



## Company Report: Henderson Land (00012 HK)

公司报告: 恒基地产 (00012 HK)

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# Steady Business Growth But Dividend Payout Turned Conservative, Maintain "Neutral"

业务稳健增长但股息支付转趋保守, 维持“中性”

- Hong Kong banks raised HKD prime rates. We expect that HKD prime rates will increase by 0.75 ppts by the end of 2019.** Interim Results update: Henderson Land's (00012 HK of "HLD") underlying net profit in 1H18 increased 52.2% YoY to HKD 13,859 million, basically in line with expectations. Property sales revenue increased 0.3% yoy to HKD9,049 million in 1H18 while property leasing revenue increased 7.8% yoy to HKD2,995 million. Operating margin of property development business increased 13.5 ppts yoy to 37.0% in 1H18, while operating margin in property leasing business decreased 0.4 ppts to 76.6%.
- The disposal of 8 Observatory Road will be completed in March 2019. HLD has over 2,300 residential units available for sale in 2H18. We reiterate our view that the new vacancy tax of first-hand residential units is expediting sales progress. We also raise HLD's property leasing revenue forecasts during 2018-2020 to reflect the better-than-expected growth in both Hong Kong and mainland China, but revise down property sales revenue.
- We revise our TP downward to HKD42.70 and maintain our "Neutral" investment rating.** Interim dividend growth turned conservative in 1H18. We raise our NAV discount on HLD from 35% to 40% to reflect our expectations of a 0.75 ppt increase in HKD prime rate by the end of 2019. Our TP implies 9.8x/ 10.6x/ 16.7x FY18/ FY19/ FY20 underlying PER and 0.60x/ 0.57x/ 0.55x FY18/ FY19/ FY20 PBR.
- 香港银行提高港元最优惠利率。我们预计 2019 年底港元最优惠利率将增加 0.75 个百分点。** 中期业绩更新: 恒基地产 (00012 HK) 基本净利润同比增长 52.2% 至 138.59 亿港元, 基本符合预期。上半年物业销售收入同比增长 0.3% 至 90.49 亿港元, 而物业租赁收入同比增长 7.8% 至 29.95 亿港元。房地产开发业务的经营利润率在 18 年上半年同比增长 13.5 个百分点至 37.0%, 而房地产租赁业务的经营利润率下降 0.4 个百分点至 76.6%。
- 天文台道 8 号全幢商厦的出售将于 2019 年 3 月完成。恒基地产拥有超过 2,300 个住宅单位可供 2018 年下半年出售。我们重申我们的观点, 即一手房空置税将加快公司的销售进度。我们亦提高恒基地产 2018-2020 年期间的房地产租赁收入预测, 以反映香港和中国大陆的增长好于预期, 但下调房地产销售收入预测。
- 我们下调目标价至 42.70 港元并维持“中性”投资评级。** 2018 年上半年中期股息增长变得保守。我们将恒基地产的资产净值折让从 35% 上调至 40%, 以反映我们预计到 2019 年底港元最优惠利率将增加 0.75 个百分点。我们的目标价相当于 9.8/10.6/16.7 倍 2018/2019/2020 财年的核心市盈率和 0.60/0.57/0.55 倍 2018/2019/2020 财年的市净率。

Rating: **Neutral**  
Maintained

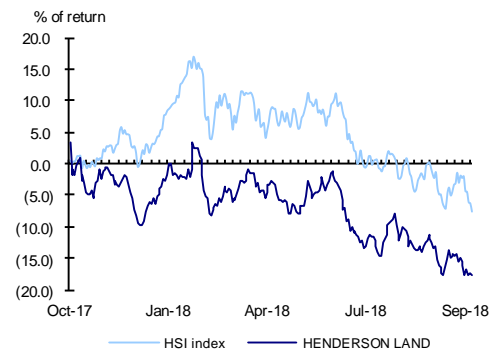
评级: **中性 (维持)**

6-18m TP 目标价: **HK\$42.70**  
Revised from 原目标价: HK\$46.97

Share price 股价: **HK\$38.650**

### 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 %	(1.3)	(6.2)	(19.9)
Rel. % to HS Index 相对恒指变动 %	1.6	1.3	(11.9)
Avg. Share price(HK\$) 平均股价 (港元)	39.4	40.6	43.8

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
12/31	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ%)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
FY16A	25,568	21,916	4.980	81.0	7.8	59,880	0.6	1,550	4.0	8.5
FY17A	24,453	30,433	6.915	38.9	5.6	66,479	0.6	1,710	4.4	10.9
FY18F	23,166	30,210	6.864	(0.7)	5.6	71,584	0.5	1,792	4.6	9.9
FY19F	35,803	28,825	6.550	(4.6)	5.9	75,490	0.5	1,881	4.9	8.9
FY20F	24,026	20,045	4.555	(30.5)	8.5	78,099	0.5	1,881	4.9	5.9

Shares in issue (m) 总股数 (m)	4,401.3	Major shareholder 大股东	Dr. Lee Shau Kee 72.82%
Market cap. (HK\$ m) 市值 (HK\$ m)	170,110.2	Free float (%) 自由流通比率 (%)	27.2
3 month average vol. 3 个月平均成交股数 ('000)	2,909.6	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	21.7
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	50.909 / 38.250	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)	71.2

Source: the Company, Guotai Junan International.

