

22 August 2018

Property | Real Estate

Country Garden

Buy (Maintained)

Re-Accumulate Opportunity In Blue-Chip Developer

Target Price: HKD23.00
 Price: HKD12.20
 Market Cap: USD33,817m
 Bloomberg Ticker: 2007 HK

Reiterate BUY, new HKD23.00 TP from HKD22.00, 88% upside – based on new HKD26.70 end-FY18F ENAV, from HKD25.80. As our Top Pick for large caps in the China property sector, we continue to see Country Garden's appropriate strategy of target segments, product standardisation, sizeable landbank and abundant liquidity offering visible counter-cyclical growth among peers. Fresh concerns of a slowdown in Tier-3&4 property markets and the recent industrial accident offer opportunities to re-accumulate the stock, in our view.

Share Data

Avg Daily Turnover (HKD/USD) 829m/106m
 52-wk Price low/high (HKD) 9.67 - 18.5
 Free Float (%) 34
 Shares outstanding (m) 21,293
 Estimated Return 88%

Shareholders (%)

Yang family 56.7
 Ping An Insurance 9.0

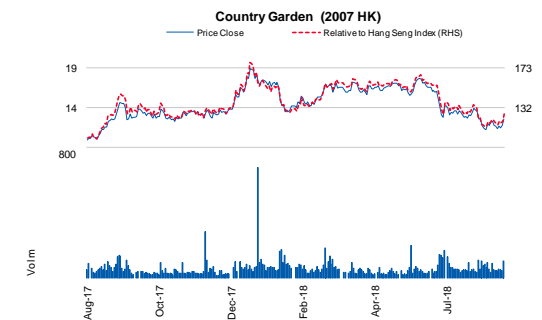
Better than expected results. 1H18 revenue surged 69.7% YoY, 9.3% ahead of our forecast, while recurring net profit rose 80.1%, 7.3% above our expectations. GPM was 26.5%, up from 22% in 1H18. Its interim DPS of CNY0.185 marked a 77.4% YoY increase (ex-special dividend issued in 1H17).

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(17.9)	(3.3)	(25.2)	(14.7)	28.0
Relative	(10.6)	(1.6)	(14.0)	(3.0)	25.8

Source: Bloomberg

Visible growth path; concerns of Tier-3&4 cities are overdone. While the market has continued to be overly concerned with stricter credit conditions on shanty town redevelopment and the impact on property sales in Tier-3&4 cities, we firmly believe the effect on Country Garden is less significant than expected (2% of total sales as per management guidance). We like its strategy of targeting first-time home buyers and spillover demand in satellite cities from Tier-1&2 markets as well as product standardisation – which enables it to manage policy risk, expedite cash turnover and mitigate inventory risk.



Source: Bloomberg

Backed by 364m sqm of landbank (488m sqm, if including potential landbank), Country Garden should have the sufficient resources to achieve stable 30% contracted sales CAGR for FY17-20F. Although management has not shared its sales target, we are confident that it will achieve CNY800bn in contracted sales comfortably in FY18F.

Strengthened balance sheet to spur potential M&A and share buybacks.

We also like the developer's abundant liquidity, with CNY200bn cash on its balance sheet – which comfortably covers its debt maturing in 2H18 and FY19 (total: CNY141bn). This, coupled with manageable net gearing being at 59%, leads us to believe that it has an ample warchest to capitalise on landbanking opportunities in 4Q18F and potentially deploy another round of share buybacks.

Reiterate BUY. At a 55% discount to its end-FY18F ENAV of HKD26.70, we see a long opportunity in this blue-chip developer, with unparalleled growth potential (FY17-20F earnings CAGR: 29.5%, FY18F-20F ROEs: 30-36%) and financial stability. We lift our earnings forecasts for FY18-20 by 8%, 10% and 2%, mainly to reflect the faster-than-expected booking schedule. Our new TP of HKD23.00 is based on a 15% discount to end-FY18F ENAV of HKD26.70. A downside risk to our call is the rapid slowdown in Tier-3 markets.

Forecasts and Valuations	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Total turnover (CNYm)	153,087	226,900	351,277	473,646	556,467
Reported net profit (CNYm)	11,517	26,064	36,578	47,821	53,698
Recurring net profit (CNYm)	11,985	24,690	36,174	47,821	53,698
Recurring net profit growth (%)	22.3	106.0	46.5	32.2	12.3
Recurring EPS (CNY)	0.54	1.10	1.61	2.13	2.39
DPS (CNY)	0.17	0.40	0.57	0.74	0.84
Recurring P/E (x)	19.7	9.7	6.6	5.0	4.5
P/B (x)	3.36	2.55	1.84	1.77	1.18
Dividend Yield (%)	1.6	3.7	5.4	7.0	7.8
Return on average equity (%)	17.0	31.8	32.7	36.0	31.6
Return on average assets (%)	2.4	3.2	2.8	2.4	2.0
Net debt to equity (%)	48.7	56.9	49.3	50.9	47.8
Our vs consensus EPS (adjusted) (%)			1.8	1.0	(7.0)

