

14 February 2019

**Outperform**  
**Unchanged**

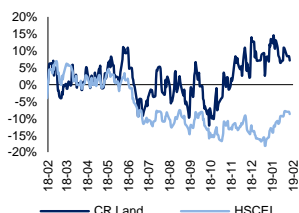
## 董事局主席尘埃落定，重申增持评级

### 华润置地 (01109 HK)

#### Market Data: 14 February 2019

Closing Price (HK\$)	29.85
Price Target (HK\$)	33.60
HSCEI	11,170
HSCCI	4,527
52-week High/Low (HK\$)	32.10/23.80
Market Cap (USD Mn)	26,362
Market Cap (HK\$ Mn)	206,889
Shares Outstanding (Mn)	6,931
Exchange Rate (RMB-HK\$)	1.16

#### Price Performance Chart:



Source: Bloomberg

#### Analyst

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#### Related Reports

Roomier margin, Aug22, 2018

Accelerating sales, Apr20, 2018

Sturdy build, Mar21, 2018

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

#### Financial summary and valuation

	2016	2017	2018E	2019E	2020E
Revenue (Rmbm)	96,208	100,800	121,609	148,996	182,755
YOY (%)	6%	5%	21%	23%	23%
Underlying Net income (Rmbm)	14,318	16,286	19,812	23,817	28,661
YOY (%)	14%	14%	22%	20%	20%
EPS (Rmb)	2.48	2.82	3.74	3.99	4.69
Core EPS (Rmb)	2.07	2.35	2.86	3.44	4.14
ROE (%)	14.0%	14.8%	14.6%	15.4%	16.3%
Net Gearing (%)	24%	36%	45%	46%	46%
Dividend Yield (%)	3.7%	4.4%	3.8%	4.6%	5.5%
P/E (x)	8.1	7.9	9.2	7.6	6.4
P/B (x)	1.1	1.0	1.3	1.1	1.0

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.

央企开发商华润置地日前宣布了市场期待已久的人事变动，空缺了超过四年的董事局主席一职终于尘埃落定，我们认为这对公司长远发展正面，公司长久以来致力于住宅开发和商业持有双翼战略将继续有条不紊推进。我们微调公司目标价至 33.6 港元，重申增持评级。

**人事变动。**华润置地周二晚间公告称，公司执行董事吴向东辞任，公司 CEO 唐勇被正式任命为董事局主席。吴向东于 2013 年 6 月开始担任华润置地董事局主席，2014 年 11 月因个人原因辞任，唐勇获委任董事局副主席并主持工作至今，但公司董事局主席职位一致空缺。此后吴向东重返华润置地任执行董事，而去年底媒体报道称其可能离开华润置地履新华夏幸福，但公司此后公告间接予以否认，将吴向东列为华润置地执行董事之首，且同时宣布唐勇不再担任副主席转而担当 CEO，而公司 CFO 俞建则辞任转去华夏幸福担任联席总裁。综上，虽然本次公告并未透露吴向东的去向，但我们认为对于华润置地而言，新掌门人的确认有利于公司长远发展，且与市场预期也相一致，而公司过去五年的稳健增长亦证明唐勇的能力。

**合约销售。**华润置地 2018 年全年实现总口径合约销售（包含操盘以及合作项目）2155 亿，在中国开发商规模排名中再升一位至第九。如果按照过往可比口径（仅包含操盘项目），2018 年合约销售金额为 1830 亿，同比增长 20%，恰好为年初定下的全年目标；销售均价 17761 元每平米，同比再涨 12%。在本轮行业上行周期 2015-2018 年间，公司实现合约销售年均复合增长率 36%，权益合约销售复合增长率 34%，虽然较同期板块平均增速 45%/41%略慢，但显著超出可比同业万科（32%/30%）和中海发展（20%/18%）。公司较早的三四线城市战略布局以及商业物业运营提升住宅附加值是两个重要原因。

**土地购买。**作为仅有的几家 2018 年全年土地购置支出超出 2017 年的开发商，华润置地显示了其稳健的资金实力。尤其是在 2018 年下半年，公司仍有条不紊地在核心城市捕捉地价下行后出现的机会。全年权益土地购置指出达到 1008 亿（占同期销售金额 55%，15-17 年购地金额分别为 294 亿、465 亿、647 亿，占同期销售金额比例分别为 38%、50%、50%），其中 1-4 季度的购置金额分别为 230 亿、283 亿、257 亿、238 亿，而投在一二三四线城市的比例分别为 26%、52%、12%和 9%。我们计算截至 18 年末，公司土地储备约 5000 万方，权益面积约 3900 万方，平均楼面价 5858 元人民币，占当期销售均价 33%，进入城市数量超过 70 个，包括四大一线城市以及二线和三线城市各接近 30 个，以及个别四线城市，按储备面积在一二三四线城市的分布比例为 9%、55%、29%和 7%。

**业绩前瞻。**华润置地从 18 年中期将报表货币从港币转换成人民币，我们因此在年报前瞻中对货币做出调整，将 17 年收入、归属股东的核心净利、每股核心净利以及每股派息分别重列为 1008 亿人民币、163 亿人民币、2.35 人民币以及 0.82 元人民币。我们维持 18-20 年收入预测不变，但将其重列为以人民币为单位，分别为 1216 亿（+21%yoy）、1490 亿（+23%yoy）、1828 亿（+23%yoy），纳入房价下行压力，我们将 18-20 年结算毛利率下调 0.4、0.8、0.6 个百分点至 41.5%、38%和 35.8%，因此将每股核心净利下调 4%、6%、3%至 2.86 人民币（+22%yoy）、3.44 人民币（+20%yoy）、4.14 人民币（+20%yoy），维持每年派息比例 35%不变。