**Hong Kong banks raised HKD prime rates.** Commercial banks in Hong Kong raised HKD prime rates after the US Fed increased interest rate by 0.25 ppts in September. While most of banks lifted their prime rates by 0.125 ppts, OCBC Wing Hang Bank confirmed that it would increase prime rate by 0.25 ppts. Although the market had already expected the increase in prime rate this time, the magnitude of the rate hike has been more moderate than we had previously expected. Investors must be aware that HKD prime rates have started to follow the path of US rate hikes after the aggregate balance among the interbank market dropped to HKD76 billion. If HKD prime rates increase further in the coming quarters, capitalization rates implied in the Hong Kong real estate market will likely be brought up, which will pull down the valuation of real estate properties. We expect that HKD prime rates will increase by 0.75 ppts (or 5.875% expressed in HSBC HKD prime rate) by the end of 2019.

**Henderson Land's (00012 HK of "HLD" or the "Company") underlying net profit in 1H18 increased 52.2% YoY to HKD 13,859 million, basically in line with expectations.** HLD's property sales revenue increased 0.3% yoy to HKD9,049 million in 1H18. Property leasing revenue increased 7.8% yoy to HKD2,995 million with positive rental growth in both Hong Kong and mainland China. Operating margin of property development business edged up 13.5 ppts yoy to 37.0% in 1H18, achieving 38.7% in Hong Kong and 10.5% in China. Operating margin in property leasing business decreased 0.4 ppts to 76.6%. HLD's net gearing ratio swelled 4.3 ppts in 1H18 to 23.3%.

**Table-1: Breakdown of HLD's Revenue in 1H18**

Segmental Revenue (HKD million)	1H17	1H18	yoy change
Property development	9,021	9,049	0.3%
-Hong Kong	7,632	8,508	11.5%
-Mainland China	1,389	541	-61.1%
Property leasing	2,779	2,995	7.8%
-Hong Kong	1,957	2,059	5.2%
-Mainland China	822	936	13.9%
Department store operation	411	524	27.5%
Others	670	574	-14.3%
<b>Total</b>	<b>12,881</b>	<b>13,142</b>	<b>2.0%</b>

Source: the Company, Guotai Junan International.

**Table-2: Breakdown of HLD's Segmental Results in 1H18**

Segment Result (HKD million)	1H17	1H18	yoy change
Property development	2,118	3,346	58.0%
-Hong Kong	1,992	3,289	65.1%
-Mainland China	126	57	-54.8%
Property leasing	2,139	2,293	7.2%
-Hong Kong	1,496	1,550	3.6%
-Mainland China	643	743	15.6%
Department store operation	127	148	16.5%
Others	603	358	-40.6%
<b>Total</b>	<b>4,987</b>	<b>6,145</b>	<b>23.2%</b>

Source: the Company, Guotai Junan International.

**Table-3: Breakdown of HLD's Operating Profit Margin in 1H18**

Operating Profit Margin	1H17	1H18	yoy change
Property development	23.5%	37.0%	13.5ppts
-Hong Kong	26.1%	38.7%	12.6ppts
-Mainland China	9.1%	10.5%	1.5ppts
Property leasing	77.0%	76.6%	-0.4ppts
-Hong Kong	76.4%	75.3%	-1.2ppts
-Mainland China	78.2%	79.4%	1.2ppts
Department store operation	30.9%	28.2%	-2.7ppts
Others	90.0%	62.4%	-27.6ppts
<b>Total</b>	<b>38.7%</b>	<b>46.8%</b>	<b>8.0ppts</b>

Source: the Company, Guotai Junan International.

Note: Operating margins here are inferred from the information disclosed under "Segment report" section of the company's financial report.

**The disposal of 8 Observatory Road will be completed in March 2019.** Our previous estimation of the exit yield (about 2.5%) of the disposal has been confirmed by the management. However, the contribution to HLD's underlying profit from the disposal should be about HKD1,309 million according to HLD, which is higher than our previous estimation of HKD350 million. The relevant gain from sales of property interests will be recognized in 2019. The management also reaffirmed that HLD is still open for further disposal of non-core investment properties.

**As at 30 June, HLD had 123 completed residential units waiting to be sold.** Among the 123 completed units, 94 units came from Double cove (phase 1-5). We reiterate our view that the new vacancy tax of 1<sup>st</sup> hand residential units will motivate HLD to speed up its property sales, but we do not believe that HLD has to compromise with lower sale price facing the vacancy tax given its low level of inventory. HLD reported that it had over 2,300 residential units (mainly from projects that are scheduled to be completed in 2019-2021) available for sale in 2H18.

