

China property sector 1H17 Results Review

Solid margin, robust sales & better balance sheets

Majority of developers in 1H2017 delivered improved GPM, lower net gearing and lower borrowing costs. Some companies even showed ambition of further fast growth in next 4-5 years, which we think may look challenging in light of future tightening policies.

The strong sales performance witnessed YTD strengthened developers' confidence in 2017 full-year sales, even though most developers haven't launched their main new projects. Sales have surged already in 1H2017, given the loose credit condition.

We consider sector's valuation at a high level and downside risks should be aware of. We are cautious in 4Q2017 and we recommend investors to avoid outperformers and buy quality laggards such as China Aoyuan and KWG.



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Executive summary

Laggers! Top pick China Aoyuan (3883.HK); KWG (1813.HK)

The sector is trading at 8.1x 2017e PE, which is at the peak for the last three years. Therefore, we recommend investors to look at the names with high growth potential, valuation lag and high ROEs. We believe most of giants are enjoying high premium in valuation, with limited upside. We see that downside risk is higher than before.

For the national top 20-100 developers, Aoyuan is one of the most active developers with biggest landbank in Greater Bay Area (58% of land bank located in Guangdong). High expectation of more immigrants from West Guangdong to Zhuhai, Zhongshan and Foshan is likely to boost home prices in these cities. We expect Aoyuan to benefit from this factor. Aoyuan's high sales growth will be delivered into revenues in next 2 years. Therefore, we reiterate 'Buy' and revise up target price to HK\$ 5.78, 20% of NAV discount to Dec-17 NAV, which implies 10.8x 17PE and 7.9x 18PE.

We also like KWG given its RMB 450bn saleable resource, which is sufficient for its growth target. Its delivery pipeline in 2018-2020 shows the GPM will maintain on high level. The growth target will be delivered by high GPM and absolute amount increase. We see ambitious growth target released by management recently which may mark a turning point for the company. We see it enter a fast track of growth in next 3 years. KWG has come to the timing for releasing its value of quality saleable resource. We initiate KWG with 'BUY' and TP of HK\$ 10.71, which implies 7.9x 17PE & 6.9x 18 PE, 1.1x 17PB & 0.9x 18PB.

Solid margin & stronger balance sheet

Home price rebounded in 1H2015 and destocking in 2H2016 were the main drivers for GPM improvement. Home price index (mom) is a leading indicator for GPM improvement. After a contraction in GPM in 1H2016, many developers witnessed a rebounded GPM in 1H2017. Only 7 out of 29 developers recorded yoy decline on GPM. 13 out of 29 recorded yoy decline on NPM. Strong sales performance in YTD2017 largely improved cash inflow and lower net gearing for developers. 11 out of 29 developers have lowered their net gearing ratio. Evergrande's net gearing ratio dropped by 55.3 ppt yoy, Country Garden dropped by 26.1 ppt yoy. Agile and BJ Capital Land dropped by 22.2 ppt and 40.2 ppt, respectively. We believe net gearing ratio will decrease further, as more saleable resource are launched in 2H2017 and we expect sales to improve HoH in Tier 1/Tier 2 cities. Developers' average borrowing costs also declined. Only 4 companies' average borrowing costs were still higher than 6.5% in 1H2017 (Figure 5).

Strong sale & low inventory level

Strong sales exceeded most developers' expectation despite a tightened Home Purchase Restriction (HPR) and mortgage policies in Tier 1/Tier 2 cities. This was driven by strong sales in Tier 2 and Tier 3 cities given the relatively loose credit condition. The developers will launch more saleable projects to boost sales in 2H2017. All developers are strongly confident on their sales performance except Greentown. They are expecting: 1) home price cap policy will be loosened in Mid-Oct in Tier 1/Tier 2 cities; 2) rigid demand will be released in 2H2017 in Tier 1/Tier 2 cities, thanks to less new supplies in 1H2017. However, we believe it could be challenging as most developers are waiting for the Mid-Oct time window to launch new projects. Besides, national inventory level lower to 20.7 months, which is close to that of 6 year ago.

Policy outlook

A healthy inventory level at 20.7 months in July 2017, from a high of 32.8 months in February 2015 gives some room for potentially even tighter policies. We view current mortgage loan growth at over 30% unsustainable. However, the mortgage loan growth is likely to stay at above 20% in 2018 given banks have limited option to grow. This

highlight the downside risks for sales growth in lower tier cities without population inflows where sales growth was mainly stimulated by relatively loose credit conditions.

IFRS 15/HKFRS 15 is earning booster for developers in 2018

Regarding property developers, if developers receive full prepayment for products in advance, developers can recognize revenue following completed percentage of construction. It will benefit developers who receive more full-prepayment for property sales to recognize contracted sales in advance under IFRS/HKFRS 15.

Rental housing, new way to relief rigid demand in core cities

We believe if more supplies of rental housing are launched and tenants can enjoy same rights as what home owners are entitled to, part of rigid demand will be partly diluted and absorbed by rental market. Rental housing should be negative for developers of mass market product, while rigid demand will be diluted and absorbed by rental market. In short term, this policy will not imply any influence on developers until mass supplies are launched in 2019. For long term, developers of high-end products have to suffer from more developers switch from mass market to high-end market while home price cap keeps going. Competition will be fiercer than before. We estimate the first wave of abundant rental supplies will be launched in 2019 (after 2-year construction from now). Regarding HPR and home price cap, we estimate it will keep going till 2019. There are no signals showing that home demand weakens. Currently, even HPR and home price cap are strictly executed, 70 cities home price index (mom) is still at positive level.

Figure 1: Peers comparison

Company	Stock code	Rating	Target Price HKD	Upside/ Downside (%)	PE			PB			ROE (%)
					17F	18F	19F	17F	18F	19F	17F
Agile	3383.HK	Hold	9.60	-8.22%	8.0	7.1	7.0	0.8	0.8	0.7	11.2
Aoyuan	3883.HK	Buy	5.78	20%	10.8	7.9	6.2	1.4	1.2	1.0	13.5
COLI	688.HK	Hold	31.40	15%	9.2	7.6	7.5	1.2	1.1	0.9	14.5
Country Garden	2007.HK	Hold	11.20	-12%	12.9	9.4	8.2	2.5	2.0	1.6	17.3
CR Land	1109.HK	Hold	27.86	11%	8.9	7.5	7.3	1.3	1.1	0.9	15.5
Greentown	3900.HK	Hold	8.91	-12%	8.2	8.1	7.0	0.6	0.6	0.6	8.3
KWG	1813.HK	Buy	10.71	28%	7.9	6.9	5.6	1.1	0.9	0.8	14.3
Logan	3380.HK	Hold	8.36	7%	9.1	7.4	5.4	1.7	1.4	1.1	15.8
Longfor	960.HK	Hold	20.87	6%	12.1	10.4	7.6	1.5	1.3	1.1	15.8
LVGEM	95.HK	Hold	2.45	12%	9.5	6.8	5.7	0.8	0.7	0.6	8.6
R & F	2777.HK	Hold	21.07	13%	9.2	7.0	6.0	1.2	1.0	0.9	14.1
Shimao	813.HK	Hold	18.89	16%	8.0	7.0	6.0	1.0	0.9	0.8	13.0
Vanke	2202.HK	Hold	30.70	11%	12.6	10.1	8.3	2.2	1.8	1.5	19.3

Source: AMTD Equity Research

Note: As of 14 Sept., 2017

Solid margin & better balance sheet

Home price rebounded in 2H2015 was the key reason of financial improvement

After GPM declined in 1H2016, many developers have GPM rebounded in 1H2017. Only 7 out of 29 developers recorded yoy decline on GPM. 13 out of 29 recorded yoy decline on NPM. Agile has organically improved the most among peers, with an increase of 17.3 ppts yoy to 37.3%, thanks to home price surging in Zhongshan/Hainan & other 2nd tier cities. Vanke and R&F have improved by 10.9 and 10.8 ppts yoy. We believe that home price rebounding in 1H2015 and destocking in 2H2016 are the main contributors to GPM improvement.

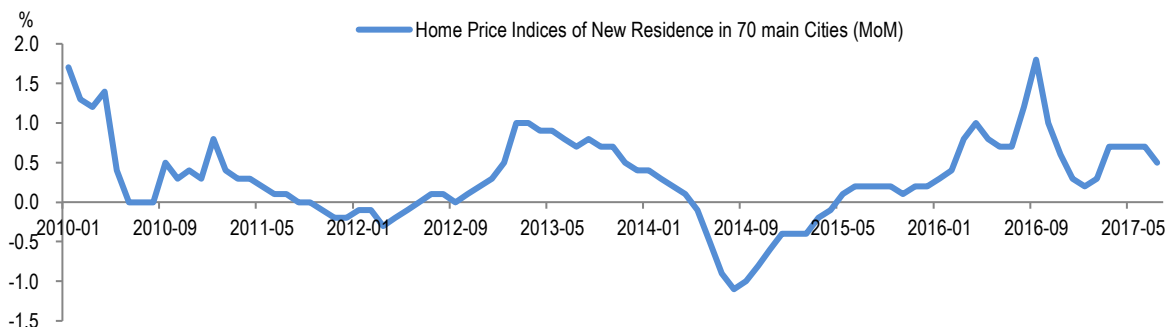
Figure 2: Profitability comparison

	Gross Margin %			(ppt)		Net Income Margin %			(ppt)		ROE %		
	1H2015	1H2016	1H2017	1H15/1H16	1H16/1H17	1H2015	1H2016	1H2017	1H15/1H16	1H16/1H17	1H2015	1H2016	1H2017
				Change	Change				Change	Change			
Country Garden	23.2	21.0	22.0	-2.2	1.0	10.4	9.4	9.6	-1.0	0.3	17.3	14.8	18.5
Vanke	26.5	19.5	30.4	-7.0	10.9	10.2	7.8	10.8	-2.4	3.0	19.2	20.2	21.9
Evergrande	28.4	28.3	35.8	-0.1	7.5	15.5	7.1	10.0	-8.4	2.9	28.7	5.8	29.6
COLI	32.2	29.5	31.0	-2.7	1.5	25.2	26.3	25.2	1.2	-1.1	19.5	19.6	17.5
Sunac	11.4	13.3	19.6	1.9	6.3	17.5	0.7	12.4	-16.8	11.7	21.4	13.4	17.4
Longfor	26.5	27.9	36.5	1.4	8.7	22.8	20.3	23.7	-2.5	3.4	18.2	16.6	16.3
CR Land	32.2	33.9	34.9	1.8	1.0	17.4	17.3	14.5	-0.1	-2.8	16.5	16.5	14.2
Shimao	30.7	28.2	29.6	-2.5	1.4	12.2	10.1	10.8	-2.1	0.7	16.2	11.1	11.3
CIFI	21.5	27.1	31.6	5.5	4.6	17.3	9.6	19.2	-7.7	9.6	18.4	17.2	28.0
Greentown	23.8	24.5	19.6	0.7	-4.9	4.8	6.2	11.8	1.4	5.5	7.4	3.1	9.2
Future Land	16.8	20.8	32.8	4.0	12.0	4.0	5.3	3.1	1.3	-2.1	17.6	14.6	14.2
R & F Properties	29.5	25.4	36.2	-4.1	10.8	13.4	10.8	12.1	-2.6	1.3	15.1	17.1	16.0
Agile	29.6	20.0	37.3	-9.6	17.3	6.6	3.5	9.4	-3.1	5.9	10.0	3.1	10.2
BJ Capital Land	13.0	9.2	32.5	-3.7	23.3	10.0	12.1	9.2	2.2	-2.9	17.7	19.5	14.6
Sino-ocean	20.3	24.2	22.0	3.9	-2.1	14.5	15.5	15.5	1.0	-0.1	10.6	3.3	11.4
Poly Property	17.0	17.2	16.8	0.2	-0.4	2.4	1.1	4.3	-1.3	3.2	-0.3	-10.4	2.5
Logan	29.8	30.3	39.5	0.6	9.1	20.0	20.1	27.5	0.1	7.4	20.9	20.3	37.9
Yuexiu	26.2	25.2	24.9	-1.1	-0.2	18.1	19.2	9.2	1.1	-9.9	7.1	2.6	5.4
Jinmao	41.2	40.0	35.9	-1.2	-4.1	20.8	14.8	14.0	-6.0	-0.8	9.2	11.1	11.5
KWG	36.5	35.6	36.0	-0.8	0.3	35.0	26.1	19.8	-8.9	-6.3	16.9	16.0	15.2
COGO	19.5	18.1	20.9	-1.4	2.8	8.2	6.1	7.9	-2.1	1.8	6.4	7.4	8.4
Times property	25.7	26.3	26.4	0.6	0.1	11.3	9.6	5.7	-1.6	-3.9	26.1	23.0	18.5
LGVEM	58.2	45.2	57.8	-13.0	12.6	12.4	15.0	7.3	2.6	-7.7	—	56.3	5.1
Aoyuan	29.4	25.0	26.9	-4.3	1.8	13.7	8.7	9.2	-4.9	0.5	13.6	10.1	11.9
Central China	27.9	38.0	26.3	10.1	-11.6	8.2	10.0	8.0	1.8	-2.0	12.8	11.2	8.1
Powerlong	32.3	37.2	36.2	4.9	-0.9	23.3	18.8	20.1	-4.5	1.2	8.8	10.5	12.7
Modern Land	41.5	18.8	20.7	-22.8	1.9	14.5	11.7	11.8	-2.8	0.1	19.9	21.9	14.7
Jingrui	5.3	2.6	13.2	-2.7	10.6	-10.0	-5.5	-4.2	4.5	1.3	6.4	-12.7	7.7
Fantasia	32.0	27.6	30.5	-4.4	2.9	6.6	5.7	2.2	-0.9	-3.4	15.3	12.8	5.8

Source: Bloomberg, companies, AMTD Equity Research

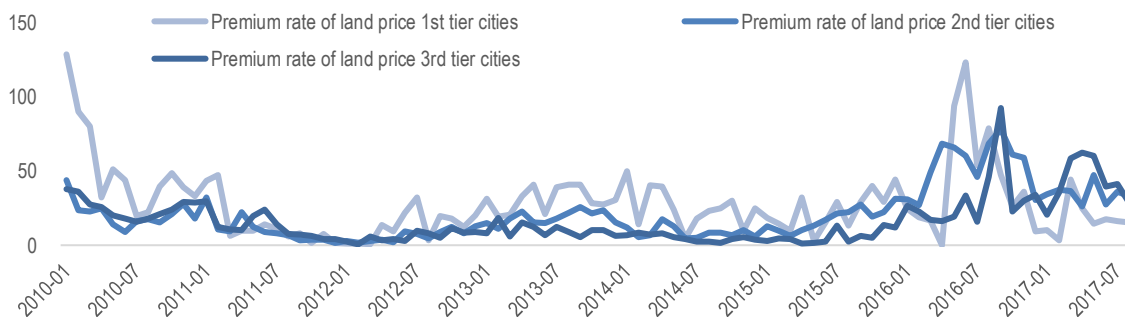
As we mentioned in last report, home price index (mom) is a leading indicator to find out the clue regarding GPM improvement. Basically, a new project will take half a year from commencement to ready for sale, sale in 6-12 months and delivering in 2 years. Most of delivered projects in 1H2017 are sold in 1H2015. Therefore, what happened at that time? According to the Home price index of 70 cities, home price has bottomed out in 2H2014 and recovered in 1H2015. Therefore, we believe GPM will maintain at similar level in 2017 full year and 2018. In 2019, GPM may decline as land price surge and home price cap at the same period (showed in Figure 2 & 3).

Figure 3: Home price indices of new residence in 70 cities (mom)



Source: NBS; AMTD Equity Research

Figure 4: Premium rate of 100 cities of 1st/2nd/3rd tier cities



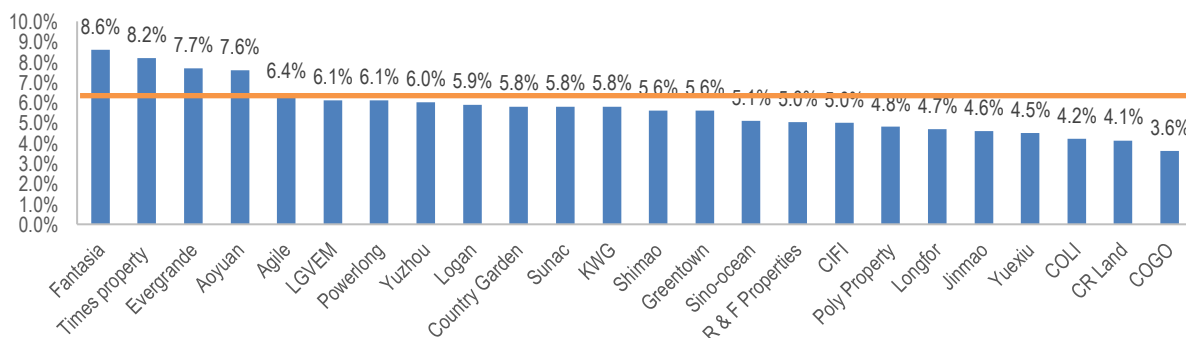
Source: Wind; AMTD Equity Research

Lower net gearing ratio & lower average borrowing cost

Strong sales performance YTD significantly improved cash inflow and lowered net gearing for developers. 11 out of 29 developers have lowered their net gearing ratio. Evergrande lowered 55.3 ppts yoy, Country Garden lowered 26.1 ppts yoy. Agile and BJ Capital Land lowered 22.2 ppts and 40.2 ppts, respectively. We believe net gearing ratio will decrease, as more saleable resource has launched and sales should be better and generate more cash in 2H2017. We also see more developers have entered capex expansion already, such as Shimao, CIFI, Agile, Aoyuan, Longfor, Greentown, LVGEM R&F and Country Garden. Evergrande and Sunac claimed they would not expand their land reserve in near terms and sufficient for their rapid growth in future.

Average borrowing cost also declined as well. Only 4 companies are still higher than 6.5%, rest of companies we have monitored are lower than 6.5%

Figure 5: Average borrowing cost comparison, 1H2017



Source: Wind; AMTD Equity Research

Figure 6: Net gearing ratio comparison

%	Net gearing Ratio			1H15/1H16 Change	1H16/1H17 Change
	1H2015	1H2016	1H2017		
Sunac	22	75.4	216	53.4	140.6
Future Land	53.4	80.3	157.4	26.9	77.1
R & F Properties	114.9	110.8	172.5	-4.1	61.7
Central China	66.2	21	56.7	-45.2	35.7
COLI	13	-4.2	15.7	-17.2	19.9
COGO	81.4	23.2	41.5	-58.2	18.3
Vanke	15.8	1.8	19.6	-14	17.8
Aoyuan	72.6	56	71.1	-16.6	15.1
LGVEM	-24.3	73.4	88.4	97.7	15
Logan	63.6	69.8	84.5	6.2	14.7
CR Land	39.4	27.9	41.5	-11.5	13.6
Sino-ocean	72.2	52.2	62.5	-20	10.3
Fantasia	90.9	78.1	87.2	-12.9	9.1
Shimao	43.8	49.9	57.5	6	7.7
Jinmao	61.5	64.6	69.7	3.2	5
Yuexiu	45.9	48.6	52	2.8	3.4
CIFI	72.5	57.5	59.3	-15	1.8
Powerlong	63	74.9	76.3	11.9	1.4
KWG	65.3	58.8	59.9	-6.5	1
Longfor	61.1	62.7	56.2	1.5	-6.4
Modern Land	55.5	77.3	63.5	21.8	-13.8
Times property	89.9	83.5	68.9	-6.3	-14.6
Greentown	94.1	98.1	83.3	4	-14.8
Jingrui	169.3	231.8	210.6	62.5	-21.2
Agile	93.2	69.3	47.1	-23.9	-22.2
Poly Property	116.7	126.4	101.8	9.7	-24.6
Country Garden	37.9	63.9	37.8	26	-26.1
BJ Capital Land	155.5	167.3	127	11.8	-40.2
Evergrande	125.3	295.3	240	170	-55.3

Source: Bloomberg, companies, AMTD Equity Research

Note: PCS accounted as debt and restricted cash accounted as cash

Strong sales & low inventory

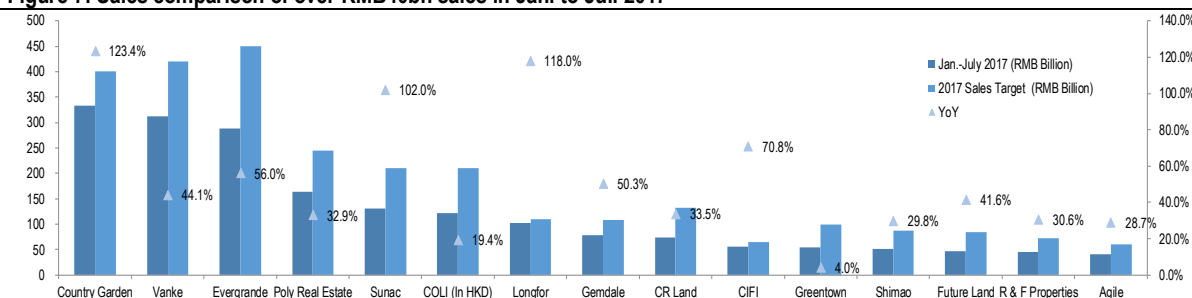
Strong confidence on sale, sales targets were revised up

All developers are strongly confident on their sales performance. They are expecting: 1) home price cap will be loosened in Mid-Oct; 2) rigid demand will be released in 2H2017, thanks to less supplies launching in 1H2017.

In the group of over RMB 40bn sales, Country Garden, Longfor and Sunac China have achieved 123.4%/118.0%/102.0% yoy growth, respectively. Evergrande and Vanke have achieved 56.0%/44.1% yoy growth. CIFI sales grew by 70.8% yoy.

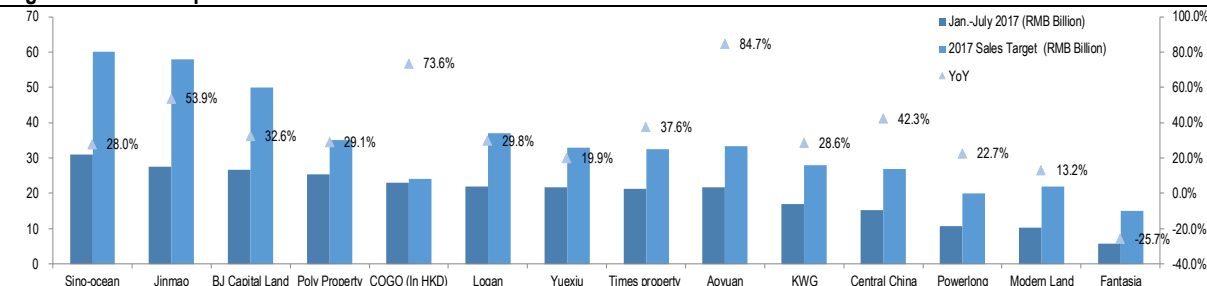
In the group of below RMB 40bn sales, Aoyuan outperformed peers and achieved 84.7%. COGO and Jinmao followed behind and have achieved 73.6%/53.9%, respectively.

Figure 7: Sales comparison of over RMB40bn sales in Jan. to Jul. 2017



Source: Company data; AMTD Equity Research

Figure 8: Sales comparison of below RMB40bn sales in Jan. to Jul. 2017



Source: Company data; AMTD Equity Research

Figure 9: Revised sales target

RMBbn (COLI in HK\$)	Old Target	Revised Target	Change
Sunac	210	300	43%
Longfor	110	150	36%
Yuzhou	30	40	33%
Country Garden	400	500	25%
CIFI	65	80	23%
Sino-ocean	60	70	17%
COLI*	210	231	10%
CR Land	120	132	10%
R & F Properties	73	80	10%
Shimao	80	88	10%
Yuexiu	33	36	9%
Agile	60	65	8%
Logan	34.5	37	7%

Source: Company data; AMTD Equity Research

13 out of 30 developers have revised up the sales target after interim result. Sunac, Longfor, Yuzhou, Country Garden and CIFI have revised up their targets by 43%/36%/33%/25%/23%. Strong sales exceeded these developers' expectation and they will launch more saleable to boost sales in 2H2017.

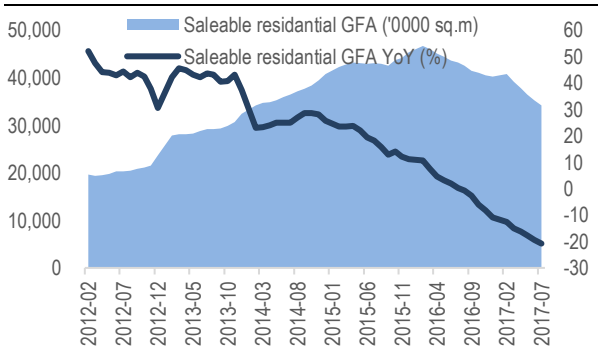
But all companies are expected to home price cap to be loosened in 2H2017...too crowded in 2H2017?

In 1H2017, most developers halted launching inventories or saleable resource with pre-sale permit with profitable price. No one wants to cut profit for more sales amount in 1H2017. We believe October will be a key month for all developers. If home price cap will be slightly loosened to maintain at same pricing level of 4Q2016, developers will have a harvest year end in 2017. Of course, this is the best scenario. If the home price cap maintains as before, developers must find out a way to enhance its turnover as soon as possible to avoid fierce competition of concentrated launching schedule in 4Q2017. In this scenario, some developers may miss sales target, due to over 50% of saleable resource are launched in 2H2017, even in 4Q2017.

Besides, residential inventories kept declining, down 20.8% yoy in July.

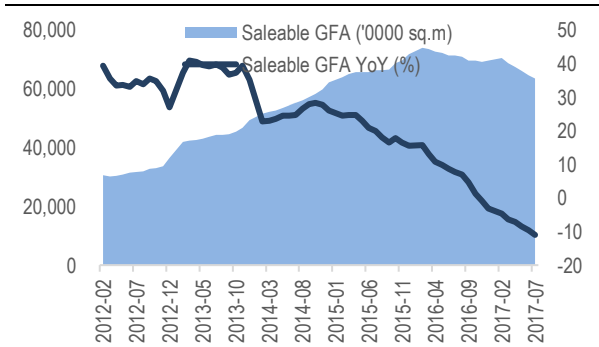
Residential saleable GFA further declined to the level of early 2014, which amounts to 341mn sq.m in July 2017. We believe as more projects are launched in 2H2017 while sales are expected to be strong in 2H2017, saleable GFA will maintain stable. Inventory month of residential declined to 20.7 months in July 2017 from 32.8 months in Feb. 2015.

Figure 10: saleable residential GFA



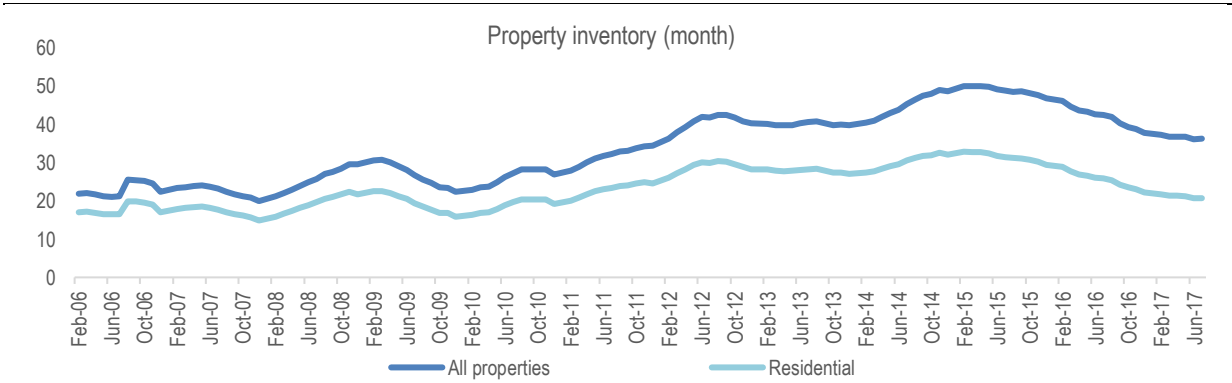
Source: NBS

Figure 11: saleable GFA



Source: NBS

Figure 12: saleable residential GFA



Source: NBS

HKFRS 15, Short term booster of earning

Sales of full prepayment will be accelerated to be recognized as revenue

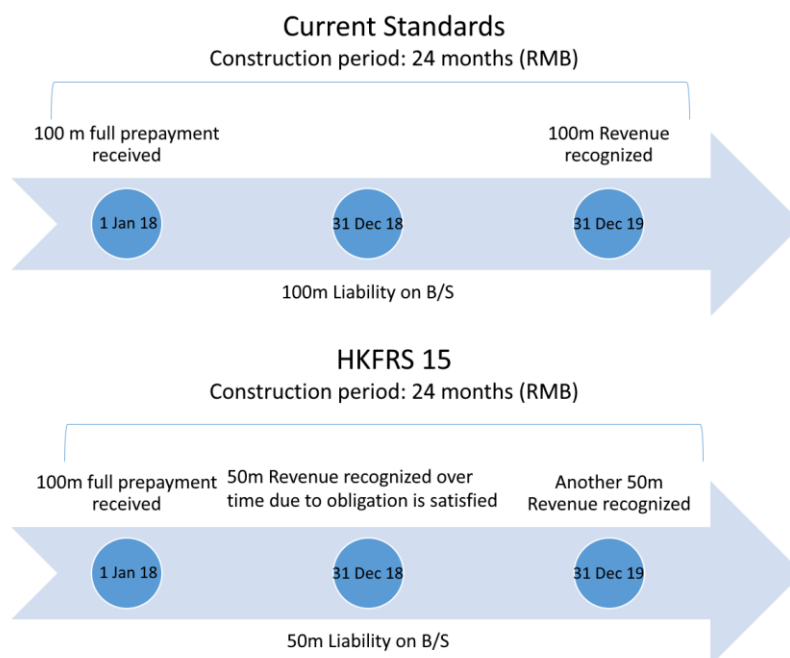
HKFRS 15 Revenue from Contracts with Customers will be effective on 1 January 2018 mainly to replace previous HKAS 11 Construction Contracts and HKAS 18 Revenue. The adoption of the new standard is expected to have significant implication on financial statements of real estate industry. The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

HKFRS 15 emphasizes that revenue recognition process is determined by the satisfaction of each performance obligation and may be recognized overtime based on progress toward completion of that performance obligation. Therefore, under the new standard, real estate developers may be affected on both income statement and balance sheet:

- Accelerating revenue recognition process for contract sales
- Reducing liabilities as previously accounted unearned revenue(L) can be recognized in P/L and therefore reducing gearing ratio

Regarding to property developers, if developers receive full prepayment for products in advance, developers can recognize revenue following completed percentage of construction. **The HKFRS 15 will benefit developers who receive more full-prepayment for property sales to recognize contracted sales in advance under new HKFRS 15.**

Figure 13: Change of revenue reorganization under HKFRS 15



Source: HKICPA, AMTD Equity Research

Policy outlook

Housing demand will be diluted by rental market revolution in near term

Currently, we don't have a statistic of rental supply and demand in China. The latest valid statistics of shanty housing redevelopment GFA and public housing supply has been stopped in 2012, which is too outdated to consider as a valid reference. The HPR and tightening policies have been introduced for many years. We believe recent policies of encouraging rental supplies will be a long term policy to manage a healthy development of the market.