Source: Company data, RHB

Analysts

Toni Ho, CFA
 +852 2103 5888
toni.ho@rhbgrou.com



Angelo Wong
 +852 2103 9218
angelo.wong@rhbgrou.com



Financial Exhibits

Financial model updated on : 2018-08-21

Asia	Financial summary	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Hong Kong	Recurring EPS (CNY)	0.54	1.10	1.61	2.13	2.39
Property	EPS (CNY)	0.52	1.16	1.63	2.13	2.39
Country Garden	DPS (CNY)	0.17	0.40	0.57	0.74	0.84
Bloomberg 2007 HK	BVPS (CNY)	3.18	4.18	5.79	6.05	9.08
Buy	Weighted avg adjusted shares (m)	22,076	22,405	22,405	22,499	22,499
Valuation basis	Valuation metrics	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Based on 15% discount to end-FY18F ENAV of HKD26.70	Recurring P/E (x)	19.7	9.7	6.6	5.0	4.5
Key drivers	P/E (x)	20.5	9.2	6.5	5.0	4.5
i. Strong contracted sales growth momentum;	P/B (x)	3.36	2.55	1.84	1.77	1.18
ii. Improving profit margin and sector leading earnings growth	FCF Yield (%)	15.5	(23.9)	32.0	36.3	7.0
	Dividend Yield (%)	1.6	3.7	5.4	7.0	7.8
	EV/EBITDA (x)	10.4	5.5	5.3	4.1	4.1
	EV/EBIT (x)	10.9	5.6	5.4	4.2	4.2
Key risks	Income statement (CNYm)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Slow-down in Tier-3 cities' property markets	Total turnover	153,087	226,900	351,277	473,646	556,467
	Gross profit	32,236	58,785	88,191	118,413	136,979
	EBITDA	20,874	41,554	56,783	75,861	85,672
	Depreciation and amortisation	(992)	(1,072)	(1,148)	(1,221)	(1,292)
	Operating profit	19,882	40,482	55,635	74,639	84,380
	Net interest	390	3,276	448	345	267
	Income from associates & JVs	362	(352)	879	1,125	1,291
	Exceptional income - net	757	3,116	2,379	1,472	1,178
	Pre-tax profit	21,391	46,522	59,341	77,582	87,116
	Taxation	(7,727)	(17,770)	(19,583)	(25,602)	(28,748)
	Minority interests	(2,146)	(2,688)	(3,181)	(4,158)	(4,669)
	Recurring net profit	11,985	24,690	36,174	47,821	53,698
	Cash flow (CNYm)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Change in working capital	120,995	193,310	480,198	562,175	651,654
	Cash flow from operations	132,231	229,672	513,804	586,447	661,434
	Capex	(95,652)	(286,793)	(437,234)	(499,234)	(644,694)
	Cash flow from investing activities	(95,352)	(286,493)	(436,934)	(498,934)	(644,394)
	Proceeds from issue of shares	0	0	0	13,000	0
	Dividends paid	(2,912)	(3,734)	(9,453)	(12,802)	(16,737)
	Cash flow from financing activities	11,527	9,827	19,060	22,198	5,263
	Cash at beginning of period	36,241	84,647	137,084	133,583	243,294
	Net change in cash	48,406	(46,994)	95,931	109,711	22,302
	Ending balance cash	84,647	37,653	233,015	243,294	265,596
	Balance sheet (CNYm)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Total cash and equivalents	96,491	148,402	145,427	255,138	277,440
	Tangible fixed assets	75,756	120,469	316,326	482,974	717,174
	Total investments	20,958	39,268	11,963	13,709	15,375
	Total other assets	10,022	22,017	10,022	10,022	10,022
	Total assets	591,572	1,049,669	1,591,801	2,321,073	3,146,567
	Short-term debt	38,720	68,281	38,929	44,929	50,929
	Total long-term debt	97,477	146,484	177,659	288,659	334,659
	Other liabilities	7,166	17,037	7,166	7,166	7,166
	Total liabilities	509,956	933,057	1,447,400	2,166,938	2,920,364
	Shareholders' equity	70,128	93,671	129,708	136,056	204,238
	Minority interests	11,487	22,941	14,693	18,080	21,964
	Total equity	81,615	116,612	144,401	154,135	226,202
	Net debt	39,706	66,363	71,162	78,451	108,149
	Total liabilities & equity	591,572	1,049,669	1,591,801	2,321,073	3,146,567
	Key metrics	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Revenue growth (%)	35.2	48.2	54.8	34.8	17.5
	Recurrent EPS growth (%)	20.8	103.0	46.5	31.6	12.3
	Gross margin (%)	21.1	25.9	25.1	25.0	24.6
	Operating EBITDA margin (%)	13.6	18.3	16.2	16.0	15.4
	Net profit margin (%)	7.5	11.5	10.4	10.1	9.6
	Dividend payout ratio (%)	32.4	36.3	35.0	35.0	35.0
	Capex/sales (%)	62.5	126.4	124.5	105.4	115.9
	Interest cover (x)	139	276	52	60	64