**重申增持。**华润置地为我们在 2018 年首选股，股价全年上涨 35%，为板块内表现最好的个股。我们看到公司平衡的资产组合带来的稳健的经营现金流和强劲的资产负债表，融资渠道通畅融资成本维持在低位。展望 2019 年，我们认为行业基本面临转机，而货币宽松已经利好华润置地这样的企业在融资成本上进一步出现边际下降。公司目前估值相当于 18/19 年 9.2/7.6 倍 PE，1.3/1.1 倍 PB，较我们微调后的每股净资产值 42 港元（原先为 41 港元）折价 30%。我们维持公司目标净资产值折价 20%，获得新目标价 33.6 港元（相比原目标价为 32.8 港元），较目前股价有 12.6%上行空间。我们重申华润置地增持评级，公司有能力低位补仓进一步摊薄土地成本，令长期盈利能力强于同业。

State-owned developer China Resources Land announced a long-awaited change in management, with the appointment of a new chairman of the board after four years of vacancy. We believe this will have a positive impact on the company, and thus raise our target price from HK\$32.80 to HK\$33.60. Besides, we note the firm changed its reporting currency from HK\$ to Rmb in mid-2018. We forecast EPS of Rmb3.74 in 18E (+32.6% YoY), Rmb3.99 in 19E (+6.7% YoY), and Rmb4.69 in 20E (+17.5% YoY). With 12.6% upside, we maintain our Outperform rating.

**A long-awaited announcement.** On 12 February, the firm announced that Wu Xiangdong resigned as executive director and Tang Yong was appointed as chairman of the board. Wu became chairman in June 2013, but resigned in November 2014 for personal reasons, after which Tang was appointed as vice chairman and acted as a de facto chairman since then. We see the official appointment of Tang as positive news for the company, boding well for its future development.

**Contract sales.** The firm achieved gross contract sales of Rmb215.5bn in 2018, ranking ninth among Chinese developers (vs 10<sup>th</sup> in 2017). More specifically, comparable contract sales from projects operated by the group reached Rmb183bn (+20% YoY), perfectly in line with its annual sales target. During the 2015-2018 upcycle, the firm achieved a sales Cagr of 36% (34% in the attributable sense), vs 45%/41% for the sector on average. As such, the company significantly outperformed peers, such as China Vanke (02202:HK – Not rated; 32%/30%) and China Overseas Land & Investment (COLI; 00688:HK – Hold; 20%/18%), mainly due to its early footprint in lower-tier cities and the added value from residential projects, on the back of its strong commercial capability.

**Land purchases.** The firm is one of the few developers that posted higher land expenditure in 2018 than in 2017, as it seized opportunities amid declining land prices in higher-tier cities in 2H18. Its total attributable land expenses reached Rmb100.8bn in 2018 (55% of contract sales). We estimate its land reserves at 50msqm in end-2018 (39msqm in the attributable sense), with an average floor cost of Rmb5,858/sqm (33% of current average selling price), covering 70 cities, with 4 tier-1, 30 tier-2, 30 tier-3, and a few tier-4 cities representing 9%, 55%, 29%, and 7% of the total, respectively.

**Earnings forecasts.** We maintain our revenue forecasts of Rmb121.6bn in 18E (+21% YoY), Rmb149bn in 19E (+23% YoY), and Rmb182.8bn in 20E (+23% YoY). Given softening home prices, we lower our gross margin forecasts by 0.4ppts to 41.5% in 18E, by 0.8ppts to 38% in 19E, and by 0.6ppts to 35.8% in 20E. We thus lower our core EPS forecasts to Rmb2.86 in 18E (+22% YoY), Rmb3.44 in 19E (+20% YoY), and Rmb4.14 in 20E (+20% YoY), and maintain the payout ratio at 35%.

**Maintain Outperform.** CR Land was our top pick in 2018, with the highest rebound (+35%). We favour its solid operating cash flows and robust balance sheet, given its balanced portfolio and low financing cost. The stock trades at 9.2x 18E PE, 7.6x 19E PE, 1.3x 18E PB, and 1.1x 19E PB, and at a 30% discount to our new net asset value (NAV) estimate of HK\$42 (vs our previous estimate of HK\$41). Given an unchanged target NAV discount of 20%, we raise our target price from HK\$32.80 to HK\$33.60. With 12.6% upside, we maintain our Outperform rating.

## Management change

State-owned developer China Resources Land announced a long-awaited change in management, with the appointment of a new chairman of the board after four years of vacancy. We believe this will have a positive impact on the company.

On 12 February, the firm announced that Wu Xiangdong resigned as executive director and Tang Yong was appointed as chairman of the board. Wu became chairman in June 2013, but resigned in November 2014 for personal reasons, after which Tang was appointed as vice chairman and has acted as a de facto chairman since then.

