

24 August 2018

Property | Real Estate

## China Overseas Land

**Buy** (Maintained)

### Momentum To Pick Up In FY19

**Maintain BUY, new HKD32.40 TP from HKD36.60, 33% upside. Our TP is based on a lower 25% discount (from 15%) to end-FY18F ENAV of HKD43.2. We like COLI's sturdy balance sheet, anticipated catch-up in contracted sales momentum in FY19-20F and growing IP business, but expect a gap in earnings growth this year on slower-than-peers contracted sales growth over the last two years. As a big-cap player with a leading financial position, the discount to its valuation can lead to investment opportunities – although the catch-up in valuations may take time to pan out.**

**Interim earnings miss estimates despite better-than-expected margins.** China Overseas Land's (COLI) 1H18 revenue slightly increased 1.6% YoY whilst core net profit rose 14.3% YoY. Both are lower than our estimates by 18.2% and 7.9%. As a positive surprise, GPM and NPM were at 35.8% and 21.6% (vs 30.5% and 19.2% in 1H17). COLI's financial position is still very sturdy, with a net gearing ratio of 28.1% and weighted average financing cost of 4.27%, ie both at industry-low levels.

**Gradual acceleration of contracted sales growth.** Management indicated that COLI will have HKD500bn in saleable resources for 2H18F and is confident of achieving 33% YoY growth in contracted sales. This should enable the company to hit its HKD290 sales target (+25% YoY) for FY18. COLI also aggressively ramped up new construction starts (1H18: +36.2% YoY) and should have HKD600bn in saleable resources available by year-end. The guidance is in line with our expectation, which should allow it to maintain 25-30% YoY growth in contracted sales in FY19F, in our view.

**Growing investment properties (IP) business, leader in office leasing.** With 38 office buildings and a GFA of 2.3m sqm in operation, COLI is the largest office landlord in China. Coupled with another 1.5m sqm under construction and 2.1m sqm available for future development, we expect its IP business to scale up quickly over the next few years. Meanwhile, COLI has also ventured into co-working space, with five co-working projects in operation. The average occupancy rate was about 90% whilst effective rent premium is 160% above rates of traditional offices nearby.

**Possible earnings growth gap before picking up momentum in FY19F.** With only HKD101bn in presale deposits on its balance sheet and taking into account its slower-than-peers contracted sales growth over last two years, we see low visibility in strong earnings growth – at least for FY18F. Accordingly, we lower FY18-20F revenue and earnings by 13%/3%/10% and 9%/4%/13%. We expect COLI to resume solid earnings growth from FY19F onwards.

**Maintain BUY, with a lower HKD32.40 TP** based on a lower 25% discount to end-FY18F ENAV of HKD43.20. Whilst its earnings outlook for the next 12 months is less appealing comparing to its large-cap peers, we continue to like COLI fundamentally, given its strength in balance sheet, accelerating contracted sales momentum in FY19/20F and its growing IP business.

Target Price:	HKD32.40
Price:	HKD24.50
Market Cap:	USD34,126m
Bloomberg Ticker:	688 HK

#### Share Data

Avg Daily Turnover (HKD/USD)	455m/57.3m
52-wk Price low/high (HKD)	22.8 - 31.5
Free Float (%)	29
Shares outstanding (m)	10,956
Estimated Return	33%

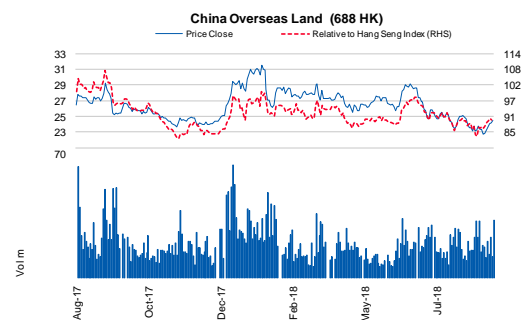
#### Shareholders (%)

China State Construction Engineering Corporation	56.0
CITIC	10.0
JP Morgan	5.0

#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(2.8)	2.7	(8.3)	(13.8)	(7.6)
Relative	3.9	3.9	0.6	(3.1)	(9.5)

