm of attributable gross floor area (GFA), or total GFA of 1.67msqm, for a total consideration of Rmb16.5bn.

We note the company successfully acquired land opportunities in 4Q18, when the whole market was cooling down amid a tightened environment, thanks to its strong financial capacity. The firm spent a total of Rmb31.3bn in 4Q18, mainly in tier-1 and tier-2 cities, accounting for 34% of full-year acquisitions (vs sector average: c.15%).

We estimate its total land reserves at 68msqm, or 56msqm in the attributable sense, as of end-March, with an average floor cost of Rmb5,222/sqm, or 28% of its average selling price achieved in 1Q19 (HK\$21,516/sqm). In particular, tier-1, tier-2, and tier-3 and -4 cities account for 10%, 74%, and 16% of total land reserves by area, respectively, or 22%, 67%, and 11% by value.

Fig 7: COLI's land investment on the open market since 2006

	Total GFA ('000 sqm)	Attributable GFA ('000 sqm)	Attributable Land Cost (Rmbm)	Average Floor Cost (Rmb/sqm)	As % of Sales
2006	7,630	7,606	14,945	1,965	126%
2007	10,303	8,849	27,531	3,111	149%
2008	2,760	2,037	6,706	3,292	31%
2009	11,684	10,711	22,695	2,119	59%
2010	3,252	2,908	16,467	5,662	35%
2011	9,062	8,648	21,518	2,488	36%
2012	6,008	5,884	31,164	5,297	43%
2013	12,064	11,632	42,576	3,660	48%
2014	8,827	8,388	38,275	4,563	43%
2015	5,961	5,909	34,535	5,844	30%
2016	9,680	9,680	40,681	4,203	32%
2017	17,414	14,630	95,116	6,501	68%
2018	17,641	12,716	91,353	7,184	42%

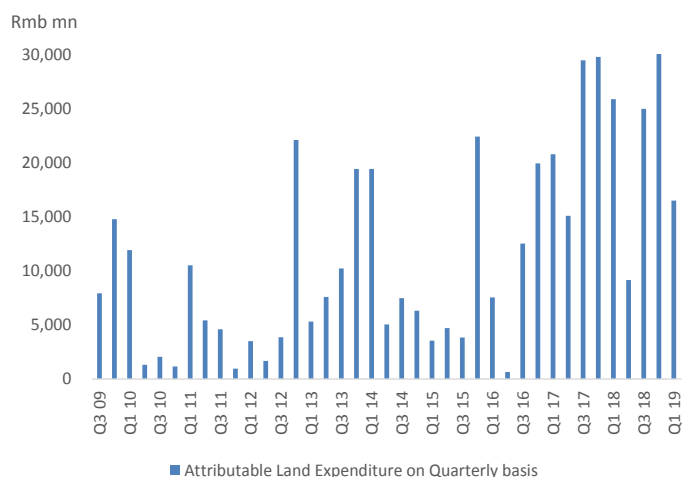
Source: Company data, SWS Research

Fig 8: Comparison of quarterly land acquisitions in 2018

	Vanke	A-share Poly	COLI	CR Land	Longfor	Future Land	CIFI	CG	Shimao
Q1-18	14%	32%	<b>28%</b>	23%	34%	16%	30%	31%	31%
Q2-18	29%	28%	<b>10%</b>	28%	20%	30%	35%	42%	24%
Q3-18	32%	28%	<b>27%</b>	26%	29%	19%	19%	25%	40%
Q4-18	25%	11%	<b>34%</b>	24%	17%	35%	15%	2%	4%
Total	100%	100%	<b>100%</b>	100%	100%	100%	100%	100%	100%