We note Wu came back to CR Land as executive director one year after his resignation as chairman. In late 2018, market rumours suggested that Wu would leave CR Land to join China Fortune Land (600340:CH – Outperform), an A-share listed developer in which Ping An Insurance Group (02318:HK – Not rated) bought a c.20% stake in 2018. However, according to CR Land's official announcement in December 2018, the company's CFO Yujian resigned and joined China Fortune Land as co-president, while Wu remained the first executive director ahead of Tang Yong.

As such, today's official appointment of Tang as chairman of the board has removed a long-term overhang on CR Land's senior management, and is likely to have a positive impact on the company.

## Contract sales

The firm achieved gross contract sales of Rmb215.5bn in 2018, ranking ninth among Chinese developers (vs 10th in 2017). More specifically, comparable contract sales from projects operated by the group reached Rmb183bn (+20% YoY), perfectly in line with the annual sales target. Meanwhile, its average selling price (ASP) rose 12% YoY to Rmb17,761/sqm.

During the 2015-2018 upcycle, the firm achieved a sales Cagr of 36% (or 34% in the attributable sense), vs 45%/41% for the sector average. As such, it significantly outperformed peers, such as China Vanke (02202:HK – Not rated; 32%/30%) and China Overseas Land & Investment (COLI; 00688:HK – Hold; 20%/18%), mainly due to its early footprint in lower-tier cities and the added value from residential projects, on the back of its strong commercial capability.

Fig 1: Contract sales of key listed developers, 2013-2018

Code	Listcos	Total Contract Sales (Rmbbn)						% Chg YoY						3-Y cagr
		13A	14A	15A	16A	17A	18A	13A	14A	15A	16A	17A	18A	
2007 HK	Country Garden	106	129	140	309	551	666	123%	21%	9%	120%	78%	21%	68%
2202 HK	Vanke	171	215	261	364	530	607	21%	26%	22%	39%	45%	15%	32%
3333 HK	Evergrande	100	132	201	373	501	551	9%	31%	53%	85%	34%	10%	40%
1918 HK	Sunac	51	66	68	151	362	461	61%	30%	4%	121%	140%	27%	89%
688 HK	COLI	111	115	154	185	207	268	24%	4%	34%	21%	11%	30%	20%
960 HK	Longfor	48	49	55	88	156	201	20%	2%	11%	62%	77%	29%	54%
1109 HK	CR Land	66	69	85	108	152	216	27%	4%	23%	27%	41%	42%	36%
1030 HK	Future Land	21	24	32	65	126	221	28%	16%	33%	104%	94%	75%	91%
884 HK	CIFI	15	21	30	53	104	152	61%	38%	43%	75%	96%	46%	71%
813 HK	Shimao	67	70	67	68	101	176	46%	5%	-5%	2%	48%	75%	38%
2777 HK	R&F	42	54	54	61	82	131	27%	29%	0%	12%	35%	60%	34%
3383 HK	Agile	40	44	44	53	81	103	22%	9%	0%	19%	53%	27%	32%
3377 HK	Sino-ocean	36	40	41	50	71	110	15%	12%	1%	24%	40%	55%	39%
817 HK	China Jinmao	15	19	28	37	58	125	36%	27%	50%	35%	55%	115%	65%
1628 HK	Yuzhou	11	12	14	23	40	56	68%	10%	17%	66%	74%	39%	59%
1813 HK	KWG	22	27	25	29	38	66	37%	20%	-7%	14%	33%	72%	38%
119 HK	Poly Ppty	27	24	30	35	38	41	14%	-10%	25%	16%	9%	8%	11%
3900 HK	Greentown	62	79	72	96	103	101	22%	28%	-9%	33%	8%	-2%	12%
Total/Average		1011	1189	1401	2149	3301	4251	31%	18%	18%	53%	54%	29%	45%

Source: Company data, SWS Research

Fig 2: Stakes in contract sales and corresponding growth in attributable contract sales, 2015-2018

Code	Listcos	Interests in contract sales				Attributable contract sales (Rmbbn)				% Chg YoY			3-Y Cagr
		15A	16A	17A	18A	15A	16A	17A	18A	16A	17A	18A	
2007 HK	Country Garden	89%	76%	71%	75%	125	235	389	502	89%	66%	29%	59%
2202 HK	Vanke	70%	71%	71%	70%	183	260	377	425	42%	45%	13%	32%
3333 HK	Evergrande	95%	95%	95%	95%	191	355	477	524	86%	34%	10%	40%
1918 HK	Sunac	64%	69%	73%	71%	43	104	266	326	139%	155%	23%	96%
688 HK	COLI	95%	95%	91%	90%	146	176	188	241	21%	7%	28%	18%
960 HK	Longfor	85%	75%	70%	70%	46	66	109	140	43%	65%	28%	45%
1109 HK	CR Land	90%	86%	85%	85%	77	93	129	183	21%	39%	42%	34%
1030 HK	Future Land	78%	77%	79%	77%	25	50	100	170	100%	100%	70%	89%
884 HK	CIFI	66%	55%	53%	50%	20	29	55	76	45%	88%	38%	56%
813 HK	Shimao	75%	73%	74%	75%	50	50	75	132	0%	50%	76%	38%
2777 HK	R&F	100%	100%	100%	100%	54	61	82	131	12%	35%	60%	34%
3383 HK	Agile	93%	93%	90%	79%	41	49	73	81	19%	49%	11%	25%
3377 HK	Sino-ocean	80%	69%	71%	60%	32	35	50	66	8%	43%	32%	27%
817 HK	China Jinmao	65%	68%	68%	63%	18	26	39	78	40%	54%	100%	63%
1628 HK	Yuzhou	91%	90%	74%	70%	13	21	30	39	64%	44%	31%	45%
1813 HK	KWG	81%	78%	75%	65%	20	22	29	42	11%	29%	48%	28%
119 HK	Poly Ppty	80%	75%	70%	66%	24	26	27	27	9%	1%	2%	4%
3900 HK	Greentown	54%	53%	53%	55%	39	51	55	56	32%	7%	1%	13%
Total/Average		81%	78%	76%	73%	1148	1709	2548	3240	49%	49%	27%	41%