**Net gearing ratio increased by 4.3 ppts to 23.3% mainly due to the expansion of land bank.** HLD continued to replenish its land bank actively during this interim period. Total land bank from urban redevelopment projects with 80%-100% ownership increased 3.8% to a GFA of 4.4 million sq.ft. Besides, HLD completed the acquisition of the two land plots in Kai Tak in 1H18 (HKD15,959 million) which involved a GFA of 1.1 million sq.ft.

**Table-4: Breakdown of HLD's Land Bank from Urban Redevelopment Projects**

Location, GFA	End of 2017	1H18	Change
<u>Urban Redevelopment Project with 100% Ownership</u>			
Hong Kong Island	822,717	827,346	0.6%
Kowloon	1,499,195	1,403,271	-6.4%
Sub-total(A)	2,321,912	2,230,617	-3.9%
<u>Urban Redevelopment Project with 80% Ownership or Above</u>			
Hong Kong Island	505,104	618,420	22.4%
Kowloon	1,417,521	1,557,597	9.9%
Sub-total(B)	1,922,625	2,176,017	13.2%
<b>Total(A+B)</b>	<b>4,244,537</b>	<b>4,406,634</b>	<b>3.8%</b>
<b>Average Land Cost(HKD, ballpark figure)</b>	<b>8,200</b>	<b>8,600</b>	<b>4.9%</b>

Source: the Company.

**Table-5: Breakdown of HLD's Land Bank in Hong Kong and Mainland China**

GFA, million	End of 2017	1H18	Change
<u>Hong Kong</u>			
Properties under development	14.0	14.1	0.7%
Unsold units from major launched projects	1.1	0.9	-18.2%
Completed properties for rental (including hotels)	9.4	9.4	0.0%
New Territories land (attributable land area)	44.9	45.3	0.9%
<b>Sub-total</b>	<b>69.4</b>	<b>69.7</b>	<b>-0.9%</b>
<u>Mainland China</u>			
Properties held for/under development	35.5	35.9	1.1%
Completed stock for sale	1.0	0.8	-20.0%
Completed properties for rental	6.4	6.4	0.0%
<b>Sub-total</b>	<b>42.9</b>	<b>43.1</b>	<b>0.5%</b>
<b>Total</b>	<b>112.3</b>	<b>112.8</b>	<b>0.4%</b>

**Operating margin of property sold in mainland China showed significant improvement.** The overall operating margin (represents HLD's attributable share of contributions from investment properties held by subsidiaries, associates and joint ventures) of the mainland China property development business increased from about 16% in 1H17 to about 40% in 1H18. However, we note that the operating margin was significantly higher when the properties were sold by associates and joint ventures (52.5%) than if by HLD's subsidiary itself (10.5%). We expect that the operating margin of property development business in mainland China sold under HLD's subsidiary will follow the uptrend seen under the associates and joint ventures in 2H18.

**We are cautious about the marked growth of property leasing business in mainland China.** Gross rental income in mainland China (in HKD terms, represents HLD's attributable share of contributions from investment properties held by subsidiaries, associates and joint ventures) jumped 14% yoy in 1H18. The jump was mainly attributable to a 9% RMB appreciation against HKD. If we exclude the exchange rate effect, gross rental income increased by about 4% yoy in RMB term. As RMB/HKD exchange rate has dropped back to the 1.14 level, we do not expect such appreciation effect on rental income to persist in 2H18.

**Interim DPS growth reached the lowest level since 2014.** HLD's interim dividend is HKD0.50 per share in 1H18, which is equivalent to a 4.2% yoy increase from the 1H17 interim dividend of HKD0.48, the slowest yoy growth rate since 2014. In our view, the relatively conservative attitude in dividend payout may be a reflection that HLD is expecting its underlying profit to fall in 2019 and 2020. Our current forecast shows that HLD's underlying profit will decrease by 7.0% and 36.6% in 2019 and 2020, respectively, assuming no material disposal of property interests in the two years. We revise our DPS forecast for 2018/ 2019/ 2020 to HKD1.792/ HKD 1.881/ HKD 1.881, respectively.

**Table-6: Pipeline of HLD's Investment Properties**

Project Name	Location	Main Usage	Completion Schedule	Total GFA
<b>Hong Kong</b>				
H Code	Pottinger Street, Central	Retail	Aug-18	136,000
Middle Road Project	Tsim Sha Tsui	Retail	1H19	340,000
Electric Road Project	North Point	Office	2H19	144,000
Murray Road Project	Central	Office	2022	465,000
<b>Sum (Hong Kong)</b>				<b>1,085,000</b>
<b>Mainland China</b>				
Xuhui Riverside Project I	Shanghai	Office, Retail	2H19	2,046,000
Xuhui Riverside Project II	Shanghai	Office, Retail	2020	964,000
Haizhu Square Station Project	Guangzhou	Office, Retail	2H19	1,775,000
Huaihai Middle Road Project	Shanghai	Office, Retail	2H20	280,000
<b>Sum (China)</b>				<b>5,065,000</b>
<b>Sum (Hong Kong+China)</b>				<b>6,150,000</b>

Source: HLD's 1H18 Interim Results Investor Presentation.