In 1st tier cities, home price has surged to a high level. New comers are not easy to afford a house in these cities. Therefore, they will suffer from high rental cost and low quality of housing environment. The new rental supplies in 1st tier cities will relief part of pressure of rigid demand.

According to pilot program of construction rental housing in collective-owned land (集体用地建设租赁住房试点方案), first batch of cities introducing rental housing will be Beijing, Shanghai, Shenyang, Nanjing, Hangzhou, Hefei, Xiamen, Zhengzhou, Wuhan, Guangzhou, Foshan, Shaoqin and Chengdu. The program will redevelop collective-owned land into rental housing. Shenzhen also introduced pilot program of rental housing (住房租赁试点工作方案) and announced that there will be over 1mn units of rental housing supplies in next 5 years and operated by solo operator.

Some cities launched land parcels for rental housing development. Shanghai launched some land plots for rental housing only. Developers are prohibited for sale the rental housing to market but only for rental purpose. The cost is only 15-20% of nearby land cost per sq.m in GFA. This is an innovative way to enlarge rental supplies. However, it will reduce income from land auction for municipal government.

We believe that if more supplies of rental housing are launched and tenants can enjoy same rights as what home owners are entitled to, part of rigid demand will be partly diluted and absorbed by rental market. We estimate the first wave of abundant rental supplies will be launched in 2019 (after 2-year construction from now)

Regarding to HPR and home price cap, we estimate it will keep going till 2019. There are no signals showing that home demand weakens. Currently, even HPR and home price cap are strictly executed, home price indices of 70 cities (mom) are still at a positive level.

Rental housing should be negative for developers of mass market product, while rigid demand will be diluted and absorbed by rental market. In short term, this policy will not imply any influence on developers until mass supplies are launched in 2019. For long term, developers of high-end products have to suffer from more developers switch from mass market to high-end market while home price cap keeps going. Competition will be fiercer than before.

What is our pick?

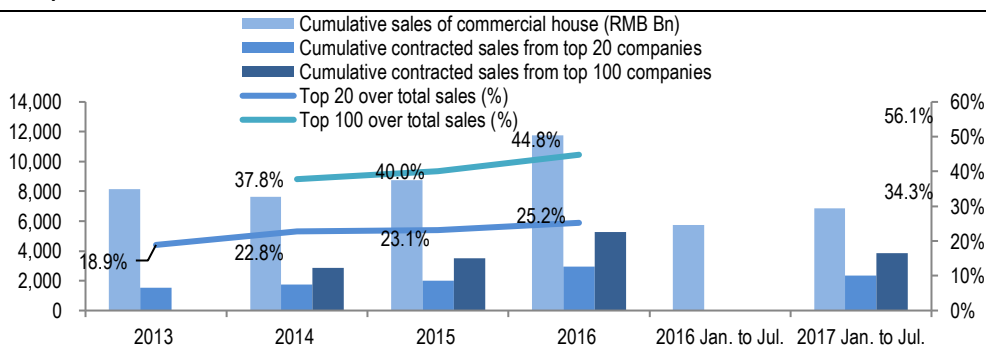
Laggers! Top picks China Aoyuan, KWG

Developers have delivered solid results in 1H2017, with strong home sales, better balance sheet, and solid profitability. Looking forward, home price surge during June 2015 to 2017 will enhance developers' profitability, which will be delivered in 2018 and 1H2019. This will provide safe spot for the sector. In growth wise, we believe China property market has come to a mature period, indicating that growth will slow down in future. The giants will gain more market shares from unlisted developers or local project companies. We believe the giants ranking in top 5 of sales will gain more market share while property sales growth keeps declining. As of the end of July 2017, top 100 have 56.1% of market share (top 20/top 20-100 have 34.3%/21.8% of market share). Top 20-100 have to grow in next 3 years, otherwise, they will be merged or acquired by the giants. It is also the reason that some mid-large-scale developers (e.g.: Shimao, CIFI, Agile, Aoyuan, Longfor and R&F, even Country Garden) have entered another round of capex expansion.

Regarding valuation, the sector is trading at 8.1x 2017 PE, which is at the peak for the last three years. Therefore, we should look at the names with high growth potential, valuation lag and high ROE. Most of giants are enjoying high premium of share price. We believe the upside is limited and downside risk is higher than before. For top 20-100, Aoyuan is one of the most active developers with the biggest landbank in Greater Bay Area (58% of land bank located in Guangdong). High expectation of more immigrants from West Guangdong to Zhuhai, Zhongshan and Foshan will boost home prices in these cities, which is a positive factor for Aoyuan. High sales growth will be delivered into revenues in next 2 years. Therefore, we reiterate 'Buy' and revise up target price to HK\$ 5.20 which implies 9.7x 17PE and 7.2x 18PE.

Besides, KWG has RMB 450bn of saleable resource, which is sufficient for the growth target and the delivering pipeline in 2018-2020 shows the GPM will maintain on high level. The growth target is delivered by high GPM and absolute amount increase. KWG has come to the timing for releasing its value of saleable resource. The company will enter a fast track of growth in next 3 years. We initiate KWG with 'BUY' and TP of HK\$ 10.71, which implies 7.9x 17PE & 6.9x 18 PE, 1.1x 17PB & 0.9x 18PB.

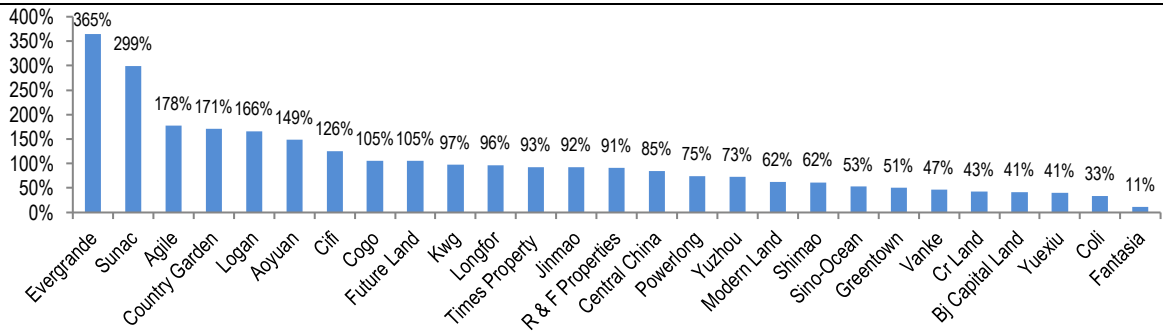
Figure 14: % of Top 20 & 100 sales of total home sales in China



Source: Company data; CRIC, NBS

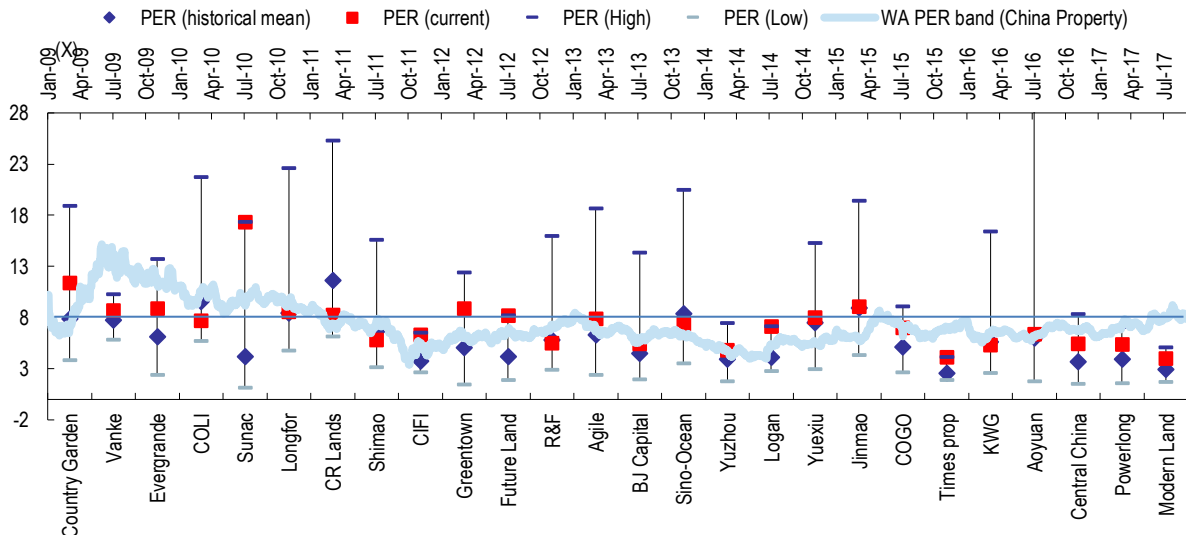
Note: Sales in 2017 is from Jan. to Jul. 2017.

Figure 15: % of Top 20 & 100 sales of total home sales in China



Source: Company data; CRIC, NBS
 Note: As of 7 Sept. 2017

Figure 16: Valuation comparison



Source: Bloomberg, AMTD Equity Research
 Note: As of 14 Sept. 2017

Figure 17: Peers comparison

Company	Currency	Mkt Cap (million)	Last price (HKD)	PER			PB			D/Y%	ROE (%)
				17F	18F	19F	17F	18F	19F	17F	17F
Country Garden	HKD	272,733	12.78	14.4	10.5	7.5	2.8	2.3	1.9	2.3	21.1
Vanke	HKD	355,641	27.60	9.8	8.3	7.2	2.0	1.7	1.5	4.2	21.1
Evergrande	HKD	338,846	25.80	10.1	8.5	7.2	4.1	3.1	2.6	3.3	40.6
COLI	HKD	299,104	27.30	8.4	7.4	6.5	1.2	1.1	1.0	3.2	15.2
Sunac	HKD	123,190	29.80	35.0	14.3	10.3	3.7	2.8	2.2	1.1	9.0
Longfor	HKD	115,835	19.66	9.9	8.1	6.8	1.4	1.2	1.1	3.7	15.1
CR Land	HKD	173,273	25.00	9.2	7.9	7.0	1.3	1.2	1.0	3.2	15.7
Shimao	HKD	55,005	16.24	6.5	5.5	4.8	0.8	0.7	0.6	5.5	12.5
CIFI	HKD	34,972	4.65	7.4	6.0	4.9	1.5	1.3	1.1	4.8	22.1
Greentown	HKD	21,999	10.16	9.4	8.7	8.1	0.7	0.7	0.6	1.7	7.0
Future Land	HKD	22,406	3.96	9.9	7.6	4.9	1.7	1.4	1.1	2.8	19.8
R & F Properties	HKD	60,065	18.64	6.3	5.2	4.6	1.0	0.9	0.8	6.7	16.6
Agile	HKD	44,968	11.48	8.7	7.6	6.8	0.9	0.9	0.8	4.7	10.9
BJ Capital Land	HKD	13,959	4.61	6.9	5.0	n.a.	0.7	0.7	n.a.	5.7	19.3
Sino-Ocean	HKD	39,331	5.22	8.5	7.0	6.3	0.7	0.7	0.6	4.7	8.5
Yuzhou	HKD	18,598	4.85	5.8	4.5	3.7	1.3	1.1	0.9	5.9	22.7
Logan	HKD	43,815	7.97	8.8	6.6	5.3	1.5	1.3	1.2	4.5	19.7
Yuxiu	HKD	18,974	1.53	8.9	7.7	6.6	0.5	0.5	0.5	4.7	5.7
Jinmao	HKD	44,834	4.20	10.6	8.6	6.8	1.1	1.0	0.9	5.1	11.6
COGO	HKD	12,507	5.48	8.2	6.6	5.2	1.1	1.0	0.8	0.7	14.5
Times Property	HKD	13,369	7.29	4.9	3.9	3.3	0.9	0.8	0.7	6.3	21.0
KWG	HKD	26,472	8.39	6.1	5.1	4.1	0.8	0.7	0.6	6.0	13.9
Aoyuan	HKD	12,904	4.83	7.7	5.9	4.9	1.1	1.0	0.8	4.5	14.9
Central China	HKD	8,364	3.42	6.4	5.1	4.9	0.9	0.8	0.7	4.6	15.3
Powerlong	HKD	15,909	3.98	6.0	5.1	4.3	0.5	0.5	0.4	5.5	10.8
Modern Land	HKD	4,458	1.78	4.4	3.8	3.0	0.8	0.8	0.7	6.1	19.3
Median				8.5	6.8	5.3	1.1	1.0	0.8	4.7	15.2
Simple Average				9.2	6.9	5.8	1.3	1.2	1.0	4.3	16.3
Weighted Average				11.1	8.3	6.8	2.1	1.7	1.5	3.6	20.3

Source: Bloomberg; AMTD Equity Research

Note: As of 14 Sept., 2017

Agile property

Turnaround appears after ASP Improvement

Core in Greater Bay region and rooted in Hainan with low cost

Agile is a Guangdong base national developer since 1992. The company mainly focus on South china region and tourism property. The company has 31mn sq.m land bank, which cost at only RMB 1,854 per sq.m (v.s. ASP 12,446 per sq.m). 35.5% of landbank located in Guangdong and 35.4% of landbank located in tourism property. Over 30% of landbank located in Greater bay region (10mn sq.m). Hainan Lingshui project contributed high margin profit in last 8 years. Linghui project can provide another 6-year sales (0.8mn sq.m is expected to be sold in 2017, 5.3mn sq.m of land reserve remains; RMB 600 per sq.m land cost and over RMB 15000 per sq.m ASP in Hainan). Project in Guangdong, especial in Zhongshan, are benefited by ASP surge of Greater Bay region theme.

Contracted sales increased 28.7% yoy from Jan. to Jul. 2017, more saleable are launched in 2H2017 and targeting 24% CAGR of contracted sales in 2017-2019,

The company achieved RMB 41.2bn of contracted sales, up 28.7% yoy, which also implies 68.7% of RMB 60bn target for the current year. The company revised up the target to RMB 65bn in Aug. In 1H2017, the company has launched 4.9mn sq.m saleable resource. The company will launch another 3.76mn sq.m in 2H2017 to support its revised target. The management expect Hainan will contribute RMB16-18bn of sales annually and lower tier cities (Huizhou/Zhongshan/Changsha) will increase contracted sales by ASP raise.

GPM and NPM jumped in 1H2017; GPM will keep over 35/30% in 2017/2018

Interim result is solid. Topline flatted, but GPM jumped by 17.3 ppts yoy to 37.3% in 1H2017 (20% in 1H2017). Gross profit surged by 84.4% yoy. The company optimized its SG&A to only 4% of contracted sales and 7% of revenue and lower its interest cost to 6.35% in 1H2017, core earnings increased by 207.6% yoy to RMB 1.84bn, representing 22.1% of NPM. As home price surged in Greater Bay region and Hainan, the company will be benefited and GPM is expected to over 35% in 2017 and over 30% in 2018. The company also lower its completion but maintains same recognized revenue target, thanks to higher recognized ASP ahead (3.34mn sq.m completion target lower to 3.19mn sq.m).

Financing cost is lower, but refinancing pressure is still ahead.

The company lowered its financing cost to 6.35% (7.6% in 2016). However, the company should face high refinancing pressure in 2H2017 and 2018. RMB 7.3bn and 18.5bn of debt will be matured in 2H2017 and 2018.

Execution is still the key, initial with 'HOLD', TP of HK\$ 9.60

The company has strong confidence on its sales performance. However, execution should be the key of future growth, moreover, the company valuation has priced in these positive factors, trading at 8.1x 17PE and 7.1x 18PE. We initial with 'HOLD', and TP of HK\$ 9.60, which implies 8.0x 17PE and 7.1 18PE, 0.8x 17PB and 0.7x 18PB.

Stock code: 3383.HK

Rating: Hold

Price target (HK\$)	9.60
Current price (HK\$, 14 Sep 2017)	10.46
Upside/downside %	-8.22%
Market cap (HK\$ m)	44,968
Market cap (US\$ m)	5,756
Avg daily turnover (HK\$ m)	0.4

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2016	2017e	2018e	2019e
Revenue	46,679	50,650	52,395	59,761
yoy %	9%	9%	3%	14%
Net profit	2,284	4,172	4,752	4,782
yoy %	64%	83%	14%	1%
Adjusted NP	2,284	4,172	4,752	4,782
yoy %	64%	83%	14%	1%
Gross margin	26.5%	35.1%	35.5%	32.7%
Net gearing	49.1%	52.3%	55.1%	59.9%
EPS	0.59	1.07	1.22	1.23
DPS	0.18	0.32	0.37	0.37
BPS	9.09	10.17	11.39	12.62

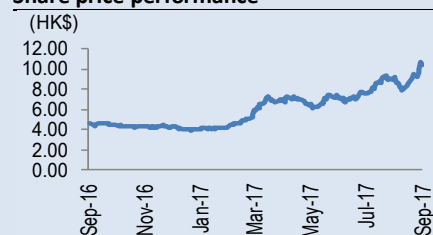
Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	16.0	8.8	7.7	7.6
P/BV	1.0	0.9	0.8	0.7
Div. yield	1.9%	3.4%	3.9%	3.9%
ROE	6.5%	11.2%	11.4%	10.3%
ROA	1.7%	2.8%	2.7%	2.3%

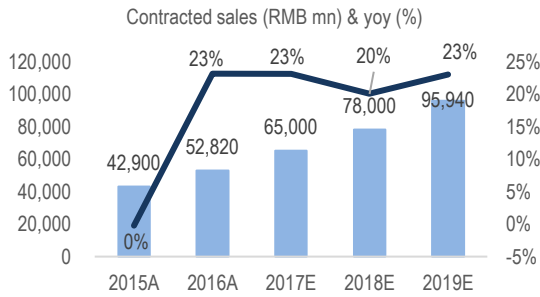
Source: Bloomberg, AMTD Equity Research

Share price performance



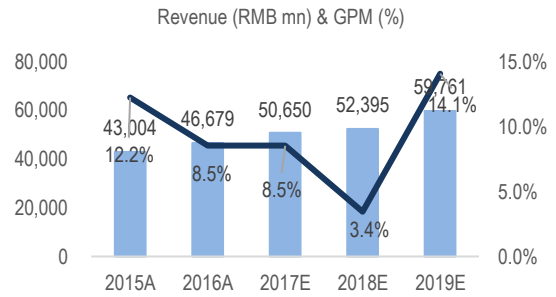
Source: Bloomberg

Figure 18: Contracted Sales & yoy



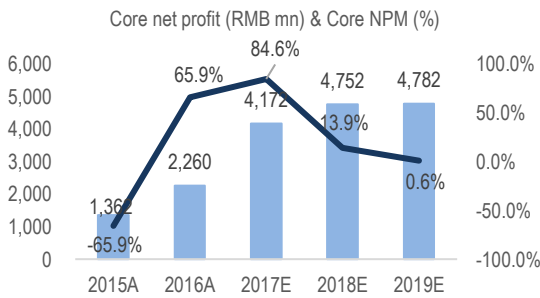
Source: Company Data, AMTD Research

Figure 19: Revenue & yoy



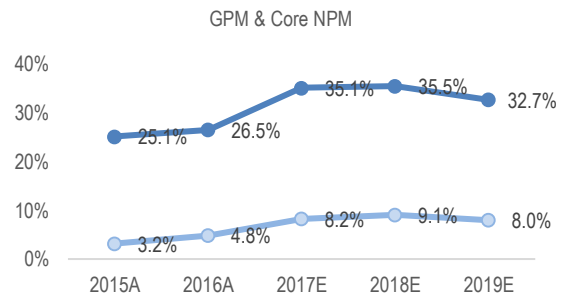
Source: Company Data, AMTD Research

Figure 20: Core Net Profit & yoy



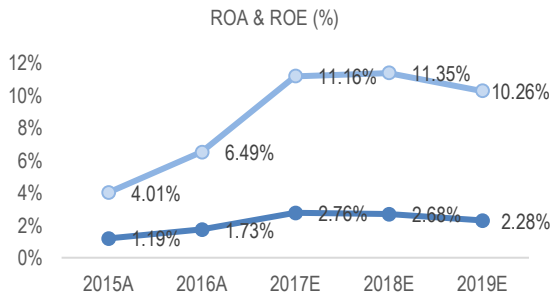
Source: Company Data, AMTD Research

Figure 21: GPM & Core NPM



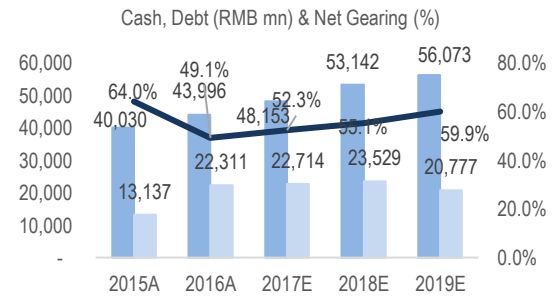
Source: Company Data, AMTD Research

Figure 22: ROA & ROE



Source: Company Data, AMTD Research

Figure 23: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Research

Figure 24: P&L forecast and key ratios

PnL, RMBmn	2015	2016	2017e	2018e	2019e	YoY growth				
						2015	2016	2017e	2018e	2019e
Revenue	43,004	46,679	50,650	52,395	59,761	12.2%	8.5%	8.5%	3.4%	14.1%
Sale of properties	41,421	44,752	48,531	50,063	57,196					
Cost of sales	(32,191)	(34,313)	(32,860)	(33,809)	(40,229)					
Gross profit	10,813	12,366	17,791	18,586	19,532	-13.0%	14.4%	43.9%	4.5%	5.1%
Selling expenses	(1,786)	(2,098)	(2,581)	(2,317)	(2,849)	0.1%	17.5%	23.0%	-10.2%	23.0%
Administrative expenses	(1,444)	(1,458)	(1,794)	(1,373)	(1,689)	0.5%	1.0%	23.0%	-23.5%	23.0%
Share of post-tax loss of an associate	(27)	(3)	(3)	(3)	(3)					
Share of post-tax (losses)/profits of joint ventures	(87)	10	10	10	10					
Finance costs	(1,325)	(1,125)	(1,185)	(1,257)	(1,282)	352.9%	-15.1%	5.4%	6.1%	1.9%
Profit before tax	6,196	7,483	11,986	13,394	13,468	-38.8%	20.8%	60.2%	11.7%	0.5%
Income tax expense	(3,895)	(4,433)	(7,048)	(7,876)	(7,919)					
Profit for the year	2,302	3,050	4,938	5,518	5,548	-54.8%	32.5%	61.9%	11.7%	0.5%
Profit for the year attributable to:										
Net profit	1,390	2,284	4,172	4,752	4,782	-67.6%	64.3%	82.7%	13.9%	0.6%
Core net profit	1,362	2,260	4,172	4,752	4,782	-65.9%	65.9%	84.6%	13.9%	0.6%
Non-controlling interests	359	415	415	415	415					
Dividends	553	351	351	351	351					
EPS - basic	0.36	0.59	1.07	1.22	1.23					
EPS-underlying	0.35	0.58	1.07	1.22	1.23					
DPS - basic	0.12	0.18	0.32	0.37	0.37					
BVPS	8.84	9.09	10.17	11.39	12.62					
Key Ratios, RMBmn	2015	2016	2017e	2018e	2019e					
GPM	25.1%	26.5%	35.1%	35.5%	32.7%					
NPM	3.2%	4.9%	8.2%	9.1%	8.0%					
Core NPM	3.2%	4.8%	8.2%	9.1%	8.0%					
ROA	1.2%	1.7%	2.8%	2.7%	2.3%					
ROCE	1.7%	2.7%	4.5%	4.7%	4.3%					
ROE	4.0%	6.5%	11.2%	11.4%	10.3%					
Total Debt / EBITDA	5.1x	4.8x	3.7x	3.6x	3.8x					
Total Debt / Equity	95.3%	99.6%	98.9%	98.8%	95.2%					
Total Debt / Capitalization	48.8%	49.9%	49.7%	49.7%	48.8%					
Net Debt / EBITDA	3.4x	2.4x	1.9x	2.0x	2.4x					
Net Debt / Equity	64.0%	49.1%	52.3%	55.1%	59.9%					
Net Debt / Capitalization	32.8%	24.6%	26.3%	27.7%	30.7%					
Current Ratio	178.3%	174.0%	179.6%	174.3%	160.0%					
Cash / Total Assets	11.2%	16.9%	15.0%	13.3%	9.9%					
Inventory / Total Assets	57.1%	45.8%	52.4%	59.0%	66.7%					
Net debt / Net Inventory	40.2%	36.0%	32.1%	28.3%	25.2%					
Quick Ratio	152.3%	133.6%	144.3%	145.4%	140.9%					
Cash Ratio	26.0%	40.4%	35.3%	28.9%	19.1%					
Interest Coverage	2.2x	2.6x	3.7x	3.7x	3.6x					

Source: Company data, AMTD Equity Research

Figure 25: Balance sheet & cash flow

Balance Sheet, RMBmn	2015	2016	2017e	2018e	2019e
Non-current assets	27,194	35,586	35,586	35,586	35,586
Current assets	90,119	96,139	115,439	141,767	174,184
Properties held under development	44,524	36,707	55,602	81,116	116,285
Properties held for sale	16,889	13,976	13,976	13,976	13,976
Prepayments for acquisition of land use rights	5,541	9,614	9,614	9,614	9,614
Restricted bank deposits	5,730	9,879	9,879	9,879	9,879
Bank balances and cash	7,407	12,432	12,836	13,650	10,898
Others	10,029	13,531	13,531	13,531	13,531
Current liabilities	50,531	55,252	64,280	81,327	108,881
Borrowings	16,487	12,815	11,224	12,035	15,236
Advanced proceeds received from customers	7,111	10,617	21,237	37,473	61,826
Others	26,933	31,819	31,819	31,819	31,819
Non-current liabilities	24,787	32,318	38,066	42,244	41,974
Borrowings	23,543	31,181	36,929	41,107	40,837
Deferred tax liabilities	1,244	1,137	1,137	1,137	1,137
Capital and reserves	41,995	44,155	48,678	53,781	58,914
Equity attributable to owners of the Company	34,308	35,310	39,482	44,234	49,016
Perpetual capital instruments	4,489	5,598	5,598	5,598	5,598
Non-controlling interests	3,198	3,248	3,599	3,950	4,300
Cash Flow Statement, RMBmn	2015	2016	2017e	2018e	2019e
Profit for the year	2,302	3,050	4,938	5,518	5,548
Operating cash flows before movements in working capital	8,067	9,291	4,938	5,518	5,548
Property under development and completed properties held for sale	10,195	9,033	(18,896)	(25,513)	(35,170)
Prepayments for acquisition of land use rights	(2,105)	3,507	10,619	16,237	24,353
Restricted cash	16,318	15,012	(3,338)	(3,758)	(5,268)
Trade and other receivables	(3,161)	(2,746)	-	-	-
Trade and other payables and accruals	(6,021)	(5,380)	-	-	-
Advance proceeds received from customers	7,136	6,887	(3,338)	(3,758)	(5,268)
Cash (used in) from operations	(699)	(3,719)	-	-	-
Interest paid	(699)	(3,719)	-	-	-
PRC Income tax paid					
Net cash (used in) from operating activities	12,124	25,278	23,297	16,213	14,966
Net cash used in investing activities	(18,631)	(27,956)	(19,140)	(11,224)	(12,035)
Financing activities	1,534	5,041	404	815	(2,753)
Proceeds from borrowings	(195)	(17)	-	-	-
Repayments of borrowings	6,068	7,407	12,432	12,836	13,650
Net cash from (used in) financing activities	7,407	12,432	12,836	13,650	10,898
Net increase in cash and cash equivalents	2,302	3,050	4,938	5,518	5,548
Effect of foreign exchange rate changes	8,067	9,291	4,938	5,518	5,548
Cash and cash equivalents at beginning of the year	10,195	9,033	(18,896)	(25,513)	(35,170)
Cash and cash equivalents at end of the year	(2,105)	3,507	10,619	16,237	24,353

Source: Company data, AMTD Equity Research

China Aoyuan Property

Visible strong growth with low valuation

Aoyuan entered SZ-HK Stock Connect list, which is unlocking its value.