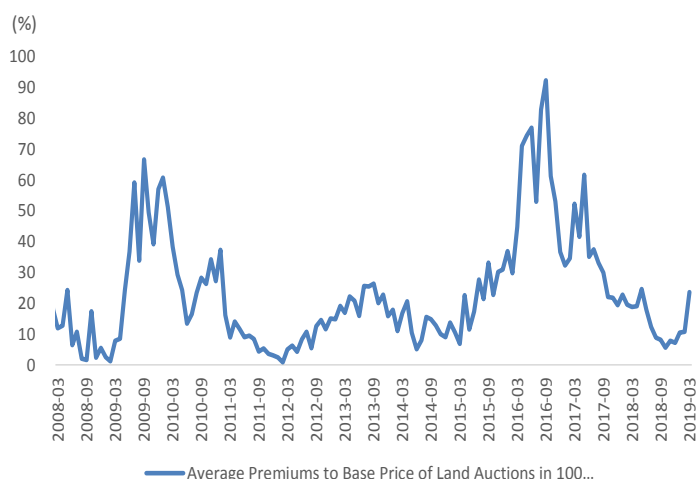
Source: Company data, SWS Research

Fig 9: COLI's land investment on the open market on a quarterly basis, 2009-2019



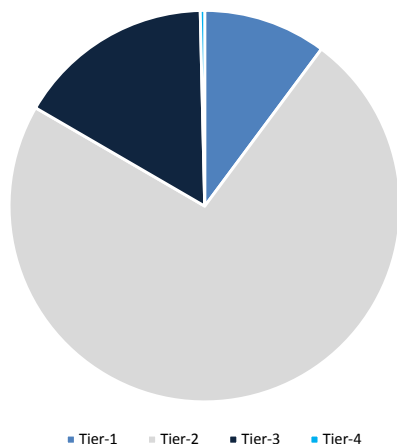
Source: Company data, SWS Research

Fig 10: Trend of land auction premiums in 100 cities, 2009-2019



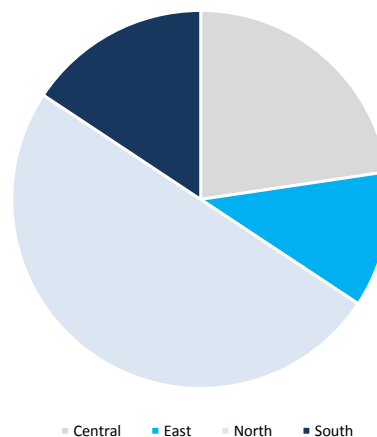
Source: Wind, SWS Research

Fig 11: COLI's existing land reverses breakdown by city tier



Source: Company data, SWS Research

Fig 12: COLI's existing land reverses breakdown by geographical area



Source: Company data, SWS Research

## Maintain Hold

COLI's share price has only increased 7% YTD (vs 30%-plus for the sector), owing to disappointing 2018 results and margin erosion concerns due to heavy investments in 2017.

Despite increased pressure on inventories and margins due to supply-driven sales growth amid an industry downcycle, we like the firm's relatively low leverage and geographical concentration in higher-tier cities.

We maintain our net asset value (NAV) estimate of HK\$37 and our target NAV discount of 15%. As such, our target price is unchanged at HK\$31.45. With 9.4% upside, we maintain our Hold rating.

Fig 13: Valuation of key listed Chinese developers

Company	Code	Market Cap (HK\$bn)	Rating	Target price (HK\$)	PE (x)		PB (x)		Dividend yield		NAV Disc	Share Performance		
					18E	19E	18E	19E	18E	19E		2017	2018	2019
COLI	00688 HK	315	Hold	31.45	8.5	7.5	1.1	1.0	3.1%	3.3%	-22%	25%	8%	7%
Country Garden	02007 HK	278	Hold	10.92	7.0	6.5	2.0	1.6	4.5%	4.8%	-23%	248%	-33%	36%
CR land	01109 HK	234	Outperform	36.10	10.4	8.4	1.4	1.3	3.7%	4.5%	-20%	36%	35%	12%
Longfor	00960 HK	165	Hold	24.90	11.0	9.2	1.7	1.5	4.1%	4.9%	-3%	106%	20%	23%
Shimao	00813 HK	82	Hold	22.50	8.1	6.7	1.2	1.0	5.3%	5.2%	-19%	73%	22%	16%
CIFI	00884 HK	44	Hold	5.70	6.7	5.9	1.4	1.2	5.4%	5.9%	-41%	138%	-14%	35%
Sino-ocean	03377 HK	28	Hold	3.67	9.2	4.5	0.4	0.3	6.0%	8.7%	-65%	60%	-34%	8%
KWG	01813 HK	29	Hold	7.50	11.3	7.1	0.9	0.8	7.0%	6.3%	-31%	128%	-34%	35%
Yuzhou	01628 HK	18	Outperform	5.04	4.9	4.2	1.0	0.9	7.6%	8.7%	-47%	74%	-19%	37%
Poly Ppty	00119 HK	13	Outperform	3.62	6.2	3.3	0.4	0.4	3.6%	9.2%	-57%	58%	-38%	40%
					<b>8.3</b>	<b>6.3</b>	<b>1.2</b>	<b>1.0</b>	<b>5.0%</b>	<b>6.2%</b>	<b>-33%</b>	<b>95%</b>	<b>-9%</b>	<b>25%</b>