Source: Company data, RHB

Results Review

Figure 1: 1H18 results review

FY end Dec 31 (CNY m)	Actual 1H17	Actual 2H17	Actual 1H18	1H18 YoY	RHB 1H18	1H18 Variance	BBG Consensus	1H18 Variance
Turnover	77,738	149,162	131,894	69.7%	120,656	9.3%	N/A	N/A
Property sales	74,475	145,683	126,885	70.4%				
Property mgmt and others	3,263	3,479	5,009	53.5%				
Cost of sales	(60,641)	(107,473)	(96,921)	59.8%				
Gross profit	17,097	41,689	34,973	104.6%				
Other income	243	677	1,758	623.7%				
Selling and marketing exp	(3,337)	(6,665)	(4,502)	34.9%				
Administrative expenses	(4,038)	(4,263)	(5,882)	45.7%				
Operating profit	9,964	31,438	26,347	164.4%				
Revaluation change	159	345	539	238.0%				
Other gains / (Losses) & exceptionals	1,450	241	0	-100.0%				
Finance costs	0	(147)	(596)	0.0%				
Finance income	830	2,592	777	-6.4%				
Associates and JCEs	6	(358)	(210)	-3525.2%				
Profit before taxation	12,410	34,112	26,857	116.4%				
Taxation	(4,037)	(13,734)	(10,538)	161.1%				
Profit after taxation	8,373	20,378	16,319	94.9%				
Minority interests / PCS	(872)	(1,816)	(3,380)	287.6%				
Reported net profit	7,501	18,562	12,939	72.5%				
Recurring net profit	7,189	17,501	12,950	80.1%	12,066	7.3%	N/A	N/A
Basic EPS (CNY)	0.350	0.878	0.600	71.7%				
Core EPS (CNY)	0.335	0.828	0.601	79.3%				
DPS (CNY)	0.150	0.250	0.185	23.3%				
BVPS (CNY)	3.653	4.413	4.869	33.3%				
Gross margin	22.0%	27.9%	26.5%					
Operating margin	12.8%	21.1%	20.0%					
Effective tax rate	-32.5%	-40.3%	-39.2%					
Net margin	9.6%	12.4%	9.8%					
Core net margin	9.2%	11.7%	9.8%					

Source: RHB

Lifting Our Earnings Forecasts

Figure 2: Changes to our P&L forecasts

FY end Dec 31 (CNY m)	FY18F			FY19F			FY20F		
	Original	New	chg (%)	Original	New	chg (%)	Original	New	chg (%)
Revenue	337,981	351,277	4%	448,034	473,646	6%	548,386	556,467	1%
Cost of goods sold	(253,161)	(263,086)	4%	(336,075)	(355,233)	6%	(413,411)	(419,488)	1%
Gross Profit	84,820	88,191	4%	111,959	118,413	6%	134,975	136,979	1%
Administrative expenses	(13,098)	(13,098)	0%	(17,815)	(17,815)	0%	(21,629)	(21,629)	0%
Selling and marketing exp	(19,458)	(19,458)	0%	(25,959)	(25,959)	0%	(30,970)	(30,970)	0%
Other incomes/expenses, inc. exceptionals	276	1,840	567%	284	1,472	418%	293	1,178	302%
Revaluation gains	0	539	N/A	0	0	N/A	0	0	N/A
Interest Expense	(355)	(1,064)	200%	(466)	(1,243)	167%	(466)	(1,320)	183%
Interest Income	1,512	1,512	0%	1,588	1,588	0%	1,588	1,588	0%
JCE & Associate items	879	879	0%	1,125	1,125	0%	1,291	1,291	N/A
Profit before tax	54,577	59,341	9%	70,716	77,582	10%	85,081	87,116	2%
Taxation	(18,010)	(19,583)	9%	(23,336)	(25,602)	10%	(28,077)	(28,748)	2%
Minority Interests	(2,925)	(3,181)	9%	(3,790)	(4,158)	10%	(4,560)	(4,669)	2%
Reported net profit	33,641	36,578	9%	43,590	47,821	10%	52,444	53,698	2%
Recurring net profit	33,641	36,174	8%	43,590	47,821	10%	52,444	53,698	2%
Gross profit margin (%)	25.1%	25.1%	0.0ppts	25.0%	25.0%	0.0ppts	24.6%	24.6%	0.0ppts
Reported net profit margin (%)	10.0%	10.4%	0.5ppts	9.7%	10.1%	0.4ppts	9.6%	9.6%	0.1ppts
Recurring net profit margin (%)	10.0%	10.3%	0.3ppts	9.7%	10.1%	0.4ppts	9.6%	9.6%	0.1ppts