**We raise HLD's property leasing revenue forecasts during 2018-2020 to reflect the better-than-expected growth in both Hong Kong and mainland China, but revised down property sales revenue after we incorporate the latest construction schedule.** In particular, HLD has deferred the completion year a project in 57-69 Ma Tau Wai Road in Hong Kong from 2020 to 2021. We also raise HLD's total borrowing estimates in 2018-2020 to reflect the higher-than-expected net gearing ratio in 1H18 caused by land bank expansion.

**Table-7: Revisions of Estimates**

Items, HKD million	Revised Estimates			Original Estimates			Changes		
	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F	FY18F	FY19F	FY19F
Total revenue	23,166	35,803	24,026	22,841	36,370	24,683	1.4%	-1.6%	-2.7%
-Property sales	14,621	25,861	13,020	14,649	27,243	14,404	-0.2%	-5.1%	-9.6%
-Property leasing	5,806	6,743	7,717	5,481	5,955	7,018	5.9%	13.2%	10.0%
-Others	2,739	3,200	3,288	2,712	3,172	3,260	1.0%	0.9%	0.9%
Gross profit	11,605	17,889	12,230	11,612	17,780	12,338	-0.1%	0.6%	-0.9%
Net profit	30,210	28,825	20,045	28,552	23,688	20,856	5.8%	21.7%	-3.9%
Underlying net profit	19,100	17,770	11,265	20,052	16,853	11,970	-4.7%	5.4%	-5.9%
Gross margin (%)	50.1	50.0	50.9	50.8	48.9	50.0	-0.7ppts	1.1ppts	0.9ppts
Net profit margin (%)	130.4	80.5	83.4	125.0	65.1	84.5	5.4ppts	15.4ppts	-1.1ppts
Underlying net margin (%)	82.4	49.6	46.9	87.8	46.3	48.5	-5.4ppts	3.3ppts	-1.6ppts
ROA (underlying) (%)	4.5	4.0	2.5	4.7	3.8	2.6	-0.2ppts	0.2ppts	-0.1ppts
ROE (underlying) (%)	6.3	5.5	3.3	6.5	5.1	3.4	-0.2ppts	0.4ppts	-0.1ppts
Net gearing ratio (%)	21.7	17.2	17.3	18.3	14.0	14.4	3.4ppts	3.2ppts	2.9ppts

Source: Guotai Junan International.

Note: Our underlying net profit forecast includes the profit generated from sales of property interests.

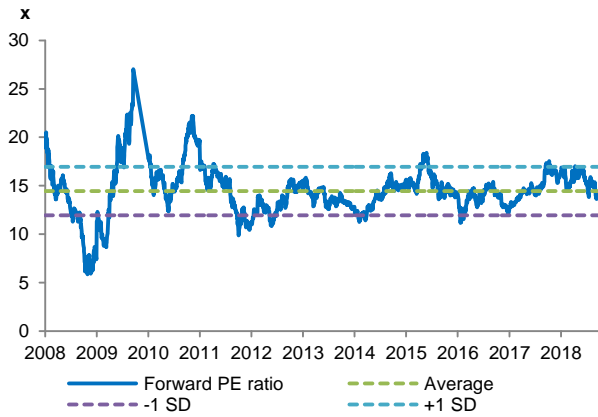
**We revise our TP downward to HKD42.70 and maintain our "Neutral" investment rating.** HLD has showed significant progress in its property development business through its operating margin, especially for the projects developed via associates and joint ventures. Property development business in Hong Kong remains highly lucrative. HLD is actively replenishing its Hong Kong land bank in diverse ways, even though farmland conversion stayed slow. HLD's leasing business will benefit from project pipelines in both Hong Kong and the mainland China. However, we raise our NAV discount on HLD from 35% to 40% to reflect our expectations of a 0.75 ppt increase in HKD prime rate by the end of 2019. Our TP implies 9.8x/ 10.6x/ 16.7x FY18/ FY19/ FY20 underlying PER and 0.60x/ 0.57x/ 0.55x FY18/ FY19/ FY20 PBR.

