

10 December 2018

Hold
Unchanged

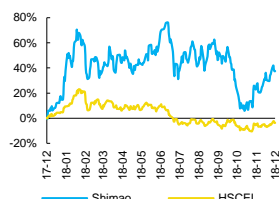
2019 年政策面偏暖，行业基本面前低后高

世茂房地产 (00813:HK)

Market Data: 7 December 2018

Closing Price (HK\$)	19.22
Price Target (HK\$)	18.00
HSCEI	10,369
HSCCI	4,284
52-week High/Low (HK\$)	26.20/14.32
Market Cap (USD Mn)	8,125
Market Cap (HK\$ Mn)	63,503
Shares Outstanding (Mn)	3,304
Exchange Rate (RMB-HK\$)	1.14

Price Performance Chart:



Source: Bloomberg

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Related Reports

Weakening market, Aug29, 2018

Home vigilance, Jul20, 2018

Mixed outlook, Jun6, 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)	59,286	70,426	89,789	107,229	128,103
YoY (%)	3%	19%	27%	19%	19%
Underlying net income (Rmbm)	6,251	6,930	8,410	10,060	11,595
YoY (%)	1%	11%	21%	20%	15%
EPS (Rmb)	1.51	2.32	2.67	3.27	3.80
Core EPS (Rmb)	1.82	2.05	2.50	2.99	3.44
ROE (%)	12.2%	12.6%	13.9%	14.9%	15.3%
Net Gearing (%)	59%	63%	72%	74%	70%
Dividend Yield (%)	7.7%	5.4%	5.5%	6.6%	7.6%
PE (x)	4.8	7.8	6.3	5.3	4.6
PB (x)	0.6	0.9	0.8	0.7	0.7

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.

我们上周参加了世茂房地产的反向路演并与副主席深入交流，公司表示 12 月合约销售有望创下单月新高，并争取明年的销售增速不低于前 20 大房企的平均增速。我们对于公司 2017-1H18 显著增加的土地投资略有担忧，公司今年以来整体股价表现仍优于多数同业，我们维持中性评级。

销售强劲增长。世茂新近公布的数据显示其 11 月合约销售环比增长 26%同比增长 89%至 191 亿元，推动累计销售额至 1551 亿元，不仅同比大幅增长 75%，提前完成了全年 1400 亿的销售目标（目标增速 40%），也令公司在全国的排名从 2017 年的 16 位晋升本年的 11 位。公司副主席许世坛表示，鉴于供货的充足，公司 12 月份合约销售有望突破单月新高（此前高点为今年 6 月创下的 207 亿）至 200-250 亿元，全年的合约销售额因此有望落在 1750-1800 亿元（同比增长 75-80%，但回款率回落到 75%左右，16 和 17 年分别为 88%和 80%）。对于明年的销售目标，许表示将继续争取不低于前 20 大开发商的平均增速（今年前 11 月为 35%），应该不低于 20%。

市场显著分化。许世坛表示，2018 年新房销售仍高于预期（预计全国数据同比持平或小幅微增），公司今年的新盘去化率平均仍有七成，存货去化率从去年的不到五成上到六成。但三季度末以来市场转冷的速度也超预期。近期地方政府预售证的发放在加速，批出来的价格依旧很低，去化率则在显著下降。他预计明年新房供应会增两成，价格有进一步回调空间，政策可能随基本面走软有所松动，市场表现整体前低后高。他并指出目前区域市场分化严重，部分四五线城市过去一年价格涨幅过快，房价调整最多的已两成，但未来供应集中放量下销售仍难言乐观。反观一线和部分强二线城市，虽然价格也出现小幅下行，但对需求的刺激比较显著。

暂缓土地投资。世茂 2017 年以来显著加大了土地投资，权益土地购置金额从 2016 年的 300 亿飙升到 2017 年的 680 亿，今年前三季度继续购地 450 亿元，惟于近两个月基本暂停了土地投资，公司曾在三季度尝试购入一些自高位回落两成的热点城市较好地块，但目前看行业整体的资金状况和销售态势，预计土地价格仍有进一步向下的空间（部分低阶城市的土地价格已经回落四成），公司准备了 300 亿元的预算希望能在明年首季斩获一些土地。许还表示，近期销售转冷令定价有所松动，公司今年的入帐毛利率可能从此前预期的 32%左右略微回落零点几个百分点，明年预计可能进一步回落到 30%左右。

维持中性评级。世茂今年以来整体的股价表现好于板块和大盘，市场对其销售的提速已经给予一定的肯定。我们认为公司的长期增长依然可期，尤其是持续经营性收入会随着投资和酒店资产的进一步壮大持续增长，但我们对公司 17 年以来显著加大的土地投资仍有担心，尤其是今年以来其进一步加大的对三四线城市的投资力度（超过 200 亿的购地），这令明年的销售和利润率蒙上一层阴影。我们在此前预测中已将我们较为保守的假设纳入，我们维持八月底更新过的盈利和净资产值预测不变，但将目标净资产折价进一步从 30%扩大到 40%，以反应房地产市场下行趋势进一步确立后 2019 年的不确定性。我们因此得到新的目标价 18 元港币，较目前价格略低 6%，重申公司中性评级。

We attended Shimao Property's reverse roadshow last week and talked to vice chairman Mr Xu Shitan, who was optimistic that December sales may set a new high and exceed Rmb20bn. Mr Xu also highlighted the firm's commitment to maintain its 2019 growth rate above the average growth of China's Top20 developers. In our view, the stock has priced in the sales strength. We maintain our net asset value (NAV) estimate at HK\$30, and increase our NAV discount from 30% to 40% to account for the rising uncertainty on sales and cash flow outlook, and cut our target price from HK\$21 to HK\$18. With 6.4% downside, we maintain our Hold rating.