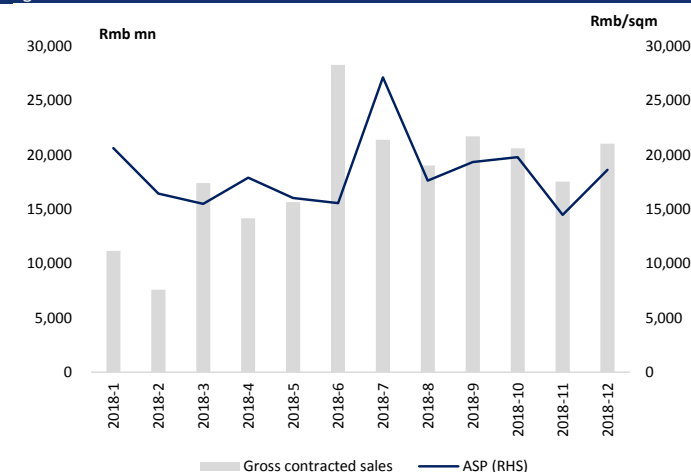
Source: Company data, SWS Research

Fig 3: Contract sales of projects operated by the group in 2018



Source: Company data, SWS Research

Fig 4: Gross contract sales and ASP in 2018



Source: Company data, SWS Research

## Land purchases

The company is one of the few developers that posted higher land expenditure in 2018 than in 2017, as it seized opportunities amid declining land prices in higher-tier cities in 2H18.

Its total attributable land expenses reached Rmb100.8bn in 2018 (or 55% of contract sales), vs Rmb29.4bn in 2015 (38% of sales), Rmb46.5bn in 2016 (50%), and Rmb64.7bn in 2017 (50%). More specifically, its quarterly land costs reached Rmb23bn in 1Q18, Rmb28.3bn in 2Q18, Rmb25.7bn in 3Q18, and Rmb23.8bn in 4Q18, with tier-1, tier-2, tier-3, and tier-4 cities representing 26%, 52%, 12%, and 9% of the total.

We estimate its total land reserves reached 50msqm as of end-2018 (or 39msqm in the attributable sense), with an average floor cost of Rmb5,858/sqm (33% of current average selling price). Its land bank covers 70 cities in total, with 4 tier-1, 30 tier-2, 30 tier-3, and a few tier-4 cities representing 9%, 55%, 29%, and 7% of the firm's land reserves, respectively.

Fig 5: Key listed developers' attributable land expenditure, 2014-2018

	Attributable Land Expenditure (Rmbbn)					As % of Attributable Contract Sales				
	14A	15A	16A	17A	18A	14A	15A	16A	17A	18A
Listcos	12	20	31	52	50	95%	107%	122%	133%	64%
Jinmao	8	4	24	30	23	36%	21%	108%	105%	53%
KWG	18	24	53	81	87	41%	52%	80%	74%	62%
Longfor	19	21	30	67	51	27%	42%	60%	89%	39%
Shimao	7	18	36	64	70	29%	71%	73%	64%	41%
Future land	16	43	128	327	191	13%	35%	55%	84%	38%
Country Garden	6	13	13	45	40	37%	65%	44%	82%	53%
CIFI	5	5	17	15	13	51%	38%	81%	51%	33%
Yuzhou	12	21	110	100	65	30%	48%	106%	38%	20%
Sunac	22	71	204	237	n.a.	17%	37%	57%	50%	--
Evergrande	22	29	47	65	101	32%	38%	50%	50%	55%
CR land	42	71	76	105	110	37%	48%	43%	56%	46%
COLI	16	7	9	34	30	40%	22%	26%	67%	45%
Sino-ocean	29	79	125	196	153	13%	43%	48%	52%	36%
Vanke	7	4	17	58	35	12%	8%	29%	71%	27%
R&F	2	2	14	35	30	5%	4%	29%	47%	37%
Agile	11	3	2	10	13	46%	11%	8%	38%	48%
Poly Ppty										
Average						33%	41%	60%	68%	44%

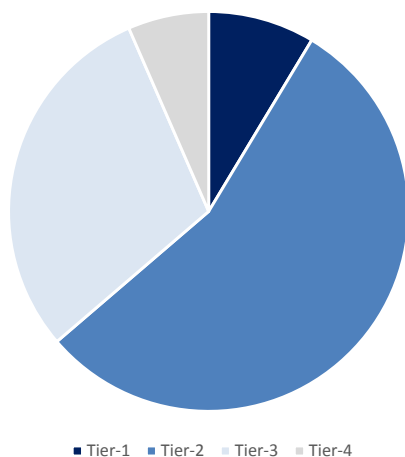
Source: Company data, SWS Research

Fig 6: Geographical footprint of CR Land in terms of city tier

# of new cities entered	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Tier-1	3								1				1	
Tier-2	1	3	8	1	2	4	2	3		1	1	2		
Tier-3					2	3	7	1	3	3	1		3	4
Lower tier			1		1					1				6
Total	4	3	9	1	5	7	9	4	4	5	2	2	4	10