Source: Company data, Bloomberg, SWS Research



## Appendix: Company financials

**Figure 1: Forecast Income Statement**

HK\$m	2013A	2014A	2015A	2016A	2017A	2018A	2019E	2020E	2021E
<b>Revenue</b>	82,470	138,505	169,562	164,069	166,045	171,461	199,322	231,027	267,539
Property sales	78,615	134,022	163,559	159,891	162,140	167,037	194,146	224,956	260,656
Property rentals	857	1,643	2,013	2,137	2,450	3,534	4,240	5,088	5,851
Others	2,998	2,839	3,990	2,040	1,455	891	935	982	1,031
<b>Cost of Sales</b>	(55,647)	(99,195)	(123,442)	(118,425)	(111,345)	(106,658)	(131,515)	(154,981)	(182,571)
<b>Gross Profit</b>	26,823	39,310	46,120	45,643	54,700	64,803	67,806	76,045	84,967
<b>Revaluation gains</b>	<b>3,438</b>	<b>5,637</b>	<b>7,514</b>	<b>7,723</b>	<b>8,086</b>	<b>10,413</b>	<b>8,330</b>	<b>8,413</b>	<b>8,497</b>
<b>Other Income</b>	904	1,915	1,961	1,789	5,354	1,081	1,135	1,192	1,251
<b>Gains on assets disposal</b>		<b>736</b>	<b>909</b>	<b>9,301</b>	<b>533</b>	<b>23</b>			
Distribution expenses	(1,247)	(1,933)	(2,843)	(3,372)	(2,950)	(2,622)	(2,753)	(2,890)	(3,035)
Administrative expenses	(1,570)	(2,057)	(3,106)	(3,180)	(2,849)	(2,967)	(3,115)	(3,271)	(3,434)
<b>EBIT</b>	<b>28,348</b>	<b>43,607</b>	<b>50,555</b>	<b>57,905</b>	<b>62,874</b>	<b>70,732</b>	<b>71,404</b>	<b>79,489</b>	<b>88,247</b>
Other gains	<b>1,458</b>		<b>2,513</b>						
Jointly controlled entities	3,773	1,261	1,059	1,252	1,939	3,422	3,764	4,141	4,555
Finance Costs	(290)	(545)	(2,757)	(2,056)	(1,394)	(1,586)	(1,524)	(1,600)	(1,680)
<b>Profit before tax</b>	33,289	44,324	51,370	57,102	63,420	72,568	73,644	82,029	91,121
Tax expense	(10,110)	(16,573)	(15,954)	(18,711)	(21,277)	(25,866)	(22,883)	(25,404)	(28,390)
Inc tax	(5,618)	(9,416)	(9,575)	(9,507)	(11,508)	(14,084)	(14,729)	(16,406)	(18,224)
LAT	(4,003)	(6,828)	(5,013)	(7,776)	(9,434)	(11,464)	(8,154)	(8,998)	(10,166)
Deferred	(489)	(328)	(1,366)	(1,428)	(335)	(318)			
<b>Profit for the year</b>	<b>23,179</b>	<b>27,751</b>	<b>35,416</b>	<b>38,391</b>	<b>42,143</b>	<b>46,702</b>	<b>50,761</b>	<b>56,625</b>	<b>62,732</b>
Minority interests	(135)	(551)	(772)	(1,370)	(1,375)	(1,802)	(1,982)	(2,180)	(2,398)
<b>Profit attr to shareholders</b>	<b>23,044</b>	<b>27,200</b>	<b>34,644</b>	<b>37,021</b>	<b>40,767</b>	<b>44,900</b>	<b>48,779</b>	<b>54,445</b>	<b>60,334</b>
Dividends paid	(3,841)	(5,086)	(5,423)	(8,436)	(8,436)	(9,861)	(10,529)	(11,929)	(13,384)
Underlying net profit	20,176	22,910	28,894	31,371	34,260	37,090	42,115	47,714	53,536
Basic EPS	2.82	3.33	3.75	3.64	3.72	4.10	4.45	4.97	5.51
Diluted EPS	2.82	3.33	3.75	3.64	3.72	4.10	4.45	4.97	5.51
DPS	0.47	0.55	0.61	0.77	0.80	0.90	0.96	1.09	1.22
Underlying EPS	2.47	2.80	3.13	3.08	3.13	3.39	3.84	4.36	4.89