Aoyuan entered the next batch of HK-China Stock Connect list, which is effective on 4th Sept 2017. After the first day of trading of HK-China Stock Connect, the southbound flow has 0.7% of total shares. We believe current low valuation are still very attractive (5.9x 18PE v.s. 6.2x 18PE of sector average).

Revenues surged by 25.8% yoy with GPM improved to 26.9%, core profit surged by 36.7% yoy.

1H17 revenue increased by 25.8% yoy to RMB 8.2bn, beating our expectation of RMB 7bn. The profitability improvement is mainly contributed by higher GPM of residential project (improved 2.9 pts) and more commercial projects, which have higher GPM booked in 1H17 (increased to 20.5% of total revenue). Thanks to GPM improvement by 1.8 pts to 26.9%, net profit surged by 30.9% yoy to RMB 760mn and core profit increased to RMB 666mn, up 36.8% yoy. This beats our core profit expectation of RMB 500mn. Core NPM also improved to 8.2%, up 0.7 pts.

Contracted sales in first 7 months surged by 62% yoy to RMB 19bn.

Sales from Jan. to Jul. 2017 reached RMB 19bn. ASP is around 10,571 per sq.m. We believe Aoyuan will achieve its target by the end of this year, backed by RMB14.6bn saleable resource in 2016 and RMB29.5bn in 2017 with moderate sale-through rate of 62%. The company acquired 3.70mn sq.m landbank in 1H2017; total landbank increased to 17.12mn sq.m with average cost at only RMB 1,992 per sq.m. We believe the low land cost will convert to be high margin in the future (land cost is only 18.8% of average land cost).

Funding cost lower to 7.6% in 1H17, from 8.1% at the end of 2016

As more construction expenditure in 1H raise net gearing from RMB 7.4bn 2016 to RMB 11.7bn, net gearing ratio increased by 13.6 pts to 64.3%, which is in line with our expectation. We believe the net gearing ratio will slightly improve to 61.9% in 2H17, thanks to more contracted sales in 2H17 (Golden Sept. & Silver Oct.) and less construction expense in 2H17.

Reiterate 'Buy' and price target of HK\$5.78, 20% upside

Aoyuan is one of the most active developers whose biggest landbank in Greater Bay Area (58% of land bank located in Guangdong). High expectation of more immigrants from West Guangdong to Zhuhai, Zhongshan and Foshan will boost home prices in these cities, which is positive for Aoyuan. High sales growth will be delivered into revenues in next 2 years. Therefore, we reiterate 'Buy' and revise up target price to HK\$ 5.78, 20% of NAV discount to Dec-17 NAV, which implies 10.8x 17PE and 7.9x 18PE.

Stock code: 3883.HK

Rating: Buy

Price target (HK\$)	5.78
Current price (HK\$, 14 Sep 2017)	4.83
Upside/downside %	20%
Market cap (HK\$ m)	12,904
Market cap (US\$ m)	1,652
Avg daily turnover (HK\$ m)	0.2

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2016	2017e	2018e	2019e
Revenue	11,827	16,322	21,784	27,985
yoy %	23.6%	38.0%	33.5%	28.5%
Net profit	881	1,290	1,750	2,256
yoy %	8.5%	46.4%	35.6%	28.9%
Adjusted NP	678	1,290	1,750	2,256
yoy %	18.3%	90.3%	35.6%	28.9%
Gross margin	27.7%	28.3%	28.6%	28.3%
Net gearing	50.7%	61.9%	61.6%	57.9%
EPS	0.33	0.48	0.65	0.84
DPS	0.15	0.14	0.19	0.25
BPS	3.34	3.82	4.48	5.32

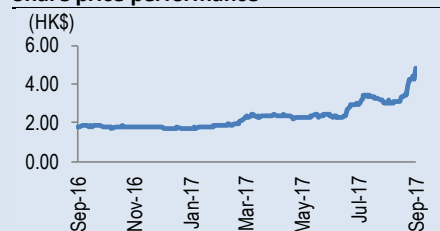
Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	13.2	9.0	6.6	5.1
P/BV	1.3	1.1	1.0	0.8
Div. yield	3.5%	3.3%	4.4%	5.7%
ROE	7.9%	13.5%	15.8%	17.2%
ROA	1.5%	1.8%	2.0%	2.3%

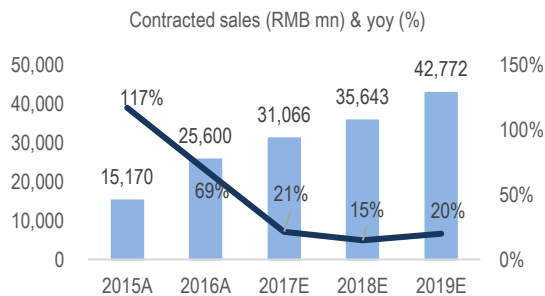
Source: Bloomberg, AMTD Equity Research

Share price performance



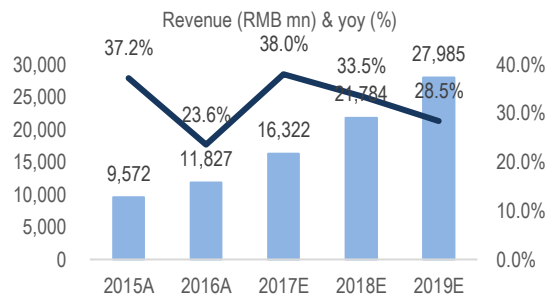
Source: Bloomberg

Figure 26: Contracted Sales & yoy



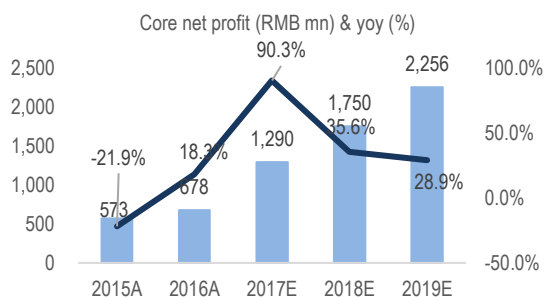
Source: Company Data, AMTD Equity Research

Figure 27: Revenue & yoy



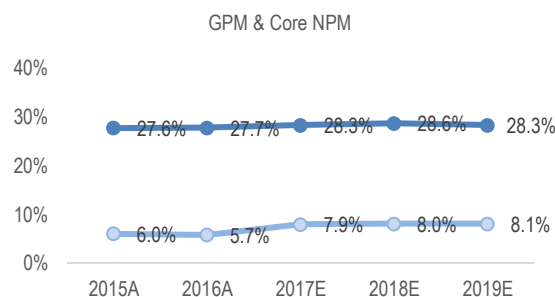
Source: Company Data, AMTD Equity Research

Figure 28: Core Net Profit & yoy



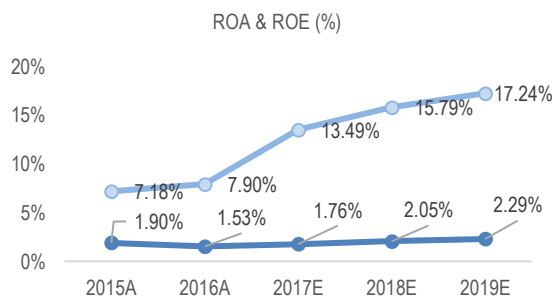
Source: Company Data, AMTD Equity Research

Figure 29: GPM & Core NPM



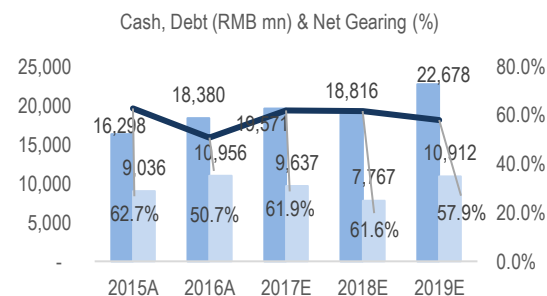
Source: Company Data, AMTD Equity Research

Figure 30: ROA & ROE



Source: Company Data, AMTD Equity Research

Figure 31: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Equity Research

Figure 32:P&L forecast and key ratios

PnL, RMBmn	2015	2016	2017e	2018e	2019e	YoY growth				
						2015	2016	2017e	2018e	2019e
Revenue	9,572	11,827	16,322	21,784	27,985	37.2%	23.6%	38.0%	33.5%	28.5%
Sale of properties	9,295	11,240	15,676	21,073	27,203					
Cost of sales	(6,926)	(8,550)	(11,711)	(15,544)	(20,074)					
Gross profit	2,646	3,277	4,611	6,240	7,910	28.0%	23.8%	40.7%	35.3%	26.8%
Selling expenses	(489)	(592)	(719)	(1,069)	(1,360)	28.8%	21.2%	21.4%	48.8%	27.2%
Administrative expenses	(402)	(489)	(594)	(927)	(1,283)	2.8%	21.8%	21.4%	56.1%	38.5%
Share of post-tax loss of an associate	-	-	-	-	-					
Share of post-tax (losses)/profits of joint ventures	28	(32)	(32)	(32)	(32)					
Finance costs	(91)	(157)	(157)	(168)	(161)	40.4%	72.1%	0.0%	6.5%	-3.9%
Profit before tax	1,884	2,085	2,879	3,814	4,843	30.1%	10.6%	38.1%	32.5%	27.0%
Income tax expense	(977)	(1,078)	(1,463)	(1,938)	(2,461)					
Profit for the year	907	1,007	1,416	1,876	2,382	15.9%	10.9%	40.6%	32.5%	27.0%
Profit for the year attributable to:										
Net profit	812	881	1,290	1,750	2,256	0.3%	8.5%	46.4%	35.6%	28.9%
Core net profit	573	678	1,290	1,750	2,256	-21.9%	18.3%	90.3%	35.6%	28.9%
Non-controlling interests	95	126	126	126	126					
Dividends	245	259	379	515	664					
	50	142	-	-	-					
EPS - basic										
EPS-underlying	0.29	0.33	0.48	0.65	0.84					
DPS - basic	0.21	0.25	0.48	0.65	0.84					
BVPS	0.11	0.15	0.14	0.19	0.25					
Key Ratios, RMBmn	2015	2016	2017e	2018e	2019e					
GPM	27.6%	27.7%	28.3%	28.6%	28.3%					
NPM	8.5%	7.4%	7.9%	8.0%	8.1%					
Core NPM	6.0%	5.7%	7.9%	8.0%	8.1%					
ROA	1.9%	1.5%	1.8%	2.0%	2.3%					
ROCE	3.4%	2.9%	3.8%	4.8%	5.7%					
ROE	7.2%	7.9%	13.5%	15.8%	17.2%					
Total Debt / EBITDA	8.6x	8.2x	6.4x	4.7x	4.5x					
Total Debt / Equity	140.8%	125.6%	122.0%	105.0%	111.7%					
Total Debt / Capitalization	58.5%	55.7%	54.9%	51.2%	52.8%					
Net Debt / EBITDA	3.8x	3.3x	3.3x	2.8x	2.4x					
Net Debt / Equity	62.7%	50.7%	61.9%	61.6%	57.9%					
Net Debt / Capitalization	26.1%	22.5%	27.9%	30.1%	27.4%					
Current Ratio	189.7%	165.5%	144.1%	148.5%	160.0%					
Cash / Total Assets	18.5%	16.5%	12.0%	8.6%	10.2%					
Inventory / Total Assets	65.3%	66.1%	73.5%	78.7%	78.9%					
Net debt / Net Inventory	22.8%	16.9%	16.9%	15.5%	14.0%					
Quick Ratio	150.0%	135.2%	125.2%	134.8%	142.6%					
Cash Ratio	39.7%	30.3%	18.9%	13.7%	17.5%					
Interest Coverage	1.4x	1.3x	1.7x	2.1x	2.8x					

Source: Company data, AMTD Equity Research

Figure 33: Balance sheet forecast & Cash flow forecast

Balance Sheet, RMBmn	2015	2016	2017e	2018e	2019e
Non-current assets	5,629	6,589	6,589	6,589	6,589
Current assets	43,198	59,830	73,477	84,177	100,003
Properties held under development	31,792	43,487	58,453	71,024	83,704
Pledged bank deposits	1,267	486	486	486	486
Bank balances and cash	7,769	10,471	9,152	7,281	10,427
Others	2,370	5,387	5,387	5,387	5,387
Current liabilities	22,770	36,143	51,000	56,693	62,495
Advanced proceeds received from customers	9,823	20,524	31,565	41,145	50,726
Senior note and bond	-	1,508	-	-	-
Borrowings	2,570	2,997	8,322	4,435	656
Others	10,376	11,113	11,113	11,113	11,113
Non-current liabilities	14,481	15,645	13,019	16,151	23,792
Borrowings	4,803	3,795	11,249	14,381	22,022
Senior notes	8,924	10,079	-	-	-
Others	754	1,770	1,770	1,770	1,770
Capital and reserves	11,576	14,631	16,047	17,922	20,304
Equity attributable to owners of the Company	8,243	8,918	10,208	11,958	14,214
Non-controlling interests	3,333	5,713	5,839	5,964	6,090
Total equity	11,576	14,631	16,047	17,922	20,304
Cash Flow Statement, RMBmn	2015	2016	2017e	2018e	2019e
Operating activities					
Profit before income tax	1,884	2,085	2,879	3,814	4,843
Operating cash flows before movements in working capital	1,827	2,268	3,036	3,981	5,004
Increase in inventories	-	(26)	-	-	-
Increase in properties for sale	(4,908)	(1,676)	(14,967)	(12,571)	(12,680)
Increase in deposits received for sale of properties	1,478	10,012	11,041	9,580	9,581
Cash (used in) from operations	(1,342)	8,360	(889)	990	1,906
PRC Income tax paid	(480)	(880)	(1,463)	(1,938)	(2,461)
Interest paid	(1,201)	(1,535)	(1,614)	(1,719)	(1,652)
Net cash (used in) from operating activities	(3,023)	5,945	(3,966)	(2,667)	(2,208)
Net cash used in investing activities	(924)	(4,069)	(157)	(168)	(161)
Financing activities					
New bank and other borrowings raised	6,006	5,245	6,394	7,567	8,298
Repayment of bank and other borrowings	(6,318)	(5,916)	(5,203)	(8,322)	(4,435)
Net cash from (used in) financing activities	6,804	808	2,804	964	5,515
Net increase in cash and cash equivalents	2,856	2,683	(1,319)	(1,870)	3,146
Effect of foreign exchange rate changes	61	18	-	-	-
Cash and cash equivalents at beginning of the year	4,852	7,769	10,471	9,152	7,281
Cash and cash equivalents at end of the year	7,769	10,471	9,152	7,281	10,427

Source: Company data, AMTD Equity Research

China Overseas Land & Investment

Stable Growth with GPM Improvement

Disciplined SOE Giant

China Overseas Land & Investment (COLI) is a national developer that rooted in 1st and core 2nd tier cities among 5 economic areas in China. It was listed in HK stock market in 1992 and entered rapid growth. The company grew at 59% CAGR in last 20 years. In 2014-2016, the company has achieved HK\$ 140.8bn/180.6bn/ 210.6bn on revenue. The company also have investment properties, which are over 2.9mn sq.m. The company is strictly controls its SG&A and financial cost to maximize its profit. In 2014-2016, SG&A over contracted sales was only 2.8%/3.3%/3.1% over its contracted sales, respectively, which is the lowest level among peers. The company maintain stable yoy growth of 30% in last few years.

HK\$ 122.2bn of contracted sales in Jan. to Jul. 2017, up only 19.4% yoy.

The company lagged by Country Garden/Evergrande/Sunac China/Longfor in terms of yoy growth. The company targets to achieve HK\$ 210bn contracted sales in the current year, but only achieved 58% of the target. Furthermore, its revised up its target by 10% to HK\$ 230bn, it is acceptable but not that impressive like peers. We believe the company is managing the pace of sales to avoid gearing increase and gross profit decline. The company targets to maintain over 30% GPM rather than fast but low-quality growth.

Solid Balance sheet and low net gearing

The company has 49.5mn attributable land bank in 1H2017, 16.7%/10.8%/22.5%/30.8%/18.7%/0.5% of which located in Southern China/Pearl river delta/Northern region/Bohai rim/Western China/Hong Kong. The company has commenced 9.3mn sq.m in 1H2017, and will have another 9.7mn sq.m to be commenced in 2H2017. The under-construction area will exceed 30mn sq.m (GFA sold in 1H2017 is only 7.8mn sq.m). On the other hand, the company has abundant land bank, but the net gearing ratio is still the lowest among developers over RMB 100bn sales scale. The net gearing ratio in 1H2017 is only 15.7%, slightly increased by 8.4 ppts, from 7.3% in 2016. The company has only 4.2% interest cost rate (4.76% in 2016, 5-7% among peers)

GPM improved in 1H2017, core net profit maintained 30% yoy growth

In 1H2017, revenue increased only 6.5% yoy, but GPM improved from 28.8% in 1H2016 to 31.0% in 1H2017. NPM also improved from 16.6% in 1H2016 to 20.3% in 1H2017.

Initiate with 'Hold' rating, price target HK\$31.4, 17% upside

The company has prime asset with low land cost and enjoys low borrowing cost at onshore and offshore market. Solid balance sheet and disciplined management enhance its execution. We estimate its gross profit margin will be higher than 30% in 2017e-2019e. We forecast net profit CAGR of 11% during 2016-2019e. However, the share price has priced in most of positive factors. We initial with 'Hold'. Our price target of HK\$ 31.4 applies 35% discount to 17NAV, 9.2x 2017 PE and 7.6x 2018 PE, 1.2x 2017 PB and 1.1x 2018 PE.

Stock code: 688.HK

Rating: Hold

Price target (HK\$)	31.4
Current price (HK\$, 14 Sep 2017)	27.3
Upside/downside %	15%
Market cap (HK\$ m)	299,104
Market cap (US\$ m)	38,286
Avg daily turnover (HK\$ m)	8.3

Source: Bloomberg, AMTD Equity Research

Key forecasts

(HKD m)	2016	2017e	2018e	2019e
Revenue	164,069	193,854	229,456	254,420
yoy %	-3%	18%	18%	11%
Net profit	37,021	34,657	41,869	42,793
yoy %	7%	-6%	21%	2%
Adjusted NP	31,435	34,657	41,869	42,793
yoy %	8%	10%	21%	2%
Gross margin	27.8%	30.2%	31.0%	29.1%
Net gearing	7.3%	-8.2%	-17.5%	-24.9%
EPS	3.64	3.40	4.11	4.20
DPS	0.77	0.85	1.03	1.05
BPS	21.82	25.23	29.34	33.54

Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	7.5	8.0	6.6	6.5
P/BV	1.3	1.1	0.9	0.8
Div. yield	2.8%	3.1%	3.8%	3.8%
ROE	14.6%	14.5%	15.1%	13.4%
ROA	6.5%	5.3%	5.5%	4.8%

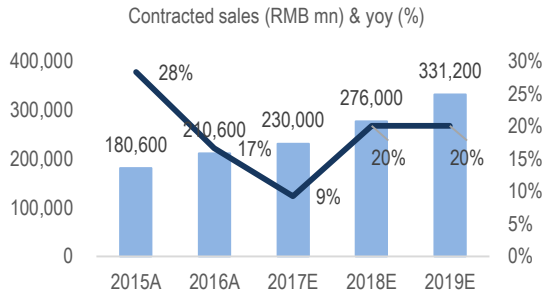
Source: Bloomberg, AMTD Equity Research

Share price performance



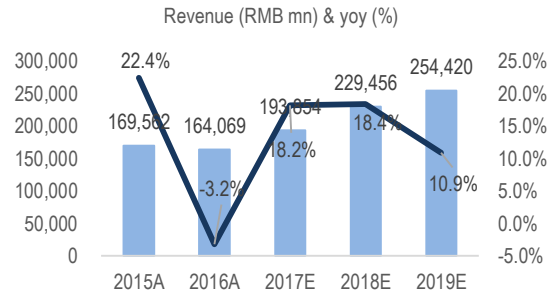
Source: Bloomberg

Figure 34: Contracted Sales & yoy



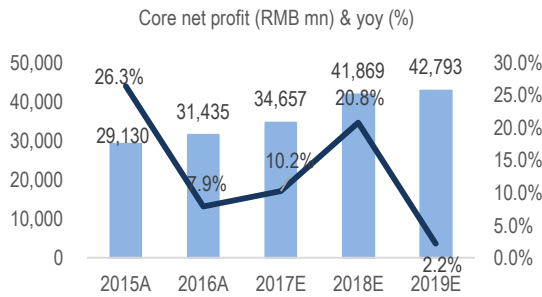
Source: Company Data, AMTD Research

Figure 35: Revenue & yoy



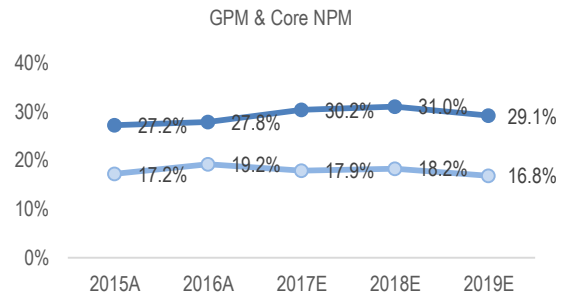
Source: Company Data, AMTD Research

Figure 36: Core Net Profit & yoy



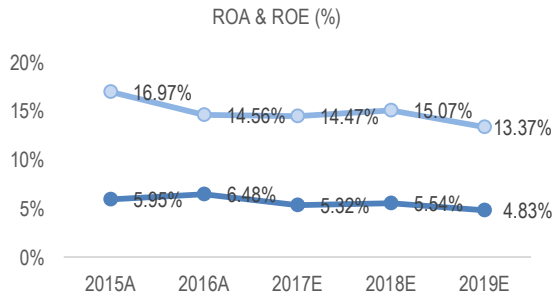
Source: Company Data, AMTD Research

Figure 37: GPM & Core NPM



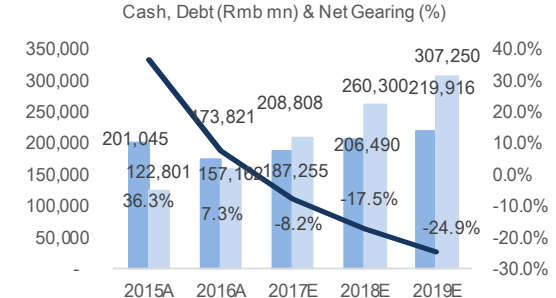
Source: Company Data, AMTD Research

Figure 38: ROA & ROE



Source: Company Data, AMTD Research

Figure 39: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Research

Figure 40: P&L forecast and key ratios

PnL, HK\$mn	2,015	2,016	2017e	2018e	2019e	YoY growth				
						2015	2016	2017e	2018e	2019e
Revenue	169,562	164,069	193,854	229,456	254,420	22.4%	-3.2%	18.2%	18.4%	10.9%
Property development and sales	163,559	159,891	189,676	225,279	249,174					
Cost of sales	(114,219)	(113,074)	(135,221)	(158,395)	(180,453)					
Gross profit	46,120	45,643	58,633	71,061	73,967	17.3%	-1.0%	28.5%	21.2%	4.1%
Selling expenses	(2,843)	(3,372)	(3,682)	(4,419)	(5,302)	47.1%	18.6%	9.2%	20.0%	20.0%
Administrative expenses	(3,107)	(3,180)	(3,473)	(4,167)	(5,001)	51.0%	2.4%	9.2%	20.0%	20.0%
Share of post-tax loss of an associate	408	477	477	477	477					
Share of post-tax (losses)/profits of joint ventures	650	776	776	1,164	1,629					
Finance costs	(2,757)	(2,056)	(1,941)	(2,091)	(2,305)	406.1%	-25.4%	-5.6%	7.7%	10.3%
Profit before tax	51,368	57,102	56,121	67,356	68,795	15.9%	11.2%	-1.7%	20.0%	2.1%
Income tax expense	(15,954)	(18,711)	(20,094)	(24,117)	(24,632)					
Profit for the year	35,414	38,391	36,027	43,239	44,163	27.6%	8.4%	-6.2%	20.0%	2.1%
Profit for the year attributable to:										
Net profit	34,643	37,021	34,657	41,869	42,793	27.4%	6.9%	-6.4%	20.8%	2.2%
Core net profit	29,130	31,435	34,657	41,869	42,793	26.3%	7.9%	10.2%	20.8%	2.2%
Non-controlling interests	771	1,370	1,370	1,370	1,370					
Dividends	8,513	7,878	8,664	10,467	10,698					
EPS - basic	3.75	3.64	3.40	4.11	4.20					
EPS-underlying	3.16	3.09	3.40	4.11	4.20					
DPS - basic	0.92	0.77	0.85	1.03	1.05					
NAV per share	22.71	21.82	25.23	29.34	33.54					
Key Ratios	2015	2016	2017e	2018e	2019e					
GPM	27.2%	27.8%	30.2%	31.0%	29.1%					
NPM	20.4%	22.6%	17.9%	18.2%	16.8%					
Core NPM	17.2%	19.2%	17.9%	18.2%	16.8%					
ROA	5.9%	6.5%	5.3%	5.5%	4.8%					
ROCE	8.3%	9.2%	7.7%	8.2%	7.5%					
ROE	17.0%	14.6%	14.5%	15.1%	13.4%					
Total Debt / EBITDA	3.7x	2.9x	3.2x	3.0x	3.1x					
Total Debt / Equity	93.3%	76.4%	71.1%	67.3%	62.7%					
Total Debt / Capitalization	48.3%	43.3%	41.5%	40.2%	38.5%					
Net Debt / EBITDA	1.4x	0.3x	-0.4x	-0.8x	-1.2x					
Net Debt / Equity	36.3%	7.3%	-8.2%	-17.5%	-24.9%					
Net Debt / Capitalization	18.8%	4.2%	-4.8%	-10.5%	-15.3%					
Current Ratio	256.6%	237.9%	263.3%	246.7%	234.0%					
Cash / Total Assets	21.1%	27.5%	32.1%	34.4%	34.7%					
Inventory / Total Assets	51.9%	47.2%	45.8%	46.5%	49.1%					
Net debt / Net Inventory	25.9%	6.2%	-7.2%	-15.3%	-20.1%					
Quick Ratio	190.3%	159.2%	164.2%	149.3%	142.9%					
Cash Ratio	66.3%	78.7%	99.1%	97.3%	91.1%					
Interest Coverage	5.1x	6.7x	6.7x	7.4x	6.9x					

Source: Company data, AMTD Equity Research

Figure 41: Balance sheet & cash flow forecast

Balance Sheet, HK\$m	2015	2016	2017e	2018e	2019e
Non-current assets	107,145	96,376	96,376	96,376	96,376
Current assets	475,103	474,913	554,781	659,696	789,375
Stock of properties	297,508	261,690	290,749	344,174	426,902
Bank balances and cash	122,801	157,162	208,808	260,300	307,250
Others	54,794	56,062	55,223	55,223	55,223
Current liabilities	185,159	199,604	210,689	267,445	337,403
Others	155,575	159,318	189,724	232,166	304,256
Bank and other borrowings – due within one year	29,584	34,472	20,964	35,280	33,148
Notes payable – due within one year	0	5,815	0	0	0
Non-current liabilities	181,510	144,261	177,018	181,938	197,496
Bank and other borrowings - due after one year	100,511	61,773	166,290	171,210	186,768
Notes payable – due after one year	70,950	71,761	0	0	0
Amounts due to non-controlling shareholders	1,238	870	870	870	870
Deferred tax liabilities	8,810	9,857	9,857	9,857	9,857
Capital and reserves	215,580	227,423	263,450	306,689	350,852
Equity attributable to owners of the Company	209,564	222,248	256,905	298,774	341,567
Non-controlling interests	6,015	5,175	6,545	7,915	9,285
	215,580	227,423	263,450	306,689	350,852
Cash Flow Statement, HK\$m	2015	2016	2017e	2018e	2019e
Profit before income tax	51,368	57,102	56,121	67,356	68,795
Operating cash flows before movements in working capital	40,958	40,098	58,061	69,447	71,100
Decrease in stock of properties	28,914	20,202	(29,060)	(53,424)	(82,728)
Increase/(decrease) in trade and other payables, pre-sales deposits, and rental and other deposits	(4,038)	17,451	33,424	42,441	72,090
Cash (used in) from operations	59,989	75,578	62,425	58,464	60,462
Income taxes paid	(17,240)	(15,038)	(20,094)	(24,117)	(24,632)
Net cash (used in) from operating activities	42,749	60,540	42,331	34,347	35,830
Net cash used in investing activities	(3,138)	15,114	0	0	0
Financing activities	0	0	0	0	0
New bank and other borrowings raised	70,002	37,030	53,721	40,200	48,706
Repayment of bank and other borrowings	(58,947)	(60,259)	(40,286)	(20,964)	(35,280)
Net cash from (used in) financing activities	15,697	(32,394)	11,494	17,144	11,120
Net increase in cash and cash equivalents	55,308	43,259	53,825	51,491	46,950
Effect of foreign exchange rate changes	(4,928)	(8,324)	0	0	0
Cash and cash equivalents at beginning of the year	69,667	120,048	154,983	208,808	260,300
Cash and cash equivalents at end of the year	120,048	154,983	208,808	260,300	307,250

Source: Company data, AMTD Equity Research

Country Garden

No.1 of home sales in China

Abundant saleable in 1st and 2nd tier, and enjoying home price surge in lower tier cities.