Source: Company data, SWS Research

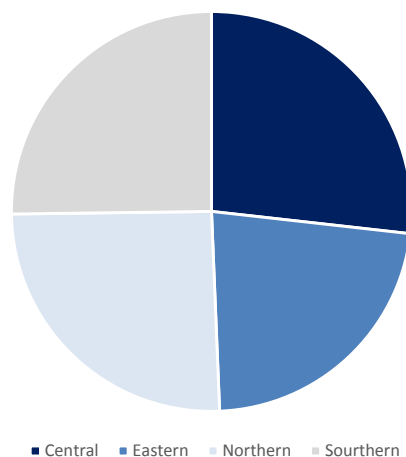
Fig 7: Breakdown of total attributable land reserves by city tier



■ Tier-1 ■ Tier-2 ■ Tier-3 ■ Tier-4

Source: Company data, SWS Research

Fig 8: Breakdown of total attributable land reserves by region



■ Central ■ Eastern ■ Northern ■ Southern

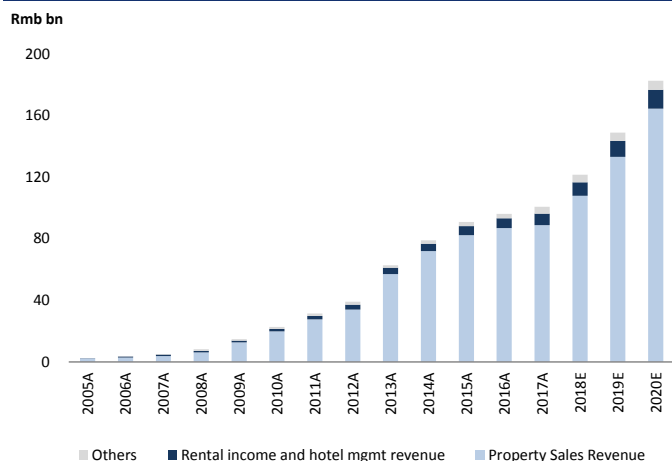
Source: Company data, SWS Research

## Earnings forecasts

As the firm changed its reporting currency from HK\$ to Rmb in mid-2018, we converted our forecasts accordingly. We maintain our revenue forecasts of Rmb121.6bn in 18E (+21% YoY), Rmb149bn in 19E (+23% YoY), and Rmb182.8bn in 20E (+23% YoY).

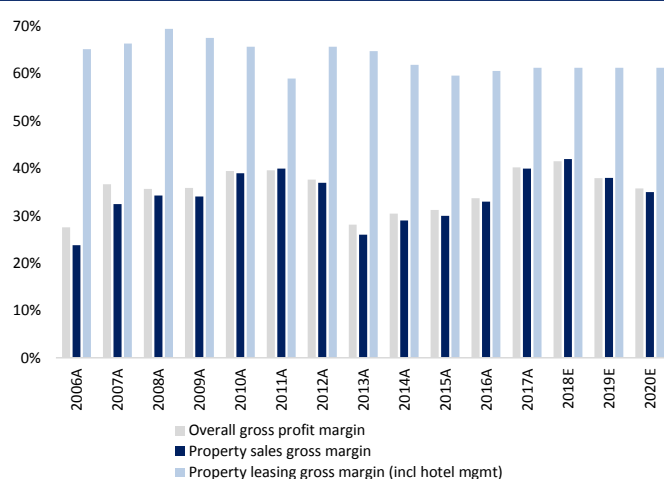
Given softening home prices, we lower our gross margin forecasts by 0.4ppts to 41.5% in 18E, by 0.8ppts to 38% in 19E, and by 0.6ppts to 35.8% in 20E. We thus lower our core EPS forecasts by 4% to Rmb2.86 in 18E (+22% YoY), by 6% to Rmb3.44 in 19E (+20% YoY), and by 3% to Rmb4.14 in 20E (+20% YoY), while maintaining the payout ratio at 35%.