Robust sales. Shimao's November sales rose by 26% MoM or 89% YoY to Rmb19bn and hence sales for the first eleven months of the year reached Rmb155bn (+75% YoY). With the 2018 target of Rmb140bn completed ahead of schedule, Shimao now ranks 11th in terms of sales vs 16th in 2017. Following an accelerated launch schedule amid a weakening market, Mr Xu guided that December sales would set a new monthly high, reaching Rmb20-25bn vs the peak at Rmb20.7bn in June-2018, and full-year 2018 sales therefore would finally arrive at Rmb175-180bn (+75-80% YoY) with a lower cash collection ratio (c.75% estimated for 2018 vs 88% in 2016, 80% in 2017, 76% in 1H18). In addition, he stated that in 2019, Shimao would endeavour to maintain its sales growth above the average rate of China's Top20 developer, which in his view is likely to exceed 20%.

Regional differentiation. According to Mr Xu, although new home sales in 2018 beat expectations, the pace of deceleration since late 3Q has also surprised. He pointed out that recently the approval of pre-sales permits has risen significantly, yet the sell-through rate continues to fall even price-capping remains strict. He forecasted a c.20% YoY increase of primary residential supply in 2019 and expect more room for price cuts. However, he highlighted the differentiation among the tier of cities. In lower-tier cities, where home prices rose sharply in the past two years, downside pressure is significant. The maximum price drop has reached c.20% in these cities, and the continuous increase of supply going forward is likely to weigh on the outlook. Yet in tier-1 and some tier-2 cities, home demand and pricing remained resilient.

Brakes on investment. Shimao accelerated its investments since 2017, with land expenditures surging to Rmb68bn in 2017 and Rmb45bn in 9M18 vs Rmb30bn in 2016. Mr Xu mentioned that the company has tried to buy some parcels in 3Q at prices c.20% below last year's peak levels, yet in the past two months, replenishment has also been suspended as land prices drop further. Shimao has a budget Rmb30bn to tap better land opportunities in early 2019, when the financial condition of the industry is likely to deteriorate further. He also guided 2018 gross margin at 31.7-31.8%, slightly below previous guidance of c.32% due to softer pricing mainly starting in 4Q, while next year it might further decline to c.30%.

Maintain Hold. Shimao's sales growth is largely factored in by this year's obvious outperformance, as comparing with both the broad market and sector average. We remain cautious on its active investment especially in lower-tier of cities in 2018, which we've already taken account into our assumptions. We maintain our NAV estimate at HK\$30, and increase our NAV discount from 30% to 40% to account for the rising uncertainty on sales and cash flow outlook, thus we cut our target price from HK\$21 to HK\$18. With 6.4% downside, we maintain our Hold recommendation.

Takeaway from reverse roadshow

We attended reverse roadshow of Shimao Property last week and talked to Vice chairman Mr Xu Shitan, he indicated its December sales might beat the new high to exceed Rmb20bn and underscored to keep 2019 growth rate at not less than the average growth of China's Top20 developers.

As a whole he forecasts c.20% YoY increase of primary residential supply in 2019 and expects more room for price cut. Thus he believes the policy stance would be gradually softening sometime next year following the further cool down of home and land sales.

Robust sales growth

Shimao has just released its November sales up by 26% MoM or 89% YoY to Rmb19bn and hence sales of first eleven months reached Rmb155bn (+75% YoY). With 2018 target of Rmb140bn completed ahead of schedule, Shimao sent itself to the 11th ranking in terms of sales scale vs 16th in 2017.

In detail, the aggregated contracted GFA sold from January to November amounted to 9,388 msqm. Representing a yoy increases of 77%, while the average selling price was Rmb16,524 per sq.m., slightly lower than Rmb16,700 of 11M17.

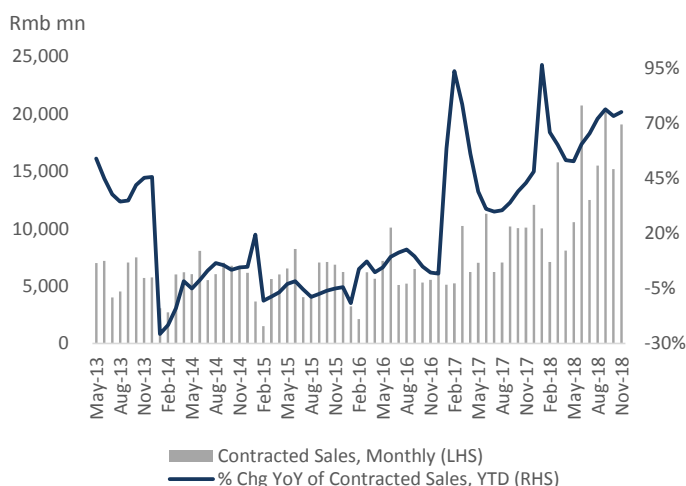
According to Mr Xu, following an accelerating launch pace amid the weakening market, Shimao's December sales would refresh the monthly high to reach Rmb20-25bn vs the peak at Rmb20.7bn in June-2018, thus full-year 2018 sales would finally beat Rmb175-180bn with a yoy increase between 75-80%.

