



Fubon Research (HK)

August 20, 2013

Zhong An Real Estate (672 HK)

Strong 1H13 results; forecasts revised up on more confidence

Buy

Current Price
HK\$ 1.79

Target Price
HK\$ 2.38

- Visit Notes
- Company Update
- Earnings Preview
- Initiate Coverage
- Earnings Revision
- Rating Change

Shares outstanding (mn)	2,372
Mkt Cap (HK\$/US\$m)	4,245 / 548
3M avg dly Tnv (HK\$m)	6.33
Major shareholder (%)	Shi Kancheng 68.8
Free float (%)	31.2
52-week high/low (HK\$)	0.74 / 2.05

Financial Summary Year-end: Dec 31

In RMBmn	2012	2013F	2014F	2015F
Revenue	2,396	4,884	10,509	17,410
Gross profit	919	2,464	6,393	10,440
EBITDA	577	689	1,754	4,915
Pretax profit	687	697	2,030	5,269
Net profit	336	894	1,953	3,127
Core net profit	313	663	1,664	2,694
Core EPS (RMB)	0.13	0.28	0.70	1.13
BVPS (RMB)	2.28	2.65	3.44	4.67
DPS (RMB)	-	0.04	0.08	0.13
PER (x)	10.7	5.1	2.0	1.2
PBR (x)	0.6	0.5	0.4	0.3
Div. Yield (%)	0.0	2.7	5.8	9.3
EV/EBITDA (x)	7.3	3.7	1.6	1.0
ROA (%)	2	2	4	8
ROE (%)	5	6	11	23
ROCE (%)	3	4	7	14

Source: Fubon Securities (HK)

Karl Shen, CFA, FRM

(852) 2881 4573

Karl.Shen@fubon.com

Zhong An delivered stronger-than-expected 1H13 earnings, as well as stunning contracted sales. We believe the company's strategic transition to boost asset turnover is taking effect. Besides, its diversified investment properties should add synergy to its property development business.

→ **Stronger-than-expected 1H13 results:** Zhong An's 1H13 results were stronger than we expected. Revenue accounted for approx. 48% of our original 2013 full year estimate of RMB2,444mn, beating our expectation even considering more 1H delivery percentage this year.

→ **Financial positions still healthy:** Net gearing with restricted cash +6.3pp from end-2012 to 60.9% as at end-Jun, but still within healthy region. Considering mgmt's prudent debt raising strategy and quicker sales strategy, we believe net gearing should stay stable or lower at end-2013.

→ **Full year contracted sales target achievable:** 1H13 contracted sales +153% yoy to RMB1,328mn, or 30% of full year target of RMB4.4bn. Given 890ksm saleable GFA in 2H13, there should be no issue achieving its full year target even if applying conservative sale-through rates.

→ **Value of Hangzhou IOC project to be released:** Land price around IOC project has reached more than RMB13k/sm and adjacent projects are selling at around RMB25k/sm. We expect IOC project's value to be released tremendously when it is launched in 2014.

→ **Valuation:** We raised our target price by 26.6% from HK\$1.88 to HK\$2.38, maintaining previous conservative 60% discount to NAV. The stock is trading at 70% discount to our estimated NAV, suggesting 33% upside potential. The stock is also trading at attractive 4.9x 13F P/E and 0.5x 13F P/B, both at historical -1StDev levels.

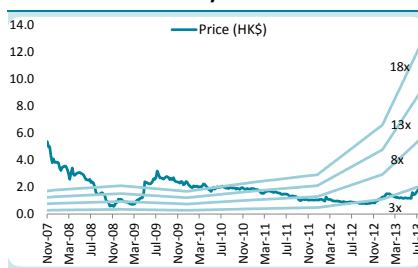
→ **Key risks:** Major risks include worse-than-expected macro economy (especially in YRD region), failure to execute business strategy transition to fast development model and optimize product mix.

Relative Performance



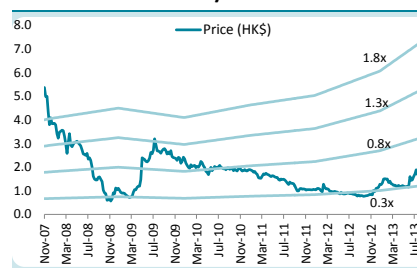
Source: Fubon Securities (HK)

12-month Forward P/E Bands



Source: Fubon Securities (HK)

12-month Forward P/B Bands



Source: Fubon Securities (HK)



Stronger-than-expected 1H13 results

Zhong An (672 HK) delivered stronger-than-expected 1H13 results. Revenue +284% yoy to RMB1,182mn, or approx. 48% of our original 2013 full year estimate of RMB2,444mn, beating our expectation even considering more 1H delivery percentage this year (1H10/11/12 revenue accounted for 17%/15%/13% of 2010/2011/2012 full year figures).