Fig 9: Breakdown of total revenue by segment



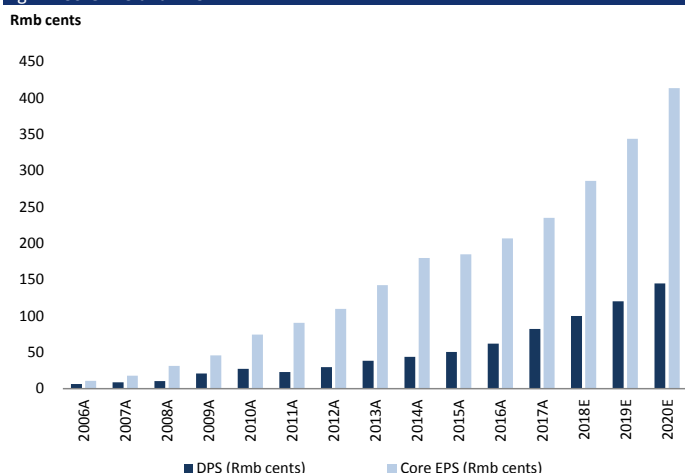
Source: Company data, SWS Research

Fig 10: Overall gross margins, property sales, and leasing gross margins



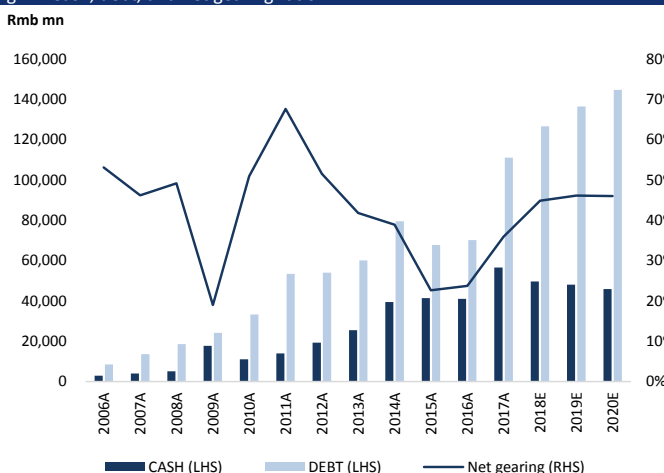
Source: Company data, SWS Research

Fig 11: Core EPS and DPS



Source: Company data, SWS Research

Fig 12: Cash, debt, and net gearing ratio



Source: Company data, SWS Research

## Maintain Outperform

CR Land was our top pick in 2018, with the highest rebound (+35%). We favour its solid operating cash flows and robust balance sheet, given its balanced portfolio and low financing cost.

Looking forward to 2019, we believe fundamentals are unlikely to recover, while CR land may benefit from loosening credit with a marginal decline in financing costs.

We think the firm's ability to increase its land reserves at lower costs will lead to stronger profitability than peers in the long term.

The stock trades at 9.2x 18E PE, 7.6x 19E PE, 1.3x 18E PB, and 1.1x 19E PB, and at a 30% discount to our new net asset value (NAV) estimate of HK\$42 (vs our previous estimate of HK\$41).

Given an unchanged target NAV discount of 20%, we raise our target price from HK\$32.80 to HK\$33.60. With 12.6% upside, we maintain our Outperform rating.



Fig 13: 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	688 HK	324	Hold	25.20	8.4	7.2	1.1	0.9	3.0%	3.5%	-18%	25%	8%	13%
Country Garden	2007 HK	233	Hold	9.35	6.3	5.2	1.7	1.4	5.6%	6.7%	-36%	248%	-33%	21%
CR land	1109 HK	207	Outperform	33.60	9.2	7.6	1.3	1.1	3.8%	4.6%	-29%	36%	35%	0%
Longfor	960 HK	144	Hold	24.65	10.2	8.3	1.6	1.4	3.9%	4.8%	-14%	106%	20%	9%
Shimao	813 HK	70	Hold	18.00	7.3	6.1	1.0	0.9	5.8%	6.6%	-31%	73%	22%	4%
CIFI	884 HK	39	Outperform	5.80	6.4	5.1	1.4	1.2	5.5%	6.9%	-48%	138%	-14%	30%
Sino-ocean	3377 HK	28	Hold	4.20	5.0	4.2	0.4	0.4	8.1%	9.3%	-68%	60%	-34%	14%
KWG	1813 HK	23	Hold	8.62	4.8	4.3	0.7	0.6	7.3%	8.1%	-48%	128%	-34%	11%
Yuzhou	1628 HK	16	Outperform	4.58	3.9	3.0	0.8	0.7	8.9%	10.1%	-54%	74%	-19%	23%
Poly Ppty	119 HK	11	Outperform	3.60	4.0	3.3	0.4	0.4	7.6%	9.1%	-63%	58%	-38%	23%
					<b>6.5</b>	<b>5.4</b>	<b>1.0</b>	<b>0.9</b>	<b>5.9%</b>	<b>7.0%</b>	<b>-41%</b>	<b>95%</b>	<b>-9%</b>	<b>15%</b>