He further pointed out that the sell-through rate of new projects launched still reached 70% on the yearly average basis, while that of the stocks improved further from 50% in 2017 to 60% in 2018.

However, the cash collection ratio of contracted sales declined sequentially from peak at 88% in 2016, to 80% in 2017 and c.75% in 2018, as the liquidity conditions was not as loosening as before.

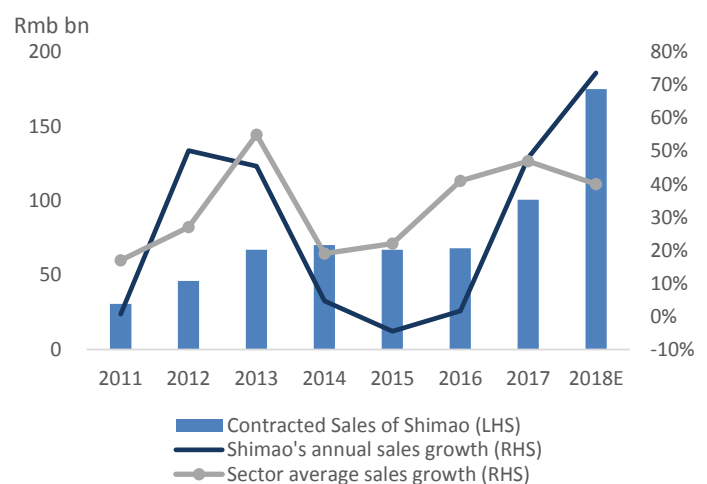
Looking forward into 2019, Mr Xu addressed that Shimao would endeavour to maintain the sales growth not slower than the average rate of China's Top20 developer, which in his view might not be below 20%.