1H13 results summary (RMBmn)				
	1H12	1H13	YoY	Comment
Revenue	308	1,182	284%	Robust pre-sales rebound since 2H12; beating expectation
Cost of sales	(148)	(735)		
Gross profit	160	447	180%	See comment on margin
Selling and distribution costs	(28)	(50)		
Administrative expenses	(101)	(107)		
Operating profit	31	291	847%	See comment on margin
Finance income	2	3		
Finance costs	-0	-6		
Other income	16	9		
Other expenses	(4)	(2)		Non-core income/expense
Inv prop fair value gain	16	303		
Share of JV	(0)	(0)		
Profit before tax	61	596	884%	
Income tax expenses	(38)	(239)		
Minority interests	(1)	(48)		
Reported net profit	21	309	1,379%	Strong growth, partly due to fair value gain
Core net profit*	(0)	78	n.m.	Excl. after-tax non-core income/expense
Gross margin	52%	38%	-14 pp	Price cutting and more projects with higher costs sold
Operating margin	10%	25%	15 pp	Stronger execution/more efficient promotion
Core net margin	0%	7%	7 pp	In line, expected to further rise in 2H13
Sale of properties	241	1,118	363%	After business tax/surcharges
Cost of properties sold	(130)	(717)		
Property dev gross profit	111	400	259%	
Property dev gross margin	46%	36%	-10 pp	Product mix change
Contracted sales value (RMBmn)	525	1,328	153%	
Contracted sales GFA (ksm)	52	128	148%	Stronger sales force and price cutting
Contracted sales price (RMB/sm)	10,133	10,352	2%	To remain stable or slightly higher in 2H13
Booked sales value (RMBmn)	255	1,183	363%	Before business tax/surcharges
Booked sales GFA (ksm)	45	124	175%	
Booked sales price (RMB/sm)	5,675	9,559	68%	Majority sales from projects with high price
Cost of properties sold/sm (RMB)	2,887	5,797	101%	Majority sales from projects with higher cost

Source: Company, Fubon Securities (HK) * Core net profit calculation different from company's method.

1H13 booked sales price +68.4% yoy to RMB9,559/sm and booked cost +100.8% yoy to RMB5,797/sm, because more sales came from Hidden Dragon Land, Landscape Bay, and townhouses of Dragon Bay which were sold with high ASP and higher costs, while 1H12 sales largely came from Vancouver City (Anhui) with lower ASP/costs.

Financial positions still healthy

Net gearing with restricted cash +6.3pp from end-2012 to 60.9% as at end-Jun, but still within healthy region compared to peers. Considering mgmt's prudent debt raising strategy and quicker sales strategy, we expect net gearing to stay stable or lower at end-2013 (see page 10 for net gearing forecasts).

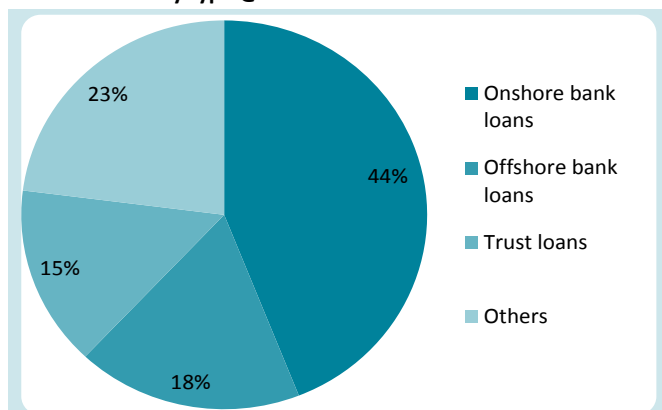
Zhong An has been improving debt structure to make it more diversified by both debt type and maturity profile, as well as replacing higher-cost debts with lower ones. Percentage of short-term debt dropped from end-2012 by 6pp to 35% at end-Jun/2013.

Net gearing change (RMBmn)

	31 Dec 2012	30 Jun 2013	Change
Bank/other borrowings - ST	1,739	1,774	
Bank/other borrowings - LT	2,493	3,262	
Cash and cash equivalents	894	1,136	
Restricted cash	225	221	
Total equity	5,701	6,040	
Net gearing	58.6%	64.6%	6.0 pp
Net gearing with restricted cash	54.6%	60.9%	6.3 pp

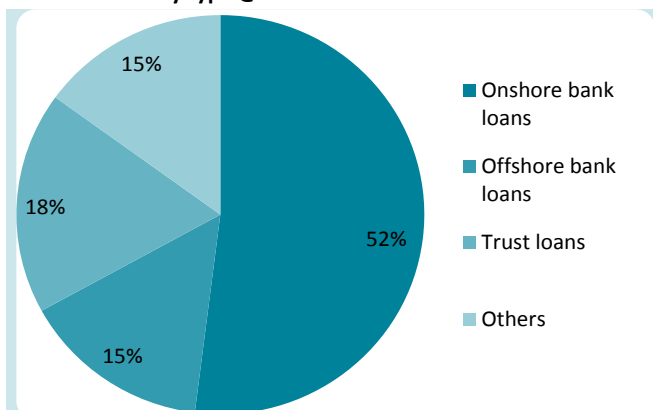
Source: Company, Fubon Securities (HK)

Debt structure by type @ 31 Dec 2012



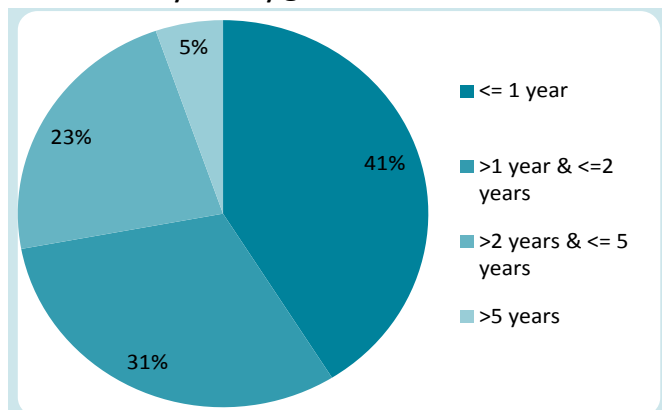
Source: Company, Fubon Research (HK)