Source: Bloomberg, Company data, SWS Research

# Financials

Figure 1: Forecast Income Statement

Rmbm	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
<b>Revenue</b>	39,040	62,822	78,940	90,986	96,208	100,800	121,609	148,996	182,755
Property Sales Revenue	33,899	57,040	71,948	82,312	86,880	88,875	107,921	133,246	164,588
Rental Income	3,274	3,485	4,112	5,003	5,515	6,293	7,552	9,062	10,874
Hotel mgmt revenue	0	583	712	853	867	1,174	1,232	1,294	1,359
Construction & Decoration	1,867	1,715	2,167	2,818	2,946	4,458	4,904	5,395	5,934
<b>Cost of Sales</b>	(24,347)	(45,128)	(54,869)	(62,564)	(63,746)	(60,223)	(71,085)	(92,405)	(117,296)
<b>Gross Profit</b>	<b>14,693</b>	<b>17,694</b>	<b>24,071</b>	<b>28,422</b>	<b>32,462</b>	<b>40,576</b>	<b>50,523</b>	<b>56,591</b>	<b>65,459</b>
Revaluation gains	3,521	6,308	4,371	4,050	4,251	5,083	8,133	5,083	5,134
Other Income	671	673	1,002	2,250	2,278	1,518	1,533	1,548	1,564
Distribution expenses	(1,674)	(1,853)	(2,703)	(2,909)	(2,856)	(3,313)	(3,976)	(4,572)	(5,030)
Administrative expenses	(1,592)	(1,601)	(1,982)	(2,645)	(2,713)	(3,586)	(4,124)	(4,743)	(5,217)
<b>EBIT</b>	<b>15,620</b>	<b>21,221</b>	<b>24,759</b>	<b>29,168</b>	<b>33,422</b>	<b>40,278</b>	<b>52,090</b>	<b>53,907</b>	<b>61,911</b>
Profits of JCEs	364	272	55	262	529	200	350	420	504
Finance Costs	(590)	(128)	(732)	(812)	(170)	(1,298)	(1,703)	(1,885)	(2,074)
<b>Profit before tax</b>	<b>15,395</b>	<b>21,365</b>	<b>24,082</b>	<b>28,618</b>	<b>33,781</b>	<b>39,180</b>	<b>50,737</b>	<b>52,442</b>	<b>60,341</b>
Tax expense	(5,542)	(8,000)	(9,580)	(11,565)	(13,982)	(17,583)	(22,181)	(21,905)	(24,631)
Inc tax	(2,807)	(3,472)	(4,118)	(5,137)	(9,510)	(9,335)	(12,684)	(13,111)	(15,085)
LAT	(1,839)	(2,367)	(3,737)	(5,034)	(5,836)	(8,682)	(9,497)	(8,794)	(9,546)
Deferred	(896)	(2,160)	(1,725)	(1,394)	1,365	434			
<b>Profit for the year</b>	<b>9,852</b>	<b>13,365</b>	<b>14,501</b>	<b>17,053</b>	<b>19,799</b>	<b>21,597</b>	<b>28,556</b>	<b>30,537</b>	<b>35,710</b>
Minority interests	(553)	(432)	(1,177)	(1,628)	(2,638)	(2,033)	(2,643)	(2,907)	(3,198)
<b>Profit attr. to shareholders</b>	<b>9,300</b>	<b>12,932</b>	<b>13,324</b>	<b>15,424</b>	<b>17,161</b>	<b>19,564</b>	<b>25,912</b>	<b>27,630</b>	<b>32,511</b>
Dividends paid	1,718	2,242	2,935	3,498	4,294	5,697	6,930	8,331	10,026
<b>Core earnings</b>	<b>6,379</b>	<b>8,309</b>	<b>10,491</b>	<b>12,505</b>	<b>14,318</b>	<b>16,286</b>	<b>19,812</b>	<b>23,817</b>	<b>28,661</b>
Basic EPS (Rmb cents)	160	222	229	228	248	282	374	399	469
Diluted EPS (Rmb cents)	160	222	228	228	248	282	374	399	469
<b>Core EPS (Rmb cents)</b>	<b>110</b>	<b>143</b>	<b>180</b>	<b>185</b>	<b>207</b>	<b>235</b>	<b>286</b>	<b>344</b>	<b>414</b>
DPS (Rmb cents)	30	38	44	51	62	82	100	120	145

Source: Company data, SWS Research

Figure 2: Forecast Balance Sheet

Rmbm	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Pre-paid land premiums	264	2,173	655	265	357	819	860	902	948
Investment property	39,034	53,186	69,731	78,804	83,724	104,441	116,641	124,266	131,968
PP&E	4,375	5,192	6,126	6,342	7,948	8,651	9,516	10,468	11,515
Others	3,971	4,735	6,034	13,278	21,580	40,025	44,429	44,873	45,322
<b>Non-current assets</b>	<b>47,645</b>	<b>65,286</b>	<b>82,546</b>	<b>98,689</b>	<b>113,608</b>	<b>153,936</b>	<b>171,446</b>	<b>180,510</b>	<b>189,752</b>
Properties under development	120,375	142,135	164,034	169,931	172,183	235,277	273,656	310,786	351,295
Cash and cash equivalents	19,319	25,452	39,475	41,411	41,073	56,604	49,737	48,132	45,927
Receivable	11,469	26,043	24,279	24,347	38,976	44,236	47,333	50,646	54,191
Others	2,056	6,513	8,472	15,525	9,959	15,564	16,654	17,820	19,067
<b>Current assets</b>	<b>153,219</b>	<b>200,143</b>	<b>236,260</b>	<b>251,213</b>	<b>262,191</b>	<b>351,682</b>	<b>387,380</b>	<b>427,383</b>	<b>470,481</b>
<b>Total assets</b>	<b>200,864</b>	<b>265,429</b>	<b>318,806</b>	<b>349,902</b>	<b>375,799</b>	<b>505,618</b>	<b>558,826</b>	<b>607,893</b>	<b>660,233</b>
Share capital and premiums	513	513	513	610	610	610	610	610	610
Reserves	60,303	74,527	92,442	101,095	101,855	125,307	144,289	163,587	186,073
<b>Majority interests</b>	<b>60,816</b>	<b>75,040</b>	<b>92,955</b>	<b>101,705</b>	<b>102,465</b>	<b>125,917</b>	<b>144,899</b>	<b>164,197</b>	<b>186,683</b>
Minority interests	6,504	7,832	10,113	14,884	19,995	25,815	26,590	27,387	28,209
<b>Total equity</b>	<b>67,320</b>	<b>82,872</b>	<b>103,068</b>	<b>116,589</b>	<b>122,460</b>	<b>151,732</b>	<b>171,488</b>	<b>191,585</b>	<b>214,892</b>
Borrowings	35,098	38,989	39,220	41,812	41,126	60,231	70,791	75,191	79,591
Senior notes	6,807	6,825	20,340	13,501	13,501	13,379	13,379	13,379	13,379
Medium-term notes	0	0	0	0	5,004	10,503	14,903	19,303	23,703
Deferred Tax	4,565	6,982	8,733	10,005	10,931	12,915	13,561	14,239	14,951
Others	0	1,723	2,727	1,745	3,162	4,443	4,708	4,709	4,709
<b>Non-current liabilities</b>	<b>46,471</b>	<b>54,520</b>	<b>71,020</b>	<b>67,062</b>	<b>73,724</b>	<b>101,471</b>	<b>117,341</b>	<b>126,820</b>	<b>136,333</b>
Advanced sales proceeds	45,435	65,103	71,718	84,759	92,984	125,669	138,236	152,060	167,266
Payable	21,041	31,768	40,201	45,929	51,608	67,404	70,774	74,313	78,029
Borrowings	4,649	14,305	18,673	5,646	10,550	26,588	27,644	28,710	28,191
Senior notes	0	0	0	6,841	0	423			
Tax payable	5,936	7,352	8,155	13,663	14,346	20,647	21,680	22,764	23,902
Others	10,012	9,509	5,971	9,413	10,128	11,683	11,663	11,641	11,620
<b>Current liabilities</b>	<b>87,072</b>	<b>128,037</b>	<b>144,717</b>	<b>166,251</b>	<b>179,615</b>	<b>252,415</b>	<b>269,996</b>	<b>289,488</b>	<b>309,007</b>
<b>Total liabilities</b>	<b>133,543</b>	<b>182,557</b>	<b>215,737</b>	<b>233,313</b>	<b>253,340</b>	<b>353,886</b>	<b>387,338</b>	<b>416,308</b>	<b>445,340</b>
<b>Total equity and liabilities</b>	<b>200,863</b>	<b>265,429</b>	<b>318,806</b>	<b>349,902</b>	<b>375,799</b>	<b>505,618</b>	<b>558,826</b>	<b>607,893</b>	<b>660,232</b>