Source: Bloomberg



Source: Bloomberg

Forecasts and Valuations	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Total turnover (HKDm)	164,069	166,045	182,769	250,265	312,056
Reported net profit (HKDm)	37,021	40,767	40,599	48,445	61,360
Recurring net profit (HKDm)	31,370	34,257	36,542	48,445	61,360
Recurring net profit growth (%)	8.8	9.2	6.7	32.6	26.7
Recurring EPS (HKD)	2.86	3.13	3.34	4.42	5.60
DPS (HKD)	0.77	0.80	0.83	1.33	1.68
Recurring P/E (x)	8.54	7.82	7.33	5.53	4.37
P/B (x)	1.21	1.01	0.92	0.83	0.75
Dividend Yield (%)	3.1	3.3	3.4	5.4	6.9
Return on average equity (%)	17.1	16.7	14.6	15.8	18.0
Return on average assets (%)	6.4	6.7	5.9	6.1	6.6
Net debt to equity (%)	7.3	27.1	29.1	28.5	27.8
Our vs consensus EPS (adjusted) (%)			(9.1)	1.4	10.3

Source: Company data, RHB

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## Financial Exhibits

Financial model updated on : 2018-08-23.

Asia	<b>Financial summary</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
Hong Kong	Recurring EPS (HKD)	2.86	3.13	3.34	4.42	5.60
Property	EPS (HKD)	3.38	3.72	3.71	4.42	5.60
<b>China Overseas Land</b>	DPS (HKD)	0.77	0.80	0.83	1.33	1.68
Bloomberg 688 HK	BVPS (HKD)	20.3	24.3	26.7	29.4	32.8
<b>Buy</b>	Weighted avg adjusted shares (m)	10,956	10,956	10,956	10,956	10,956
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
25% discount to end-FY18F ENAV of HKD43.20	Recurring P/E (x)	8.54	7.82	7.33	5.53	4.37
<b>Key drivers</b>	P/E (x)	7.24	6.57	6.60	5.53	4.37
i. Steady growth in property sales;	P/B (x)	1.21	1.01	0.92	0.83	0.75
ii. Defensive cost structure and accelerating asset turnover	FCF Yield (%)	11.6	(16.2)	(1.5)	2.4	3.6
<b>Key risks</b>	Dividend Yield (%)	3.1	3.3	3.4	5.4	6.9
Relatively stretched landbank compare to peers	EV/EBITDA (x)	4.60	4.19	4.36	3.43	2.89
<b>Company Profile</b>	EV/EBIT (x)	4.64	4.21	4.39	3.44	2.91
China Overseas Land & Investment Ltd (COLI) is one of the leading property developers in China. It is a subsidiary of China State Construction Engineering Corporation, the largest construction conglomerate in China. It was incorporated in Hong Kong in 1979, and listed on the Hong Kong Exchange in 1992. COLI has expanded its presence to 42 major cities in China, as well as Hong Kong and Macau. Besides property development, the developer is also engaged in other property-related businesses such as property investment, property management, and planning and construction design, among others.	<b>Income statement (HKDm)</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
	Total turnover	164,069	166,045	182,769	250,265	312,056
	Gross profit	45,643	54,700	62,271	82,826	101,520
	EBITDA	41,238	55,124	57,933	77,635	96,734
	Depreciation and amortisation	(357)	(336)	(337)	(386)	(464)
	Operating profit	40,881	54,788	57,596	77,249	96,270
	Net interest	(2,056)	(1,394)	(1,552)	(1,596)	(1,612)
	Income from associates & JVs	1,252	1,938	4,373	6,258	8,096
	Exceptional income - net	17,024	8,086	5,408	0	0
	Pre-tax profit	57,102	63,419	65,825	81,911	102,754
	Taxation	(18,711)	(21,277)	(23,590)	(31,462)	(38,790)
	Minority interests	(1,370)	(1,375)	(1,636)	(2,004)	(2,605)
	Recurring net profit	31,370	34,257	36,542	48,445	61,360
	<b>Cash flow (HKDm)</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
	Cash flow from operations	60,540	(36,579)	7,243	20,793	27,557
	Capex	(29,575)	(6,893)	(11,127)	(14,278)	(17,966)
	Cash flow from investing activities	(41,919)	(16,185)	(24,108)	(31,132)	(38,815)
	Cash flow from financing activities	15,740	(347)	31,022	32,539	40,307
	Cash at beginning of period	122,801	157,162	104,051	118,207	140,407
	Net change in cash	34,361	(53,111)	14,157	22,200	29,049
	Ending balance cash	157,162	104,051	118,207	140,407	169,456
	<b>Balance sheet (HKDm)</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
	Total cash and equivalents	157,162	104,051	118,207	140,407	169,456
	Tangible fixed assets	3,887	3,898	4,469	5,365	6,455
	Total investments	83,132	118,015	120,316	124,951	131,554
	Total other assets	9,358	21,702	30,995	43,976	60,829
	Total assets	571,289	645,405	738,292	862,075	1,006,697
	Short-term debt	40,286	30,424	34,262	39,096	45,279
	Total long-term debt	133,534	147,815	171,311	195,481	226,397
	Other liabilities	10,727	17,504	17,504	17,504	17,504
	Total liabilities	343,866	371,861	438,107	531,975	639,626
	Shareholders' equity	222,248	265,694	292,336	322,251	359,222
	Minority interests	5,175	7,849	7,849	7,849	7,849
	Total equity	227,423	273,543	300,185	330,100	367,072
	Net debt	16,659	74,188	87,366	94,170	102,221
	Total liabilities & equity	571,289	645,405	738,292	862,075	1,006,697
	<b>Key metrics</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
	Revenue growth (%)	(3.2)	1.2	10.1	36.9	24.7
	Recurrent EPS growth (%)	1.1	9.2	6.7	32.6	26.7
	Gross margin (%)	27.8	32.9	34.1	33.1	32.5
	Operating EBITDA margin (%)	25.1	33.2	31.7	31.0	31.0
	Net profit margin (%)	22.6	24.6	22.2	19.4	19.7
	Dividend payout ratio (%)	21.3	21.0	22.5	30.0	30.0
	Capex/sales (%)	18.0	4.2	6.1	5.7	5.8
	Interest cover (x)	19.9	39.3	37.1	48.4	59.7