Source: RHB

Figure 3: Interim income statement

FY end Dec 31 (CNY m)	Actual	Actual	Actual	Actual	Actual	RHB
	1H16	2H16	1H17	2H17	1H18	2H18F
Turnover	57,362	95,724	77,738	149,162	131,894	219,383
Property sales	55,406	92,774	74,475	145,683	126,885	218,802
Property mgmt and others	1,956	2,951	3,263	3,479	5,009	581
Cost of sales	(45,337)	(75,514)	(60,641)	(107,473)	(96,921)	(166,165)
Gross profit	12,026	20,210	17,097	41,689	34,973	53,218
Other income	134	(98)	243	677	1,758	82
Selling and marketing exp	(1,982)	(5,402)	(3,337)	(6,665)	(4,502)	(14,956)
Administrative expenses	(1,845)	(3,126)	(4,038)	(4,263)	(5,882)	(7,216)
Operating profit	8,334	11,585	9,964	31,438	26,347	31,128
Revaluation change	361	351	159	345	539	0
Exceptional items	130	(121)	1,450	241	0	0
Finance costs	(263)	120	0	(147)	(596)	(468)
Finance income	270	263	830	2,592	777	735
Associates and JCEs	379	(17)	6	(358)	(210)	1,089
Profit before taxation	9,209	12,181	12,410	34,112	26,857	32,484
Taxation	(3,004)	(4,723)	(4,037)	(13,734)	(10,538)	(9,045)
Profit after taxation	6,205	7,458	8,373	20,378	16,319	23,440
Minority interests	(815)	(1,331)	(872)	(1,816)	(3,380)	199
Reported net profit	5,390	6,127	7,501	18,562	12,939	23,639
Recurring net profit	5,327	6,657	7,189	17,501	12,950	23,224
Basic EPS (CNY)	0.242	0.280	0.350	0.878	0.600	1.032
Core EPS (CNY)	0.223	0.320	0.335	0.828	0.601	1.014
DPS (CNY)	0.069	0.102	0.150	0.250	0.185	0.386
BVPS (CNY)	3.078	3.177	3.653	4.413	4.869	5.789
Gross margin	21.0%	21.1%	22.0%	27.9%	26.5%	24.3%
Operating margin	14.5%	12.1%	12.8%	21.1%	20.0%	14.2%
Effective tax rate	-32.6%	-38.8%	-32.5%	-40.3%	-39.2%	-27.8%
Net margin	9.4%	6.4%	9.6%	12.4%	9.8%	10.8%
Core net margin	9.3%	7.0%	9.2%	11.7%	9.8%	10.6%

Source: RHB

Figure 4: Summary of annual income statement

FY end Dec 31 (CNY m)	FY16	FY17F	FY18F	FY19F	FY20F
Property sales	148,180	220,157	345,687	467,426	549,546
Property mgmt and others	4,907	6,742	5,590	6,220	6,922
Total revenue	153,087	226,900	351,277	473,646	556,467
Cost of sales	(120,851)	(168,114)	(263,086)	(355,233)	(419,488)
Gross profit	32,236	58,785	88,191	118,413	136,979
Other income/expenses	1,530	(530)	1,840	1,472	1,178
Selling and marketing exp	(7,384)	(10,002)	(19,458)	(25,959)	(30,970)
Administrative expenses	(4,970)	(8,301)	(13,098)	(17,815)	(21,629)
Revaluation change	712	505	539	0	0
Exceptionals	(1,485)	1,450	0	0	0
Finance cost - net	390	3,276	448	345	267
Associates and JCEs	362	(352)	879	1,125	1,291
Profit before taxation	21,391	44,831	59,341	77,582	87,116
Taxation	(7,727)	(17,770)	(19,583)	(25,602)	(28,748)
Profit after taxation	13,663	27,060	39,759	51,980	58,367
Minority interests	(2,146)	(2,688)	(3,181)	(4,158)	(4,669)
Reported net profit	11,517	24,372	36,578	47,821	53,698
Recurring net profit	11,985	24,690	36,174	47,821	53,698
Reported EPS (CNY)	0.522	1.163	1.633	2.126	2.387
Recurring EPS (CNY)	0.543	1.102	1.615	2.126	2.387
DPS (CNY)	0.171	0.400	0.571	0.744	0.835
Profit margin:					
Gross margin	21.1%	25.9%	25.1%	25.0%	24.6%
Reported net margin	7.5%	10.7%	10.4%	10.1%	9.6%
Recurring net margin	7.8%	10.9%	10.3%	10.1%	9.6%
YoY growth:					
Turnover	35.2%	48.2%	54.8%	34.8%	17.5%
Booked property sales revenue	35.4%	48.6%	57.0%	35.2%	17.6%
Reported net profit	24.2%	111.6%	50.1%	30.7%	12.3%
Recurring net profit	22.3%	106.0%	46.5%	32.2%	12.3%
Reported EPS	22.6%	123.0%	40.3%	30.2%	12.3%
Recurring EPS	20.8%	103.0%	46.5%	31.6%	12.3%