**Table-8: HLD's 2018 NAV Breakdown**

NAV Summary	HKD million
<u>Investment Properties-Hong Kong</u>	
Residential/Hotel Serviced Suite	9,114
Commercial	66,981
Office	54,801
Industrial/Office	1,725
Car Park	2,091
Subtotal	134,711
<u>Investment Properties-China</u>	
Commercial	7,926
Office	21,830
Car Park	584
Subtotal	30,341
<u>Completed Development Properties-Hong Kong</u>	
	582
<u>Completed Development Properties-China</u>	
	2,354
<u>Development properties under development-Hong Kong</u>	
Residential	46,822
Urban Redevelopment Projects under Planning	35,426
Subtotal	82,249
<u>Development properties under development-China</u>	
Residential/ Commercial	6,061
Subtotal	6,061
<u>Other Assets</u>	
Miramar Hotel (00071 HK)	4,921
Hong Kong and China Gas (00003 HK)	100,578
Hong Kong Ferry (00050 HK)	1,038
Henderson Investment (00097 HK)	1,414
Sunlight REIT (00435 HK)	1,382
Hong Kong Farmland	15,855
Subtotal	125,188
Gross Asset Value	381,487
Net Cash/(Debt)	(68,331)
NAV	313,156
Number of shares (million)	4,401
NAV per share (HKD)	71.2

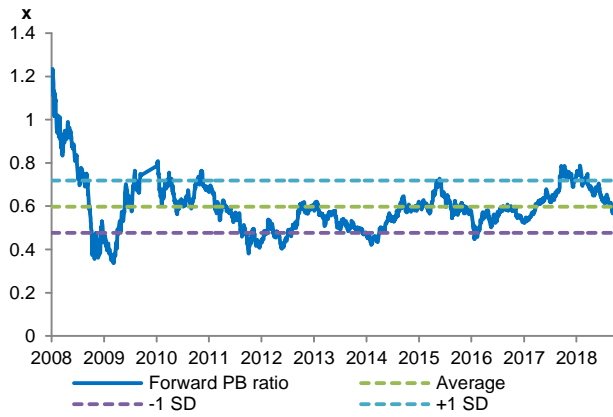
Source: Guotai Junan International.

**Figure-1: HLD's 12 Month Forward PE Ratio**



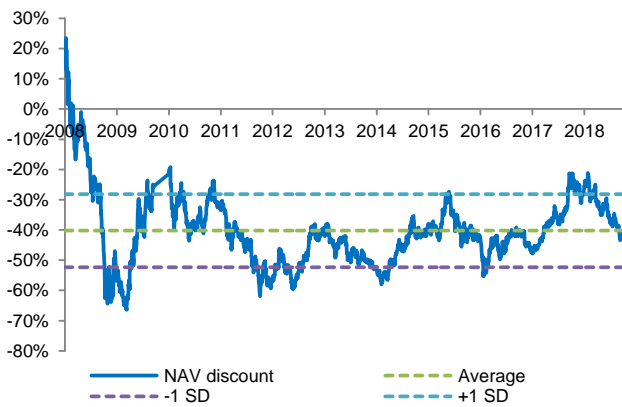
Source: Bloomberg, Guotai Junan International.

**Figure-2: HLD's 12 Month Forward PB Ratio**



Source: the Company, Guotai Junan International.

**Figure-3: HLD's NAV Discount**



Source: Bloomberg, Guotai Junan International.

**Figure-4: HLD's Dividend Yield**



Source: the Company, Guotai Junan International.