Source: Company data, RHB

## 1H18 Results Review

Figure 1: COLI's 1H18 results review

FY end Dec 31 (HKD m)	Actual	Actual	Actual	1H18	RHB		BBG	
	1H17	2H17	1H18	YoY	1H18	Diff (%)	Consensus	Diff (%)
<b>Turnover</b>	87,199	78,846	88,601	1.6%	108,365	-18.2%	N/A	N/A
<i>Property sales</i>	85,328	76,812	86,301	1.1%				
<i>Property rental and mgmt</i>	1,158	1,292	1,762	52.1%				
<i>Other operations</i>	713	742	538	-24.6%				
Cost of sales	(60,604)	(50,741)	(56,900)	-6.1%				
<b>Gross profit</b>	26,595	28,104	31,701	19.2%				
Other income and expenses	1,554	4,333	1,423	-8.4%				
Selling and distribution exp	(1,061)	(1,889)	(1,100)	3.7%				
Administrative expenses	(1,235)	(1,614)	(1,685)	36.5%				
<b>Operating profit</b>	25,854	28,934	30,338	17.3%				
Revaluation change	3,772	2,174	5,408	43.4%				
Exceptionals	2,505	(365)	0	N/A				
Finance cost	(651)	(743)	(690)	6.0%				
Associates and JCEs	1,390	548	2,088	50.2%				
<b>Profit before taxation</b>	32,870	30,549	37,144	13.0%				
Taxation	(10,383)	(10,894)	(12,889)	24.1%				
<b>Profit after taxation</b>	22,487	19,655	24,255	7.9%				
Minority interests	(832)	(543)	(1,037)	24.5%				
<b>Reported net profit</b>	21,654	19,112	23,219	7.2%				
<b>Recurring net profit</b>	16,776	17,481	19,170	14.3%	20,806	-7.9%	N/A	N/A
Basic EPS (HKD)	1.976	1.744	2.119	7.2%				
Core EPS (HKD)	1.531	1.596	1.750	14.3%				
DPS (HKD)	0.350	0.450	0.400	14.3%				
BVPS (HKD)	22.220	24.251	25.180	13.3%				
Gross margin	30.5%	35.6%	35.8%					
Operating margin	29.6%	36.7%	34.2%					
Effective tax rate	-31.6%	-35.7%	-34.7%					
Net margin	24.8%	24.2%	26.2%					
Core net margin	19.2%	22.2%	21.6%					