Source: Company, RHB

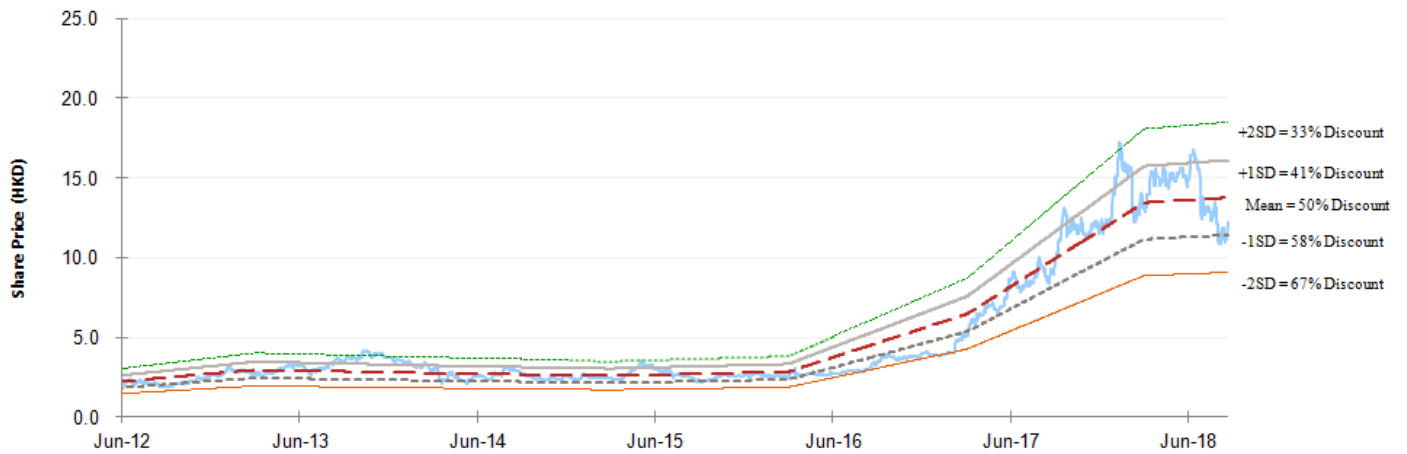
Valuation and Recommendation

Figure 5: Country Garden's end-FY18F ENAV

Details	Total HKD m	HKD/share	% of total
Landbank - development properties	652,155	30.00	112%
Landbank - investment properties & hotels	14,167	0.65	2%
Net debt as at end-FY18F	(85,394)	(3.93)	-15%
Total	580,928	26.70	100%