**Table-9: Peers Comparison**

Company	Stock Code	Currency	Last price	Market cap (mn)	PE (fiscal year)				PB (fiscal year)				ROE(%)		D/Y(%)	
					17A	18F	19F	20F	17A	18F	19F	20F	18F	18F		
<b>HK listed local developers</b>																
Wharf Holdings Ltd	4 HK	HKD	20.050	61,095	2.8	8.6	8.1	7.7	0.4	0.4	0.4	0.4	4.8	3.7		
Henderson Land Development	12 HK	HKD	38.650	170,109	5.6	13.6	10.7	11.2	0.6	0.6	0.6	0.5	6.1	4.4		
Hysan Development Co	14 HK	HKD	39.750	41,596	11.4	16.2	15.2	14.4	0.6	0.6	0.6	0.6	3.6	3.6		
Sun Hung Kai Properties	16 HK	HKD	108.900	315,501	7.5	6.3	9.6	9.1	0.6	0.6	0.6	0.5	9.6	3.9		
New World Development	17 HK	HKD	10.360	105,779	13.0	4.4	11.2	11.1	0.5	0.5	0.5	0.5	11.6	4.3		
Wheelock & Co Ltd	20 HK	HKD	44.700	91,517	4.4	7.1	6.3	5.6	0.4	0.4	0.3	0.3	5.4	3.5		
Great Eagle Holdings Ltd	41 HK	HKD	36.950	25,806	2.9	15.0	14.4	n.a.	0.4	n.a.	n.a.	n.a.	2.6	2.1		
Sino Land Co	83 HK	HKD	12.660	83,595	10.6	5.8	16.1	15.3	0.6	0.6	0.6	0.6	10.4	4.2		
Hang Lung Properties Ltd	101 HK	HKD	14.780	66,476	8.2	13.6	14.5	14.4	0.5	0.5	0.5	0.5	3.6	5.1		
Chinese Estates Holdings Ltd	127 HK	HKD	8.560	16,329	4.4	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.		
Sunlight Real Estate Invest	435 HK	HKD	5.000	8,226	11.1	5.7	20.0	18.5	0.6	0.6	0.5	0.5	10.0	4.9		
Kerry Properties Ltd	683 HK	HKD	25.500	37,107	4.0	7.1	6.1	5.7	0.4	0.4	0.4	0.3	5.4	5.1		
Fortune Reit	778 HK	HKD	8.990	17,236	5.4	17.5	17.1	16.3	0.6	0.6	0.6	0.6	4.7	5.8		
Link Reit	823 HK	HKD	69.850	147,522	8.8	3.2	26.2	23.6	1.1	0.8	0.8	0.8	30.1	3.7		
Ck Asset Holdings Ltd	1113 HK	HKD	56.000	206,830	6.9	8.3	7.9	8.0	0.7	0.6	0.6	0.6	10.2	3.5		
Swire Properties Ltd	1972 HK	HKD	28.500	166,725	4.9	18.9	13.7	19.4	0.6	0.6	0.6	0.6	3.4	2.8		
Wharf Real Estate Investment	1997 HK	HKD	52.100	158,187	9.2	16.5	15.5	15.2	0.8	0.7	0.7	0.7	4.6	3.9		
Champion Reit	2778 HK	HKD	5.320	31,107	2.8	20.0	18.9	18.7	0.5	0.5	0.5	0.5	2.4	4.8		
Simple Average					7.1	10.5	13.3	13.0	0.6	0.6	0.6	0.5	7.9	4.0		
Weighted Average					7.4	10.0	12.5	12.6	0.6	0.6	0.6	0.6	9.2	3.9		
<b>HK listed large developers with major revenue from mainland</b>																
Yuexiu Property Co Ltd	123 HK	HKD	1.300	16,122	6.2	5.5	4.7	4.2	0.4	0.4	0.4	0.4	7.3	7.1		
Shui On Land Ltd	272 HK	HKD	1.720	13,867	7.2	5.8	21.5	15.0	0.3	0.3	0.3	0.3	1.9	5.9		
Yuexiu Real Estate Investment	405 HK	HKD	4.920	14,954	8.7	n.a.	21.5	21.5	0.9	0.9	1.0	1.0	4.7	6.8		
Soho China Ltd	410 HK	HKD	2.890	15,027	2.7	32.5	28.1	22.2	0.4	0.4	0.4	0.4	1.3	4.0		
Beijing North Star Co Ltd-H	588 HK	HKD	2.240	11,750	4.7	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.		
Shenzhen Investment Ltd	604 HK	HKD	2.250	18,521	3.5	6.7	5.9	5.6	0.4	0.4	0.4	0.4	6.1	6.7		
China Overseas Land & Invest	688 HK	HKD	23.050	252,540	6.2	6.2	5.3	4.5	1.0	0.8	0.8	0.7	14.5	4.1		
Hopson Development Holdings	754 HK	HKD	6.590	14,666	2.5	7.3	7.1	6.3	0.2	n.a.	n.a.	n.a.	n.a.	4.1		
Shimao Property Holdings Ltd	813 HK	HKD	16.700	55,171	6.2	5.4	4.2	3.4	0.8	0.8	0.7	0.6	14.7	7.1		
China Jinmao Holdings Group	817 HK	HKD	3.170	36,612	7.4	6.2	4.7	3.6	0.9	0.8	0.7	0.7	13.1	6.4		
Longfor Properties	960 HK	HKD	18.520	109,834	7.4	7.5	6.0	4.9	1.3	1.2	1.1	1.0	17.9	5.4		
China Resources Land Ltd	1109 HK	HKD	25.150	174,313	7.6	6.9	6.0	5.2	1.2	1.1	1.0	0.9	16.8	4.8		
Kwg Property Holding Ltd	1813 HK	HKD	6.230	19,766	4.6	3.7	2.9	2.3	0.6	0.6	0.5	0.4	15.7	9.8		
Country Garden Holdings Co	2007 HK	HKD	9.050	196,087	6.4	5.0	3.8	3.2	1.7	1.4	1.1	0.9	30.5	6.9		
Bbmj Corp-H	2009 HK	HKD	2.480	40,030	8.0	4.8	4.7	4.7	0.5	0.4	0.4	0.4	8.9	3.9		
China Vanke Co Ltd-H	2202 HK	HKD	23.550	273,430	8.0	6.6	5.4	4.8	1.6	1.5	1.2	1.1	23.6	5.4		
Guangzhou R&F Properties - H	2777 HK	HKD	13.240	42,664	1.7	3.6	2.9	2.5	0.6	0.6	0.5	0.4	15.9	10.9		
China Evergrande Group	3333 HK	HKD	20.950	273,145	9.9	5.6	4.6	4.2	2.0	1.8	1.4	1.2	35.1	11.0		
Sino-Ocean Group Holding Ltd	3377 HK	HKD	3.050	23,229	3.9	4.0	3.4	2.7	0.4	0.4	0.4	0.3	9.8	10.2		
Agile Group Holdings Ltd	3383 HK	HKD	10.160	39,797	5.7	4.5	3.7	3.0	0.9	0.8	0.7	0.6	18.5	10.6		
Greentown China Holdings	3900 HK	HKD	6.000	13,007	6.7	4.9	4.6	4.5	0.4	0.4	0.4	0.3	7.4	4.0		
Simple Average					6.0	7.0	7.5	6.4	0.8	0.8	0.7	0.6	13.9	6.7		
Weighted Average					7.2	6.2	5.4	4.7	1.3	1.2	1.0	0.9	21.3	6.7		