Fig 1: Shimao's monthly contracted sales and YoY growth, 2013-2018



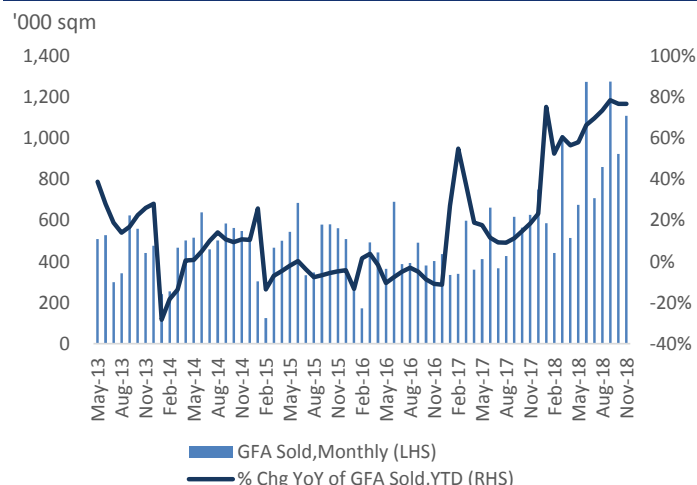
Source: Company data, SWS Research

Fig 2: Shimao's sales growth began to outperform since 2018



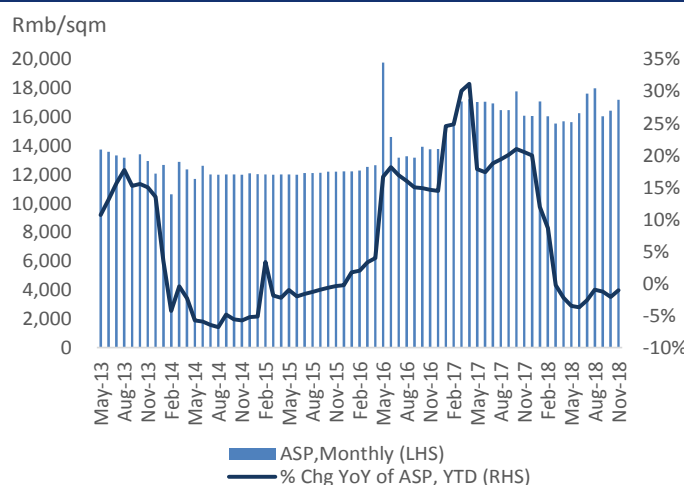
Source: Company data, SWS Research

Fig 3: Shimao's monthly contracted GFA sold and YoY growth, 2013-2018



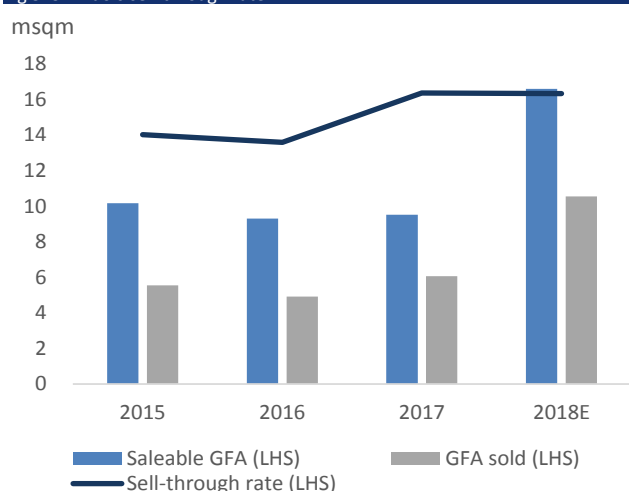
Source: Company data, SWS Research

Fig 4: Shimao's monthly contracted ASP and YoY growth since 2013-2018



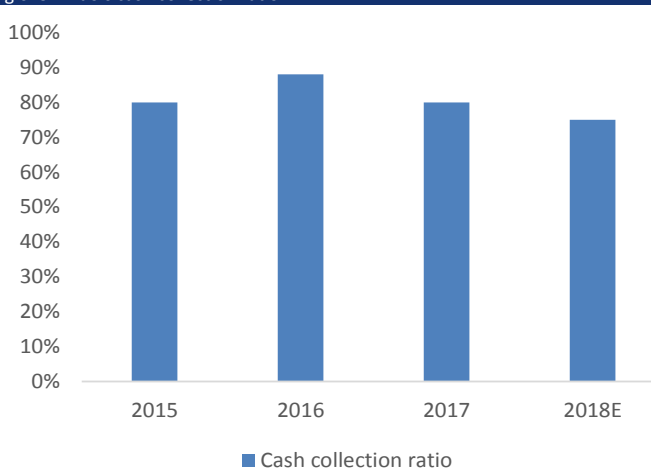
Source: Company data, SWS Research

Fig 5: Shimao's sell-through rate



Source: Company data, SWS Research

Fig 6: Shimao's cash collection ratio



Source: Company data, SWS Research

Regional differentiation

According to Mr Xu, although China's new home sales in 2018 still beat the expectation, the pace of cooling down since late Q3 has also exceeded the anticipation.

He pointed out that recently the approval of pre-sale permits has been significantly speed up, yet the sell-through rate continued to fall even the price-capping remained strict.

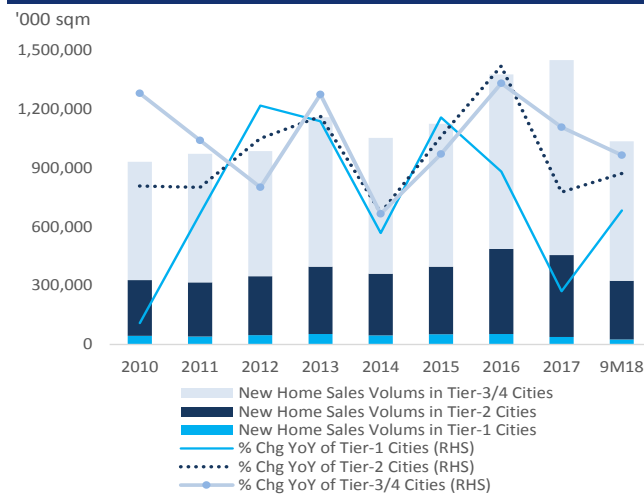
He forecasted c.20% YoY increase of primary residential supply in 2019 and expect more room for price cut.

Meanwhile, he highlighted the differentiation among the tier of cities.

In those lower-tier of cities with home prices rising too sharply in the past two years, currently the downward pressure was big and the maximum drop of the prices has hit c.20% in some of the cities, and the continuous rise of supply going forward might further weigh on the sales outlook.

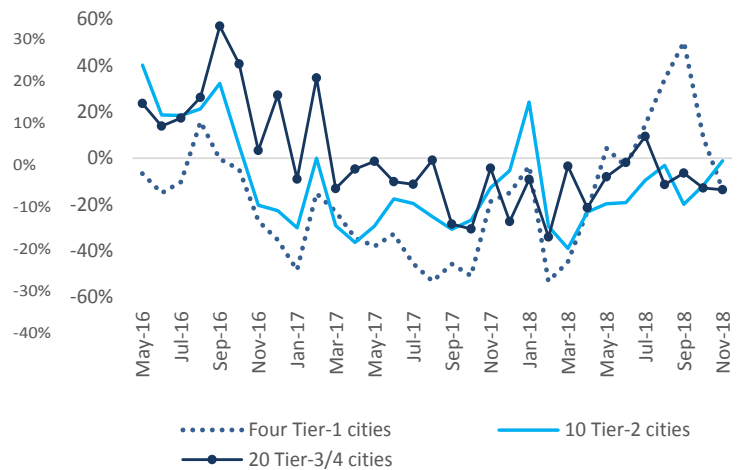
While in tier-1 and part of tier-2 cities, they saw resilient home demand in responding to limited way given on pricing.