Country Garden is the largest Chinese developer in terms of contracted sales, which focuses in developing properties. The company is targeting large projects in 3rd and lower tier cities with low land cost, on other hand, the company has entered 1st & 2nd tier cities in last few years and have established its full-covered landbank (only Xinjiang, Xizang and Taiwan not entered) to support its sales growth. 2017 is the best time for Country Garden 1) destocking rapidly in lower tier cities; 2) shanty town redevelopments release more home demand and purchase power in lower tier cities; 3) home sales in satellite cities of 1st tier cities are increased by strict HPR policy.

Sales increased by 123% yoy in Jan. to Jul. 2017. Sales growth backed by RMB 1506.2bn of saleable resource

The company sales jumped 120% yoy to RMB 308.8bn, and rapid grow in 2017. The company has achieved RMB 333.9bn of contracted sales in Jan to Jul. 2017, which is 84% of its original sales target, up 123% yoy. The company revised up the sales target from RMB 400bn to 500bn and has abundant saleable resource: RMB 457.5bn in 1st tier and satellite cities, RMB 479.7bn in 2nd tier cities and RMB 569.0bn in 3rd and lower tier cities. The company has actively participated in redevelopment projects in 1st and core 2nd tier cities.

Margin maintain over 20%, lower gearing & lower funding cost

GPM of unrecognized sales is expected to be over 25%, mainly thanks to demand release in 3rd and lower tier cities with home price surged in last 12 months. As sales jumped by 123% yoy till July 2017, the cash collection is improved and net gearing declined to 37.8% in 1H2017 (from 48.7% in 2016). We believe the company will continue its rapid growth of sales in next 3 years, net gearing ratio will keep lowering.

Further compress funding cost rate in 1H2017

Thanks to scale jump in last two years, the company's weight average funding rate lower to 5.32% down 44 bps yoy. However, we believe the average funding rate will increase in the future, mainly due to higher interest rate in onshore and offshore.

Solid 1H2017 result, more growth ahead.

Revenue increased by 35.5% yoy to RMB 77.7bn, GPM improved by 1 ppts to 22% yoy, core net profit surged by 43.4% yoy in 1H2017. Usually, contracted sales will be recognized to revenue in 1.5 to 2 years, we believe the sales jump will converted to be revenue in next year. In the current year, the company plans to deliver 24mn sq.m GFA, with similar ASP in 1H2017.

TP of HK\$ 11.2, initial with 'Hold'

High sales growth with ASP increase, lower funding rate and better margins. However, Country Garden's valuation has much high premium 10.7x 2017PE vs average 8.3x 2017PE. Therefore, we initial Country Garden with 'Hold' and TP of HK\$ 11.2, which implies 12.9x 17PE and 9.4x 18PE.

Stock code: 2007.HK

Rating: Hold

Price target (HK\$)	11.20
Current price (HK\$, 14 Sep 2017)	12.78
Upside/downside %	-12%
Market cap (HK\$ m)	272,733
Market cap (US\$ m)	34,911
Avg daily turnover (HK\$ m)	32.6

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2016	2017e	2018e	2019e
Revenue	153,087	193,558	253,755	296,826
yoy %	35.2%	26.4%	31.1%	17.0%
Net profit	11,517	17,203	23,664	27,117
yoy %	24.2%	49.4%	37.6%	14.6%
Adjusted NP	11,067	17,203	23,664	27,117
yoy %	27.3%	55.4%	37.6%	14.6%
Gross margin	21.1%	22.0%	21.8%	21.4%
Net gearing	48.7%	38.9%	22.1%	11.3%
EPS	0.52	0.78	1.07	1.23
DPS	0.17	0.25	0.35	0.40
BPS	3.18	3.96	5.03	6.26

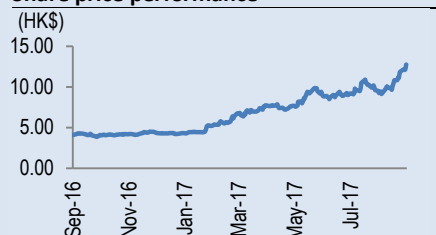
Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	22.0	14.8	10.7	9.4
P/BV	3.6	2.9	2.3	1.8
Div. yield	1.5%	2.2%	3.0%	3.5%
ROE	14.1%	17.3%	19.1%	17.9%
ROA	1.9%	2.4%	2.8%	2.7%

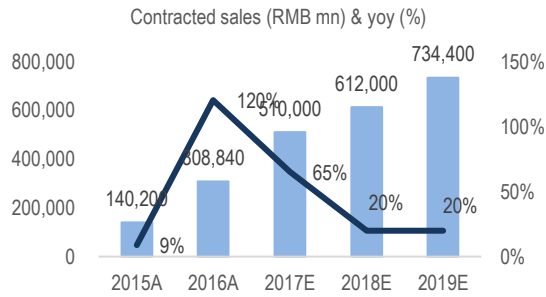
Source: Bloomberg, AMTD Equity Research

Share price performance



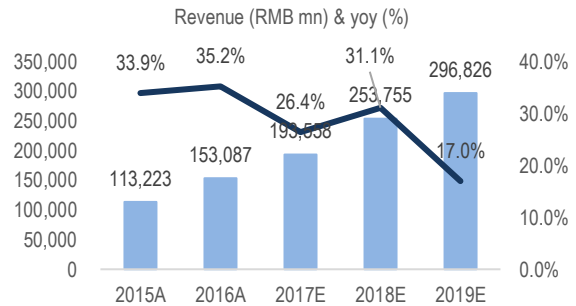
Source: Bloomberg

Figure 42: Contracted Sales & yoy



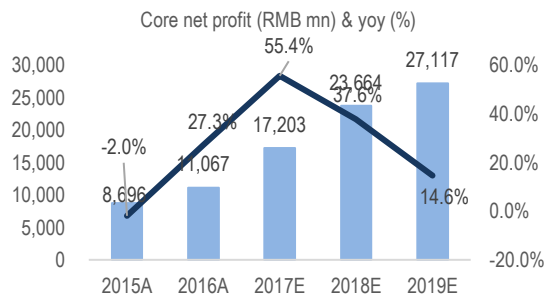
Source: Company Data, AMTD Research

Figure 43: Revenue & yoy



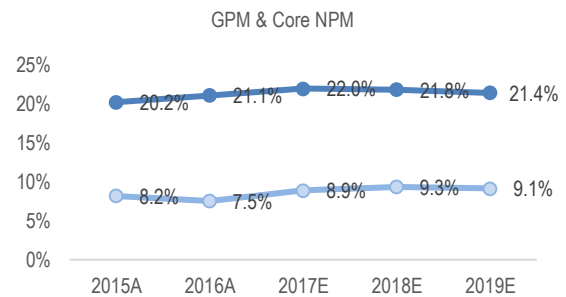
Source: Company Data, AMTD Research

Figure 44: Core Net Profit & yoy



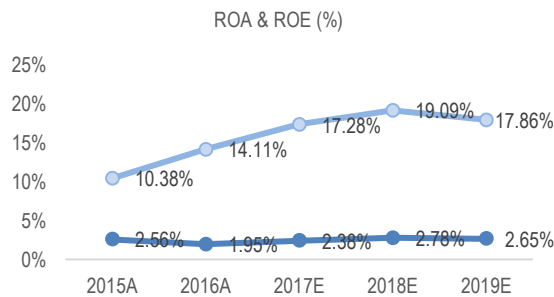
Source: Company Data, AMTD Research

Figure 45: GPM & Core NPM



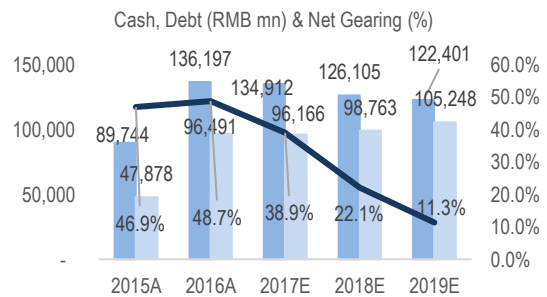
Source: Company Data, AMTD Research

Figure 46: ROA & ROE



Source: Company Data, AMTD Research

Figure 47: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Research

Figure 48: P&L forecast and key ratios

PnL, RMBmn						YoY growth				
	2015	2016	2017e	2018e	2019e	2015	2016	2017e	2018e	2019e
Revenue	113,223	153,087	193,558	253,755	296,826	33.9%	35.2%	26.4%	31.1%	17.0%
Sale of properties	109,460	148,180	192,194	252,254	295,176					
Cost of sales	(90,359)	(120,851)	(151,069)	(198,467)	(233,287)					
Gross profit	22,863	32,236	42,489	55,288	63,540	3.7%	41.0%	31.8%	30.1%	14.9%
Selling expenses	(4,689)	(7,384)	(11,220)	(13,464)	(16,157)	7.6%	57.5%	52.0%	20.0%	20.0%
Administrative expenses	(3,230)	(4,970)	(6,120)	(7,344)	(8,813)	2.2%	53.9%	23.1%	20.0%	20.0%
Share of post-tax loss of an associate	(56)	362	362	362	362					
Share of post-tax (losses)/profits of joint ventures	-	-	-	-	-					
Finance costs	(1,290)	(1,095)	(1,086)	(1,069)	(1,056)	559.3%	-15.1%	-0.9%	-1.5%	-1.3%
Profit before tax	14,833	21,391	25,955	35,302	39,407					
Income tax expense	(5,121)	(7,727)	(8,015)	(10,901)	(11,553)	-11.0%	50.9%	3.7%	36.0%	6.0%
Profit for the year	9,712	13,663	17,940	24,401	27,854	-8.5%	40.7%	31.3%	36.0%	14.2%
Profit for the year attributable to:										
Net profit	9,276	11,517	17,203	23,664	27,117	-9.3%	24.2%	49.4%	37.6%	14.6%
Core net profit	8,696	11,067	17,203	23,664	27,117	-2.0%	27.3%	55.4%	37.6%	14.6%
Non-controlling interests	79	737	737	737	737					
Perpetual capital securities	356	1,410	-	-	-					
Dividends	2,912	3,734	5,578	7,672	8,792					
EPS - basic	0.43	0.52	0.78	1.07	1.23					
EPS-underlying	0.40	0.50	0.78	1.07	1.23					
DPS - basic	0.13	0.17	0.25	0.35	0.40					
BVPS	2.99	3.18	3.96	5.03	6.26					
Key Ratios, RMBmn	2015	2016	2017e	2018e	2019e					
GPM	20.2%	21.1%	22.0%	21.8%	21.4%					
NPM	8.2%	7.5%	8.9%	9.3%	9.1%					
Core NPM	7.7%	7.2%	8.9%	9.3%	9.1%					
ROA	2.6%	1.9%	2.4%	2.8%	2.7%					
ROCE	6.1%	5.8%	7.6%	9.8%	10.3%					
ROE	10.4%	14.1%	17.3%	19.1%	17.9%					
Total Debt / EBITDA	5.4x	5.9x	5.0x	3.5x	3.0x					
Total Debt / Equity	100.5%	166.9%	135.5%	101.7%	80.6%					
Total Debt / Capitalization	50.1%	62.5%	57.5%	50.4%	44.6%					
Net Debt / EBITDA	2.5x	1.7x	1.4x	0.8x	0.4x					
Net Debt / Equity	46.9%	48.7%	38.9%	22.1%	11.3%					
Net Debt / Capitalization	23.4%	18.2%	16.5%	10.9%	6.3%					
Current Ratio	134.9%	119.6%	119.5%	121.0%	120.0%					
Cash / Total Assets	13.2%	16.3%	13.3%	11.6%	10.3%					
Inventory / Total Assets	61.9%	51.0%	59.9%	65.7%	70.8%					
Net debt / Net Inventory	18.7%	13.2%	9.0%	4.9%	2.4%					
Quick Ratio	111.2%	95.8%	100.8%	105.0%	106.2%					
Cash Ratio	23.7%	23.8%	18.7%	16.0%	13.8%					
Interest Coverage	5.3x	6.0x	7.3x	10.5x	12.0x					

Source: Company data, AMTD Equity Research

Figure 49: Balance sheet & cash flow forecast

Balance Sheet, RMBmn	2015	2016	2017e	2018e	2019e
Non-current assets	89,940	106,736	106,736	106,736	106,736
Current assets	272,016	484,836	615,297	745,838	915,451
Properties under development	135,107	216,383	347,170	475,113	638,242
Completed properties held for sale	34,114	30,885	30,885	30,885	30,885
Restricted cash	11,637	11,844	11,844	11,844	11,844
Cash and cash equivalents	36,241	84,647	84,322	86,919	93,404
Others	54,917	141,076	141,076	141,076	141,076
Current liabilities	201,595	405,314	514,907	616,481	762,638
Advanced proceeds received from customers	96,516	192,409	306,215	421,161	566,626
Corporate bonds	-	8,207	-	-	-
Bank and other borrowings	22,778	30,513	34,506	21,135	21,827
Others	82,301	174,185	174,185	174,185	174,185
Non-current liabilities	71,021	104,642	107,571	112,136	107,740
Bank and other borrowings	66,966	97,477	100,405	104,970	100,574
Others	4,055	7,166	7,166	7,166	7,166
Capital and reserves	89,340	81,615	99,555	123,956	151,810
Equity attributable to owners of the Company	65,291	70,128	87,332	110,996	138,113
Perpetual capital instruments	19,528	-	-	-	-
Non-controlling interests	4,522	11,487	12,224	12,961	13,697
Cash Flow Statement, RMBmn	2015	2016	2017e	2018e	2019e
Profit for the year	9,712	13,663	17,940	24,401	27,854
Operating cash flows before movements in working capital	15,914	20,898	25,955	35,302	39,407
Property under development and completed properties held for sale	(38,279)	(43,516)	(130,787)	(127,943)	(163,129)
Advanced proceeds received from customers	3,176	88,294	113,806	114,946	145,464
Cash (used in) from operations	(6,489)	57,303	8,975	22,306	21,742
PRC Income tax paid	(6,145)	(9,919)	(8,015)	(10,901)	(11,553)
Interest paid	(4,956)	(6,121)	(6,423)	(5,632)	(4,984)
Net cash (used in) from operating activities	(17,590)	41,263	(5,463)	5,772	5,205
Net cash used in investing activities	(6,666)	(20,457)	-	-	-
Financing activities	-	-	-	-	-
New bank and other borrowings raised	32,896	36,536	37,435	25,700	17,431
Repayment of bank and other borrowings	(20,779)	(20,507)	(38,720)	(34,506)	(21,135)
Net cash from (used in) financing activities	41,670	27,454	5,138	(3,174)	1,280
Net increase in cash and cash equivalents	17,414	48,260	(325)	2,598	6,485
Effect of foreign exchange rate changes	66	147	-	-	-
Cash and cash equivalents at beginning of the year	18,761	36,241	84,647	84,322	86,919
Cash and cash equivalents at end of the year	36,241	84,647	84,322	86,919	93,404

Source: Company data, AMTD Equity Research

China Resources Land

Solid sales growth + IP ramp-up

Balanced portfolio in 1st and core 2nd tier cities with prime investment properties in 1st tier cities

China Resource Land is a property arm of CR Group which focuses on property development. The company have entered 56 cities and developed 167 residential projects and 88 commercial projects in China. The company has 40.40mn sq.m GFA of development property land reserve, 11%/64%/25% of which located in 1st/2nd/3rd tier cities. Besides, the company has 7.45mn sq.m GFA of IP land reserve, 28%/51%/21% of which located in 1st/2nd/3rd tier cities. The company is one of the most successful commercial operators in China. The high-end series, the Mixc, is the top series complex in China. The Mixc in Shenzhen is top 3 of retail sales in China, which achieved RMB 6.6bn in 2016.

Sales increased by 33.5% yoy in Jan. to Jul. 2017, representing 56% of RMB 132bn 2017 target

The company's contracted sales increased by 33.5% yoy to RMB 73.9bn in first 7 months. The management are optimistic on property market and revise up the target from RMB 120bn to RMB 132bn. The company will launch around RMB 175bn of saleable resource in 2H2017 to support sales growth.

Rapid ramp-up of The Mixc series

In 1H2017, the company has 13 Mixc, 4 Mixc One mall and 4 Hi5 in operation. The rental income increased by 13% yoy to RMB 4bn in 1H2017. Rental income accounted for 11.4% of total income. GPM of rental income has significantly improved from 14.3% in 1H2016 to 20.3% in 1H2017. Gross profit amounted to RMB 2.5bn, up 16% yoy, thanks to new opening of Xi'an Mixc and Rizhao Mixc One. There are 3/6/4 Mixc and 1/2/5 Mixc One planned to open in 2H2017/2018/2019, respectively.

Speed up on land acquisition for sale growth, targeting double digit yoy growth

In 1H2017, the company has acquired 24 land parcels, only one of which was acquired by M&A in Nanning. Total GFA of new land parcels amounted to 5.77mn sq.m, which costed RMB 43.7bn. Average cost is RMB 7,562 per sq.m. All these projects located in 1st and 2nd tier cities. Management expects to maintain double digit yoy growth of sales and net profit. The company will accelerate land acquisition and sales in next 3 years.

Weak 1H2017 result, due to delivery schedule and low recognized ASP

Revenue dropped by 21% yoy to HK\$35.3bn. GPM improved by 1 ppts yoy to 34.9%. Core net profit declined by 48% yoy to only HK\$ 3.3bn. The revenue and net profit declining is mainly due to delivery schedule and low recognized ASP (price of projects sold in 2 years ago).

Initial with 'Hold', TP of HK\$ 27.86

CR Lands' valuation used to be enjoying premium v.s. peers. However, sales growth is lower than other 3rd tier cities players and valuation is not cheap after re-rating. We initial CR Lands with 'Hold' and TP of HK\$ 27.86, which implies 8.9x 17PE & 7.5x 18 PE, 1.3x 17PB & 1.1x 18PB.

Stock code: 1109.HK

Rating: Hold

Price target (HK\$)	27.86
Current price (HK\$, 14 Sep 2017)	25.0
Upside/downside %	11%
Market cap (HK\$ m)	173,273
Market cap (US\$ m)	22,180
Avg daily turnover (HK\$ m)	24.5

Source: Bloomberg, AMTD Equity Research

Key forecasts

(HK\$ m)	2016	2017e	2018e	2019e
Revenue	109,328	124,425	143,762	156,253
yoy %	5%	14%	16%	9%
Net profit	19,501	19,556	23,235	23,921
yoy %	11%	0%	19%	3%
Adjusted NP	16,361	19,556	23,235	23,921
yoy %	14%	20%	19%	3%
Gross margin	33.7%	34.4%	33.4%	29.6%
Net gearing	23.8%	12.1%	-8.4%	-30.9%
EPS	2.81	2.82	3.35	3.45
DPS	0.70	0.71	0.84	0.86
BPS	16.80	19.62	22.97	26.42

Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	8.0	8.0	6.7	6.5
P/BV	1.3	1.1	1.0	0.9
Div. yield	3.1%	3.1%	3.7%	3.8%
ROE	14.1%	15.5%	15.7%	14.0%
ROA	4.6%	4.1%	4.3%	4.0%

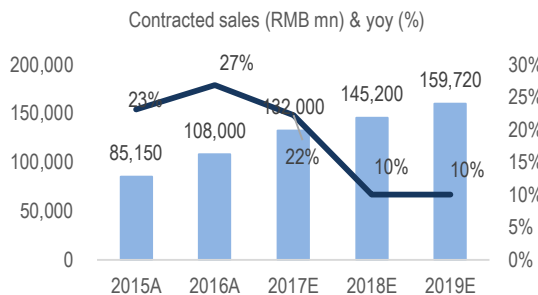
Source: Bloomberg, AMTD Equity Research

Share price performance



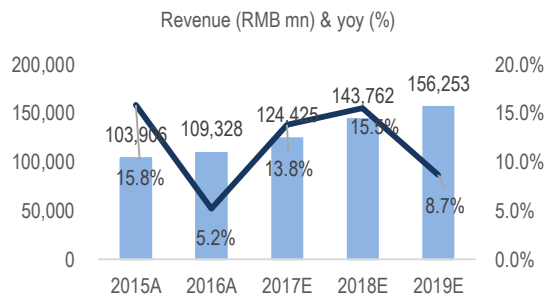
Source: Bloomberg

Figure 50: Contracted Sales & yoy



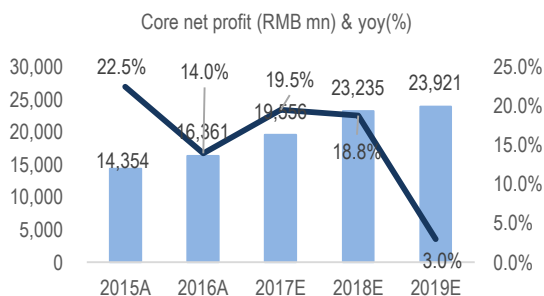
Source: Company Data, AMTD Research

Figure 51: Revenue & yoy



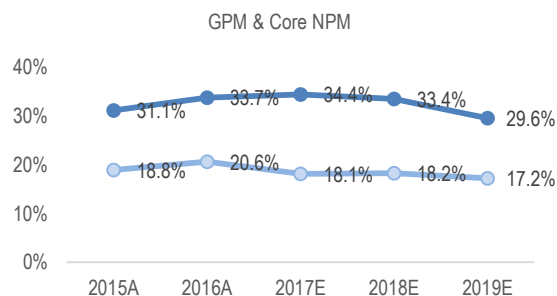
Source: Company Data, AMTD Research

Figure 52: Core Net Profit & yoy



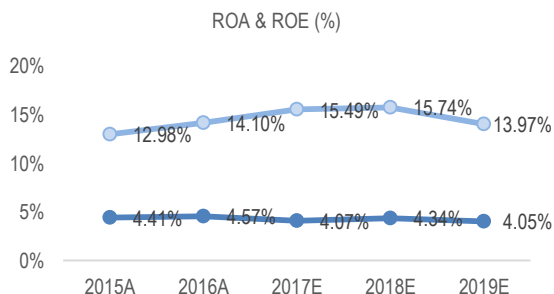
Source: Company Data, AMTD Research

Figure 53: GPM & Core NPM



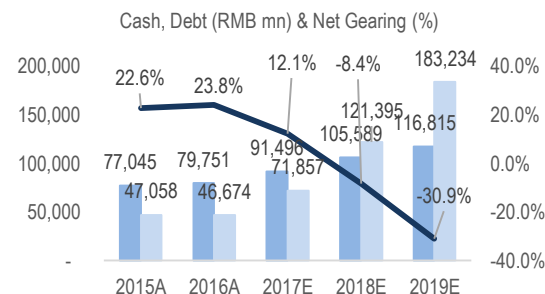
Source: Company Data, AMTD Research

Figure 54: ROA & ROE



Source: Company Data, AMTD Research

Figure 55: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Research

Figure 56: P&L forecast and key ratios

PnL, HK\$m	2015	2016	2017e	2018e	2019e	YoY growth				
						2015	2016	2017e	2018e	2019e
Revenue	103,906	109,328	124,425	143,762	156,253	15.8%	5.2%	13.8%	15.5%	8.7%
Sale of properties	94,019	98,727	112,765	130,935	142,144	15.0%	5.0%	14.2%	16.1%	8.6%
Cost of sales	(71,562)	(72,439)	(81,613)	(95,692)	(110,077)					
Gross profit	32,345	36,889	42,812	48,069	46,175	18.2%	14.0%	16.1%	12.3%	-3.9%
Selling expenses	(3,337)	(3,245)	(3,967)	(4,363)	(3,993)	8.6%	-2.7%	22.2%	10.0%	-8.5%
Administrative expenses	(3,062)	(3,083)	(3,768)	(4,356)	(4,559)	35.9%	0.7%	22.2%	15.6%	4.7%
Share of post-tax loss of an associate	323	618	618	618	618					
Share of post-tax (losses)/profits of joint ventures	(25)	(18)	(18)	(18)	(18)					
Finance costs	(930)	(193)	(42)	(126)	(399)	11.8%	-79.2%	-78.2%	198.5%	217.8%
Profit before tax	32,722	38,387	38,225	42,414	40,413	19.6%	17.3%	-0.4%	11.0%	-4.7%
Income tax expense	(13,160)	(15,888)	(15,670)	(16,181)	(13,493)					
Profit for the year	19,562	22,499	22,555	26,233	26,919	18.7%	15.0%	0.2%	16.3%	2.6%
Profit for the year attributable to:										
Net profit	17,527	19,501	19,556	23,235	23,921	15.8%	11.3%	0.3%	18.8%	3.0%
Core net profit	14,354	16,361	19,556	23,235	23,921	22.5%	14.0%	19.5%	18.8%	3.0%
Non-controlling interests	1,850	2,998	2,998	2,998	2,998					
Dividends	3,975	4,879	4,893	5,814	5,985					
EPS – basic	2.59	2.81	2.82	3.35	3.45					
EPS-underlying	2.59	2.81	2.82	3.35	3.45					
DPS – basic	0.59	0.70	0.71	0.84	0.86					
BVPS	17.09	16.80	19.62	22.97	26.42					
Key Ratios, HK\$m	2015	2016	2017e	2018e	2019e					
GPM	31.1%	33.7%	34.4%	33.4%	29.6%					
NPM	18.8%	20.6%	18.1%	18.2%	17.2%					
Core NPM	13.8%	15.0%	15.7%	16.2%	15.3%					
ROA	4.4%	4.6%	4.1%	4.3%	4.0%					
ROCE	8.4%	8.9%	7.7%	7.9%	7.2%					
ROE	13.0%	14.1%	15.5%	15.7%	14.0%					
Total Debt / EBITDA	2.3x	2.1x	2.4x	2.5x	2.9x					
Total Debt / Equity	58.2%	57.3%	56.6%	56.2%	54.4%					
Total Debt / Capitalization	36.8%	36.4%	36.1%	36.0%	35.2%					
Net Debt / EBITDA	0.9x	0.9x	0.5x	-0.4x	-1.6x					
Net Debt / Equity	22.6%	23.8%	12.1%	-8.4%	-30.9%					
Net Debt / Capitalization	14.3%	15.1%	7.8%	-5.4%	-20.0%					
Current Ratio	151.1%	146.0%	155.1%	167.0%	181.1%					
Cash / Total Assets	11.8%	10.9%	15.0%	22.7%	31.0%					
Inventory / Total Assets	48.7%	46.0%	46.4%	42.5%	37.4%					
Net debt / Net Inventory	15.5%	16.8%	8.8%	-7.0%	-30.1%					
Quick Ratio	126.2%	123.1%	123.4%	117.1%	109.2%					
Cash Ratio	24.9%	22.9%	31.7%	49.9%	71.8%					
Interest Coverage	7.6x	8.3x	8.3x	8.6x	6.9x					

Source: Company data, AMTD Equity Research

Figure 57: Balance sheet & cash flow forecast

Balance Sheet, HK\$mn	2015	2016	2017e	2018e	2019e
Non-current assets	112,147	129,100	129,100	129,100	129,100
Current assets	285,470	297,944	351,479	406,070	461,791
Properties for sale	193,103	195,663	222,047	226,616	220,013
Bank balances and cash	47,058	46,674	71,857	121,395	183,234
Others	45,309	55,608	57,575	58,059	58,544
	285,470	297,944	351,479	406,070	
Current liabilities	188,922	204,108	226,661	243,133	255,023
Advanced proceeds received from customers	96,316	105,663	124,899	139,163	156,739
Borrowings	14,190	11,988	15,306	17,513	11,827
Others	78,416	86,457	86,457	86,457	86,457
Non-current liabilities	76,207	83,778	92,204	104,090	121,002
Bank and other borrowings	62,855	62,077	76,190	88,076	104,988
Others	13,352	21,701	16,015	16,015	16,015
	76,207	83,778	92,204		
Capital and reserves	132,488	139,159	161,713	187,946	214,866
Equity attributable to owners of the Company	115,574	116,438	135,994	159,229	183,150
Non-controlling interests	16,914	22,721	25,719	28,718	31,716
Cash Flow Statement, HK\$mn	2015	2016	2017e	2018e	2019e
Profit before income tax	32,722	38,387	38,225	42,414	40,413
Operating cash flows before movements in working capital	27,709	31,790	37,782	42,055	40,328
Increase in properties for sale	(11,012)	(7,822)	(26,384)	(4,569)	6,602
Increase in advances received from pre-sales of properties	19,195	15,455	19,235	14,265	17,576
Cash (used in) from operations	51,405	31,024	30,634	51,751	64,506
PRC Income tax paid	(11,092)	(15,532)	(15,670)	(16,181)	(13,493)
Net cash (used in) from operating activities	40,313	15,491	14,963	35,570	51,013
Net cash used in investing activities	(27,152)	(8,957)	(42)	(126)	(399)
Financing activities					
Proceeds from borrowings	43,099	33,433	23,733	29,399	28,739
Repayments of borrowings	(53,377)	(25,560)	(11,988)	(15,306)	(17,513)
Net cash from (used in) financing activities	(7,886)	(4,146)	11,744	14,093	11,226
Net increase in cash and cash equivalents	5,276	2,389	26,666	49,538	61,839
Effect of foreign exchange rate changes	(2,893)	(2,940)	-	-	-
Cash and cash equivalents at beginning of the year	43,359	45,742	45,191	71,857	121,395
Cash and cash equivalents at end of the year	45,742	45,191	71,857	121,395	183,234

Source: Company data, AMTD Equity Research

Greentown

Lack of growth momentum

High quality product but no sales growth

Greentown is famous for its high-end product. The company mainly focuses on Yangzi River delta and Bohai Rim. The company has 50% and 31.8% of total landbank in Yangzi River delta and Bohai Rim. In addition to the property development, the company is also involving: 1) unique town development, 2) branding export 3) asset management 4) commercial project management & service provider.