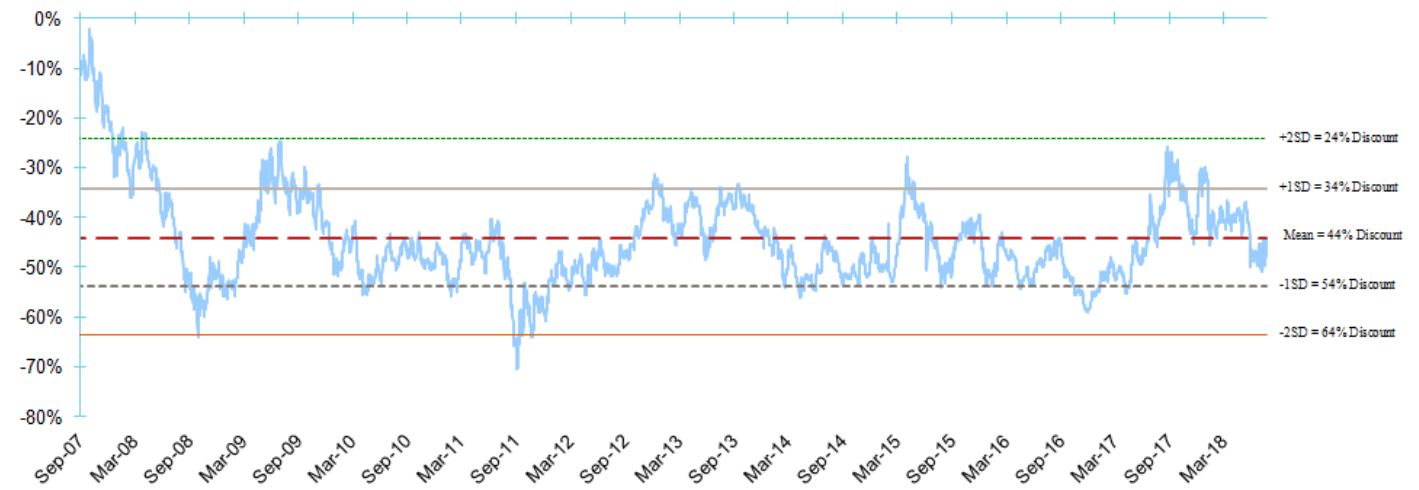
Source: RHB

Figure 6: 5-year rolling forward ENAV band



Source: RHB

Figure 7: China property – 10-year ENAV discount band



Source: RHB

Peer Comparison

Figure 8: Peer comparison I

Company	Stock code	*Price (HKD)	Mkt cap (USDm)	3-mth avg t/o (USDm)	RHB/Cons NAV (HKD)	Discount to NAV (%)	P/E		EPS YoY change		3-yr EPS CAGR (%)	P/BV		Div yield		
							FY18F (x)	FY19F (x)	FY18F (%)	FY19F (%)		FY18F (x)	FY19F (x)	FY18F (%)	FY19F (%)	
Large peer average							37.3	7.5	6.0	18.8	25.3	20.2	1.7	1.4	5.2	5.9
China Vanke	2202 HK	25.90	38,300	32.5	33.34	22.3	7.1	5.8	24.7	22.9	20.1	1.6	1.4	5.0	6.2	
**Country Garden	2007 HK	12.24	33,818	109.4	26.70	54.2	6.7	5.1	36.3	32.7	29.9	1.9	1.5	5.0	6.5	
**Evergrande	3333 HK	28.40	47,168	98.1	42.20	32.7	8.2	6.9	-1.0	19.8	9.9	2.3	2.0	7.6	7.2	
**China Overseas	688 HK	24.10	33,638	58.8	43.00	44.0	6.6	5.5	17.4	18.8	17.5	0.9	0.8	3.9	4.6	
**CR Land	1109 HK	28.55	25,209	42.7	44.00	35.1	8.1	6.9	27.9	17.8	20.8	1.2	1.1	4.3	5.0	
**Sunac	1918 HK	25.35	14,219	90.9	41.30	38.6	7.6	4.7	4.4	61.2	31.3	1.9	1.4	2.9	4.5	
**Longfor	960 HK	21.25	16,054	16.0	35.10	39.5	8.6	6.9	27.9	25.0	24.6	1.4	1.2	4.6	5.8	
Mid-and-small peer average							48.6	7.1	5.9	30.8	21.3	19.5	0.7	0.6	6.1	7.3
**Shimao	813 HK	22.65	9,609	21.8	40.00	43.4	7.3	5.8	31.3	26.5	27.2	1.0	0.9	5.3	6.8	
**Agile	3383 HK	12.00	5,988	15.7	34.00	64.7	5.6	4.5	21.4	23.6	22.2	0.9	0.8	8.2	10.2	
Guangzhou R&F	2777 HK	15.12	6,207	15.8	20.86	27.5	4.2	3.4	33.8	24.7	26.3	0.6	0.6	9.4	11.3	
China Jinmao	817 HK	3.41	5,017	15.1	5.23	34.8	6.7	5.2	20.5	29.3	27.6	0.9	0.8	6.1	7.6	
**CIFI	884 HK	4.79	4,739	16.8	10.50	54.4	5.8	4.5	25.9	29.3	27.0	1.2	1.0	6.3	8.1	
Sino-Ocean	3377 HK	4.27	4,143	4.8	6.80	37.2	5.6	4.7	23.4	20.0	22.5	0.5	0.5	7.6	9.2	
**KWG	1813 HK	8.92	3,605	15.1	22.30	60.0	5.4	4.1	49.0	32.7	35.5	0.8	0.7	6.6	8.6	
Shenzhen Inv	604 HK	2.62	2,748	5.7	8.50	69.2	6.8	5.9	-24.7	13.7	-6.1	0.5	0.4	7.0	7.8	
Kaisa	1638 HK	3.14	2,428	6.3	5.60	43.9	1.9	1.5	214.5	N/A	N/A	0.9	N/A	3.8	N/A	
**Greentown	3900 HK	8.41	2,322	6.8	20.30	58.6	7.5	6.7	27.7	11.5	15.2	0.6	0.5	2.6	2.8	
Yuexiu Property	123 HK	1.44	2,275	7.1	1.86	22.6	5.8	5.0	13.5	16.3	14.4	0.4	0.4	6.7	8.1	
SOHO China	410 HK	3.19	2,113	3.3	7.30	56.3	36.1	30.6	N/A	18.2	N/A	0.4	0.4	3.6	3.2	
Hopson	754 HK	7.01	1,988	1.2	13.08	46.4	11.1	11.0	N/A	1.6	N/A	N/A	N/A	2.7	2.7	
Shui On Land	272 HK	1.83	1,880	4.2	5.90	69.0	8.7	8.1	-23.4	7.7	0.2	0.3	0.3	4.0	4.2	
**CSC	1668 HK	1.43	1,459	4.0	6.90	79.3	5.8	4.8	N/A	22.4	18.0	0.3	0.3	3.5	5.2	
Poly HK	119 HK	3.11	1,451	3.2	7.00	55.6	4.2	4.2	104.5	0.5	N/A	0.4	0.4	6.8	6.8	
**COGO	81 HK	2.65	1,156	2.6	6.60	59.8	4.3	3.5	31.0	22.4	23.7	0.4	0.4	2.2	2.7	
Fantasia	1777 HK	1.16	852	1.2	2.60	55.4	4.2	3.3	20.0	29.2	24.9	0.5	0.3	6.0	7.2	
Sector average							39.8	7.4	6.0	21.5	24.4	20.0	1.4	1.2	5.4	6.2