Debt structure by type @ 30 Jun 2013



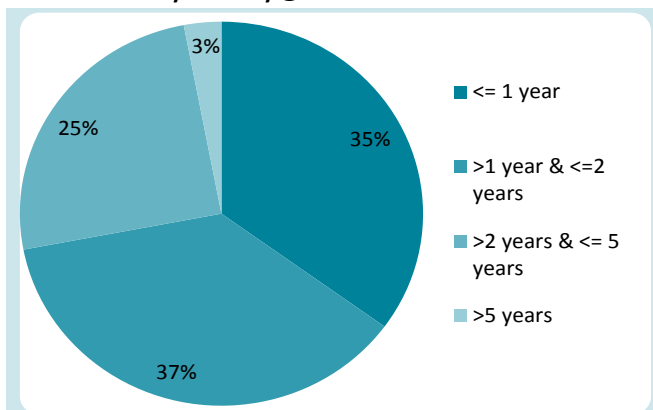
Source: Company, Fubon Research (HK)

Debt structure by maturity @ 31 Dec 2012



Source: Company, Fubon Research (HK)

Debt structure by maturity @ 30 Jun 2013



Source: Company, Fubon Research (HK)

As at end-Jun, Zhong An had total banking facilities of RMB5.82bn, with undrawn facilities of RMB3.27bn, which can be available immediately if needed. And Zhong An has just signed a cooperation agreement with Agriculture Bank of China that the bank will provide RMB4bn credit. Therefore total undrawn facilities will reach approx. RMB7.27bn, enough to support Zhong An's development needs in the next few years.



Full year contracted sales target achievable | Land bank

The 35 major developers (not including Zhong An) that we monitor monthly recorded an average of **50%** yoy growth for their 1H13 contracted sales.

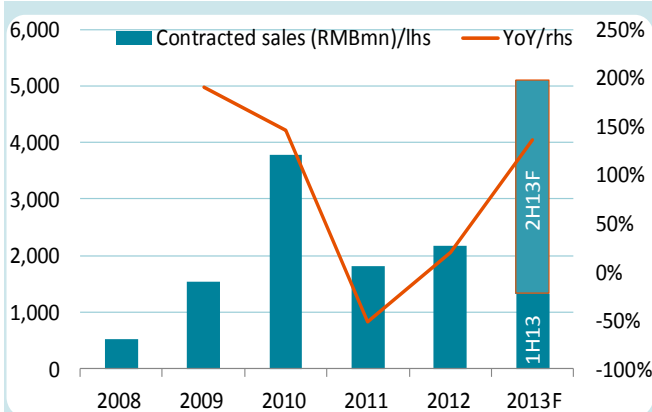
During 1H13, Zhong An recorded robust contracted sales with 153% yoy to RMB1,328mn, achieving 30% of its full year target of RMB4.4bn, in line with earlier mgmt guidance. Contracted GFA +148% yoy to 128ksm and contracted ASP +2% yoy to RMB10,352/sm.

GFA available for sale was approx. 370ksm as at end-Jun. There will be 520ksm (in 5 projects) more to be added in 2H13, making total saleable GFA in 2H13 to reach 890ksm. Most of the saleable projects are with average unit size of about 90sm, best for genuine end-users and should facilitate quicker sales.

In addition to RMB1,328mn contracted sales, there were RMB310mn subscribed sales as of end-Jun to be contracted in the next few months.

We believe sale-through rate should be high for these projects. Even by applying a conservative sale-through rate of 60% for saleable GFA at end-Jun and more conservative 30% for newly added saleable GFA in 2H13, that'll make a total of 378ksm to be sold in 2H13. Assuming RMB10,000/sm ASP, full year contracted sales can reach RMB5,108mn, +136% yoy and exceeding full year target by 16%. We believe Zhong An should have no issue achieving its RMB4.4bn full year target, which is conservative in mgmt's view.

Contracted sales performance



Source: Company, Fubon Research (HK)

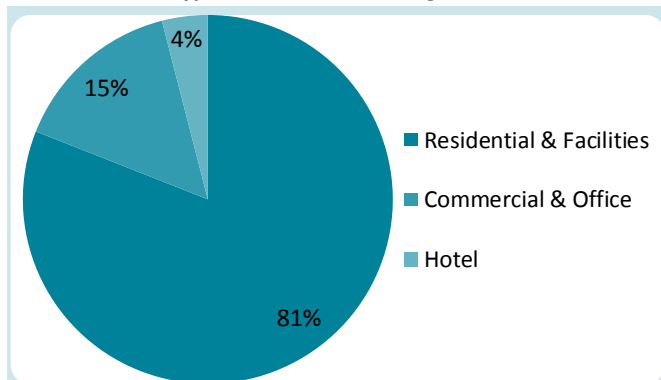
Assumed contracted sales scenario in 2H13 & 2013