Attributable contracted sales grew at 23% yoy, but contracted sales increased by only 1%

As of 31 July 2017, the company has achieved RMB 52.7bn of contracted sales, up only 1%. However, attributable contracted sales increased by 23% yoy to RMB 28.4bn. 61.2% of attributable contracted sales are contributed from Yangzi River delta. The attributable contracted sales have reached 56.8% of its target of RMB 50bn. The target is 2% lower than 2016 attributable contracted sales. The company's pessimistic target also indicates the management's view of physical market. The company has over 60% of saleable resource in 1st and 2nd tier cities. We believe the company will miss the window period for destocking in 3rd and lower tier cities.

Net gearing maintains over 90% in 1H2017

The company has acquired only 12 land parcels in 1H2017, which are mainly located in 1st and 2nd tier cities. The average land cost amounts to RMB 8,323 per sq.m. The total land premium is RMB 24.5bn (attributable land premium is RMB 16.0bn). The attributable land premium accounted for 57% of attributable contracted sales in 1H2017. If the company keep acquiring land parcels in 2H2017, we believe net gearing ratio will maintain at a high level, say 81% in 2017.

GPM declined to 19.6% in 1H2017

The company GPM in 1H2017 further declined to only 19.6% (24.5% in 1H2016). We believe GPM wouldn't improve in near term, especial the company still struggle to destock its old projects and acquired new projects at bad time (Lishui/Yiwu/Hangzhou projects cost RMB 5,490/11,900/15,835 per sq.m). It is hard for the company to improve margins unless another round of home price surge comes. We estimate GPM maintain at low level at 21.2%/22.6%/23.9% in 2017 to 2019.

Initial with 'Hold', Target price of HK\$7.92

The company did not actively destock its old projects in 3rd tier cities and pessimistic on property market. The unchanged sales target also affects the company revenue growth in next 2 years. Furthermore, the company acquired land parcels at relatively high cost, which should affect its profitability. Additionally, the company did not grasp the window period to destock and generate more cash to lower gearing. Target price is HK\$7.92, which implies 8.2x 17PE & 8.1x 18PE, 0.6x 17PB & 0.6x 18PB.

Stock code: 3900.HK

Rating: Hold

Price target (HK\$)	8.91
Current price (HK\$, 14 Sep 2017)	10.16
Upside/downside %	-12%
Market cap (HK\$ m)	21,999
Market cap (US\$ m)	2,816
Avg daily turnover (HK\$ m)	5.8

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2016	2017e	2018e	2019e
Revenue	28,976	31,975	34,334	36,265
yoy %	11%	10%	7%	6%
Net profit	1,513	2,126	2,154	2,489
yoy %	184%	41%	1%	16%
Adjusted NP	1,488	2,126	2,154	2,489
yoy %	186%	43%	1%	16%
Gross margin	20.8%	21.1%	22.6%	23.9%
Net gearing	58.1%	57.7%	56.3%	56.7%
EPS	0.70	0.98	1.00	1.15
DPS	0.12	0.18	0.18	0.21
BPS	11.42	12.40	13.40	14.55

Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	13.1	9.3	9.2	7.9
P/BV	0.80	0.74	0.68	0.63
Div. yield	1.3%	1.9%	2.0%	2.3%
ROE	6.1%	8.3%	7.7%	8.2%
ROA	0.9%	1.1%	1.0%	1.0%

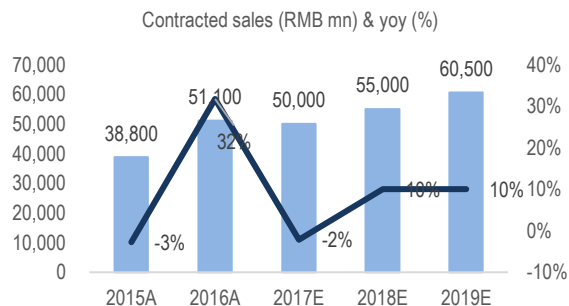
Source: Bloomberg, AMTD Equity Research

Share price performance



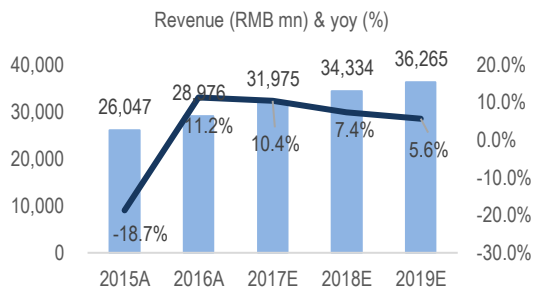
Source: Bloomberg

Figure 58: Contracted Sales & yoy



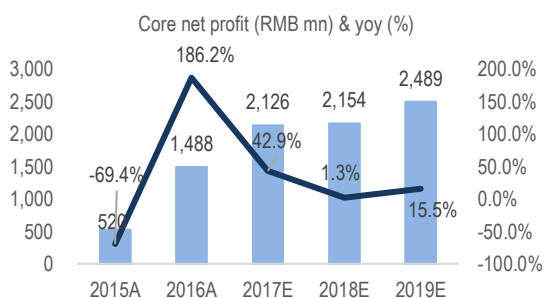
Source: Company Data, AMTD Research

Figure 59: Revenue & yoy



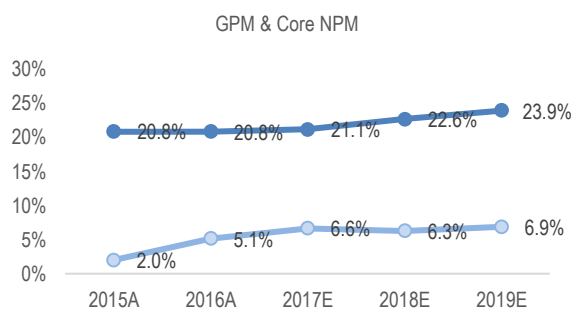
Source: Company Data, AMTD Research

Figure 60: Core Net Profit & yoy



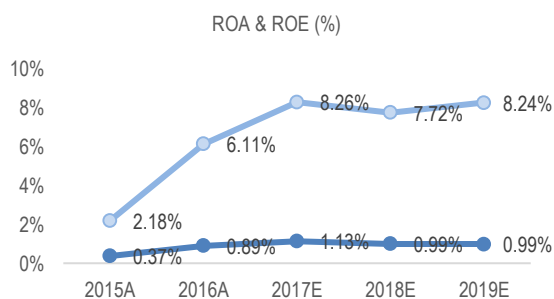
Source: Company Data, AMTD Research

Figure 61: GPM & Core NPM



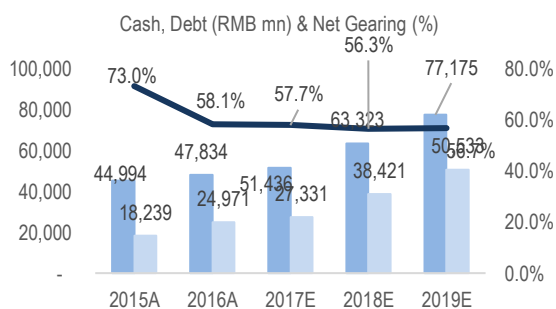
Source: Company Data, AMTD Research

Figure 62: ROA & ROE



Source: Company Data, AMTD Research

Figure 63: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Research

Figure 64: P&L forecast and key ratios

PnL, RMBmn	2015	2016	2017e	2018e	2019e	2015	2016	2017e	2018e	2019e
Revenue	26,047	28,976	31,975	34,334	36,265	-18.7%	11.2%	10.4%	7.4%	5.6%
Property development and sales	23,326	25,521	28,175	30,153	31,666					
Cost of sales	(20,626)	(22,954)	(25,226)	(26,575)	(27,611)					
Gross profit	5,421	6,022	6,749	7,759	8,654	-33.3%	11.1%	12.1%	15.0%	11.5%
Selling expenses	(1,229)	(1,347)	(1,320)	(1,100)	(1,597)	23.9%	9.6%	-2.0%	-16.7%	45.2%
Administrative expenses	(2,573)	(2,861)	(2,800)	(3,080)	(3,388)	40.2%	11.2%	-2.1%	10.0%	10.0%
Share of post-tax loss of an associate	1,436	1,256	787	894	1,243					
Share of post-tax (losses)/profits of joint ventures	232	169	169	254	279					
Finance costs	(886)	(1,037)	(1,049)	(1,088)	(952)	30.3%	17.1%	1.1%	3.7%	-12.5%
Profit before tax	2,935	3,748	5,085	5,136	5,735	-50.5%	27.7%	35.7%	1.0%	11.7%
Income tax expense	(1,675)	(1,526)	(2,250)	(2,272)	(2,537)					
Profit for the year	1,259	2,223	2,836	2,864	3,198	-60.8%	76.5%	27.6%	1.0%	11.7%
Profit for the year attributable to:										
Net profit	532	1,513	2,126	2,154	2,489	-69.1%	184.2%	40.5%	1.3%	15.5%
Core net profit	520	1,488	2,126	2,154	2,489	-69.4%	186.2%	42.9%	1.3%	15.5%
Non-controlling interests	446	305	305	305	305					
Perpetual Securities & others	281	404	404	404	404					
Dividends	0	260	383	388	448					
EPS - basic	0.25	0.70	0.98	1.00	1.15					
EPS-underlying	0.25	0.70	0.98	0.99	1.15					
DPS - basic	0.24	0.69	0.98	1.00	1.15					
BVPS	0.00	0.12	0.18	0.18	0.21					
Key Ratios, RMBmn	2015	2016	2017e	2018e	2019e					
GPM	20.8%	20.8%	21.1%	22.6%	23.9%					
NPM	2.0%	5.2%	6.6%	6.3%	6.9%					
Core NPM	2.0%	5.1%	6.6%	6.3%	6.9%					
ROA	0.4%	0.9%	1.1%	1.0%	1.0%					
ROCE	0.7%	1.8%	2.4%	2.1%	2.1%					
ROE	2.2%	6.0%	7.9%	7.4%	7.9%					
Total Debt / EBITDA	13.0x	10.8x	8.4x	10.2x	11.5x					
Total Debt / Equity	122.7%	121.6%	123.2%	143.2%	164.2%					
Total Debt / Capitalization	55.1%	54.9%	55.2%	58.9%	62.1%					
Net Debt / EBITDA	7.7x	5.2x	3.9x	4.0x	4.0x					
Net Debt / Equity	73.0%	58.1%	57.7%	56.3%	56.7%					
Net Debt / Capitalization	32.8%	26.2%	25.9%	23.2%	21.5%					
Current Ratio	168.4%	168.0%	160.4%	168.2%	176.1%					
Cash / Total Assets	12.6%	14.7%	14.5%	17.6%	20.0%					
Inventory / Total Assets	50.7%	51.9%	55.5%	56.4%	57.5%					
Net debt / Net Inventory	36.6%	25.9%	23.0%	20.3%	18.3%					
Quick Ratio	143.5%	139.6%	134.1%	135.2%	137.5%					
Cash Ratio	24.9%	28.4%	26.3%	33.0%	38.6%					
Interest Coverage	1.2x	1.4x	1.6x	1.4x	1.2x					

Source: Company data, AMTD Equity Research

Figure 65: Balance sheet & cash flow forecast

Balance Sheet, RMBmn	2015	2016	2017e	2018e	2019e
Non-current assets	21,130	22,111	22,111	22,111	22,111
Current assets	123,383	147,684	166,543	195,837	230,426
Properties for development	73,196	14,289	14,289	14,289	14,289
Pledged bank deposits	3,359	2,293	2,293	2,293	2,293
Bank balances and cash	14,880	22,678	25,039	36,128	48,240
Others	31,949	108,424	124,922	143,127	165,605
Current liabilities	73,266	87,928	103,799	116,428	130,839
Advanced proceeds received from customers	22,223	38,423	51,248	66,195	84,139
Borrowings	15,037	10,037	13,083	10,765	7,233
Others	36,006	39,468	39,468	39,468	39,468
Non-current liabilities	34,587	42,541	43,097	57,303	74,687
Bank and other borrowings - due after one year	29,957	37,797	38,353	52,558	69,942
Others	4,630	4,745	4,745	4,745	4,745
Capital and reserves	36,660	39,327	41,758	44,218	47,012
Equity attributable to owners of the Company	24,001	24,690	26,816	28,971	31,459
Perpetual capital instruments	3,015	5,599	5,599	5,599	5,599
Non-controlling interests	9,644	9,037	9,343	9,648	9,954
Cash Flow Statement, RMBmn	2015	2016	2017e	2018e	2019e
Profit before income tax	2,935	3,748	5,085	5,136	5,735
Operating cash flows before movements in working capital	2,514	2,845	5,085	5,136	5,735
Decrease in properties under development	6,024	-5,691	-16,498	-18,205	-22,478
Decrease in pre-sale deposits	-12	12,654	12,825	14,947	17,944
Cash (used in) from operations	3,346	5,861	1,412	1,878	1,202
Income taxes paid	-2,620	-2,411	-2,250	-2,272	-2,537
Net cash (used in) from operating activities	726	3,450	-837	-394	-1,336
Net cash used in investing activities	-1,380	2,166	0	0	0
Financing activities					
Proceeds from borrowings	15,431	29,262	13,639	24,970	24,617
Repayments of borrowings	-16,979	-21,494	-10,037	-13,083	-10,765
Net cash from (used in) financing activities	7,760	2,112	3,198	11,483	13,448
Net increase in cash and cash equivalents	7,106	7,728	2,361	11,089	12,112
Effect of foreign exchange rate changes	40	70	0	0	0
Cash and cash equivalents at beginning of the year	7,734	14,880	22,678	25,039	36,128
Cash and cash equivalents at end of the year	14,880	22,678	25,039	36,128	48,240

Source: Company data, AMTD Equity Research

KWG

Enter fast track of growth & value release in next 4 years

Guangdong base player in core cities of China

KWG is a Guangdong base developer found in 1995, which focuses on 1st tier cities and core 2nd tier cities in Bohai Rim, Yangtze River delta and Pearl River delta. The company develops high-end residences and prime commercial property in prime location in core cities. Some projects are cooperated with Longfor/Sunac/Poly/Greentown and Logan. The company's strong office pipeline amounts to over RMB 10bn, which located in Beijing/Shanghai/Guangzhou/Chengdu. The management targets achieving annual growth of 30-40% in 2018-2020 and reaching RMB 9bn of net profit in 2020. (30% annual growth is based on strict tightening scenario; 40% annual growth is based on normal tightening scenario.)

Sales increased by 28.6% yoy in Jan. to Jul. 2017, representing 60.5% of 2017 target

The company's attributable sales increased by 28.6% yoy to RMB 16.9bn. The ASP increased by 25% yoy to RMB 16,722 per sq.m. The company plans to launch RMB 55.5bn saleable resource to achieve its sales in 2017, 33.5bn of which are launched in 2H2017. RMB10.3/9.4/8.4bn of saleable resource located in South China/ East China/Chengdu/Tianjin. The company will acquire more projects by M&A to reduce land cost.

30-40% annually growth, How?

The management aims to achieve 30-40% yoy growth in 2018-2020; we believe entering new surrounding cities should be an efficient way to boost its sales and scale. The company has been rooted in Greater Bay area and looking for opportunities to enter more cities in the area. Besides, the company will more actively enter surrounding cities of entered cities. The company will explore and expend its coverage in entered cities by existed local term. Additionally, en-bloc sales of commercial projects will be a booster in strict tightening environment in near term. The company has RMB 450bn of saleable resource, which is sufficient for the growth target. Moreover, the delivering pipeline in 2018-2020 shows the GPM will maintain on high level. The growth target is delivered by high GPM and absolute amount increase.

Solid 1H2017 result, lower net gearing ratio, low borrowing cost, 36% of GPM and decent net profit growth

The company maintains its high GPM in 1H2017, which is 36%, up 0.4 ppts yoy. The core net profit grew by 15.4% yoy to RMB 1.5bn. Average borrowing cost lowers to only 5.8% in 1H2017 (7.4% in 2015 and 6.0% in 2016). Net gearing ratio lowers to 64.1% (66.8% in 2016). We believe the company will further lower its net gearing in future, thanks to sufficient land reserve, high GPM delivery and fast sales pace in next 4 years.

Entered fast track of growth, TP of HK\$ 10.71, initial with 'Buy'

The company is a very conservative and moderate developer with high quality of products. The company has come to the timing for releasing its value of saleable resource. The company will enter a fast track of growth in next 3 years. We initiate KWG with 'BUY' and TP of HK\$ 10.71, which implies 7.9x 17PE & 6.9x 18 PE, 1.1x 17PB & 0.9x 18PB.

Stock code: 1813.HK

Rating: Buy

Price target (HK\$) 10.71

Current price (HK\$, 14 Sep 2017) 8.36

Upside/downside % 28%

Market cap (HK\$ m) 26,472

Market cap (US\$ m) 3,388

Avg daily turnover (HK\$ m) 7.6

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2016	2017e	2018e	2019e
Revenue	8,865	12,115	15,958	20,427
yoy %	6%	37%	32%	28%
Net profit	3,465	3,686	4,244	5,196
yoy %	1%	6%	15%	22%
Adjusted NP	3,340	3,686	4,244	5,196
yoy %	16%	10%	15%	22%
Gross margin	34.6%	34.6%	35.5%	35.7%
Net gearing	66.8%	58.7%	44.4%	20.3%
EPS	1.15	1.22	1.40	1.72
DPS	0.40	0.43	0.49	0.60
BPS	7.93	9.15	10.55	12.27

Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	6.6	6.2	5.4	4.4
P/BV	0.9	0.8	0.7	0.6
Div. yield	5.4%	5.7%	6.5%	8.0%
ROE	14.4%	14.3%	14.3%	15.1%
ROA	3.1%	3.1%	3.2%	3.5%

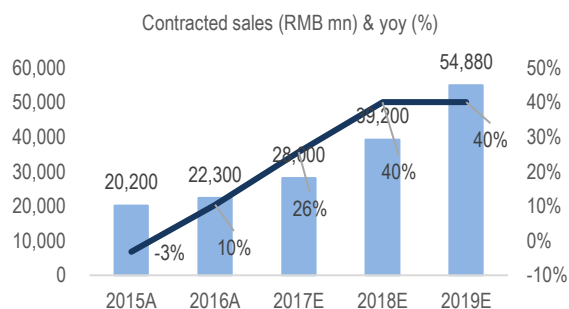
Source: Bloomberg, AMTD Equity Research

Share price performance



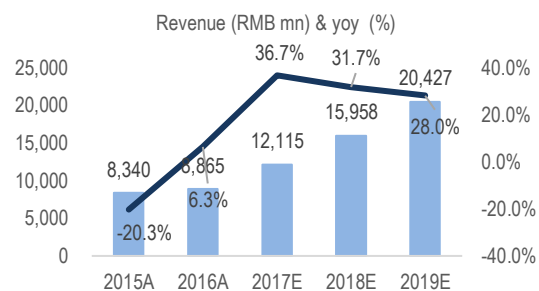
Source: Bloomberg

Figure 66: Contracted Sales & yoy



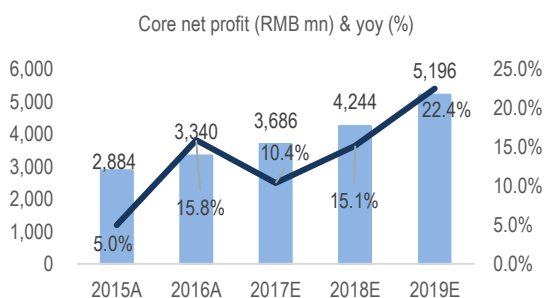
Source: Company Data, AMTD Research

Figure 67: Revenue & yoy



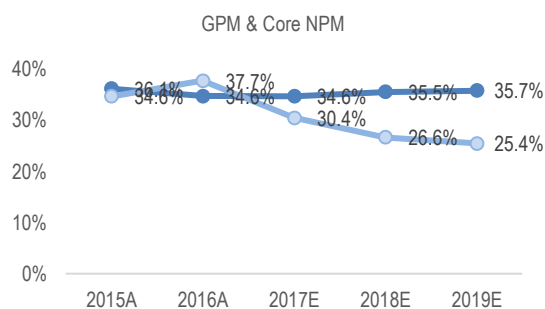
Source: Company Data, AMTD Research

Figure 68: Core Net Profit & yoy



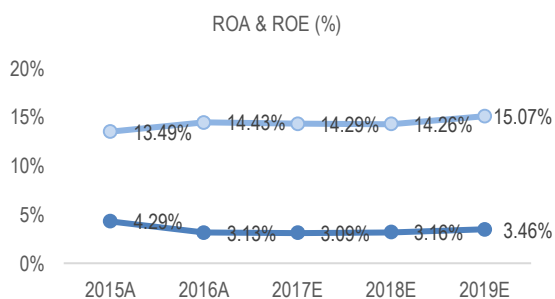
Source: Company Data, AMTD Research

Figure 69: GPM & Core NPM



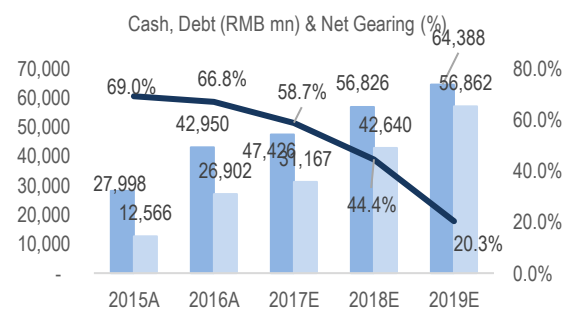
Source: Company Data, AMTD Research

Figure 70: ROA & ROE



Source: Company Data, AMTD Research

Figure 71: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Research

Figure 72: P&L forecast and key ratios

PnL, RMBmn	2015	2016	2017e	2018e	2019e	YoY growth				
						2015	2016	2017e	2018e	2019e
Revenue	8,340	8,865	12,115	15,958	20,427	-20.3%	6.3%	36.7%	31.7%	28.0%
Sale of properties	7,563	7,923	11,079	14,818	19,173	-22.6%	4.8%	39.8%	33.7%	29.4%
Cost of sales	(5,330)	(5,795)	(7,922)	(10,000)	(12,732)					
Gross profit	3,009	3,070	4,193	5,957	7,695	-19.0%	2.0%	36.6%	35.1%	28.9%
Selling expenses	(277)	(323)	(406)	(568)	(796)	-7.3%	16.7%	25.8%	40.0%	40.0%
Administrative expenses	(775)	(969)	(1,218)	(1,705)	(2,387)	-2.5%	25.1%	25.7%	40.0%	7.8%
Share of post-tax loss of an associate	(3)	0	0	0	0					
Share of post-tax (losses)/profits of joint ventures	1,935	2,130	1,812	1,756	1,756					
Finance costs	(10)	(160)	(177)	(212)	(240)	71.8%	1429.8%	10.4%	19.8%	13.3%
Profit before tax	4,662	4,527	4,818	5,842	6,642	0.4%	-2.9%	6.4%	15.1%	22.5%
Income tax expense	(1,249)	(1,066)	(1,145)	(1,389)	(1,579)					
Profit for the year	3,413	3,462	3,673	4,454	5,063	4.4%	1.4%	6.4%	15.1%	22.5%
Profit for the year attributable to:										
Net profit	3,416	3,465	3,676	4,457	5,066	4.4%	1.4%	6.4%	15.1%	22.4%
Core net profit	2,884	3,340	3,676	4,457	5,066	5.0%	15.8%	10.4%	15.1%	22.4%
Non-controlling interests	(3)	(3)	(3)	(3)	(3)					
Dividends	869	1,557	1,287	1,560	1,773					
EPS - basic	1.15	1.15	1.22	1.48	1.68					
EPS-underlying	0.97	1.11	1.22	1.48	1.68					
DPS - basic	0.29	0.40	0.43	0.52	0.59					
BVPS	7.53	7.93	9.14	10.62	12.30					
Key Ratios, RMBmn	2015	2016	2017e	2018e	2019e					
GPM	36.1%	34.6%	34.6%	35.5%	35.7%					
NPM	41.0%	39.1%	30.4%	26.6%	25.4%					
Core NPM	34.6%	37.7%	30.4%	26.6%	25.4%					
ROA	4.3%	3.1%	3.1%	3.2%	3.5%					
ROCE	7.2%	5.9%	5.2%	5.2%	5.5%					
ROE	13.5%	14.4%	14.3%	14.3%	15.1%					
Total Debt / EBITDA	5.8x	8.9x	9.5x	9.9x	9.2x					
Total Debt / Equity	125.2%	178.9%	171.3%	178.0%	173.4%					
Total Debt / Capitalization	55.6%	64.1%	63.1%	64.0%	63.4%					
Net Debt / EBITDA	3.2x	3.3x	3.3x	2.5x	1.1x					
Net Debt / Equity	69.0%	66.8%	58.7%	44.4%	20.3%					
Net Debt / Capitalization	30.6%	24.0%	21.6%	16.0%	7.4%					
Current Ratio	132.0%	158.4%	187.9%	201.3%	181.0%					
Cash / Total Assets	15.8%	24.3%	26.1%	31.8%	37.8%					
Inventory / Total Assets	34.4%	41.0%	41.6%	39.6%	36.6%					
Net debt / Net Inventory	56.3%	35.4%	32.7%	26.7%	13.7%					
Quick Ratio	93.0%	101.6%	117.8%	114.1%	91.1%					
Cash Ratio	39.0%	56.9%	70.1%	87.2%	89.9%					
Interest Coverage	2.1x	1.7x	1.7x	1.6x	1.7x					

Source: Company data, AMTD Equity Research

Figure 73: Balance sheet & cash flow forecast

Balance Sheet, RMBmn	2015	2016	2017e	2018e	2019e
Non-current assets	37,190	35,795	35,795	35,795	35,795
Current assets	42,492	74,947	83,497	98,605	114,559
Properties held under development	20,895	38,503	42,799	46,515	48,861
Properties held for sale	6,534	6,866	6,866	6,866	6,866
Restricted bank deposits	1,620	1,131	1,131	1,131	1,131
Bank balances and cash	10,946	25,771	30,026	41,417	55,025
Others	2,497	2,676	2,676	2,676	2,676
Current liabilities	32,190	47,309	44,437	48,872	63,252
Borrowings	3,036	4,186	4,587	5,841	9,170
Advanced proceeds received from customers	3,983	4,754	1,481	4,662	15,714
Others	25,171	38,369	38,369	38,369	38,369
Non-current liabilities	25,133	39,424	47,173	53,392	49,903
Borrowings	24,015	38,196	45,945	52,164	48,675
Others	1,118	1,228	1,228	1,228	1,228
Capital and reserves	22,359	24,009	27,682	32,135	37,199
Equity attributable to owners of the Company	22,341	23,950	27,627	32,083	37,150
Non-controlling interests	18	58	55	52	49
Cash Flow Statement, RMBmn	2015	2016	2017e	2018e	2019e
Profit before income tax	4,662	4,527	4,818	5,548	6,794
Operating cash flows before movements in working capital	2,149	2,270	2,830	3,580	4,798
Cash (used in) from operations	3,114	524	(1,064)	1,412	6,265
Interest received	41	170	177	212	240
Interest paid	(2,337)	(2,231)	(2,997)	(3,591)	(4,069)
PRC Income tax paid	(232)	(324)	(557)	(641)	(785)
Land appreciation tax paid	(285)	(229)	(578)	(666)	(815)
Net cash (used in) from operating activities	301	(2,091)	(5,020)	(3,275)	835
Net cash used in investing activities	(1,370)	3,318	4,809	5,348	5,826
Financing activities					
Proceeds from borrowings	4,699	9,068	9,230	10,881	12,224
Repayments of borrowings	(5,155)	(11,148)	(4,754)	(1,481)	(4,662)
Net cash from (used in) financing activities	1,890	13,580	4,476	9,400	7,562
Net increase in cash and cash equivalents	820	14,807	4,255	11,391	13,608
Effect of foreign exchange rate changes	32	17	0	0	0
Cash and cash equivalents at beginning of the year	10,094	10,946	25,771	30,026	41,417
Cash and cash equivalents at end of the year	10,946	25,771	30,026	41,417	55,025

Source: Company data, AMTD Equity Research

Logan Property

High margin visibility back by core resource in Shenzhen

Presence in Shenzhen, fully cover Great Bay area

Logan property is a Shenzhen-based developer which focuses in developing properties in Greater Bay Region. The company well covers core cities in Greater Bay region 1) Shenzhen, hometown of Logan, 2) Satellite cities of Shenzhen: Dongguan and Huizhou; 3) beneficial area for greater bay strategy: Zhongzheng, Foshan and Zhuhai. The company has entered fast growing track since 2014; contracted sales in 2015 grew by 114% yoy to RMB23.5bn, which is supported by home price surge in Shenzhen. In first 7 months, the company has achieved 63% of its RMB 34.5bn sales target. The company revises up the target to RMB 37bn.