Note: *Prices as at 21 Aug 2018

Note 2: **Under RHB coverage

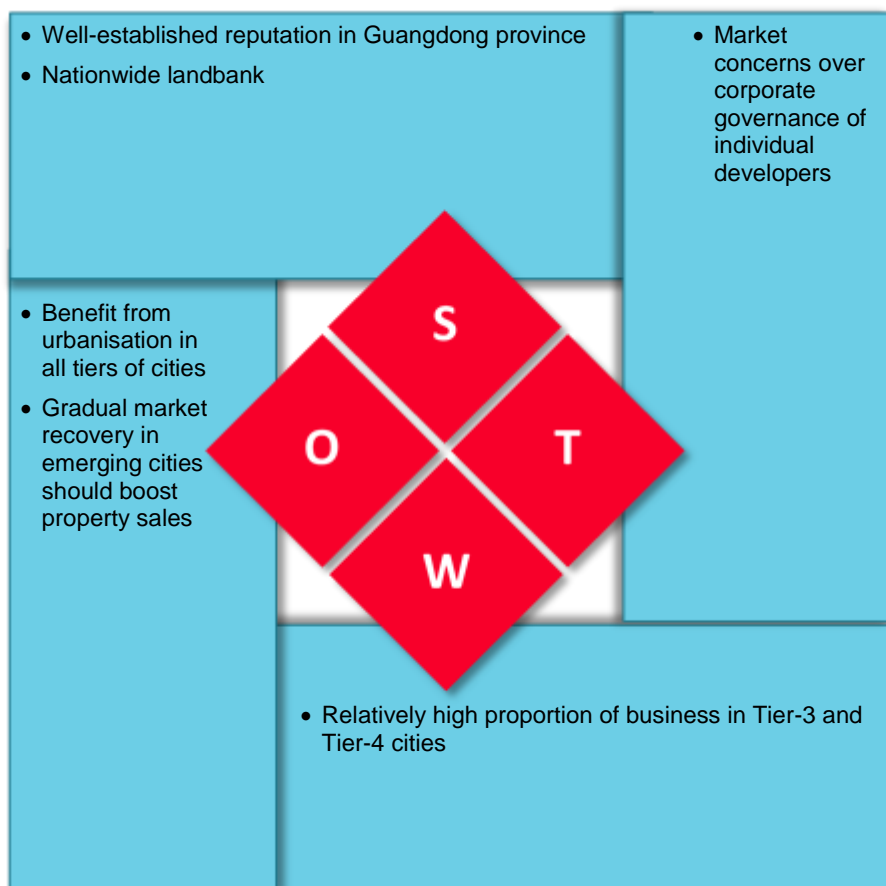
Source: RHB, Bloomberg

Figure 9: Peer comparison II

Company	Stock code	Mkt cap	Revenue			Net profit		Gross margin		Net margin		Net gearing		ROE		Share price change	
			FY17	FY18F	FY17	FY18F	FY17	FY18F	FY17	FY18F	FY17	FY18F	FY17	FY18F	1-mth	YTD	
		(USDm)	(USDm)	(USDm)	(USDm)	(USDm)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
Large peer average							31.8	15.8	12.4	94.9	22.8	25.8	22.5	8.8	-2.6		
China Vanke	2202 HK	38,300	34,668	45,666	4,097	5,119	32.3	11.8	11.2	14.1	N/A	24.1	23.4	3.4	-17.0		
Country Garden	2007 HK	33,818	33,142	51,398	3,807	5,033	25.9	11.5	9.8	45.3	28.6	34.4	29.8	-3.3	-13.6		
Evergrande	3333 HK	47,168	45,429	68,350	3,560	5,905	36.1	7.8	8.6	237.8	N/A	30.7	33.2	43.4	5.4		
China Overseas	688 HK	33,638	20,889	26,979	5,193	5,129	33.4	24.9	19.0	27.1	13.6	16.7	14.5	3.0	-4.2		
CR Land	1109 HK	25,209	15,108	18,870	2,932	3,126	40.3	19.4	16.6	43.1	27.0	22.0	16.4	7.1	24.1		
Sunac	1918 HK	14,219	9,622	20,488	1,706	1,816	20.7	17.7	8.9	249.1	N/A	32.8	22.7	4.8	-21.6		
Longfor	960 HK	16,054	10,528	14,197	1,840	1,846	33.9	17.5	13.0	47.8	22.2	20.0	17.3	3.4	8.6		
Mid-and-small peer average							33.2	31.8	12.6	88.0	44.6	13.9	12.6	1.1	-11.3		
Shimao	813 HK	9,609	10,287	12,502	1,145	1,339	30.4	11.1	10.7	61.1	55.9	14.2	14.6	8.9	33.2		
Agile	3383 HK	5,988	7,538	9,261	949	1,067	40.1	12.6	11.5	93.8	13.2	16.8	17.3	2.6	1.2		
Guangzhou R&F	2777 HK	6,207	8,658	11,393	3,116	1,468	35.4	36.0	12.9	188.8	104.5	40.2	15.4	9.4	-14.2		
China Jinmao	817 HK	5,017	4,539	6,148	581	725	32.3	12.8	11.8	69.1	54.6	12.9	13.2	-8.6	-0.9		
CIFI	884 HK	4,739	4,648	6,091	705	813	27.1	15.2	13.4	49.4	27.6	30.5	22.8	4.8	1.7		
Sino-Ocean	3377 HK	4,143	6,695	7,678	747	724	24.5	11.2	9.4	66.5	33.2	11.1	9.9	-1.4	-20.8		
KWG	1813 HK	3,605	1,686	2,407	529	640	34.8	31.4	26.6	72.4	44.7	14.0	15.3	8.4	-2.3		
Shenzhen Inv	604 HK	2,748	1,306	2,383	631	381	34.6	48.3	16.0	22.0	N/A	13.3	7.1	-5.1	-19.1		
Kaisa	1638 HK	2,428	4,788	10,055	480	1,253	27.3	10.0	12.5	326.2	N/A	20.5	38.5	12.9	-28.8		