Source: Company data, SWS Research



**Figure 3: Forecast Cash Flow Statement**

Rmbm	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Cash generated from/(used in) operations	18,313	10,692	14,992	46,615	27,300	23,781	12,144	15,787	17,366
Others	(3,886)	(5,335)	(7,672)	(9,742)	(13,668)	(13,772)	(15,149)	(16,664)	(18,331)
<b>Net cash generated from operating activities</b>	<b>14,427</b>	<b>5,357</b>	<b>7,320</b>	<b>36,874</b>	<b>13,632</b>	<b>10,009</b>	<b>(3,005)</b>	<b>(877)</b>	<b>(965)</b>
Acquisitions	(3,359)	(5,079)	(10,179)	(16,833)	(6,136)	(6,087)	(3,043)	(1,522)	(761)
Others	(1,311)	(6,066)	(2,395)	(7,744)	(1,746)	(19,928)	(10,714)	(2,143)	(429)
<b>Net cash generated from Investing activities</b>	<b>(4,670)</b>	<b>(11,145)</b>	<b>(12,574)</b>	<b>(24,577)</b>	<b>(7,882)</b>	<b>(26,015)</b>	<b>(13,757)</b>	<b>(3,665)</b>	<b>(1,189)</b>
Proceeds from issuance of shares	0	0	0	85	0	0	0	0	0
Proceeds from placement of shares	0	0	0	8,888	0	0	0	0	0
Proceeds of CB issuance	0	0	0	0	0	0	0	0	0
Proceeds of senior notes issuance	(14)	16	11,893	1	(1,616)	5,104	3,977	4,400	4,400
Net borrowings	(6,043)	11,922	4,046	(9,183)	3,712	30,926	11,616	5,467	3,881
Repurchase of CB	0	0	0	0	0	0	0	0	0
Senior notes payback	0	0	0	0	0	0	0	0	0
Dividends payment	(1,104)	(1,512)	(1,973)	(2,583)	(3,078)	(3,779)	(5,697)	(6,930)	(8,331)
Others	3,020	(1)	2,641	(3,604)	(2,531)	(7,916)	0	0	0
<b>Net cash generated from financing activities</b>	<b>(4,141)</b>	<b>10,425</b>	<b>16,608</b>	<b>(6,395)</b>	<b>(3,513)</b>	<b>24,335</b>	<b>9,896</b>	<b>2,936</b>	<b>(51)</b>
<b>Increase in cash and cash equivalents</b>	<b>5,615</b>	<b>4,636</b>	<b>11,354</b>	<b>5,902</b>	<b>2,237</b>	<b>8,329</b>	<b>(6,867)</b>	<b>(1,605)</b>	<b>(2,205)</b>
Cash and cash equivalents at beginning of year	13,897	19,319	25,452	39,475	41,411	41,073	56,604	49,737	48,132
Exchange losses on cash and cash equivalents	(194)	1,498	2,669	(3,965)	(2,575)	7,202	0	0	0
Cash and cash equivalents at end of the year	19,319	25,452	39,475	41,411	41,073	56,604	49,737	48,132	45,927

Source: Company data, SWS Research

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Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

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