81% of RMB388bn saleable in Greater Bay area at low land cost

By the end of 1H2017, 81% of RMB388bn saleable resource located in Greater bay area, with total GFA of 14.8mn sq.m and costed at only RMB 4,680 per sq.m, (costed at RMB 3,373 per sq.m excluding HK and Singapore project). ASP in 1H2017 amounts to RMB 15,452 per sq.m, which is around 3x of its land cost. We believe gross margin will be easily above 30% in next 3 years. The company will participate more industrial redevelopment in Greater Bay area to protect its GPM.

30% yoy fast growth in terms of sales and profit ahead

By the end of 1H2017, unrecognized revenues amount to RMB23bn, at over 34% gross profit margin. The chairman targeted 30% annualized growth of sales and profit in next 5 years. RMB 233bn of saleable resource can be launched within 2 years to support its growth.

Activate population movement in Greater Bay

The company will be benefited by development of Greater Bay, especially in Shenzhen (most of projects are on top of subway), Zhongshan, Zhuhai and Foshan. More efficient traffic network will activate population movement in Greater Bay. Development plan of Greater Bay will accelerate infrastructures in West Guangdong for connecting the West and the East of Guangdong province more closely: 1) improving highway network and intercity transportation system in West Guangdong 2) New highway from Zhongshan to Shenzhen directly, which will enhance the population flow between Shenzhen and Zhongshan. By this network, population inflows from West Guangdong to Zhongshan, Foshan and Zhuhai are expected to increase. Additionally, dual-direction population flow between Shenzhen and Zhongshan will highly increase.

Initiate with 'Hold' rating, price target HK\$8.36

Backing by its good portfolio of landbank at low land cost, we estimate its gross profit margin will be higher than 30% in 2017e-2019e. We forecast revenue CAGR of 31%, net profit CAGR of 41% during 2016-2019e. We forecast ROE to expand to 20.96% in 2019e from 15.77% in 2016. However, the valuation have priced in most of positive factors and enjoyed high premium already. We initiate with 'Hold'. Our price target applies 30% discount to Dec-17 NAV, which implies 9.1x 17PE and 7.4x 18PE, 1.7 17PB and 1.4x 18PB

Stock code: 3380.HK

Rating: Hold

Price target (HK\$) 8.36

Current price (HK\$, 14 Sep 2017) 7.79

Upside/downside % 7%

Market cap (HK\$ m) 43,815

Market cap (US\$ m) 5,609

Avg daily turnover (HK\$ m) 5.0

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2016	2017e	2018e	2019e
Revenue	20,539	26,666	35,743	46,676
yoy %	41%	30%	34%	31%
Net profit	4,488	4,558	5,615	7,728
yoy %	69%	2%	23%	38%
Adjusted NP	2,752	4,558	5,615	7,728
yoy %	41%	66%	23%	38%
Gross margin	31.9%	35.9%	32.7%	34.5%
Net gearing	72.3%	56.8%	33.9%	-1.9%
EPS	0.81	0.82	1.01	1.40
DPS	0.22	0.25	0.30	0.42
BPS	3.51	4.33	5.35	6.74

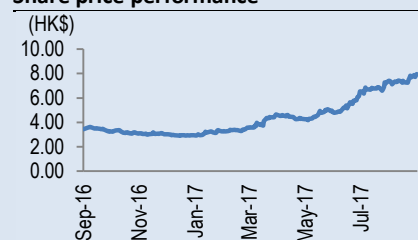
Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	8.7	8.6	6.9	5.0
P/BV	2.0	1.6	1.3	1.0
Div. yield	3.2%	3.5%	4.3%	5.9%
ROE	15.3%	15.8%	16.7%	21.0%
ROA	5.2%	4.7%	5.2%	4.5%

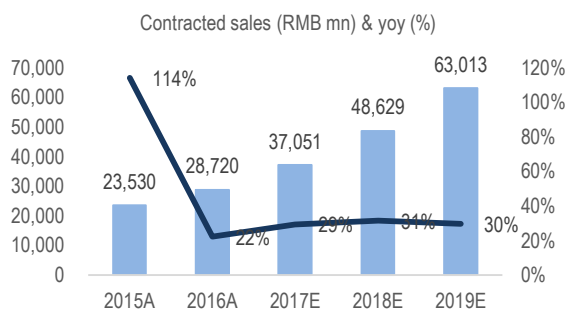
Source: Bloomberg, AMTD Equity Research

Share price performance



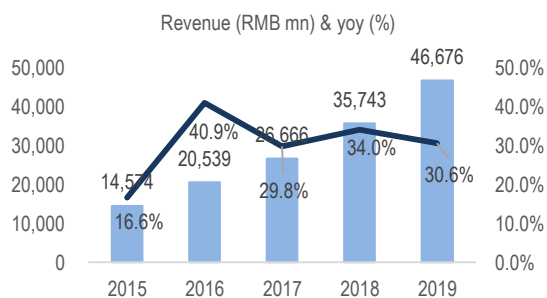
Source: Bloomberg

Figure 74: Contracted Sales & yoy



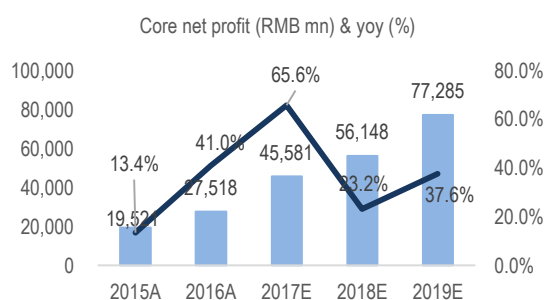
Source: Company Data, AMTD Research

Figure 75: Revenue & yoy



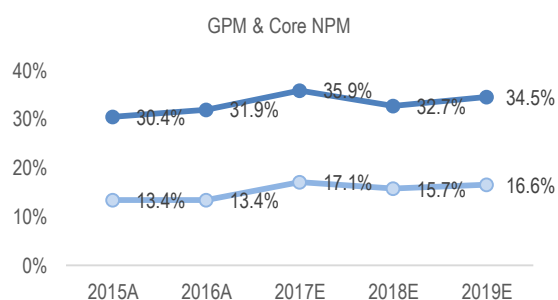
Source: Company Data, AMTD Research

Figure 76: Core Net Profit & yoy



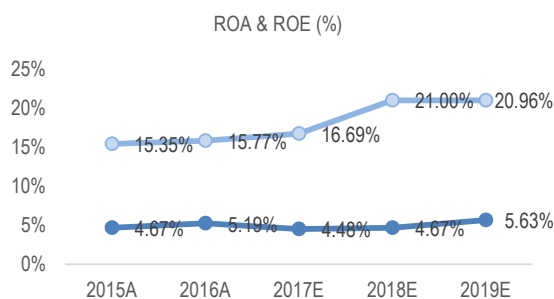
Source: Company Data, AMTD Research

Figure 77: GPM & Core NPM



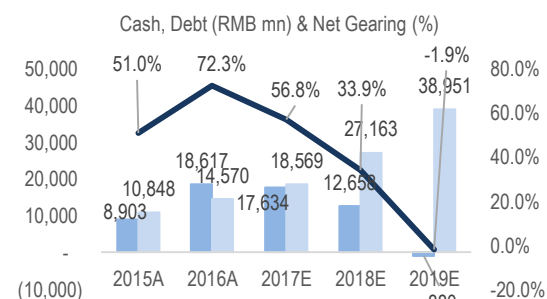
Source: Company Data, AMTD Research

Figure 78: ROA & ROE



Source: Company Data, AMTD Research

Figure 79: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Research

Figure 80: P&L forecast and key ratios

PnL, RMBmn	2015	2016	2017e	2018e	2019e	YoY growth				
						2015	2016	2017e	2018e	2019e
Revenue	14,574	20,539	26,666	35,743	46,676	16.6%	40.9%	29.8%	34.0%	30.6%
Sale of properties	15,247	21,105	26,341	35,384	46,282	17.7%	38.4%	24.8%	34.3%	30.8%
Cost of sales	(10,144)	(13,979)	(17,097)	(24,052)	(30,557)					
Gross profit	4,430	6,560	9,569	11,690	16,119	16.4%	48.1%	45.9%	22.2%	37.9%
Selling expenses	(573)	(714)	(926)	(1,216)	(1,575)	38.7%	24.6%	29.7%	31.2%	29.6%
Administrative expenses	(588)	(557)	(719)	(943)	(1,222)	11.5%	-5.3%	29.1%	31.2%	29.6%
Share of post-tax loss of an associate	-	32	32	32	32					
Share of post-tax (losses)/profits of joint ventures	-	(6)	(6)	(6)	(6)					
Finance costs	(36)	(372)	(317)	(349)	(330)	-61.3%	926.8%	-14.7%	10.0%	-5.3%
Profit before tax	4,174	7,933	7,859	9,435	13,244	12.3%	90.1%	-0.9%	20.0%	40.4%
Income tax expense	(1,486)	(2,734)	(2,589)	(3,108)	(4,803)					
Profit for the year	2,688	5,200	5,270	6,327	8,441	11.0%	93.5%	1.4%	20.0%	33.4%
Profit for the year attributable to:										
Net profit	2,649	4,488	4,558	5,615	7,728	12.8%	69.4%	1.6%	23.2%	37.6%
Core net profit	1,952	2,752	4,558	5,615	7,728	13.4%	41.0%	65.6%	23.2%	37.6%
Non-controlling interests	39	712	712	712	712					
Dividends	653	1,229	1,367	1,684	2,319					
EPS - basic	0.52	0.81	0.82	1.01	1.40					
EPS-underlying	0.39	0.50	0.82	1.01	1.40					
DPS - basic	0.13	0.22	0.25	0.30	0.42					
BVPS	2.68	3.51	4.33	5.35	6.74					
Key Ratios, RMBmn	2015	2016	2017e	2018e	2019e					
GPM	30.4%	31.9%	35.9%	32.7%	34.5%					
NPM	18.2%	21.8%	17.1%	15.7%	16.6%					
Core NPM	13.4%	13.4%	17.1%	15.7%	16.6%					
ROA	4.7%	5.2%	4.5%	4.7%	5.6%					
ROCE	7.9%	9.3%	7.2%	7.8%	9.6%					
ROE	14.4%	14.2%	19.0%	19.0%	20.7%					
Total Debt / EBITDA	6.0x	5.9x	4.4x	4.1x	2.8x					
Total Debt / Equity	113.1%	128.9%	116.7%	106.6%	83.1%					
Total Debt / Capitalization	53.1%	56.3%	53.9%	51.6%	45.4%					
Net Debt / EBITDA	2.7x	3.3x	2.2x	1.3x	-0.1x					
Net Debt / Equity	51.0%	72.3%	56.8%	33.9%	-1.9%					
Net Debt / Capitalization	23.9%	31.6%	26.2%	16.4%	-1.0%					
Current Ratio	220.0%	188.4%	197.0%	174.4%	178.7%					
Cash / Total Assets	19.1%	16.8%	18.2%	22.6%	28.4%					
Inventory / Total Assets	49.7%	46.5%	50.6%	51.0%	48.5%					
Net debt / Net Inventory	31.6%	46.3%	34.2%	20.7%	-1.3%					
Quick Ratio	172.0%	141.5%	147.5%	123.0%	115.0%					
Cash Ratio	48.0%	46.9%	49.6%	51.4%	63.7%					
Interest Coverage	2.0x	2.9x	5.0x	5.5x	8.0x					

Source: Company data, AMTD Equity Research

Figure 81: Balance sheet & cash flow forecast

Balance Sheet, RMBmn	2015	2016	2017e	2018e	2019e
Non-current assets	7,011	27,980	27,980	27,980	27,980
Current assets	49,760	58,521	73,812	92,139	109,259
Properties held under development	21,950	31,639	42,931	52,664	57,996
Properties held for sale	6,249	8,558	8,558	8,558	8,558
Restricted bank deposits	2,212	1,010	1,010	1,010	1,010
Bank balances and cash	8,635	13,560	17,558	26,153	37,940
Others	10,714	3,754	3,754	3,754	3,754
Current liabilities	22,621	31,055	37,465	52,845	61,134
Borrowings	4,045	5,118	4,523	11,521	9,381
Advanced proceeds received from customers	11,008	16,049	23,055	31,436	41,866
Others	7,568	9,887	9,887	9,887	9,887
Non-current liabilities	16,689	29,695	33,306	29,927	30,316
Borrowings	15,706	28,068	31,679	28,299	28,689
Others	984	1,627	1,627	1,627	1,627
Capital and reserves	17,461	25,751	31,022	37,348	45,789
Equity attributable to owners of the Company	13,549	19,427	23,985	29,600	37,328
Non-controlling interests	3,912	6,324	7,037	7,749	8,461
Cash Flow Statement, RMBmn	2015	2016	2017e	2018e	2019e
Profit before taxation	4,174	7,933	7,859	9,435	13,244
Operating cash flows before movements in working capital	3,239	5,185	8,177	9,784	13,574
Increase in inventories and land deposits	(6,344)	(11,660)	(11,292)	(9,733)	(5,332)
(Increase)/Decrease in trade and other receivables	(18)	6,678	-	-	-
Increase/(Decrease) in trade and other payables	5,129	6,500	7,005	8,381	10,430
Cash (used in) from operations	2,006	6,703	3,889	8,433	18,672
PRC Income tax paid	(1,242)	(1,875)	(2,589)	(3,108)	(4,803)
Net cash (used in) from operating activities	764	4,828	1,300	5,324	13,869
Net cash used in investing activities	(911)	(12,840)	(317)	(349)	(330)
Financing activities					
Proceeds from borrowings	8,437	14,823	7,519	8,142	9,771
Repayments of borrowings	(10,157)	(10,971)	(4,503)	(4,523)	(11,521)
Net cash from (used in) financing activities	3,115	12,786	3,016	3,619	(1,751)
Net increase in cash and cash equivalents	2,967	4,775	3,999	8,594	11,788
Cash and cash equivalents at beginning of the year	5,576	8,635	13,560	17,558	26,153
Cash and cash equivalents at end of the year	8,635	13,560	17,558	26,153	37,940

Source: Company data, AMTD Equity Research

Longfor Properties

Stable growth ahead

High disciplined, non-SOE, national developer

Longfor Properties is a national developer with presence in 31 cities among 5 economic areas in China. It started its business in Chongqing and expanded to other western cities, lately expanded to Yangzi river Delta and Pan Bohai Rim, recently entered South China Region. It was listed in HK stock market in 2009 and entered rapid growth. In 2014-2016, the company has achieved RMB 49.0bn/54.5bn/ 88.1bn revenue. The company also has its series of investment properties: Paradise Walk, Starry Street & MOCO. The company is strictly controls its SG&A in last decade. In 2014-2016, SG&A over contracted sales was only 4.8%/4.5%/3.9% over its contracted sales, respectively, which is nearly only half of peers'. Net gearing ratio was also restricted to below 60%, but with rapid growth of sales in same period. Moreover, the Company is the only Chinese non-SOE IG name in offshore bond market, whose average funding cost is only 4.7% in 1H2017.

Balanced portfolio 1st and 2nd tier cities with relatively low cost

By the end of 1H2017, 39%/27%/20%/14% of 50.02 million sq.m saleable resource located in Pan Bohai Rim/Western China/Yangtze Riv. Delta/Southern and Central China, which costed at only RMB 4,845 per sq.m. The company has entered Hong Kong and Shenzhen in 1H2017, which fully covered most of 1st and 2nd tier cities in China. ASP in 1H2017 amounts to RMB 15,567 per sq.m, which is around 3x of its land cost.

Explosive sales growth in 2017

In first 7 months of 2017, the company has achieved RMB 103bn of contracted sales, up 118% yoy, representing 93.7% of its RMB 110bn sales target. The company revised up its target to RMB 150bn, up 36% of its original target. RMB 130bn of saleable resource are ready in 2H2017, while 27%/68%/5% of saleable resource located in 1st/2nd/3rd tier cities. The company will selectively launch projects in 2H2017 to protect profitability rather than sale scale.

High visible profitability ahead

The company has unrecognized revenue of RMB 146bn with expected GPM of 26-30%. We believe the fixed land cost and rapid home price jump in last 12 months will enhance Longfor's GPM. We expect Longfor's GPM will be over 30% to 31.9% and 32.2% in 2017 and 2018. Revenue expect to grow at CAGR of 27.7% in 2017-2019.

Initiate with 'Hold' rating, price target HK\$20.87

Backing by its balance portfolio of landbank at low land cost, we estimate its gross profit margin will be higher than 30% in 2017e-2019e. We forecast revenue CAGR of 27.7%, net profit CAGR of 22.5% during 2016-2019e. We forecast ROE to expand to 16.19% in 2019e from 13.59% in 2016. However, the valuation have priced in most of positive factors and enjoyed high premium already. We initiate with 'Hold', price target implies 12.1x 17PE and 10.4x 18PE, 1.5 17PB and 1.3x 18PB.

Stock code: 960.HK

Rating: Hold

Price target (HK\$) 20.87

Current price (HK\$, 14 Sep 2017) 19.66

Upside/downside % 6%

Market cap (HK\$ m) 115,835

Market cap (US\$ m) 14,827

Avg daily turnover (HK\$ m) 8.0

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2016	2017e	2018e	2019e
Revenue	54,799	68,970	88,751	114,214
yoy %	16%	26%	29%	29%
Net profit	9,195	9,007	10,544	14,326
yoy %	-10%	-2%	17%	36%
Adjusted NP	7,800	9,007	10,544	14,326
yoy %	-4%	15%	17%	36%
Gross margin	29.1%	30.7%	29.5%	28.7%
Net gearing	53.9%	26.3%	-8.6%	-45.1%
EPS	1.58	1.55	1.81	2.46
DPS	0.36	0.35	0.41	0.56
BPS	10.62	12.17	13.98	16.44

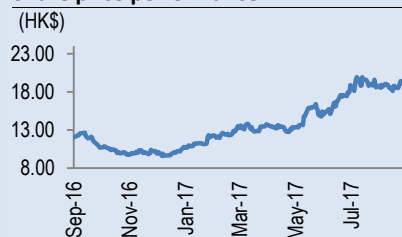
Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	11.2	11.4	9.8	7.2
P/BV	1.7	1.5	1.3	1.1
Div. yield	2.0%	2.0%	2.3%	3.2%
ROE	13.7%	15.8%	13.3%	13.6%
ROA	5.0%	5.5%	4.1%	3.3%

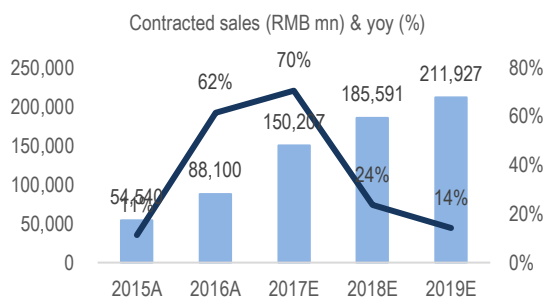
Source: Bloomberg, AMTD Equity Research

Share price performance



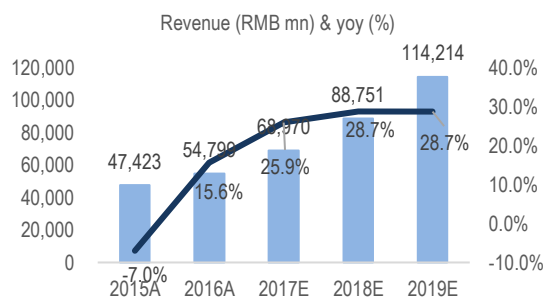
Source: Bloomberg

Figure 82: Contracted Sales & yoy



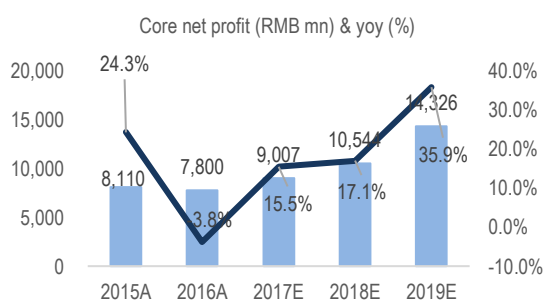
Source: Company Data, AMTD Research

Figure 83: Revenue & yoy



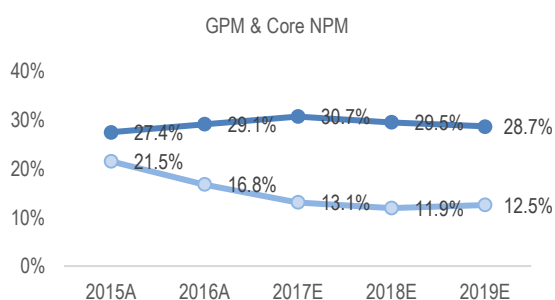
Source: Company Data, AMTD Research

Figure 84: Core Net Profit & yoy



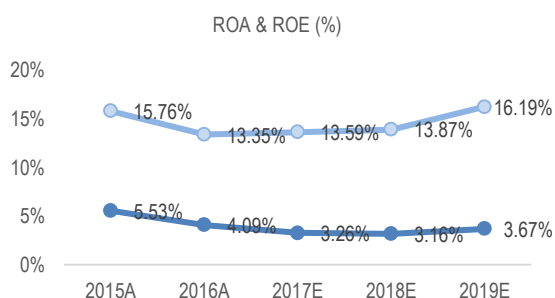
Source: Company Data, AMTD Research

Figure 85: GPM & Core NPM



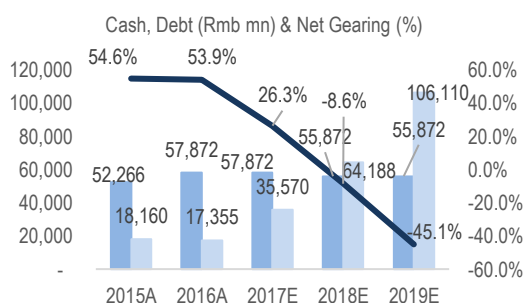
Source: Company Data, AMTD Research

Figure 86: ROA & ROE



Source: Company Data, AMTD Research

Figure 87: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Research

Figure 88: P&L forecast and key ratios

PnL, RMBmn	2015	2016	2017e	2018e	2019e	YoY growth				
						2015	2016	2017e	2018e	2019e
Revenue	47,423	54,799	68,970	88,751	114,214	-7.0%	15.6%	25.9%	28.7%	28.7%
Sale of properties	44,993	51,441	64,702	84,056	109,050					
Cost of sales	(34,408)	(38,864)	(47,826)	(62,588)	(81,475)					
Gross profit	13,015	15,935	21,144	26,163	32,739	-3.7%	22.4%	32.7%	23.7%	25.1%
Selling expenses	(1,018)	(1,428)	(2,433)	(3,007)	(4,239)	-4.4%	40.3%	70.4%	23.6%	41.0%
Administrative expenses	(1,435)	(2,022)	(4,506)	(6,496)	(7,417)	10.6%	40.9%	122.8%	44.1%	14.2%
Share of post-tax loss of an associate	(19)	1,051	1,051	1,051	1,051					
Share of post-tax (losses)/profits of joint ventures	267	383	383	383	383					
Finance costs	(43)	(53)	(53)	(51)	(51)	91.3%	23.1%	-0.2%	-3.5%	0.0%
Profit before tax	13,938	15,956	15,657	18,115	22,538	2.3%	14.5%	-1.9%	15.7%	24.4%
Income tax expense	(3,374)	(5,980)	(5,868)	(6,789)	(7,429)					
Profit for the year	10,564	9,977	9,789	11,326	15,108	20.7%	-5.6%	-1.9%	15.7%	33.4%
Profit for the year attributable to:										
Net profit	10,188	9,195	9,007	10,544	14,326	22.0%	-9.8%	-2.0%	17.1%	35.9%
Core net profit	8,110	7,800	9,007	10,544	14,326	24.3%	-3.8%	15.5%	17.1%	35.9%
Non-controlling interests	376	782	782	782	782					
Dividends	1,654	2,083	2,041	2,389	3,246					
EPS - basic	1.75	1.58	1.55	1.81	2.46					
EPS-underlying	1.74	1.57	1.54	1.81	2.45					
DPS - basic	1.39	1.34	1.55	1.81	2.46					
BVPS	0.28	0.36	0.35	0.41	0.56					
Key Ratios, RMBmn	2015	2016	2017e	2018e	2019e					
GPM	27.4%	29.1%	30.7%	29.5%	28.7%					
NPM	21.5%	16.8%	13.1%	11.9%	12.5%					
Core NPM	17.1%	14.2%	13.1%	11.9%	12.5%					
ROA	5.5%	4.1%	3.3%	3.2%	3.7%					
ROCE	9.6%	7.4%	6.5%	7.2%	9.0%					
ROE	15.8%	13.3%	13.6%	13.9%	16.2%					
Total Debt / EBITDA	4.7x	4.2x	3.7x	3.1x	2.5x					
Total Debt / Equity	83.7%	77.0%	68.2%	58.1%	50.2%					
Total Debt / Capitalization	45.6%	43.5%	40.5%	36.7%	33.4%					
Net Debt / EBITDA	3.1x	2.9x	1.4x	-0.5x	-2.2x					
Net Debt / Equity	54.6%	53.9%	26.3%	-8.6%	-45.1%					
Net Debt / Capitalization	29.7%	30.5%	15.6%	-5.5%	-30.0%					
Current Ratio	169.2%	151.4%	139.2%	129.1%	136.5%					
Cash / Total Assets	9.9%	7.7%	12.9%	19.2%	27.2%					
Inventory / Total Assets	44.6%	44.7%	48.5%	48.7%	45.4%					
Net debt / Net Inventory	41.6%	40.3%	16.6%	-5.1%	-28.4%					
Quick Ratio	143.6%	132.4%	113.2%	95.6%	88.8%					
Cash Ratio	25.6%	19.0%	26.0%	33.5%	47.7%					
Interest Coverage	3.7x	4.6x	5.2x	6.2x	7.7x					

Source: Company data, AMTD Equity Research

Figure 89: Balance sheet & cash flow forecast

Balance Sheet, RMBmn	2015	2016	2017e	2018e	2019e
Non-current assets	63,911	86,342	86,342	86,342	86,342
Current assets	120,177	138,489	190,223	247,262	303,789
Properties held under development	82,036	100,512	134,032	162,453	177,058
Restricted bank deposits	240	97	97	97	97
Bank balances and cash	17,920	17,258	35,472	64,091	106,013
Others	19,981	20,621	20,621	20,621	20,621
Current liabilities	71,047	91,462	136,678	191,557	222,564
Borrowings	33,322	44,125	86,070	133,783	175,202
Advanced proceeds received from customers	6,178	5,333	8,604	15,770	5,359
Others	31,546	42,004	42,004	42,004	42,004
Non-current liabilities	50,574	58,253	54,982	45,816	56,228
Borrowings	46,088	52,539	49,268	40,102	50,513
Others	4,487	5,714	5,714	5,714	5,714
Capital and reserves	62,468	75,115	84,904	96,230	111,339
Equity attributable to owners of the Company	55,125	61,765	70,772	81,316	95,643
Non-controlling interests	7,343	13,350	14,132	14,914	15,696
Cash Flow Statement, RMBmn	2015	2016	2017e	2018e	2019e
Profit before income tax	13,938	15,956	15,657	18,115	22,538
Operating cash flows before movements in working capital	10,655	13,168	15,710	18,167	22,589
Increase in properties under development for sales	(18,305)	(17,219)	(33,520)	(28,421)	(14,605)
Decrease in accounts and bills payables, deposits received and accrued charges	(6,421)	9,175	41,945	47,713	41,419
Cash (used in) from operations	17,164	36,592	24,135	37,459	49,402
PRC Income tax paid	(3,083)	(3,919)	(5,868)	(6,789)	(7,429)
Net cash (used in) from operating activities	14,081	32,673	18,267	30,670	41,973
Net cash used in investing activities	(911)	(12,840)	(317)	(349)	(330)
Net cash used in investing activities	(17,632)	(40,117)	(53)	(51)	(51)
Financing activities					
Proceeds from borrowings	15,037	19,564	5,333	6,604	15,770
Repayments of borrowings	(19,718)	(22,645)	(5,333)	(8,604)	(15,770)
Net cash from (used in) financing activities	2,676	6,782	0	(2,000)	0
Net increase in cash and cash equivalents	(875)	(662)	18,214	28,618	41,922
Cash and cash equivalents at beginning of the year	18,794	17,920	17,258	35,472	64,091
Cash and cash equivalents at end of the year	17,920	17,258	35,472	64,091	106,013

Source: Company data, AMTD Equity Research

LVGEM

Shenzhen redevelopment expert

Shenzhen redevelopment expert & IP developer

LVGEM is a Shenzhen base developer found in 1995. It is rooted in Shenzhen and has projects in Suzhou, Zhuhai, Hong Kong and U.S. The company acquires redevelopment projects in Shenzhen for lowering land cost. Therefore, the company has great profitability while Shenzhen projects will contribute high GPM (expected over 50%) in next 3 years. The company also has prime investment property in Shenzhen. Shenzhen NEO Urban commercial complex located in CBD Futian district, Shenzhen.