Greentown	3900 HK	2,322	6,128	6,436	320	300	19.2	5.2	4.7	59.1	51.8	6.5	6.8	-11.8	-16.4		
Yuexiu Property	123 HK	2,275	3,475	4,007	330	378	25.7	9.5	9.4	84.1	45.4	7.7	7.5	1.4	-1.4		
SOHO China	410 HK	2,113	287	262	691	68	74.0	241.2	25.8	51.4	N/A	5.2	1.3	-7.5	-30.2		
Hopson	754 HK	1,988	1,761	N/A	738	N/A	36.8	41.9	N/A	71.9	N/A	9.8	N/A	6.1	-8.5		
Shui On Land	272 HK	1,880	2,695	2,308	327	218	42.6	12.2	9.4	55.1	N/A	4.4	3.0	5.2	-15.3		
CSC	1668 HK	1,459	1,198	1,577	575	250	43.3	48.0	15.8	76.8	N/A	14.0	10.4	-4.0	-30.2		
Poly HK	119 HK	1,451	4,039	4,863	314	364	20.6	7.8	7.5	72.1	N/A	9.3	9.4	-0.3	-23.6		
COGO	81 HK	1,156	2,583	3,460	162	252	20.1	6.3	7.3	77.6	15.4	10.6	13.7	0.0	-36.4		
Fantasia	1777 HK	852	1,429	1,995	169	200	29.6	11.8	10.0	87.1	N/A	9.8	7.5	-1.7	8.4		
Average							32.8	27.3	12.6	89.9	38.4	17.3	15.5	3.2	-8.9		

Source: RHB, Bloomberg

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2018-03-21	Buy	22.0	16.5
2018-02-04	Buy	19.6	16.8
2017-11-24	Buy	15.4	13.1
2017-08-23	Neutral	10.1	9.7
2017-07-28	Neutral	9.6	10.6
2017-03-24	Sell	3.6	7.1
2016-08-19	Sell	3.1	3.7
2016-05-31	Sell	2.8	3.1
2016-05-05	Sell	2.8	3.1
2016-03-16	Sell	2.8	3.0

Source: RHB, Bloomberg

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Kuala Lumpur	Hong Kong	Singapore
RHB Research Institute Sdn Bhd Level 3A, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur 50400 Malaysia Tel : +(60) 3 9280 8888 Fax : +(60) 3 9200 2216	RHB Securities Hong Kong Ltd. 12 th Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	RHB Research Institute Singapore Pte Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211
Jakarta	Shanghai	Bangkok
PT RHB Sekuritas Indonesia Wisma Mulia, 20th Floor Jl. Jenderal Gatot Subroto No. 42 Jakarta 12710, Indonesia Tel : +(6221) 2783 0888 Fax : +(6221) 2783 0777	RHB (China) Investment Advisory Co. Ltd. Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633	RHB Securities (Thailand) PCL 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 2 088 9999 Fax: +(66) 2 088 9799