Source: Company data, SWS research

**Figure 2: Forecast Balance Sheet**

(HK\$m)	2013A	2014A	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Investment property	32,532	54,921	64,057	67,093	97,377	111,574	115,574	119,574	123,574
PP&E	1,371	1,378	1,223	3,887	3,898	3,666	3,654	3,837	4,029
Interests in JV and associates	15,930	16,952	15,010	16,038	20,637	26,683	29,351	30,819	32,360
Others	5,474	5,256	5,396	9,358	21,702	16,386	17,058	17,911	18,806
<b>Non-current assets</b>	<b>55,307</b>	<b>78,506</b>	<b>85,686</b>	<b>96,376</b>	<b>143,614</b>	<b>158,309</b>	<b>165,637</b>	<b>172,140</b>	<b>178,769</b>
Properties under development	160,952	230,484	203,183	261,690	335,541	382,809	432,185	490,827	555,783
Pre-paid land premiums	19,835	15,124	4,493	7,631	24,306	48,575	55,916	58,711	61,647
Cash and cash equivalents	41,411	58,281	120,047	154,983	99,460	100,555	79,541	69,128	58,816
Restricted cash	533	1,567	1,873	2,178	4,590				
Receivable	2,431	8,450	11,203	11,341	14,300	16,919	18,611	19,541	20,519
Others	16,054	17,752	752	37,090	23,593	18,171	19,988	20,988	22,037
<b>Current assets</b>	<b>241,216</b>	<b>331,658</b>	<b>341,550</b>	<b>474,913</b>	<b>501,790</b>	<b>567,029</b>	<b>606,241</b>	<b>659,196</b>	<b>718,800</b>
<b>Total assets</b>	<b>296,523</b>	<b>410,163</b>	<b>427,237</b>	<b>571,289</b>	<b>645,404</b>	<b>725,338</b>	<b>771,878</b>	<b>831,336</b>	<b>897,569</b>
Share capital	817	19,634	62,434	90,420	90,420	90,420	90,420	90,420	90,420
Share premiums & Retained	109,153	114,036	129,123	131,828	175,274	193,060	231,310	273,827	320,776
<b>Majority interests</b>	<b>109,970</b>	<b>133,670</b>	<b>191,558</b>	<b>222,248</b>	<b>265,694</b>	<b>283,480</b>	<b>321,730</b>	<b>364,247</b>	<b>411,196</b>
Minority interests	1,080	4,886	5,055	5,175	7,849	10,125	10,631	11,163	11,721
<b>Total equity</b>	<b>111,050</b>	<b>138,557</b>	<b>196,613</b>	<b>227,423</b>	<b>273,543</b>	<b>293,605</b>	<b>332,361</b>	<b>375,410</b>	<b>422,917</b>
Borrowings	36,709	26,639	41,986	61,773	90,256	100,504	111,777	124,177	137,817
Notes & Bonds	32,688	48,177	66,200	71,761	57,558	64,540	54,799	47,395	40,900
Others	5,147	7,707	8,744	10,727	17,504	17,553	18,431	19,352	20,320
<b>Non-current liabilities</b>	<b>74,544</b>	<b>82,523</b>	<b>116,931</b>	<b>144,261</b>	<b>165,318</b>	<b>182,597</b>	<b>185,006</b>	<b>190,924</b>	<b>199,037</b>
Advanced sales proceeds	61,414	55,950	47,495	82,256	77,857	92,984	102,282	107,397	112,766
Payable	21,523	42,818	34,644	44,815	51,826	60,006	63,006	66,156	69,464
Borrowings	3,303	22,542	7,269	34,472	13,325	14,627	13,928	13,230	12,533
Notes & Bonds				5,815	17,099	16,277	7,850	7,404	6,495
Tax payable	16,357	21,116	18,466	21,888	29,742	34,881	36,625	38,456	40,379
Others	8,332	46,657	5,819	10,359	16,694	30,361	30,818	32,359	33,977
<b>Current liabilities</b>	<b>110,929</b>	<b>189,084</b>	<b>113,693</b>	<b>199,604</b>	<b>206,543</b>	<b>249,136</b>	<b>254,510</b>	<b>265,002</b>	<b>275,615</b>
<b>Total liabilities</b>	<b>185,473</b>	<b>271,606</b>	<b>230,624</b>	<b>343,866</b>	<b>371,861</b>	<b>431,733</b>	<b>439,516</b>	<b>455,926</b>	<b>474,651</b>
<b>Total equity and liabilities</b>	<b>296,523</b>	<b>410,163</b>	<b>427,237</b>	<b>571,289</b>	<b>645,404</b>	<b>725,338</b>	<b>771,877</b>	<b>831,336</b>	<b>897,569</b>