Source: Bloomberg, Guotai Junan International.



**Financial Statements and Ratios**

Income Statement						Balance Sheet					
	FY16A	FY17A	FY18F	FY19F	FY20F		FY16A	FY17A	FY18F	FY19F	FY20F
Year end 31 Dec (HKD m)						Year end 31 Dec (HKD m)					
-Property sales	17,679	16,522	14,621	25,861	13,020	Investment properties	131,850	173,494	177,989	188,554	196,485
-Property leasing	5,559	5,678	5,806	6,743	7,717	Other PPE	1,419	350	246	230	207
-Others	2,330	2,253	2,739	3,200	3,288	Goodwill	0	0	262	210	168
Total Revenue	25,568	24,453	23,166	35,803	24,026	Interest in associates	53,936	59,491	61,206	63,054	65,075
Direct Cost	(14,702)	(12,726)	(11,561)	(17,915)	(11,795)	Interest in joint ventures	38,728	44,865	49,352	54,287	59,715
Gross profit	10,866	11,727	11,605	17,889	12,230	Derivative financial instruments	358	111	142	139	145
						Other financial assets	10,854	11,937	13,048	14,743	15,359
Other revenue and net income	2,452	5,204	9,031	1,475	166	Deferred tax assets	377	424	443	415	427
Selling and marketing expenses	(1,212)	(1,077)	(1,495)	(934)	(1,415)	Total Non-current Assets	237,522	290,672	302,688	321,631	337,580
Administrative expenses	(1,903)	(1,969)	(2,038)	(2,109)	(2,183)						
Operating profit before changes in fair value of IP	10,203	13,885	17,103	16,320	8,798	Deposits for acquisition of properties	4,608	1,666	1,250	1,187	1,128
Change in fair value of IP	7,013	9,911	7,929	7,532	7,156	Inventories	75,242	74,219	95,303	85,369	79,915
Operating Profit	17,216	23,796	25,032	23,853	15,954	Trade and other receivables	10,651	17,435	17,711	18,247	19,070
						Cash held by stakeholders	1,289	2,333	3,033	2,881	2,737
Finance income, net	(555)	(204)	(755)	(821)	(1,437)	Asset of the disposal group classified as held for sale	3,220	0	0	0	0
Share of results of associates	3,891	4,966	5,186	5,138	5,109	Cash & Cash Equivalents	22,966	24,673	19,704	19,329	20,042
Share of results of JV	3,889	4,378	4,615	4,333	4,303	Total Current Assets	117,976	120,326	137,001	127,013	122,892
Profit Before Tax	24,441	32,936	34,078	32,503	23,929						
Income Tax	(2,255)	(2,115)	(3,059)	(3,178)	(3,064)	Total Assets	355,498	410,998	439,688	448,644	460,472
Profit After Tax	22,186	30,821	31,018	29,325	20,865	Trade and other payables	21,223	23,525	21,931	25,399	22,462
Non-controlling Interest	(270)	(388)	(808)	(500)	(820)	Bank loans and overdrafts	14,392	23,506	27,130	22,819	25,034
Shareholders' Profit / Loss	21,916	30,433	30,210	28,825	20,045	Guaranteed notes	5,760	1,169	1,561	4,686	198
						Amount due to a fellow subsidiary	0	0	0	0	0
Underlying Net Profit	14,169	19,557	19,100	17,770	11,265	Tax payable	1,054	1,862	1,955	2,053	2,155
Basic EPS (HKD)	4.980	6.915	6.864	6.550	4.555	Liabilities associated with assets of the disposal group classified as held for sale	32	0	0	0	0
Underlying EPS (HKD)	3.219	4.444	4.340	4.038	2.560	Total Current Liabilities	42,461	50,062	52,577	54,957	49,849
DPS (HKD)	1.550	1.710	1.792	1.881	1.881						
						Bank loans	28,086	45,671	44,122	44,871	46,040
						Guaranteed notes	7,846	8,204	11,714	494	4,749
						Amount due to a fellow subsidiary	316	1,754	3,508	3,508	3,508
						Derivative financial instruments	906	746	803	692	722
						Deferred tax liabilities	6,582	6,618	6,287	5,973	5,674
						Total Non-current Liabilities	43,736	62,993	66,434	55,537	60,693
						Total Liabilities	86,197	113,055	119,011	110,494	110,543
						Share capital	52,345	52,345	52,345	52,345	52,345
						Reserves	211,189	240,229	262,695	279,885	291,369
						Total Shareholders' Equity	263,534	292,574	315,040	332,230	343,714
						Minority Interest	5,767	5,369	5,637	5,919	6,215
						Total Equity	269,301	297,943	320,677	338,150	349,929
						BPS (HKD)	59.880	66.479	71.584	75.490	78.099