Fig 7: National new home sales by tier of cities, 2010-9M18



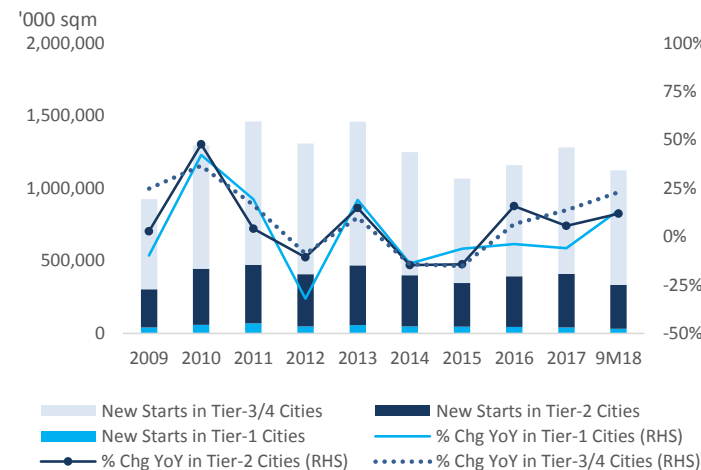
Source: Company data, SWS Research

Fig 8: Our monitor of new home sales by tier of cities indicated the momentum in lower-tier of cities cooled down further since 2H18



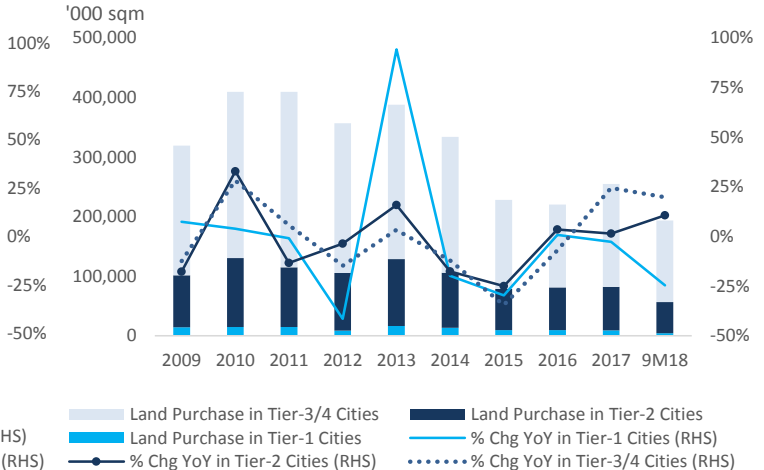
Source: Company data, SWS Research

Fig 9: National new home starts by tier of cities, 2010-9M18



Source: Company data, SWS Research

Fig 10: National land purchase by tier of cities, 2010-9M18



Source: Company data, SWS Research

Brake on Investment

Shimao accelerated investment pace since 2017, with land expenditure surging to Rmb68bn in 2017 and Rmb45bn in 9M18 vs Rmb30bn in 2016.

Mr Xu said Shimao has tried to buy some parcels in Q3 at prices c.20% retreating from peak level last year, yet in recent two months the replenishment has also been suspended like most of the peers as the land prices seemed to drop further.

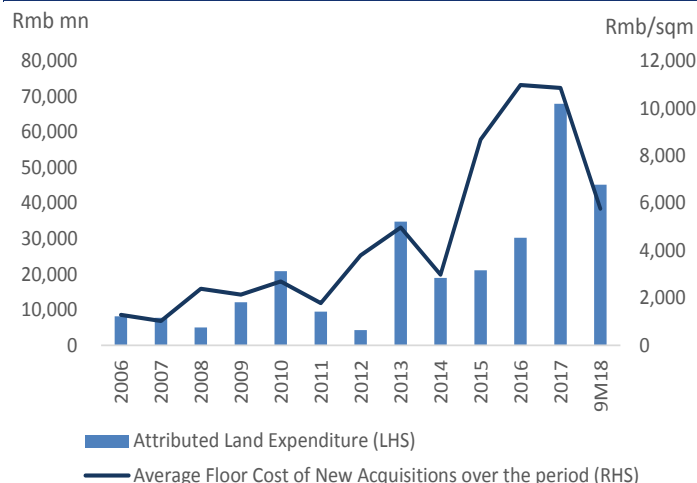
Shimao has a budget Rmb30bn to tap better land opportunities in early 2019, when the financial situations of the whole industry turned to be further tight.

Fig 11: Shimao's geographical expansion by tier of cities

# of cities newly entered	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Tier-1	1			1						1			1	1				
Tier-2		1	1	2	1	2	2	2	5	2	1			3			2	1
Tier-3				1		4	2			1	2	1	2	2		1	2	4
Lower tier							2						1	1	1		1	10
Total	1	1	1	4	1	6	6	2	5	4	3	1	4	7	1	1	5	15