Shenzhen projects will be launched in 2H2017

The company's contracted sales in 1H2017 amounted to only RMB 529.3mn. Due to only Huazhou project was launched in May. The company will launch Shenzhen Mangrove Bay No.1 project and Hongwan Gargen project in 2H2017. As of the end of July 2017, Hongwan project has achieved RMB 1bn of subscription, which has to wait for approval to be recognized as contracted sales in 3Q or 4Q2017. Mangrove Bay will be launched at 4Q2017, which is priced at RMB 88K to 90K per sq.m. The total saleable resource of Mangrove and Hongwan project amounts to RMB 14bn, which will contribute high gross margin in next 3 years.

Potential asset injection? It takes time!

If we look at the land reserve, we can see the land bank can support the company maintain its sales scale of RMB 5bn annually (200K sq.m of saleable resource in Shenzhen are priced over 70-90K per sq.m). The potential growth is redevelopment projects are injected by major shareholder. The major shareholder of LGVEM has a few redevelopment projects in Shenzhen, which are under preparation process to convert to be developable lands. It will take long time to convert and no leverage is permitted before the land is converted to be developable land. Therefore, the company needs to take time to wait for the injection. The uncertainty is the cost of the injection, timetable & payment method.

1H2017 result in line, low recognized revenue

Revenue declined by 84% yoy to only RMB 595mn, due to only one project (Huazhou project) is launched in 1H2017. However, the company maintained high GPM in 1H2017, which is 57.8%, up 12.6 pts yoy. As financial cost increase, core NPM declined to only 7.3%, down 7.7 pts

Valuation is high, execution takes time to verify, initial with 'Hold' and TP of HK\$2.45

LVGEM's projects are very profitable and in prime locations, which will help the company reduce gearing, high profitability visibility and better cash generation. However, these improvements are based on one factor: execution of project launching is the key. Currently, LVGEM is trading at 6.1x 18PE, which has priced in most positive factors. Therefore, we initial with 'Hold' and TP of HK\$ 2.45, which implies 9.5x 17PE & 6.8x 18 PE, 0.8x 17PB & 0.7x 18PB.

Stock code: 95.HK

Rating: Hold

Price target (HK\$)	2.45
Current price (HK\$, 14 Sep 2017)	2.2
Upside/downside %	12%
Market cap (HK\$ m)	10,326
Market cap (US\$ m)	1,322
Avg daily turnover (HK\$ m)	1.0

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2016	2017e	2018e	2019e
Revenue	4,590	4,997	6,195	7,018
yoy %	279%	9%	24%	13%
Net profit	802	810	1,133	1,348
yoy %	92%	1%	40%	19%
Adjusted NP	618	810	1,133	1,348
yoy %	501%	31%	40%	19%
Gross margin	50.0%	52.5%	56.8%	57.6%
Net gearing	93.8%	69.7%	59.7%	37.7%
EPS	0.23	0.23	0.33	0.39
DPS	0.01	0.00	0.00	0.00
BPS	2.59	2.82	3.15	3.53

Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	8.6	8.5	6.1	5.1
P/BV	0.8	0.7	0.6	0.6
Div. yield	0.6%	0.0%	0.0%	0.0%
ROE	7.3%	8.6%	11.0%	11.6%
ROA	3.1%	2.7%	3.4%	3.7%

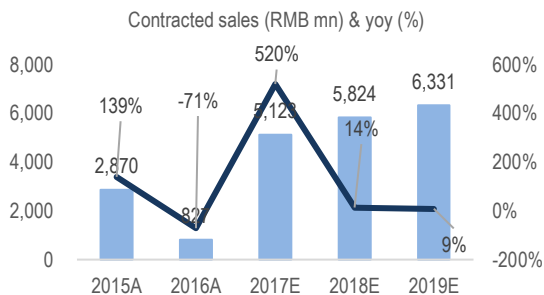
Source: Bloomberg, AMTD Equity Research

Share price performance



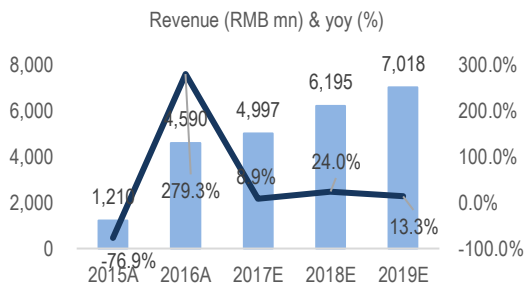
Source: Bloomberg

Figure 90: Contracted Sales & yoy



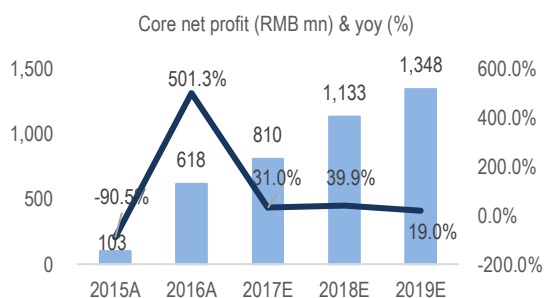
Source: Company Data, AMTD Research

Figure 91: Revenue & yoy



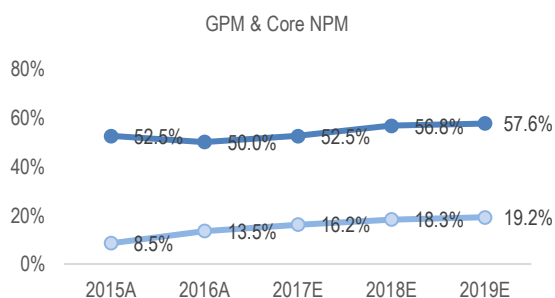
Source: Company Data, AMTD Research

Figure 92: Core Net Profit & yoy



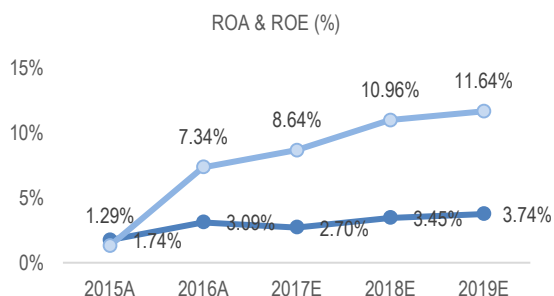
Source: Company Data, AMTD Research

Figure 93: GPM & Core NPM



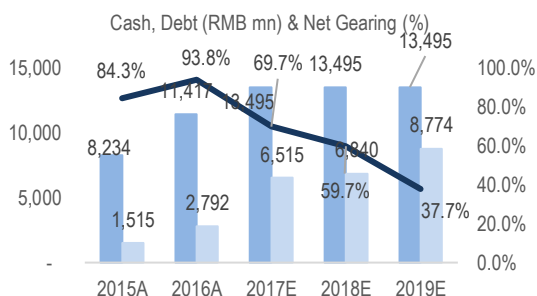
Source: Company Data, AMTD Research

Figure 94: ROA & ROE



Source: Company Data, AMTD Research

Figure 95: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Research

Figure 96: P&L forecast and key ratios

PnL, RMBmn	2015	2016	2017e	2018e	2019e	YoY growth				
						2015	2016	2017e	2018e	2019e
Revenue	1,210	4,590	4,997	6,195	7,018	-76.9%	279.3%	8.9%	24.0%	13.3%
Sale of properties	576	3,956	4,313	5,456	6,219	-87.7%	587.0%	9.0%	26.5%	14.0%
Cost of sales	(575)	(2,294)	(2,373)	(2,678)	(2,974)					
Gross profit	635	2,296	2,624	3,517	4,043	-73.8%	261.3%	14.3%	34.0%	15.0%
Selling expenses	(57)	(58)	(128)	(146)	(158)	10.0%	3.2%	119.7%	13.7%	8.7%
Administrative expenses	(239)	(349)	(246)	(280)	(304)	40.0%	45.9%	-29.5%	13.7%	8.7%
Share of post-tax loss of an associate	0	0	0	0	0					
Share of post-tax (losses)/profits of joint ventures	(0)	(0)	0	0	0					
Finance costs	(263)	(407)	(393)	(500)	(500)	20.4%	54.6%	-3.3%	27.2%	0.0%
Profit before tax	591	1,853	1,857	2,592	3,081	-79.6%	213.6%	0.2%	39.6%	18.9%
Income tax expense	(166)	(1,045)	(1,041)	(1,452)	(1,727)					
Profit for the year	425	809	816	1,139	1,354	-75.7%	90.5%	0.9%	39.6%	18.9%
Profit for the year attributable to:										
Net profit	418	802	810	1,133	1,348	-76.1%	92.0%	0.9%	39.9%	19.0%
Core net profit	103	618	810	1,133	1,348	-90.5%	501.3%	31.0%	39.9%	19.0%
Non-controlling interests	7	6	6	6	6					
EPS - basic	0.12	0.23	0.23	0.33	0.39					
EPS-underlying	0.03	0.18	0.23	0.33	0.39					
DPS - basic	0.18	0.01	0.00	0.00	0.00					
BVPS	2.32	2.59	2.82	3.15	3.53					
Key Ratios, RMBmn	2015	2016	2017e	2018e	2019e					
GPM	52.5%	50.0%	52.5%	56.8%	57.6%					
NPM	34.5%	17.5%	16.2%	18.3%	19.2%					
Core NPM	8.5%	13.5%	16.2%	18.3%	19.2%					
ROA	1.7%	3.1%	2.7%	3.4%	3.7%					
ROCE	2.6%	4.4%	3.7%	4.7%	5.3%					
ROE	1.3%	7.3%	8.6%	11.0%	11.6%					
Total Debt / EBITDA	9.6x	5.1x	6.0x	4.4x	3.8x					
Total Debt / Equity	103.3%	124.1%	134.8%	121.0%	107.9%					
Total Debt / Capitalization	50.8%	55.4%	57.4%	54.7%	51.9%					
Net Debt / EBITDA	7.9x	3.8x	3.1x	2.2x	1.3x					
Net Debt / Equity	84.3%	93.8%	69.7%	59.7%	37.7%					
Net Debt / Capitalization	41.5%	41.8%	29.7%	27.0%	18.2%					
Current Ratio	144.4%	198.2%	285.5%	258.7%	195.9%					
Cash / Total Assets	6.3%	10.8%	21.7%	20.8%	24.4%					
Inventory / Total Assets	22.5%	21.3%	19.6%	25.6%	26.8%					
Net debt / Net Inventory	124.4%	155.9%	119.1%	79.2%	48.9%					
Quick Ratio	123.3%	150.1%	166.1%	162.7%	116.4%					
Cash Ratio	21.1%	48.0%	119.4%	95.9%	79.5%					
Interest Coverage	1.4x	3.7x	3.7x	4.0x	4.6x					

Source: Company data, AMTD Equity Research

Figure 97: Balance sheet & cash flow forecast

Balance Sheet, RMBmn	2015	2016	2017e	2018e	2019e
Non-current assets	13,607	14,399	14,399	14,399	14,399
Current assets	10,385	11,525	15,575	18,439	21,629
Properties under development	2,110	3,977	5,861	8,400	9,656
Completed properties held for sale	3,294	1,556	0	0	0
Cash and cash equivalents	1,515	2,792	6,515	6,840	8,774
Others	3,467	3,200	3,200	3,200	3,200
Current liabilities	7,193	5,816	5,455	7,129	11,042
Borrowings	1,676	3,580	2,063	2,011	4,089
Advanced proceeds received from customers	3,944	547	1,903	3,628	5,464
Others	1,573	1,690	1,490	1,490	1,490
Non-current liabilities	8,825	10,910	14,505	14,557	12,479
Borrowings	6,558	7,837	11,432	11,483	9,406
Others	2,268	3,073	3,073	3,073	3,073
Capital and reserves	7,973	9,198	10,014	11,153	12,507
Equity attributable to owners of the Company	7,881	8,965	9,774	10,907	12,255
Non-controlling interests	92	233	240	246	252
Cash Flow Statement, RMBmn	2015	2016	2017e	2018e	2019e
Operating activities					
Profit before income tax	591	1,853	1,857	2,592	3,081
Adjustments items	(187)	226	0	0	0
Changes in working capital:	0	0	0	0	0
Increase in inventories	(508)	697	(327)	(2,539)	(1,256)
Advanced proceeds received from customers	2,680	(3,579)	1,356	1,725	1,836
Others	(722)	645	0	0	0
Cash (used in) from operations	1,854	(158)	2,886	1,777	3,661
Income taxes paid	(382)	(585)	(1,041)	(1,452)	(1,727)
Net cash (used in) from operating activities	1,472	(743)	1,846	325	1,934
Net cash used in investing activities	(1,000)	(1,495)	0	0	0
Financing activities					
Proceeds from borrowings	4,503	6,279	5,658	2,063	2,011
Repayment of borrowings	(4,407)	(2,427)	(3,580)	(2,063)	(2,011)
Net cash from (used in) financing activities	(373)	3,315	2,077	0	0
Net increase in cash and cash equivalents	99	1,077	3,923	325	1,934
Effect of foreign exchange rate changes	1	1	0	0	0
Cash and cash equivalents at beginning of the year	1,415	1,515	2,592	6,515	6,840
Cash and cash equivalents at end of the year	1,515	2,592	6,515	6,840	8,774

Source: Company data, AMTD Equity Research

R & F

High GPM, IP income is expected to jump in 2018

Enjoying GPM improvement through home price surge in last 12 months

R&F is a Guangzhou base developer that focuses in developing and investment properties in core 1st and 2nd tier cities. The company has benefited by home price surge in last 12 months to boost its recognized GPM to over 35% in next two years. Moreover, the company acquired 77 Wanda's hotels, which amounted to 3.35mn GFA and costed at only RMB 5.9k per sq.m. We believe the incremental hotels will bring more than RMB 5bn of hotel revenue in 2018 (only RMB1.5bn in 2016).

Contracted sales increased by 33% yoy, achieving 61% of RMB 73bn of sales target

The company has achieved RMB 44.8bn of contracted sales, up 33% yoy, 61% of sales target. The company revised up the target to RMB 80bn, which is backed by RMB 152bn saleable resource in 2017. RMB 103bn saleable resource will be launched in 2H2017. In 1H2017, the company has launched only 4 new projects; another 24 new projects will be launched in 2H2017. The company just achieved only 50% sell-through rate to meet the target, not a harsh mission. As of 30 June 2017, in terms of GFA, 19%/51%/16%/10% of total land bank located in 1st/2nd/3rd tier cities and U.K. & Malaysia.

Solid 1H2017 result

Topline declined by 8.8% yoy, but GPM surged by 11 ppts to 36.2%. Gross profit increased by 30% yoy. To RMB 7.39bn. Core earnings increased by 18.7% yoy to RMB 2.05bn. NPM improved from 10% in 1H2016 to 12.5% in 1H2017. Net gearing ratio increased from 159.9% in 2016 to 192.9% in 1H2017, up 33 ppts.

More unrecognized revenue with high GPM will booked in 2H2017 but it remains high leverage

The company will pay RMB 10bn for Wanda's hotels and RMB 49bn of land premium and construction cost. Regarding to profitability, we expect its margins will rebound in next 2 years, thanks to home price surge. Its GPM in 1H2017 is 36.2%. As more GFA in Beijing, Guangzhou, Hainan, Hangzhou, Huizhou and Foshan will be delivered (Blended GPM is over 42%), we estimate the GPM in 2017 will be over 35% or even higher. The company will deliver 4.8mn sq.m in 2017 and 6.8mn sq.m in 2018, revenue will be RMB 60.6bn/ 72.2bn/80.0bn. We believe even though the company achieves its sales, the company's net gearing ratio in 2017 will still be over 100%. However, average borrowing cost lower to 5.04% in 1H2017 (6.57% in 1H2016).

Initial with 'Hold', Target price of HK\$ 21.07

IP income is expected to increase by RMB 5.26bn in 2018, which will enhance its revenue. The company will also accelerate its delivery pace to boost its property sales income with over 35% GPM in 2017 and 2018. More saleable are launched in 2H2017 to boost its sales growth as well. These are positive for the share price and we believe the company core net profit will have a big jump (57% yoy) in 2017, which have priced in the share price partly. Therefore, we set the target price of HK\$ 21.07, which implies 9.2x PE17, 7.0x PE18 and 1.2x PB17 and 1.0x PB18.

Stock code: 2777.HK

Rating: Hold

Price target (HK\$)	21.07
Current price (HK\$, 14 Sep 2017)	18.62
Upside/downside %	18.64
Market cap (HK\$ m)	13%
Market cap (US\$ m)	60,065
Avg daily turnover (HK\$ m)	7,689

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2016	2017e	2018e	2019e
Revenue	53,730	60,655	72,187	80,043
yoy %	21%	13%	19%	11%
Net profit	6,756	6,662	8,745	10,117
yoy %	20%	-1%	31%	16%
Adjusted NP	5,506	6,662	8,745	10,117
yoy %	12%	21%	31%	16%
Gross margin	28.3%	30.3%	30.2%	30.4%
Net gearing	159.9%	114.7%	78.0%	46.7%
EPS	2.10	2.07	2.72	3.14
DPS	0.65	0.62	0.82	0.94
BPS	13.61	15.68	18.39	21.54

Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	8.0	8.1	6.2	5.3
P/BV	1.2	1.1	0.9	0.8
Div. yield	3.9%	3.7%	4.9%	5.6%
ROA	13.0%	14.1%	16.0%	15.7%
ROE	3.0%	2.8%	3.4%	3.9%

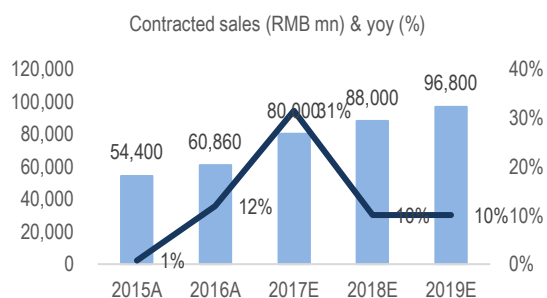
Source: Bloomberg, AMTD Equity Research

Share price performance



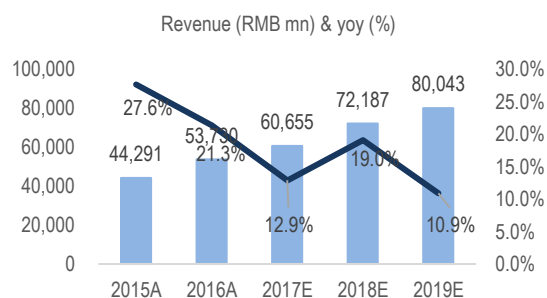
Source: Bloomberg

Figure 98: Contracted Sales & yoy



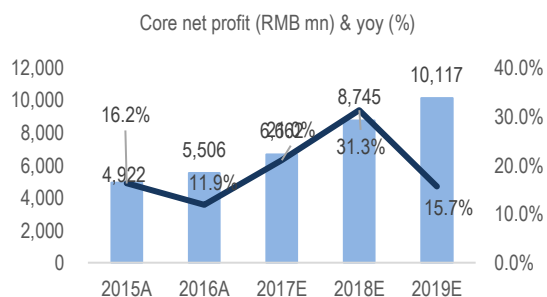
Source: Company Data, AMTD Research

Figure 99: Revenue & yoy



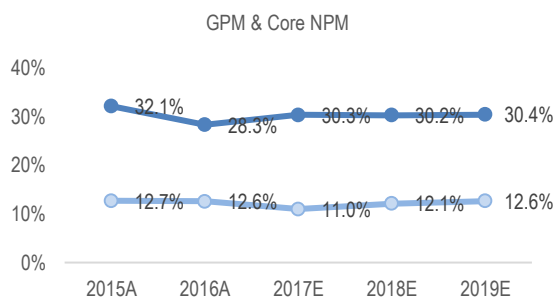
Source: Company Data, AMTD Research

Figure 100: Core Net Profit & yoy



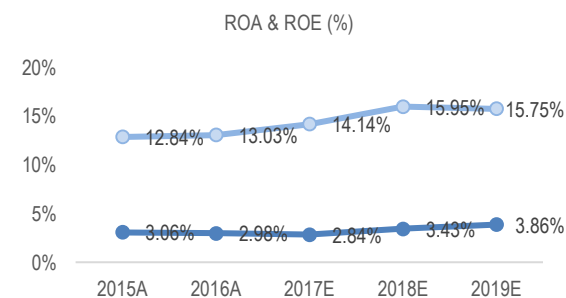
Source: Company Data, AMTD Research

Figure 101: GPM & Core NPM



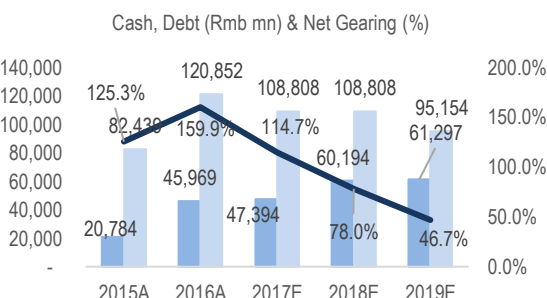
Source: Company Data, AMTD Research

Figure 102: ROA & ROE



Source: Company Data, AMTD Research

Figure 103: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Research

Figure 104: P&L forecast and key ratios

PnL, RMBmn	2015	2016	2017e	2018e	2019e	YoY growth				
						2015	2016	2017e	2018e	2019e
Revenue	44,291	53,730	60,655	72,187	80,043	27.6%	21.3%	12.9%	19.0%	10.9%
Sale of properties	40,744	49,489	55,771	61,581	69,200	28.7%	21.5%	12.7%	10.4%	12.4%
Cost of sales	(30,084)	(38,544)	(42,284)	(50,374)	(55,733)					
Gross profit	14,207	15,187	18,371	21,812	24,310	15.4%	6.9%	21.0%	18.7%	11.5%
Selling expenses	(897)	(1,315)	(1,729)	(1,902)	(2,092)	0.1%	46.7%	31.4%	10.0%	10.0%
Administrative expenses	(2,410)	(2,673)	(4,000)	(3,865)	(4,251)	8.5%	10.9%	49.7%	-3.4%	10.0%
Share of post-tax loss of an associate	1,343	844	929	1,022	1,124					
Share of post-tax (losses)/profits of joint ventures	(19)	(64)	(64)	(64)	(64)					
Finance costs	(2,154)	(2,367)	(2,334)	(2,334)	(2,055)	77.1%	9.9%	-1.4%	0.0%	-11.9%
Profit before tax	11,590	11,869	11,689	15,185	17,488	14.1%	2.4%	-1.5%	29.9%	15.2%
Income tax expense	(4,877)	(4,813)	(4,726)	(6,140)	(7,071)					
Profit for the year	6,712	7,056	6,962	9,045	10,417	3.2%	5.1%	-1.3%	29.9%	15.2%
Profit for the year attributable to:										
Net profit	5,616	6,756	6,662	8,745	10,117	7.6%	20.3%	-1.4%	31.3%	15.7%
Core net profit	4,922	5,506	6,662	8,745	10,117	16.2%	11.9%	21.0%	31.3%	15.7%
Holders of perpetual capital instruments	1,105	274	274	274	274					
Non-controlling interests	-9	26	26	26	26					
Dividends	1,654	2,083	1,999	2,624	3,035					
EPS - basic	1.75	2.10	2.07	2.72	3.14					
EPS-underlying	1.54	1.71	2.07	2.72	3.14					
DPS - basic	0.52	0.65	0.62	0.82	0.94					
BVPS	12.70	13.61	15.68	18.39	21.54					
Key Ratios, RMBmn	2015	2016	2017e	2018e	2019e					
GPM	32.1%	28.3%	30.3%	30.2%	30.4%					
NPM	12.7%	12.6%	11.0%	12.1%	12.6%					
Core NPM	11.1%	10.2%	11.0%	12.1%	12.6%					
ROA	3.1%	3.0%	2.8%	3.4%	3.9%					
ROCE	4.3%	4.0%	4.1%	5.1%	6.0%					
ROE	12.8%	13.0%	14.1%	16.0%	15.7%					
Total Debt / EBITDA	5.8x	8.2x	7.8x	6.2x	4.9x					
Total Debt / Equity	167.5%	258.0%	203.3%	174.7%	131.4%					
Total Debt / Capitalization	62.6%	72.1%	67.0%	63.6%	56.8%					
Net Debt / EBITDA	4.4x	5.1x	4.4x	2.8x	1.7x					
Net Debt / Equity	125.3%	159.9%	114.7%	78.0%	46.7%					
Net Debt / Capitalization	46.8%	44.7%	37.8%	28.4%	20.2%					
Current Ratio	172.2%	203.9%	239.0%	181.9%	188.9%					
Cash / Total Assets	11.3%	20.3%	20.2%	23.6%	23.4%					
Inventory / Total Assets	55.3%	47.8%	49.2%	48.2%	49.3%					
Net debt / Net Inventory	60.7%	69.2%	53.2%	39.6%	26.2%					
Quick Ratio	146.5%	151.4%	174.8%	126.3%	132.2%					
Cash Ratio	25.7%	52.6%	64.2%	55.7%	56.7%					
Interest Coverage	5.3x	6.2x	6.2x	7.7x	8.6x					

Source: Company data, AMTD Equity Research

Figure 105: balance sheet & cash flow forecast

Balance Sheet, RMBmn	2015	2016	2017e	2018e	2019e
Non-current assets	44,573	48,034	58,034	58,034	58,034
Current assets	139,160	178,378	176,451	196,681	204,315
Properties held under development	78,672	81,135	88,342	95,773	102,304
Properties held for sale	22,428	26,783	26,783	26,783	26,783
Bank balances and cash	13,970	25,306	26,731	39,531	40,634
Others	24,089	45,154	34,594	34,594	34,594
Current liabilities	80,820	87,474	73,826	108,104	108,165
Short-term borrowings	32,679	33,682	6,604	29,424	18,340
Deposits received on sale of properties	18,408	19,547	32,976	44,435	55,579
Others	29,733	34,245	34,245	34,245	34,245
Non-current liabilities	53,695	92,101	107,134	84,315	81,745
Borrowings	49,759	87,170	102,203	79,384	76,814
Others	3,936	4,931	4,931	4,931	4,931
Equity attributable to owners of the Company	40,712	43,778	50,440	59,186	69,302
Perpetual capital instruments	7,978	2,404	2,404	2,404	2,404
Non-controlling interests	528	654	680	706	732
Cash Flow Statement, RMBmn	2015	2016	2017e	2018e	2019e
Profit for the year	6,712	7,056	6,962	9,045	10,417
Operating cash flows before movements in working capital	13,649	15,129	18,143	21,640	22,494
— Properties under development and completed properties held for sale	(211)	(1,165)	(7,208)	(7,431)	(6,531)
— Deposits received on sale of properties	(818)	1,139	13,429	11,459	11,144
Cash (used in) from operations	9,573	5,705	24,364	25,668	27,108
Interest paid	(5,931)	(5,217)	(6,454)	(6,454)	(5,007)
Enterprise income tax and land appreciation tax paid	(3,998)	(3,826)	(4,726)	(6,140)	(7,071)
Net cash (used in) from operating activities	(356)	(3,338)	13,184	13,074	15,030
Net cash used in investing activities	(2,763)	2,526	(10,000)	0	0
Financing activities					
Proceeds from borrowings, net of transaction costs	46,050	72,842	9,218	6,604	15,770
Repayments of borrowings	(32,032)	(38,995)	(10,631)	(6,604)	(29,424)
Net cash from (used in) financing activities	3,526	12,080	(1,687)	(274)	(13,927)
Net increase in cash and cash equivalents	408	11,268	1,497	12,800	1,103
Effect of foreign exchange rate changes	72	29	0	0	0
Cash and cash equivalents at beginning of the year	13,458	13,938	25,235	26,731	39,531
Cash and cash equivalents at end of the year	13,938	25,235	26,731	39,531	40,634

Source: Company data, AMTD Equity Research

Shimao Properties

Back on fast track

National high-end developer is expected to rise again

Shimao properties is a national developer and famous for its early project Shimao Riviera Garden in 2000, which is the first high-rise residence in Shanghai Yangtze River. The company entered fast growth by 50.6% and 45.6% yoy in 2012 and 2013, respectively. As the company has structural destocking, the company's contracted sales almost flattened in 2014 and 2016.