Saleable GFA @ 30 Jun 2013 (ksm)	370
* Assuming 60% sale-through rate	60%
+ Saleable GFA added in 2H13 (ksm)	520
* Assuming 30% sale-through rate	30%
= Estimated GFA sold in 2H13 (ksm)	378
* Assuming ASP (RMB/sm)	10,000
= Contracted sales in 2H13 (RMBmn)	3,780
+ Contracted sales in 1H13 (RMBmn)	1,328
= Contracted sales in 2013 (RMBmn)	5,108
Contracted sales target (RMBmn)	4,400
Achievement ratio	116%

Source: Company, Fubon Research (HK)

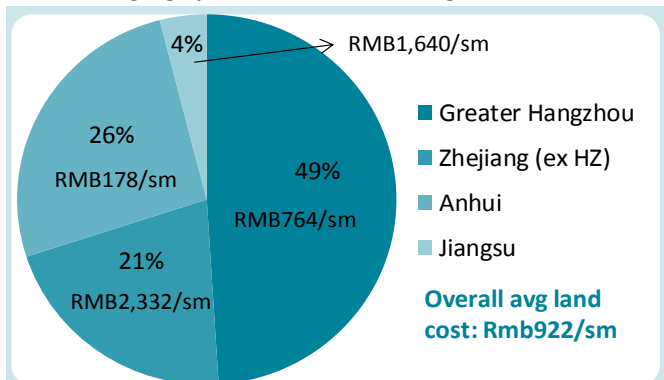
As at 15 Aug 2013, Zhong An had a total land bank of 7.1msm, with average land cost as low as RMB922/sm. Its land bank should support more than 5 years of development. We believe there is little need to acquire more land in the short term, as the land market has become overly hot in the past year and it is no easy to acquire land at low cost at the moment. We do not exclude the possibility of adding land bank if really good opportunity shows up. Zhong An will only acquire land only if the parcel is for end-user demand with good location, moderate in size for quicker sales, and at decent price.

Land bank – use type breakdown @ 15 Aug 2013



Source: Company, Fubon Research (HK)

Land bank - geographic breakdown @ 15 Aug 2013



Source: Company, Fubon Research (HK)

Value of IOC project to be released in 2014 & beyond

We noticed that Hangzhou's Qianjiang Century CBD has become increasingly popular with developers lately, especially around Zhong An's IOC project.

Hangzhou IOC project (phase A3) is expected to be launched in 2014 when metro line 4 is opened for operation.

For example, 2 land parcels around IOC (near Hangzhou Olympic & Int'l Expo Center) drew many developers' to the auction on 21-May-2013. One land parcel was acquired by Top Spring for a total of RMB155mn, or a floor price of RMB13,505/sm, 49.0% higher than launched price. The other parcel was acquired by CIFI for a total of RMB3,565mn, or a floor price of RMB13,476/sm, 44.7% higher than launched price.

Land parcels/projects adjacent to IOC

Acquired Date	Developer	Use	Premium rate	GFA (sm)	Floor Price (RMB/sm)	Current/Estimated* ASP (RMB/sm)
10-Jan-11	Jinchang Real Estate	Commercial	100.0%	118,266	14,543	23,500
27-Aug-12	Longfor (960 HK)	Residential	0.0%	247,504	9,504	24,500
21-May-13	Top Spring (3688 HK)	Res/Com	49.0%	114,816	13,505	26,000*
21-May-13	CIFI (884 HK)	Res/Com	44.7%	264,551	13,476	26,000*
6-Jun-13	Binjiang (002244 CH)	Residential	0.0%	96,860	9,501	25,000*

Source: Soufun, Fubon Securities (HK)

The first batch of the project Longfor bought in Aug 2012 (龍湖春江彼岸) was recently launched at RMB23,500/sm, and was almost sold out within a few days. The project is now quoting at RMB24,500/sm. This should provide a strong pricing benchmark for adjacent projects. Zhong An's IOC (Phase A3, 眾安嘉潤公館) is better located than Longfor's project and should enjoy some premium.

Land parcels/projects adjacent to IOC project



Source: Soufun, Fubon Securities (HK)

It is notable that land cost for IOC project is only RMB255/sm, which is almost nothing compared to adjacent land sold lately. Even if the gov't eventually requires Zhong An to make some compensations, the sum shall not be huge. We expect IOC's value to be released in 2014 and beyond, and contribute tremendous sales/cash flow to Zhong An.



Earnings revision with more confidence in mgmt

When initiating the company, we were concerned about Zhong An's ability to execute the strategic transition to boost asset turnover it was claiming at the beginning of the year. However the strong 1H13 results have strengthened our confidence that the mgmt is really serious about this transition and is making every effort to deliver it. Therefore we have raised our earnings forecast substantially by moving some projects' delivery schedule earlier on account of faster development.

2013F (in RMBmn)	Initiation on 22 Apr 2013	Revised on 19 Aug 2013	Change
Revenue	2,924	4,884	67%
Gross profit	1,381	2,464	78%
Operating profit	794	1,733	118%
Core net profit	400	689	72%

2014F (in RMBmn)	Initiation on 22 Apr 2013	Revised on 19 Aug 2013	Change
Revenue	5,215	10,509	102%
Gross profit	2,419	6,393	164%
Operating profit	1,532	4,892	219%
Core net profit	756	1,710	126%

2015F (in RMBmn)	Initiation on 22 Apr 2013	Revised on 19 Aug 2013	Change
Revenue	9,003	17,410	93%
Gross profit	4,728	10,440	121%
Operating profit	3,252	7,980	145%
Core net profit	1,451	2,768	91%

Source: Company, Fubon Securities (HK)

After the revision, we expect Zhong An to deliver over 100% yoy growths (see page 10 - Financial statements & forecasts) for 2013F/2014F revenues and core net profit (1H13 revenue +284% yoy).