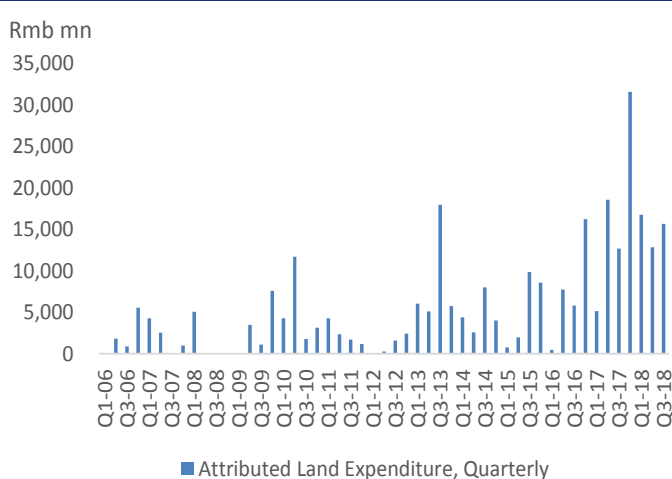
Source: Company data, SWS Research

Fig 12: Shimao's land acquisitions, 2006-9M18



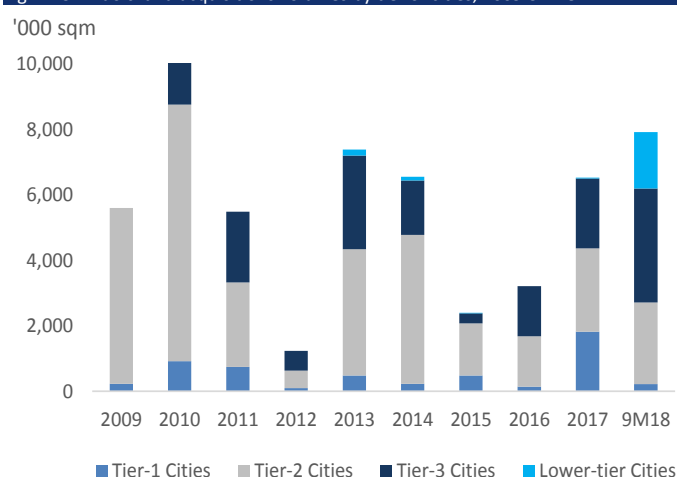
Source: Company data, SWS Research

Fig 13: Shimao's land acquisitions on quarterly basis, 2006-9M18



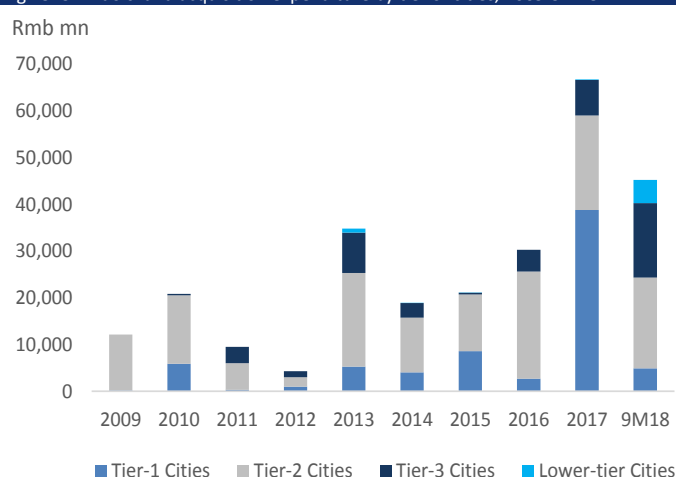
Source: Company data, SWS Research

Fig 14: Shimao's land acquisitions volumes by tier of cities, 2009-9M18



Source: Company data, SWS Research

Fig 15: Shimao's land acquisition expenditure by tier of cities, 2009-9M18



Source: Company data, SWS Research

Fig 16: Outstanding offshore notes as of end-November 2018

City	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Harbin			1															
Mudanjiang							1											
Shenyang					2													
Changchun																	1	1
Dalian								1	1	2			1	1				
Tianjin									1	1	1						1	2
Qingdao									1	1	2							1
Jinan											1		1	1		1	3	2
Yantai						1												
Beijing			1			1	1			1	1		2	1	1	1	3	1
Gu'an																1		
Baoding																	2	
Yinchuan														1	2	1		1
Xi'an														1				
Xianyang							1											
Jiayuan														1				
Chongqing														1			1	
Chengdu									1	2				1				1
Wuhan					1				1	1		1	1		1	1	1	
Changsha										1	1							1
Zhangjiagang													1					
Xuzhou							1											2
Taizhou							1											2
Nantong												1	1					
Nanjing			1									1		3	2	1	1	
Hefei														1		1		
Wuhu						1												
Jiangying														1				
Wuxi									1									1
Changzhou						1												
Changshu			1										1					3
Suzhou							1					1	2				3	

Kunshan				2	1														
Shanghai	2	1	1		2			1		1	1	1	1	1	1	2			
Jiaxing						1										3	1		
Hangzhou							1	2	2	1		3	1		3		3		
Shaoxing				1										1		2			
Ningbo							1		1	2		6			1		1		
Nanchang									1			2				1			
Xiamen						2	1						1	1	3	4	2		
Zhangzhou																1	3		
Fuzhou	1					1		1	1	1				2	2	2	9	7	
Jinjiang									1				2				1	1	
Quanzhou											3	1			1	4	8		
Minhou											1								
Zhuli													1						
Wuyishan																	1		
Hainan							1	1											
Guangzhou						1					1						1		
Foshan																	3		
Huizhou						1												2	
Shenzhen											1						1	2	
Hong Kong												1	1			1			
Wenzhou																		4	
Shijiazhuang																		1	
Longyan																		5	
Nanping																		3	
Zibo																		1	
Zhengzhou																		1	
Yixing																		1	
Yancheng																		1	
Sanming																		1	
Putian																		1	
Neijiang																		1	
Luzhou																		1	
Linyi																		1	
Leqing																		1	
Lanzhou																		1	
Hengyang																		1	
Fuan																		1	
Deyang																		1	
Fuqing																		3	
Huzhou																		1	
Total	2	2	2	5	4	8	8	4	11	16	11	7	28	20	13	18	50	79	

Source: Company data, SWS Research

Moreover, Mr Xu said that the gross profit margin to be booked in 2018 might scale a bit down to 31.7-31.8% vs the original guidance at c.32% due to the softening pricing mainly starting in Q4, while next year it might further decline to c.30%.