Sales increased by 29.8% yoy in Jan. to Jul. 2017, representing 58.4% of 2017 target

The company revised up its target from RMB 80bn to RMB 88bn. In first 7 months of 2017, the company has achieved RMB 51bn of contracted sales, representing 30% yoy growth of 58.4% of revised sales target. In this year, the management hold more confidence on sales growth and expect to have higher sales growth in 2018. The sign to show the confidence is the company has acquired 27 new land parcels in 1H2017, which costed RMB 24.7bn (average cost is RMB 8,023 per sq.m). The company has RMB 150bn of saleable resource in 2017. 60% sell-through rate would be comfortable to achieve.

Back on fast track and back by land reserve of 34mn sq.m

1H2017 ASP amounts to RMB 16,656 per sq.m, up 17% yoy. The ASP surge accelerates sale growth. Additionally, 34mn sq.m of land reserve is sufficient to boost sales growth in next 3 years. In 2017, 26%/37%/37% of saleable resource located in 1st/strong 2nd/weak 2nd & 3rd tier cities. 60% saleable resource will be launched in 2H2017. In 1H2017, sell-through rate is 60% and cash collection is 80%. The company will acquire more land in 2H2017 for sales growth in future. Therefore, the cash flow should be negative in 2017. GPM is expected to over 30% in next 3 years.

Solid 1H2017 result, GPM keeps improving, quality growth

The company's revenue increased by 19.3% yoy in 1H2017. GPM improved to 29.6%, up 1.4 ppts yoy. Core net profit surged 55.7% yoy to RMB 3.6bn in 1H2017, thanks to the SG&A cost control and only increased by 10% while contracted sales increased by 31%, which accounted for only 5% of contracted sales in 1H2017. The net gearing ratio maintained at 50%.

High ambition for quality growth but risk is still ahead, initial with 'Hold', TP of HK\$ 18.89, 14% upside

The company will acquire more land parcels and 60% of saleable are launched in 2H2017. The plan is promising but need to see how it will be executed, due to its weak growth performance in last 2 years. Moreover, if stricter tightening is launched in 2H2017, contracted sales will be affected significantly; cash flow, net gearing, contracted sales and margins will be affected as well. Currently, share price have surged and priced in part of the positive factors. Therefore, we initial Shimao with 'Hold' and TP of HK\$ 18.89, which implies 8.0x 17PE & 7.0x 18 PE, 1.0x 17PB & 0.9x 18PB.

Stock code: 813.HK

Rating: Hold

Price target (HK\$)	18.89
Current price (HK\$, 14 Sep 2017)	16.26
Upside/downside %	16%
Market cap (HK\$ m)	55,005
Market cap (US\$ m)	7,041
Avg daily turnover (HK\$ m)	7.9

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2016	2017e	2018e	2019e
Revenue	59,286	68,918	77,775	86,082
yoy %	3%	16%	13%	11%
Net profit	5,172	7,274	8,392	9,705
yoy %	-15%	41%	15%	16%
Adjusted NP	4,141	7,274	8,392	9,705
yoy %	-9%	76%	15%	16%
Gross margin	27.6%	30.4%	30.4%	30.4%
Net gearing	50.7%	49.0%	36.5%	20.6%
EPS	1.51	2.12	2.44	2.83
DPS	0.72	1.01	1.16	1.35
BPS	15.28	17.39	19.84	22.66

Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	9.9	7.1	6.1	5.3
P/BV	1.0	0.9	0.8	0.7
Div. yield	4.8%	6.7%	7.8%	9.0%
ROE	8.1%	13.0%	13.1%	13.3%
ROA	2.0%	2.6%	2.8%	2.9%

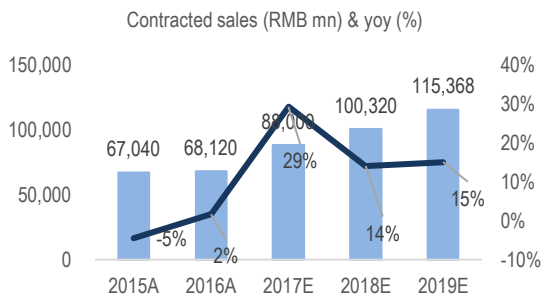
Source: Bloomberg, AMTD Equity Research

Share price performance



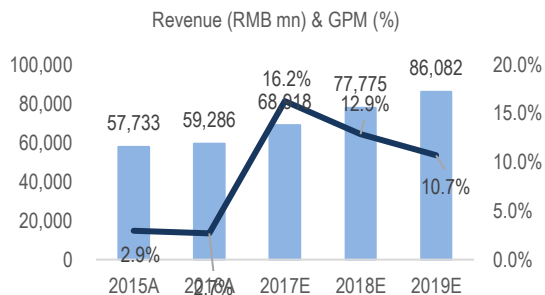
Source: Bloomberg

Figure 106: Contracted Sales & yoy



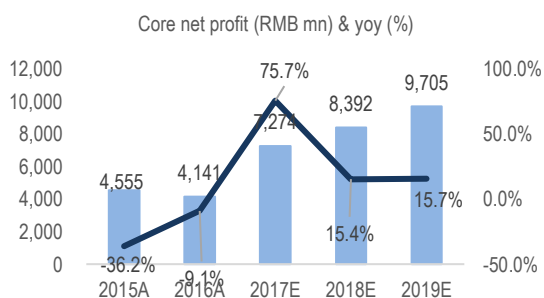
Source: Company Data, AMTD Research

Figure 107: Revenue & yoy



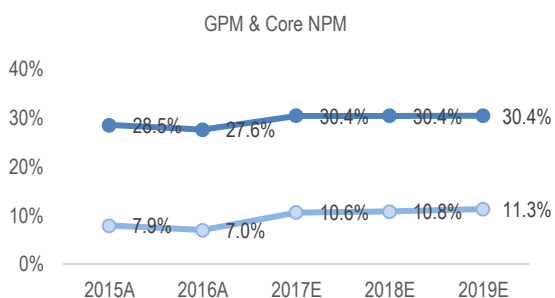
Source: Company Data, AMTD Research

Figure 108: Core Net Profit & yoy



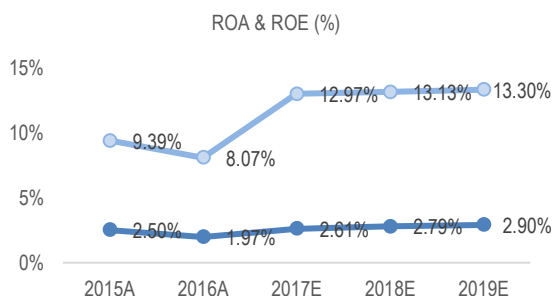
Source: Company Data, AMTD Research

Figure 109: GPM & Core NPM



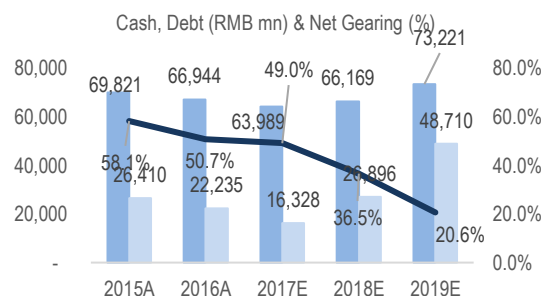
Source: Company Data, AMTD Research

Figure 110: ROA & ROE



Source: Company Data, AMTD Research

Figure 111: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Research

Figure 112: P&L forecast and key ratios

PnL, RMBmn	2015	2016	2017e	2018e	2019e	YoY growth				
						2015	2016	2017e	2018e	2019e
Revenue	57,733	59,286	68,918	77,775	86,082	2.9%	2.7%	16.2%	12.9%	10.7%
Sale of properties	54,595	56,197	66,523	75,141	83,185	1.9%	2.9%	18.4%	13.0%	10.7%
Cost of sales	(41,285)	(42,938)	(47,957)	(54,139)	(59,895)					
Gross profit	16,448	16,349	20,960	23,636	26,187	-9.7%	-0.6%	28.2%	12.8%	10.8%
Selling expenses	(1,615)	(1,353)	(1,747)	(1,992)	(2,291)	8.0%	-16.3%	29.2%	14.0%	15.0%
Administrative expenses	(3,278)	(2,743)	(3,543)	(2,508)	(2,884)	16.8%	-16.3%	29.2%	-29.2%	15.0%
Share of post-tax loss of an associate	109	38	38	38	38					
Share of post-tax (losses)/profits of joint ventures	(592)	(486)	(486)	(486)	(486)					
Finance costs	(1,409)	(1,176)	(1,402)	(1,620)	(1,946)	485.7%	-16.5%	19.2%	15.6%	20.1%
Profit before tax	13,722	13,196	14,390	17,637	19,188	-10.1%	-3.8%	9.1%	22.6%	8.8%
Income tax expense	(5,564)	(5,685)	(5,245)	(7,374)	(7,611)					
Profit for the year	8,159	7,510	9,145	10,263	11,576	-14.0%	-7.9%	21.4%	12.1%	12.8%
Profit for the year attributable to:										
Net profit	6,116	5,172	7,274	8,392	9,705	-24.5%	-15.4%	40.6%	15.4%	15.7%
Core net profit	4,555	4,141	7,274	8,392	9,705	-36.2%	-9.1%	75.7%	15.4%	15.7%
Non-controlling interests	2,043	2,339	1,871	1,871	1,871					
Dividends	1,985	2,465	3,467	4,000	4,626					
EPS - basic	1.77	1.51	2.12	2.44	2.83					
EPS-underlying	1.32	1.21	2.12	2.44	2.83					
DPS - basic	0.57	0.72	1.01	1.16	1.35					
BVPS	14.50	15.28	17.39	19.84	22.66					
Key Ratios, RMBmn	2015	2016	2017e	2018e	2019e					
GPM	28.5%	27.6%	30.4%	30.4%	30.4%					
NPM	10.6%	8.7%	10.6%	10.8%	11.3%					
Core NPM	7.9%	7.0%	10.6%	10.8%	11.3%					
ROA	2.5%	2.0%	2.6%	2.8%	2.9%					
ROCE	4.5%	3.5%	4.6%	5.0%	5.3%					
ROE	9.4%	8.1%	13.0%	13.1%	13.3%					
Total Debt / EBITDA	4.5x	4.5x	4.1x	3.4x	3.5x					
Total Debt / Equity	93.4%	75.9%	65.7%	61.5%	61.4%					
Total Debt / Capitalization	48.3%	43.1%	39.7%	38.1%	38.1%					
Net Debt / EBITDA	2.8x	3.0x	3.0x	2.0x	1.2x					
Net Debt / Equity	58.1%	50.7%	49.0%	36.5%	20.6%					
Net Debt / Capitalization	30.0%	28.8%	29.5%	22.6%	12.7%					
Current Ratio	157.9%	159.5%	161.1%	162.0%	157.2%					
Cash / Total Assets	10.8%	8.5%	5.9%	8.9%	14.6%					
Inventory / Total Assets	48.7%	53.7%	61.2%	60.6%	58.0%					
Net debt / Net Inventory	36.5%	31.8%	28.0%	21.5%	12.6%					
Quick Ratio	134.1%	140.8%	148.4%	143.1%	128.1%					
Cash Ratio	23.8%	18.7%	12.7%	19.0%	29.1%					
Interest Coverage	2.8x	2.6x	2.2x	2.1x	1.8x					

Source: Company data, AMTD Equity Research

Figure 113: Balance sheet & cash flow forecast

Balance Sheet, RMBmn	2015	2016	2017e	2018e	2019e
Non-current assets	69,318	72,713	71,083	71,083	71,083
Current assets	174,937	189,190	207,287	229,861	263,367
Properties held under development	100,727	120,343	150,058	162,063	173,756
Properties held for sale	18,140	20,257	20,257	20,257	20,257
Restricted bank deposits	3,818	2,876	2,876	2,876	2,876
Bank balances and cash	22,592	19,359	13,452	24,020	45,834
Others	29,660	26,356	20,645	20,645	20,645
Current liabilities	110,780	118,609	128,695	141,852	167,505
Borrowings	30,767	31,903	40,180	50,310	65,188
Advanced proceeds received from customers	16,954	17,755	17,565	20,591	31,367
Others	63,060	68,950	70,950	70,950	70,950
Non-current liabilities	58,726	55,077	52,313	51,467	47,743
Borrowings	52,867	49,188	46,424	45,578	41,855
Others	5,858	5,889	5,889	5,889	5,889
Capital and reserves	74,749	88,217	97,362	107,625	119,201
Equity attributable to owners of the Company	50,162	52,456	59,730	68,122	77,828
Perpetual capital instruments	0	4,500	4,500	4,500	4,500
Non-controlling interests	24,588	31,261	33,132	35,003	36,873
Cash Flow Statement, RMBmn	2015	2016	2017e	2018e	2019e
Profit before income tax	13,722	13,196	14,390	17,637	19,188
Operating cash flows before movements in working capital	12,243	12,896	15,422	18,888	20,764
Cash (used in) from operations	10,653	5,630	(6,016)	17,013	23,949
Interest received	341	370	370	370	370
Interest paid	(5,276)	(4,929)	(7,221)	(8,962)	(11,551)
PRC Income tax paid	(3,392)	(4,531)	(5,245)	(7,374)	(7,611)
Net cash (used in) from operating activities	2,326	(3,461)	(18,113)	1,046	5,156
Net cash used in investing activities	(10,224)	(5,507)	5,819	7,342	9,606
Financing activities					
Proceeds from borrowings	78,000	65,179	25,440	19,745	27,643
Repayments of borrowings	(69,843)	(69,760)	(19,053)	(17,565)	(20,591)
Net cash from (used in) financing activities	9,998	5,709	6,387	2,180	7,052
Net increase in cash and cash equivalents	2,100	(3,258)	(5,907)	10,568	21,814
Cash and cash equivalents at beginning of the year	20,472	22,592	19,359	13,452	24,020
Cash and cash equivalents at end of the year	22,592	19,359	13,452	24,020	45,834

Source: Company data, AMTD Equity Research

Vanke

Leader in the industry

Leading national player in the sector

Vanke is a national developer found in 1984 and covers residential properties, commercial properties and logistics properties. In 1H2017, the company ranked No.1 of sales in 16 cities and top three in 33 cities, sales exceeded RMB 10bn in 8 cities. The company also entered rental market and launched 70,000 units in 21 cities, with occupancy rate of 87%.

Sales increased by 44.4% yoy to RMB 313bn in Jan. to Jul. 2017, ranking No.2 in the market.

The company did not provide sales target. The market assumes the company aims to achieve RMB 420bn of contracted sales of this year representing 15% yoy growth. Currently, the company has achieved 75% of RMB 420bn. We believe the company will exceed this target. In terms of land replenishment, 79 new projects are acquired, which amounts to 15.6mn sq.m GFA. Average land cost amounts to only RMB 5,467 per sq.m. 91.9% of new projects are in 1st and 2nd tier cities.

More forms of property business

The company has announced the acquisition of GLP (Leading provider of modern logistics facilities in China, Japan, US and Brazil) in July, which costed HK\$ 90bn. It will bring 32 projects (2.56mn sq.m) to Vanke, 11 of which are in operation and reached 98% of occupancy rate. Besides, GLP has contracted 35 projects of 2.5 million sq.m. Regarding to commercial property, the company has operated over 8.5mn sq.m as of 1H2017. Residential property development is still on the right track, the company has RMB 383.8bn of unrecognized revenue, up 37.9% yoy. In 1H2017, the company has 116.4mn sq.m of under construction and planning area. Comparing with GFA sold of 18.7mn sq.m in 1H2017, the companies under construction and planning GFA of 116.4mn sq.m is sufficient for 3-year development.

Solid 1H2017 result, GPM surged to 30.4%

Revenue declined by 4.5% yoy to RMB 67.6bn. GPM surged from 22.1% in 1H2016 to 30.4% in 1H2017. SG&A increased by 15.5% yoy. But it was only 1.8% of 1H2017 contracted sales, much lower than 2.2% in 1H2016. Net profit surged by 36.5% yoy to RMB 7.3bn. Net gearing ratio declined from 25.9% to only 19.6%.

Priced in all positive factors, initial with 'Hold' & TP of HK\$ 30.70

The company is expected to have stable growth of revenue and net profit (CAGR of 20.9). However, the valuation is high and enjoyed premium already. Therefore, we initial with 'Hold' and target price of HK\$28.14, 7% upside, which implies 12.6 17PE & 10.1x 18 PE, 2.2x 17PB & 1.8 18PB.

Stock code: 2202.HK

Rating: Hold

Price target (HK\$)	30.70
Current price (HK\$, 14 Sep 2017)	27.6
Upside/downside %	11%
Market cap (HK\$ m)	355,867
Market cap (US\$ m)	45,552
Avg daily turnover (HK\$ m)	34.4

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2016	2017e	2018e	2019e
Revenue	228,916	290,992	325,445	404,328
yoy %	24%	27%	12%	24%
Net profit	21,023	24,173	30,208	36,722
yoy %	16%	15%	25%	22%
Adjusted NP	21,023	24,173	30,208	36,722
yoy %	16%	15%	25%	22%
Gross margin	25.5%	26.6%	26.3%	25.6%
Net gearing	25.9%	-27.4%	-68.8%	-127.2%
EPS	1.90	2.19	2.74	3.33
DPS	0.79	0.91	1.14	1.38
BPS	10.28	12.47	15.20	18.53

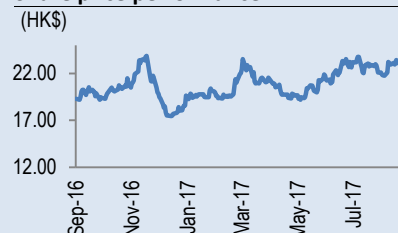
Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	13.0	11.3	9.1	7.5
P/BV	2.4	2.0	1.6	1.3
Div. yield	3.2%	3.7%	4.6%	5.6%
ROE	19.7%	19.3%	19.8%	19.7%
ROA	2.5%	2.6%	2.7%	2.7%

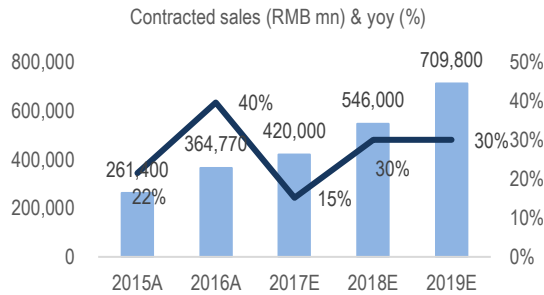
Source: Bloomberg, AMTD Equity Research

Share price performance



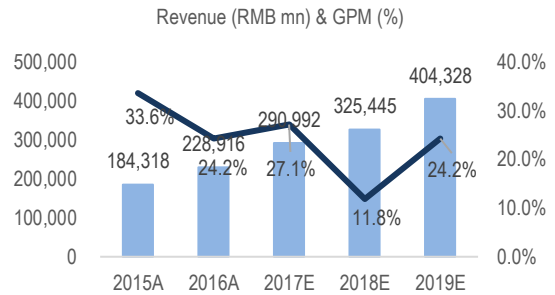
Source: Bloomberg

Figure 114: Contracted Sales & yoy



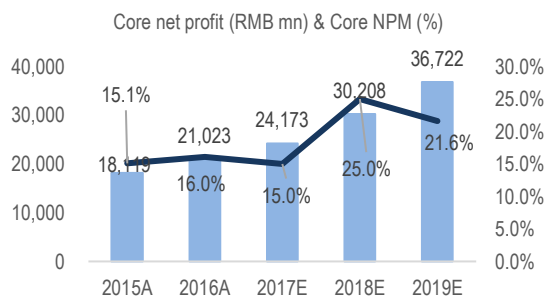
Source: Company Data, AMTD Research

Figure 115: Revenue & yoy



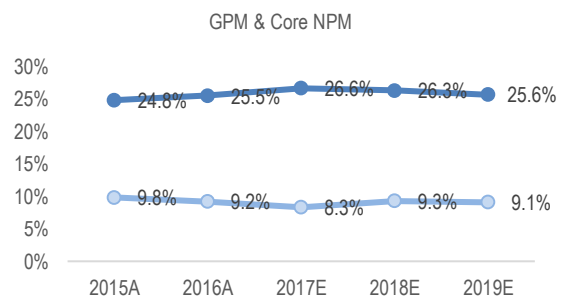
Source: Company Data, AMTD Research

Figure 116: Core Net Profit & yoy



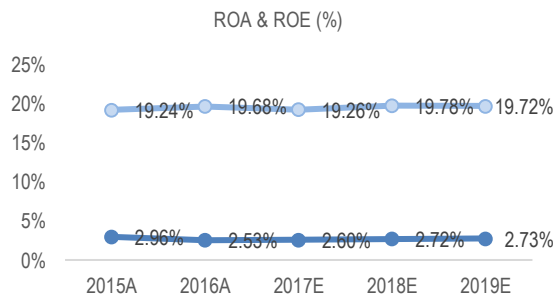
Source: Company Data, AMTD Research

Figure 117: GPM & Core NPM



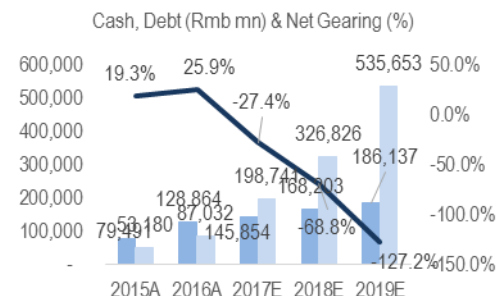
Source: Company Data, AMTD Research

Figure 118: ROA & ROE



Source: Company Data, AMTD Research

Figure 119: Cash, Debt & Net Gearing Ratio



Source: Company Data, AMTD Research

Figure 120: P&L forecast and key ratios

PnL, RMBmn	2015	2016	2017e	2018e	2019e	YoY growth				
						2015	2016	2017e	2018e	2019e
Revenue	184,318	228,916	290,992	325,445	404,328	33.6%	24.2%	27.1%	11.8%	24.2%
Sale of properties	178,931	222,408	283,832	317,570	395,665					
Cost of sales	(138,626)	(170,602)	(213,546)	(239,975)	(300,629)					
Gross profit	45,692	58,314	77,446	85,470	103,699	31.9%	27.6%	32.8%	10.4%	21.3%
Selling expenses	(4,138)	(5,161)	(5,942)	(5,460)	(7,098)	-8.5%	24.7%	15.1%	-8.1%	30.0%
Administrative expenses	(4,853)	(7,175)	(8,261)	(5,460)	(8,518)	21.8%	47.8%	15.1%	-33.9%	56.0%
Share of post-tax loss of an associate	1,383	1,690	-	-	-					
Share of post-tax (losses)/profits of joint ventures	1,010	3,240	3,240	4,861	5,347					
Finance costs	(1,779)	(2,310)	(2,772)	(3,327)	(3,992)					
Profit before tax	40,517	49,469	64,581	76,954	90,308	35.1%	22.1%	30.5%	19.2%	17.4%
Income tax expense	(14,567)	(21,118)	(33,080)	(39,418)	(46,258)	36.2%	45.0%	56.6%	19.2%	17.4%
Profit for the year	25,949	28,350	31,501	37,536	44,049	34.5%	9.3%	11.1%	19.2%	17.4%
Profit for the year attributable to:										
Net profit	18,119	21,023	24,173	30,208	36,722	15.1%	16.0%	15.0%	25.0%	21.6%
Core net profit	18,119	21,023	24,173	30,208	36,722	15.1%	16.0%	15.0%	25.0%	21.6%
Non-controlling interests	7,830	7,328	7,328	7,328	7,328					
Dividends	7,948	8,721	10,028	12,531	15,233					
EPS - basic	1.64	1.90	2.19	2.74	3.33					
EPS-underlying	1.64	1.90	2.19	2.74	3.33					
DPS - basic	0.72	0.79	0.91	1.14	1.38					
BVPS	9.08	10.28	12.47	15.20	18.53					
Key Ratios, RMBmn	2015	2016	2017e	2018e	2019e					
GPM	24.8%	25.5%	26.6%	26.3%	25.6%					
NPM	9.8%	9.2%	8.3%	9.3%	9.1%					
Core NPM	9.8%	9.2%	8.3%	9.3%	9.1%					
ROA	3.0%	2.5%	2.6%	2.7%	2.7%					
ROCE	9.0%	8.3%	7.7%	8.2%	8.5%					
ROE	14.4%	14.1%	13.6%	14.3%	14.5%					
Total Debt / EBITDA	1.8x	2.4x	2.2x	2.1x	2.0x					
Total Debt / Equity	58.3%	79.7%	75.5%	72.9%	67.7%					
Total Debt / Capitalization	36.8%	44.4%	43.0%	42.2%	40.4%					
Net Debt / EBITDA	0.6x	0.8x	-0.8x	-2.0x	-3.7x					
Net Debt / Equity	19.3%	25.9%	-27.4%	-68.8%	-127.2%					
Net Debt / Capitalization	12.2%	14.4%	-15.6%	-39.8%	-75.8%					
Current Ratio	130.3%	124.4%	136.2%	135.5%	136.6%					
Cash / Total Assets	8.7%	10.5%	21.3%	29.4%	39.8%					
Inventory / Total Assets	60.1%	56.1%	48.9%	45.6%	39.5%					
Net debt / Net Inventory	7.2%	9.0%	-11.6%	-31.3%	-65.8%					
Quick Ratio	117.6%	109.4%	103.2%	91.2%	77.4%					
Cash Ratio	12.7%	15.0%	32.9%	44.2%	59.2%					
Interest Coverage	8.7x	9.3x	10.1x	10.1x	9.9x					

Source: Company data, AMTD Equity Research

Figure 121: Balance sheet & cash flow forecast

Balance Sheet, RMBmn	2015	2016	2017e	2018e	2019e
Non-current assets	64,271	109,379	109,379	109,379	109,379
Current assets	547,221	721,471	822,128	1,001,243	1,235,401
Inventories	367,507	466,225	455,174	506,204	531,535
Pledged and restricted deposits	1,433	7,542	7,542	7,542	7,542
Cash and cash equivalents	51,748	79,490	191,198	319,284	528,111
Others	126,533	168,213	168,213	168,213	168,213
Current liabilities	420,062	579,998	603,794	739,195	904,284
Borrowings	26,646	43,350	14,978	31,149	24,064
Advanced proceeds received from customers	212,626	274,646	326,813	446,043	618,218
Others	180,790	262,003	262,003	262,003	262,003
Non-current liabilities	55,121	89,174	134,536	140,714	165,733
Borrowings	52,844	85,514	130,876	137,054	162,073
Others	2,276	3,660	3,660	3,660	3,660
Capital and reserves	136,310	161,677	193,177	230,713	274,762
Equity attributable to owners of the Company	100,184	113,445	137,618	167,826	204,547
Non-controlling interests	36,126	48,232	55,559	62,887	70,215
Cash Flow Statement, RMBmn	2015	2016	2017e	2018e	2019e
Profit before income tax	40,517	49,469	64,581	76,954	90,308
Operating cash flows before movements in working capital	29,390	61,394	127,799	145,155	237,151
Cash (used in) from operations	29,390	61,394	127,799	145,155	237,151
Income taxes paid	(13,344)	(21,828)	(33,080)	(39,418)	(46,258)
Net cash (used in) from operating activities	16,046	39,566	94,719	105,737	190,893
Net cash used in investing activities	(20,947)	(43,389)	-	-	-
Financing activities	-	-	-	-	-
Proceeds from bank loans, borrowings from financial institutions and bonds	30,834	80,420	60,339	37,327	49,083
Repayment of bank loans and borrowings from financial institutions	(25,029)	(38,826)	(43,350)	(14,978)	(31,149)
Net cash from (used in) financing activities	(5,104)	31,297	16,989	22,349	17,934
Net increase in cash and cash equivalents	(10,005)	27,474	111,708	128,086	208,827
Effect of foreign exchange rate changes	100	269	-	-	-
Cash and cash equivalents at beginning of the year	61,653	51,748	79,490	191,198	319,284
Cash and cash equivalents at end of the year	51,748	79,490	191,198	319,284	528,111

Source: Company data, AMTD Equity Research

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We, Donald Yu and Michelle Li, hereby certify that (i) all of the views expressed in this research report reflect accurately our personal views about the subject company or companies and its or their securities; and (ii) no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed by us in this research report, nor is it tied to any specific investment banking transactions performed by AMTD Asset Management Limited.

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