Our earnings forecast may seem aggressive, but bear in mind that the majority of Zhong An's available-for-sale projects are completed for sale or near completion, which should translate into revenue recognition in short period of time when sold as in contracted sales. If Zhong An's contracted sales this year can meet our forecast and the company continues to carry out fast development model, the risk of falling short of our earnings forecast by big magnitude should be low.



NAV summary and scenario analysis

We believe our previous assumptions are a bit conservative. After taking Zhong An's operating history/scale into account, adjusting project parameters to better reflect current situations, and revising down WACC from 12% to 11% on lower borrowing costs and better debt structure, we raised our target price from HK\$1.88 to HK\$2.38 (+26.6%), still at previous conservative 60% discount to NAV.

NAV Summary

	HK\$mn	HK\$/share	% of GAV	% of NAV
+ GAV: Residential & Facilities	6,141	2.59	32%	44%
+ GAV: Office & Commercial	6,153	2.59	32%	44%
+ GAV: Hotel	2,190	0.92	12%	16%
+ Others assets	4,461	1.88	24%	32%
Total GAV	18,944	7.99		
- Net Debt	(4,860)	(2.05)		
Estimated NAV	14,084	5.94		
TP Discount to NAV		60%		
Target Price		2.38		

Source: Fubon Research (HK)

NAV scenario analysis (HK\$ mn) – Change by ASP/Rental/Hotel Rates at the same time

	ASP/Rental/Hotel Rates Change								
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
+ GAV: Residential & Facilities	4,058	4,621	5,153	5,663	6,141	6,612	7,055	7,503	7,894
+ GAV: Office & Commercial	3,094	3,859	4,624	5,388	6,153	6,918	7,682	8,447	9,212
+ GAV: Hotel	1,545	1,706	1,867	2,028	2,190	2,351	2,512	2,673	2,834
+ Others assets	4,461	4,461	4,461	4,461	4,461	4,461	4,461	4,461	4,461
Total GAV	13,158	14,646	16,104	17,540	18,944	20,341	21,710	23,084	24,401
- Net Debt	(4,860)	(4,860)	(4,860)	(4,860)	(4,860)	(4,860)	(4,860)	(4,860)	(4,860)
NAV	8,298	9,786	11,243	12,679	14,084	15,481	16,849	18,223	19,540
NAV/Share (HK\$)	3.50	4.13	4.74	5.35	5.94	6.53	7.10	7.68	8.24

Source: Fubon Research (HK)

NAV scenario analysis – Change by ASP/Rental/Hotel Rates one at a time

	Residential ASP Change								
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
NAV/Share (HK\$)	4.61	4.96	5.30	5.62	5.94	6.25	6.55	6.85	7.13
	Office & Commercial Rental Change								
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
NAV/Share (HK\$)	4.62	4.95	5.28	5.61	5.94	6.27	6.60	6.93	7.25
	Hotel Rates Change								
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
NAV/Share (HK\$)	5.67	5.73	5.80	5.87	5.94	6.01	6.07	6.14	6.21

Source: Fubon Research (HK)

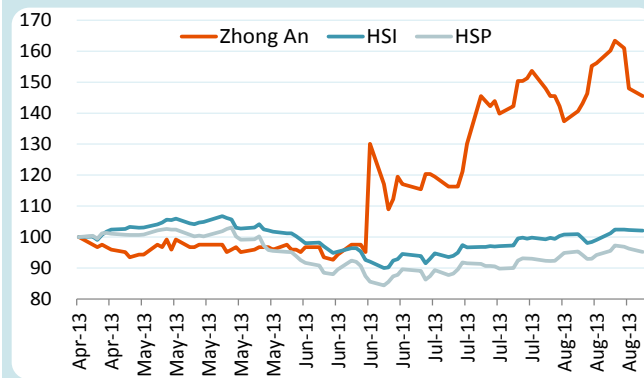


Valuations still attractive after earnings revision

The stock is now trading at attractive 4.9x 13F P/E and 0.5x 13F P/B, both at historical -1x standard deviation levels.

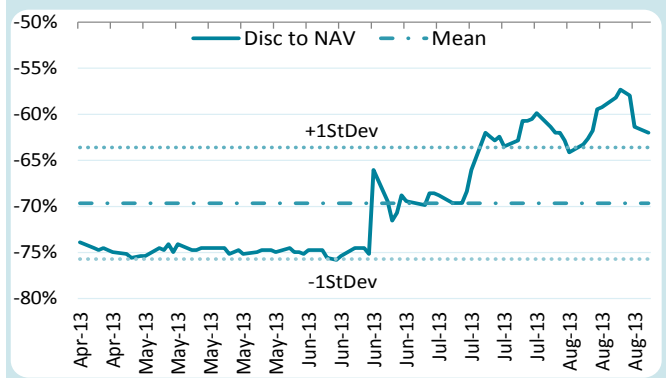
Zhong An is trading at 70% discount to our NAV, suggesting 33% upside potential. If Zhong An continues to deliver better-than-expected and consistent performance going forward, lower NAV discount should be justified, providing further upside potential.