Maintain HOLD

Shimao's pickup of sales growth has been largely factored in by this year's obvious outperformance as comparing with both the broad market and sector average.

We remain cautious on its active investment especially in lower-tier of cities in 2018, which we've already taken account into our assumptions.

We maintain net asset value (NAV) estimate at HK\$30, and enlarge our NAV discount from 30% to 40% to account for the rising uncertainty on sales and cash flow outlook, thus cut our target price from HK\$21 to HK\$18. With 6% downside, we maintain our Hold recommendation.

Fig 17: Valuation and TP of key listed China developers

Company	Code	Market Cap (HK\$bn)	Rating	TP (HK\$)	PE (x)			PB (x)			NAV Disc	18E Dividend yield	Shares return	
					17A	18E	19E	17A	18E	19E			2017	2018
COLI	688 HK	290	Hold	25.20	8.5	7.5	6.4	1.1	1.0	0.8	-27%	3.3%	25%	5%
Country Garden	2007 HK	198	Hold	11.90	6.6	5.0	4.2	1.7	1.4	1.1	-50%	7.0%	248%	-38%
CR land	1109 HK	203	Outperform	32.80	10.6	8.4	6.8	1.4	1.2	1.1	-29%	4.2%	36%	27%
Longfor	960 HK	129	Outperform	24.06	10.8	8.7	6.9	1.5	1.3	1.1	-21%	4.6%	106%	14%
Shimao	813 HK	65	Hold	18.00	7.7	6.3	5.3	0.9	0.8	0.7	-36%	5.5%	73%	13%
CIFI	884:HK	29	Outperform	4.80	5.3	4.3	3.3	1.0	1.0	0.8	-61%	7.8%	138%	-18%
Sino-ocean	3377 HK	26	Hold	4.20	5.3	4.2	3.6	0.4	0.3	0.3	-71%	9.2%	60%	-36%
KWG	1813 HK	21	Hold	8.62	4.9	4.1	3.7	0.6	0.6	0.5	-52%	8.5%	128%	-25%
Yuzhou	1628 HK	14	Outperform	4.40	3.7	3.0	2.4	0.8	0.7	0.6	-63%	11.5%	74%	-21%
Poly Ppty	119 HK	9	Outperform	3.60	6.5	3.4	2.8	0.3	0.3	0.3	-68%	8.9%	58%	-37%
					7.0	5.5	4.5	1.0	0.9	0.7	-48%	7.1%	95%	-12%

Source: Company data, Bloomberg, SWS Research

Appendix, Financial statements

Figure 1: Forecast Income Statement

(RMB mn)	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Revenue	41,502	56,081	57,733	59,286	70,426	89,789	107,229	128,103
Property sales	39,503	53,567	54,595	56,197	66,796	85,830	102,910	123,389
Property rentals	556	687	739	710	680	714	750	787
Hotel mgmt revenue	979	1,178	1,302	1,466	1,708	1,879	2,067	2,273
Others	465	648	1,097	913	1,242	1,366	1,503	1,653
Cost of Sales	(26,862)	(37,855)	(41,285)	(42,938)	(48,996)	(61,888)	(75,133)	(91,903)
Gross Profit	14,641	18,225	16,448	16,349	21,430	27,901	32,096	36,200
Revaluation gains	1,031	1,511	2,777	1,997	679	1,019	1,529	1,605
Other income	845	502	1,571	839	545	488	467	468
Distribution expenses	(1,306)	(1,496)	(1,615)	(1,353)	(1,462)	(2,047)	(2,660)	(3,459)
Administrative expenses	(2,283)	(2,808)	(3,278)	(2,743)	(2,990)	(3,438)	(3,954)	(4,547)
Other operating expenses	(592)	(263)	(288)	(269)	(524)	(550)	(577)	(606)
EBIT	12,336	15,671	15,614	14,820	17,679	23,374	26,900	29,661
Profits from JCEs	843	(175)	(483)	(448)	(315)	(325)	(335)	(345)
Finance Costs	(122)	(241)	(1,409)	(1,176)	1,328	(436)	(510)	(561)
Profit before tax	13,057	15,256	13,722	13,196	18,692	22,613	26,055	28,755
Tax expense	(4,832)	(5,769)	(5,564)	(5,685)	(8,121)	(10,627)	(11,743)	(12,334)
Inc tax	(2,725)	(3,929)	(3,868)	(3,674)	(4,108)	(5,735)	(6,597)	(7,275)
LAT	(2,107)	(1,840)	(1,696)	(2,012)	(4,013)	(4,892)	(5,146)	(5,059)
Deferred								
Profit for the year	8,225	9,488	8,159	7,510	10,571	11,986	14,312	16,421
Minority interests	(836)	(1,384)	(2,043)	(2,339)	(2,730)	(3,002)	(3,296)	(3,622)
Profit attr to shareholders	7,390	8,104	6,116	5,172	7,840	8,984	11,016	12,799
Dividends paid	(2,196)	(2,456)	(1,985)	(2,465)	(2,896)	(2,943)	(3,521)	(4,058)
Basic EPS (RMB)	2.13	2.34	1.77	1.506	2.32	2.67	3.27	3.80
Diluted EPS (RMB)	2.13	2.34	1.76	1.504	2.32	2.66	3.26	3.79
DPS (RMB)	0.63	0.74	0.59	0.68	0.86	0.87	1.04	1.20
Core EPS (RMB)	2.11	2.29	1.79	1.82	2.05	2.50	2.99	3.44