Source: Company data, SWS research

**Figure 3: Forecast Cash Flow Statement**

(HK\$m)	2013A	2014A	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Cash generated from/(used in) operations	(345)	8,016	59,988	75,577	(29,420)	6,731	13,700	14,385	15,104
Others	(9,741)	(12,264)	(17,240)	(15,038)	(12,617)	(15,140)	(17,411)	(18,282)	(19,196)
<b>Net cash generated from operating activities</b>	<b>(10,086)</b>	<b>(4,248)</b>	<b>42,748</b>	<b>60,539</b>	<b>(42,037)</b>	<b>(8,409)</b>	<b>(3,711)</b>	<b>(3,897)</b>	<b>(4,092)</b>
Acquisitions	(1,060)	(2,407)	(2,724)	(2,377)	(4,568)	(1,000)	(1,200)	(1,260)	(1,323)
Others		(2,061)	(413)	17,491	(3,511)	1,230	1,353	1,421	1,492
<b>Net cash generated from Investing activities</b>	<b>(1,060)</b>	<b>(4,468)</b>	<b>(3,137)</b>	<b>15,114</b>	<b>(8,079)</b>	<b>230</b>	<b>153</b>	<b>161</b>	<b>169</b>
Proceeds from issuance of shares			42,800						
Proceeds of net borrowing	13,913	24,658	33,818	(15,022)	(4,513)	17,710	(7,594)	3,852	5,539
Dividend payment	(3,351)	(3,841)	(5,763)	(8,193)	(9,153)	(8,436)	(9,861)	(10,529)	(11,929)
Interest payment			(9,978)	(8,730)	(7,372)				
Payment to JVs			(40,576)	(822)	8,121				
Others	130	(4,875)	(4,604)	374	(222)				
<b>Net cash generated from financing activities</b>	<b>10,692</b>	<b>15,942</b>	<b>15,697</b>	<b>(32,393)</b>	<b>(13,140)</b>	<b>9,274</b>	<b>(17,455)</b>	<b>(6,677)</b>	<b>(6,390)</b>
<b>Increase in cash and cash equivalents</b>	<b>(454)</b>	<b>7,226</b>	<b>55,308</b>	<b>43,260</b>	<b>(63,256)</b>	<b>1,094</b>	<b>(21,013)</b>	<b>(10,413)</b>	<b>(10,313)</b>
Cash and cash equivalents at beginning of year	40,880	51,178	69,667	120,047	154,983	99,460	100,555	79,541	69,128
Exchange losses on cash and cash equivalents	985	(123)	(4,928)	(8,324)	7,733				
<b>Cash and cash equivalents at end of the year</b>	<b>41,411</b>	<b>58,281</b>	<b>120,047</b>	<b>154,983</b>	<b>99,460</b>	<b>100,555</b>	<b>79,541</b>	<b>69,128</b>	<b>58,816</b>

Source: Company data, SWS research



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