Stock price performance since initiation



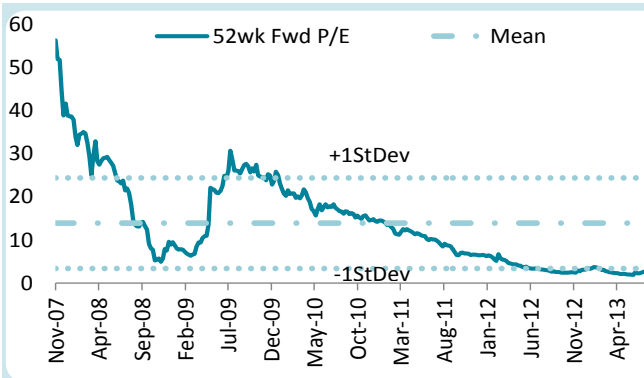
Source: Bloomberg, Fubon Research (HK)

Stock price discount to NAV since initiation



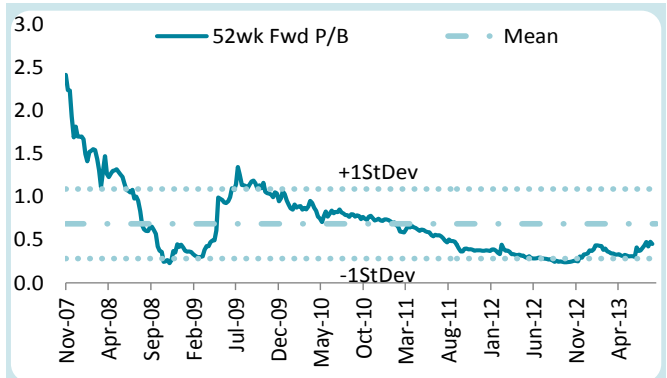
Source: Bloomberg, Fubon Research (HK)

Historical 50-wk forward P/E (based on core net profit)



Source: Bloomberg, Company, Fubon Research (HK)

Historical 50-wk forward P/B



Source: Bloomberg, Company, Fubon Research (HK)

We also adopted various valuation metrics to see the mean suggested prices given historical low/high (Div.Yield/NAV Discount low/high assumed). The median of the mean suggested prices is HK\$3.27, suggesting more safety margin for our target price.

Historical low/high for various metrics

	Hist.Low	Hist.High	2013F
P/E	1.9	56.3	4.9
P/B	0.2	2.4	0.5
Div. Yield	1%	5%	3%
NAV Discount	80%	40%	60%

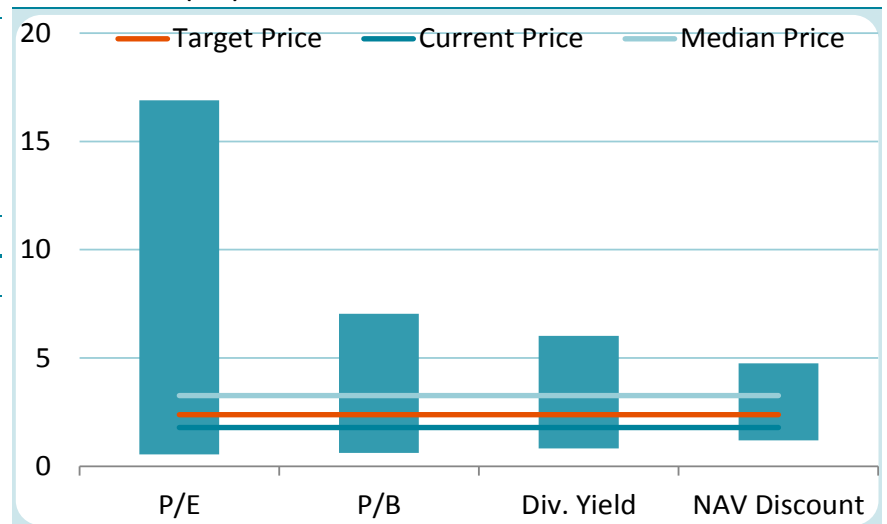
Source: Fubon Securities (HK)

Suggested stock price by various metrics

	Low	Mean	High
P/E	0.55	8.45	16.35
P/B	0.61	3.52	6.43
Div. Yield	0.82	3.01	5.21
NAV Discount	1.19	2.38	3.56
Median	0.71	3.27	5.82

Source: Fubon Securities (HK) *Based on 13F EPS/BPS/DPS

Valuation Matrix (HK\$)



Source: Company, Fubon Research (HK)

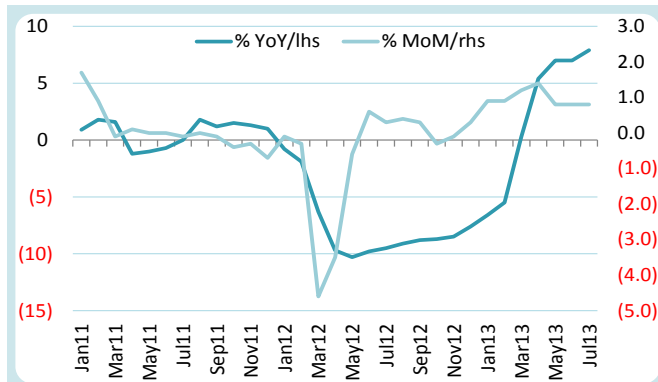
Key risks

According to National Bureau of Statistics, Hangzhou's home price recorded 7.9% yoy growth in Jul, compared with the average of 7.1% yoy for the 70 cities in the pool. While at the same time, home prices in Tier-1/2/3 cities recorded 17.3%, 7.2% and 5.5% yoy rises in average, respectively.