Source: Company data, SWS Research

Figure 2: Forecast Balance Sheet

(RMB mn)	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Land use rights	5,645	7,287	7,922	8,219	8,177	8,994	9,894	10,883
Investment property	26,942	26,976	30,025	32,271	34,036	35,565	37,858	40,266
PP&E	10,378	11,952	11,572	13,494	13,514	13,649	13,786	13,923
JV Assets	7,015	9,792	10,683	10,096	14,947	16,441	18,086	19,894
Others	7,839	7,641	9,115	8,634	14,354	15,072	15,825	16,616
Non-current assets	57,819	63,648	69,318	72,713	85,027	89,721	95,448	101,583
Properties under development	62,560	83,540	100,727	101,568	102,676	113,798	121,170	124,347
Completed properties held for sale	11,605	21,167	18,140	18,775	18,000	17,820	17,642	17,465
Cash and cash equivalents	17,026	20,472	22,592	19,359	28,537	27,349	25,308	26,979
Restricted cash	2,547	3,463	3,818	2,876	4,469	4,693	4,927	5,174
Receivable	11,217	12,457	14,787	20,257	15,584	16,363	17,181	18,040
Pre-paid land premiums	9,632	12,753	11,134	17,951	21,606	22,686	23,820	25,011
Others	3,362	3,034	3,739	8,405	31,659	33,989	36,362	38,855
Current assets	117,949	156,886	174,937	189,190	222,531	236,698	246,411	255,871
Total assets	175,768	220,533	244,255	261,903	307,558	326,419	341,859	357,454
Share capital and premiums	356	356	356	349	349	349	349	349
Retained earnings	41,386	46,507	49,805	52,107	57,286	63,327	70,822	79,563
Majority interests	41,742	46,863	50,162	52,456	57,635	63,676	71,171	79,912
Minority interests	10,110	18,120	24,588	31,261	34,912	35,959	37,038	38,149
Perpetual securities				4,500	4,200	4,200	4,200	4,200
Total equity	51,852	64,983	74,749	88,217	96,747	103,835	112,409	122,261
Borrowings	37,554	43,269	52,867	49,188	69,309	82,309	89,309	94,309
Deferred Tax	3,985	4,339	5,858	5,889	6,025	6,327	6,643	6,975
Non-current liabilities	41,539	47,609	58,726	55,077	75,335	88,636	95,952	101,284
Advanced sales proceeds	29,901	33,220	30,767	31,903	34,117	35,823	37,614	39,495
Trade Payable	20,995	29,866	25,963	27,308	33,524	35,200	36,961	38,809
Borrowings	11,775	18,725	16,954	17,755	18,195	17,695	17,195	16,695
Tax payable	9,327	11,018	12,460	13,683	15,641	16,423	17,245	18,107
Payable to partners	10,336	14,731	24,448	27,789	33,869	28,788	24,470	20,800
Others	43	381	189	171	131	18	12	4
Current liabilities	82,377	107,942	110,780	118,609	135,477	133,949	133,497	133,909
Total liabilities	123,916	155,550	169,505	173,686	210,812	222,585	229,449	235,193
Total equity and liabilities	175,768	220,533	244,255	261,903	307,559	326,420	341,858	357,454

Source: Company data, SWS Research

Figure 3: Forecast Cash Flow Statement

(RMB mn)	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Cash generated from/(used in) operations	(4,012)	(4,068)	5,096	6,000	23,323	11,000	10,000	13,000
Tax and Interest payment	(6,935)	(8,695)	(9,799)	(9,460)	(11,844)	(12,436)	(13,058)	(13,711)
Others	26	809	2,495					
Net cash generated from operating activities	(10,921)	(11,954)	(2,208)	(3,460)	11,479	(1,436)	(3,058)	(711)
Acquisitions	(907)	(1,585)	(2,364)	(2,395)	(25,957)	(12,979)	(6,489)	(2,596)
Others	(5,113)	1,390	1,321	(3,006)	2,952	3,100	3,410	3,444
Net cash generated from Investing activities	(6,020)	(195)	(1,043)	(5,401)	(23,005)	(9,879)	(3,080)	848
Proceeds from issuance of shares				(795)	(65)			
Net borrowings	8,335	12,665	7,827	(81)	22,290	12,500	6,500	4,500
Dividend payment	(1,549)	(2,196)	(2,456)	(2,325)	(2,541)	(2,896)	(2,943)	(3,521)
Others	11,399	4,912		8,804	1,044	524	539	556
Net cash generated from financing activities	18,185	15,381	5,371	5,603	20,728	10,127	4,096	1,535
Increase in cash and cash equivalents	1,244	3,232	2,119	(3,258)	9,202	(1,188)	(2,042)	1,672
Cash and cash equivalents at beginning of year	15,894	17,026	20,472	22,591	19,359	28,537	27,349	25,308
Exchange losses on cash and cash equivalents	(113)	215		26	(24)			
Cash and cash equivalents at end of the year	17,026	20,472	22,591	19,359	28,537	27,349	25,308	26,979

Source: Company data, SWS Research

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