Cash Flow Statement						Financial Ratios					
	FY16A	FY17A	FY18F	FY19F	FY20F		FY16A	FY17A	FY18F	FY19F	FY20F
Year end 31 Dec (HKD m)						Gross margin (%)	42.5	48.0	50.1	50.0	50.9
Profit before taxation	24,441	32,936	34,078	32,503	23,929	Underlying operating margin (%)	39.9	56.8	73.8	45.6	36.6
Net finance income	270	(117)	755	821	1,437	Net margin (%)	85.7	124.5	130.4	80.5	83.4
Increase in fair value of IP	(7,013)	(9,911)	(7,929)	(7,532)	(7,156)	Underlying net profit margin (%)	55.4	80.0	82.4	49.6	46.9
Share of profits less losses of associates	(3,891)	(4,966)	(5,186)	(5,138)	(5,109)	Dividend payout ratio (%)	25.7	22.5	26.1	28.7	41.3
Share of profits less losses of JVs	(3,889)	(4,378)	(4,615)	(4,333)	(4,303)	Dividend payout ratio based on underlying profit (%)	39.8	35.0	41.3	46.6	73.5
Net gain on disposal of subsidiaries	(1,959)	(3,837)	(8,865)	0	0	Net gearing ratio (%)	12.7	19.0	21.7	17.2	17.3
Tax paid	(1,219)	(1,572)	(3,316)	(3,366)	(3,273)	Total Debt/Equity	20.9	27.0	27.5	22.6	22.7
Change in working capital	(164)	(8,866)	(22,616)	10,302	1,024	ROA (%)	6.3	7.9	7.1	6.5	4.4
Others	(246)	(1,083)	284	(918)	524	ROE (%)	8.5	10.9	9.9	8.9	5.9
Cash from Operating Activities	6,330	(1,794)	(17,410)	22,338	7,073	ROA (Underlying) (%)	4.1	5.1	4.5	4.0	2.5
						ROE (Underlying) (%)	5.5	7.0	6.3	5.5	3.3
Capex	(3,414)	(28,000)	(3,110)	(3,095)	(833)						
Proceeds from disposal of IP and other PPE	923	3,427	5,717	60	60						
(Advances to)/repayment from associates	256	241	(630)	(756)	(907)						
(Advances to)/repayment from JVs	1,450	(2,744)	(1,071)	(1,178)	(1,296)						
Net cash inflow in respect of the disposal of subsidiaries	4,301	9,161	10,546	0	0						
Dividends received from associates	1,991	2,180	2,454	2,678	2,926						
Dividends received from joint ventures	1,378	1,362	1,611	1,906	2,254						
Increase in deposits with banks and other FI over 3 months of maturity at acquisition	(6,503)	6,293	0	0	0						
Others	141	1,772	890	1,039	1,189						
Cash from Investing Activities	523	(6,308)	16,407	654	3,393						
(Repayment to)/advance from non-controlling interests, net	1,846	(75)	0	0	0						
Net Proceeds from bank loans	7,436	26,320	2,075	(3,563)	3,384						
Proceeds from guaranteed notes, net	(2,225)	(4,428)	3,902	(8,095)	(233)						
Interest and other borrowing costs paid	(1,691)	(1,562)	(2,469)	(2,713)	(3,914)						
Dividends paid to equity shareholders	(5,066)	(6,031)	(7,884)	(8,279)	(8,279)						
Dividends paid to non-controlling interests	(1,282)	(567)	(567)	(567)	(567)						
Others	(869)	1,423	1,754	0	0						
Cash from Financing Activities	(1,851)	15,080	(3,190)	(23,216)	(9,608)						
Cash at Beg of Year in CF	8,465	12,839	20,864	16,671	16,447						
Net Changes in Cash	5,002	6,978	(4,193)	(224)	858						
Effect of foreign exchange rate changes	(628)	1,047	0	0	0						
Cash at End of Year in CF	12,839	20,864	16,671	16,447	17,305						
Bank overdrafts	0	0	0	0	0						
Cash restricted for use	(2,695)	(2,670)	(3,033)	(2,881)	(2,737)						
Deposits with banks and other FI over 3 months	(7,432)	(1,139)	0	0	0						
Cash at End of Year	22,966	24,673	19,704	19,329	20,042						

Source: the Company, Guotai Junan International.

See the last page for disclaimer

### Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

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

### Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

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

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