Also according to Soufun, China's largest real estate internet portal and property data vendor, Hangzhou's home price grew 4.7% yoy to RMB17,022/sm, compared with the average of 7.94% yoy for the 100 cities in the pool. At the same time, home prices in Tier-1/2/3 cities recorded 15.3%, 7.7% and 2.7% yoy rises in average, respectively.

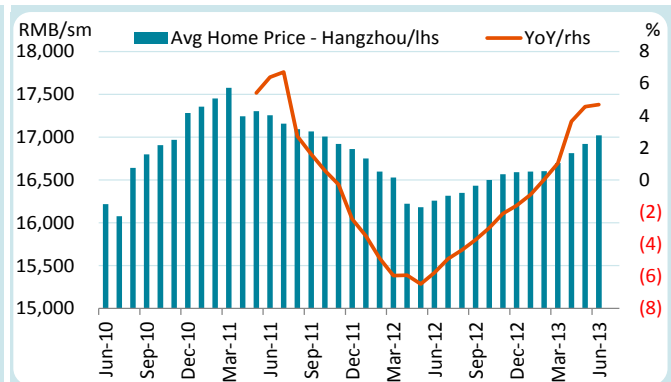
Both data series showed similar trend that Hangzhou's home price rise is still moderate compared to other major cities. Therefore there is little possibility for the central or local govt to release stringent austerity measures on Hangzhou's property market.

Hangzhou's home price – NBS survey



Source: NBS Fubon Research (HK)

Hangzhou's home price – Soufun survey



Source: Wind, Soufun, Fubon Research (HK)

As Chairman Shi Kancheng put it, property tax will only help remove bubble from property market and make it healthier, which is good for Zhong An, not on the contrary.

Latest news flow indicates that Hangzhou might be among the second batch of cities to launch property tax pilot program after October. We do not see this as a big threat to Zhong An as property tax means to suppress investment/speculation demand, while Zhong An's major projects are aimed at genuine end-user demand, which is encouraged by govt policies. And if the info disclosed by the news flow is right, Hangzhou will adopt tax rate ranging from 0.5% to 1% (though a bit higher than previous version of 0.4%-0.8%), which can be ignored compared to home price growth each year.

We believe the key risks for Zhong An include worse-than-expected macro economy (especially in YRD region), failure to execute business strategy transition to fast development model and optimize product mix, rather than any policy headwind.

Regarding these risks, we have seen China's economy rebounding a bit given latest macro statistics. And Zhong An's strong 1H13 results have proven preliminary success in business model transition. Besides, most of the GFA available for sale in 2H13 are targeted at end-users. That said, we believe the key risks for Zhong An since we initiated the company has diminished a lot already.



Financial statements & forecasts

Income Statement (RMBmn)

	Year-end: Dec 31				
	2011	2012	2013F	2014F	2015F
Revenue	1,689	2,396	4,884	10,509	17,410
- Property development	1,550	2,249	4,674	10,291	17,114
- Property rental	62	70	132	137	179
- Hotel operations	58	55	54	55	89
- Others	19	22	24	26	29
Cost of sales	(890)	(1,476)	(2,420)	(4,117)	(6,970)
Gross profits	799	919	2,464	6,393	10,440
Other Op. Income (expense)	81	64	22	98	178
Selling and distribution expen:	(90)	(57)	(147)	(315)	(522)
Administrative expenses	(212)	(237)	(586)	(1,261)	(2,089)
EBITDA	577	689	1,754	4,915	8,006
EBIT (Op Profit)	556	667	1,733	4,892	7,980
- Property development	609	787	1,664	4,820	7,895
- Property rental (ex revaluatic	27	5	58	61	68
- Hotel operations	(2)	(2)	11	11	18
- Others	(78)	(122)	0	0	0
Exceptionals	126	31	309	385	579
P/L of associates	(0)	(1)	0	0	0
Interest expense (net)	5	(1)	(2)	(1)	(2)
Pre-tax profit	687	697	2,040	5,276	8,557
Income tax	(309)	(307)	(1,088)	(3,215)	(5,255)
Minority	(27)	(54)	(31)	(62)	(99)
Net profit	351	336	921	1,998	3,202
Core profit	257	313	689	1,710	2,768
Reported Basic EPS (RMB)	0.15	0.14	0.39	0.84	1.35
Reported Diluted EPS (RMB)	0.15	0.14	0.39	0.84	1.35
Core Basic EPS (RMB)	0.11	0.13	0.29	0.72	1.17
Core Diluted EPS (RMB)	0.11	0.13	0.29	0.72	1.17
DPS (RMB)	-	-	0.04	0.08	0.14
YoY (%)					
Revenue	35.8	41.9	103.9	115.2	65.7
Gross profit	24.3	15.0	168.0	159.5	63.3
Pre-tax profit	7.3	1.4	192.7	158.7	62.2
Core Net profit	34.6	22.0	119.9	148.0	61.9
Core EPS (Basic)	32.5	21.6	119.9	148.0	61.9
Margin (%)					
Gross	47.3	38.4	50.5	60.8	60.0
EBIT	32.9	27.9	35.5	46.5	45.8
Pre-tax	40.7	29.1	41.8	50.2	49.2
Net	20.8	14.0	18.9	19.0	18.4
Core net	15.2	13.1	14.1	16.3	15.9

Ratios & Valuations

	Year-end: Dec 31				
	2011	2012	2013F	2014F	2015F
ROA (%)	2.1	2.2	4.2	8.4	10.5
ROE (%)	5.3	6.0	11.8	23.5	28.5
ROCE (%)	3.5	3.8	7.1	14.2	18.5
P/E (x)	10.7	5.8	3.8	1.9	1.2
P/S (x)	1.6	0.8	0.5	0.3	0.2
P/BV (x)	0.5	0.3	0.4	0.4	0.3
EV/EBITDA (x)	8.9	7.3	3.8	1.6	1.0
Dividend yield (%)	-	-	3.5	6.1	9.9

Net Gearing (RMBmn)

	Year-end: Dec 31				
	2011	2012	2013F	2014F	2015F
Interest bearing debt - ST	1,065	1,739	1,312	1,569	1,746
Interest bearing debt - LT	1,990	2,493	3,681	4,363	4,617
Cash and cash equivalents	413	894	965	1,219	1,337
Restricted cash	190	225	238	157	173
Total equity	5,268	5,701	6,566	8,371	11,207
Net debt	2,643	3,338	4,028	4,712	5,025
Net debt with restricted cash	2,453	3,113	3,790	4,555	4,853
Net gearing	50%	59%	61%	56%	45%
Net gearing with restricted cash	47%	55%	58%	54%	43%

Balance Sheet (RMBmn)

	Year-end: Dec 31				
	2011	2012	2013F	2014F	2015F
Completed properties held for sale	1,480	4,055	3,319	3,894	2,005
Properties under development	4,695	1,009	3,947	3,899	6,049
Restricted cash	190	130	143	157	173
Cash and cash equivalents	413	894	915	1,128	1,244
Other current assets	686	265	253	278	306
Total current assets	7,463	6,353	8,576	9,356	9,777
Property and equipment	227	207	227	250	275
Investment properties	1,996	2,057	2,564	3,859	6,623
Properties under development	2,936	5,638	5,569	8,641	11,983
Long term prepayments	737	39	39	39	39
Other long-term assets	291	592	693	807	1,125
Total non-current assets	6,186	8,533	9,093	13,595	20,045
Total assets	13,649	14,886	17,669	22,952	29,822
Payables	2,094	2,176	2,394	2,633	2,897
Advances from customers	2,286	1,689	2,124	2,210	3,389
Bank and other borrowings	1,065	1,739	1,312	1,569	1,746
Tax payable	509	652	1,088	3,215	5,255
Total current liabilities	5,954	6,256	6,918	9,627	13,287
Bank and other borrowings	1,990	2,493	3,681	4,363	4,617
Deferred tax liabilities	436	435	479	527	579
Total non-current liabilities	2,427	2,928	4,160	4,889	5,196
Total liabilities	8,381	9,184	11,078	14,517	18,484
Shareholders' equity	5,063	5,397	6,318	8,224	11,227
Minority	205	304	273	211	111
Total equity	5,268	5,701	6,591	8,435	11,338
Total liabilities & equity	13,649	14,886	17,669	22,952	29,822
BVPS (RMB)	2.13	2.28	2.66	3.47	4.73

Cash Flow Statement (RMBmn)

	Year-end: Dec 31				
	2011	2012	2013F	2014F	2015F
Pre-tax profit	687	697	2,040	5,276	8,557
Dep. & Amort.	21	22	21	23	25
Changes in W/C	(1,239)	(1,042)	(1,494)	(3,289)	(2,178)
Others	(471)	(577)	(852)	(1,266)	(2,325)
Cash flow - operations	(1,002)	(901)	(286)	743	4,079
Capex	(51)	(2)	(42)	(46)	(50)
Changes in L-T inv.	412	(101)	(13)	81	(16)
Others	(155)	(157)	(400)	(1,596)	(4,528)
Cash flow - investment	205	(259)	(454)	(1,560)	(4,594)
Free cash flow	(797)	(1,160)	(740)	(817)	(515)
Inc. (Dec.) debt	281	1,177	761	938	431
Cash Dividend	0	0	0	92	200
Common stock issue	46	(3)	0	0	0
Others	63	124	0	0	0
Cash flow - financing	391	1,298	761	1,030	631
Exchange influence	(6)	(28)	0	0	0
Change in cash	(412)	110	21	213	116
FCPS (RMB)	(0.34)	(0.49)	(0.31)	(0.34)	(0.22)
CPS (RMB)	(0.17)	0.06	0.01	0.09	0.05

Assumptions

	Year-end: Dec 31				
	2011	2012	2013F	2014F	2015F
Contracted sales (RMBmn)	1,811	2,169	5,109	12,972	18,293
YoY	-52%	20%	136%	154%	41%
Contracted GFA sold (ksm)	135	181	418	917	1,388
YoY	-51%	34%	131%	119%	51%
Contracted ASP (RMB/sm)	13,438	11,973	12,212	14,152	13,177
YoY	-2%	-11%	2%	16%	-7%
RMB appreciation to HKD	5%	2%	3%	2%	2%
Dividend pay-out ratio	0%	0%	10%	10%	10%
WACC			11%		



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Add	Expected absolute return to be 10 – 30% within the next 6 months
Neutral	Expected absolute return to be level within the next 6 months
Reduce	Expected absolute return to be negative 10 – 30% within the next 6 months
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