Source: RHB

## Change To Forecasts

Figure 2: Changes to our P&L forecasts

(HKD m)	FY18F			FY19F			FY20F		
	Original	New	chg (%)	Original	New	chg (%)	Original	New	chg (%)
<b>Revenue</b>	<b>209,171</b>	<b>182,769</b>	-13%	<b>258,218</b>	<b>250,265</b>	-3%	<b>347,022</b>	<b>312,056</b>	-10%
Cost of goods sold	(142,860)	(120,498)	-16%	(176,589)	(167,439)	-5%	(238,423)	(210,536)	-12%
<b>Gross Profit</b>	<b>66,311</b>	<b>62,271</b>	-6%	<b>81,629</b>	<b>82,826</b>	1%	<b>108,599</b>	<b>101,520</b>	-7%
Selling and distribution exp	(2,885)	(3,001)	4%	(4,041)	(4,098)	1%	(5,229)	(4,958)	-5%
Administrative expenses	(2,772)	(3,910)	41%	(3,881)	(4,711)	21%	(5,023)	(4,939)	-2%
Other income, expenses and gains	2,222	2,236	1%	4,168	3,233	-22%	9,149	4,648	-49%
Exceptional	0	0	N/A	0	0	N/A	0	0	N/A
Revaluation gain	0	5,408	N/A	0	0	N/A	0	0	N/A
Interest expense	(1,807)	(1,552)	-14%	(1,838)	(1,596)	-13%	(1,568)	(1,612)	3%
JCE & Associate items	3,880	4,373	13%	5,503	6,258	14%	7,352	8,096	10%
<b>Profit before tax</b>	<b>64,949</b>	<b>65,825</b>	1%	<b>81,540</b>	<b>81,911</b>	0%	<b>113,280</b>	<b>102,754</b>	-9%
Taxation	(23,661)	(23,590)	0%	(29,560)	(31,462)	6%	(40,634)	(38,790)	-5%
Minority Interests	(1,227)	(1,636)	33%	(1,597)	(2,004)	25%	(2,305)	(2,605)	13%
<b>Reported net profit</b>	<b>40,060</b>	<b>40,599</b>	1%	<b>50,383</b>	<b>48,445</b>	-4%	<b>70,340</b>	<b>61,360</b>	-13%
<b>Recurring net profit</b>	<b>40,060</b>	<b>36,542</b>	-9%	<b>50,383</b>	<b>48,445</b>	-4%	<b>70,340</b>	<b>61,360</b>	-13%
Gross profit margin (%)	31.7%	34.1%	2.4%	31.6%	33.1%	1.5%	31.3%	32.5%	1%
Reported net profit margin (%)	19.2%	22.2%	3.1%	19.5%	19.4%	-0.2%	20.3%	19.7%	-1%
Recurring net profit margin (%)	19.2%	20.0%	0.8%	19.5%	19.4%	-0.2%	20.3%	19.7%	-1%

Source: RHB

Figure 3: COLI's interim income statement

FY end Dec 31 (HKD m)	(Restated)	(Restated)	Actual 1H17	Actual 2H17	Actual 1H18	RHB 2H18F
	Actual 1H16	Actual 2H16				
<b>Turnover</b>	84,267	79,802	87,199	78,846	88,601	94,168
Property sales	82,389	77,502	85,328	76,812	86,301	91,855
Property rental	1,064	1,073	1,158	1,292	1,762	1,704
Other operations	814	1,227	713	742	538	610
Cost of sales	(61,085)	(57,340)	(60,604)	(50,741)	(56,900)	(63,598)
<b>Gross profit</b>	23,181	22,462	26,595	28,104	31,701	30,570
Other income and expenses	994	795	1,554	4,333	1,423	813
Selling and distribution exp	(1,263)	(2,108)	(1,061)	(1,889)	(1,100)	(1,901)
Administrative expenses	(1,625)	(1,555)	(1,235)	(1,614)	(1,685)	(2,224)
<b>Operating profit</b>	21,287	19,594	25,854	28,934	30,338	27,258
Revaluation change	5,378	2,345	3,772	2,174	5,408	0
Exceptionals	575	8,726	2,505	(365)	0	0
Finance cost	(1,156)	(900)	(651)	(743)	(690)	(862)
Associates and JCEs	758	494	1,390	548	2,088	2,285
<b>Profit before taxation</b>	26,842	30,260	32,870	30,549	37,144	28,681
Taxation	(9,056)	(9,655)	(10,383)	(10,894)	(12,889)	(10,702)
<b>Profit after taxation</b>	17,787	20,604	22,487	19,655	24,255	17,979
Minority interests	(493)	(877)	(832)	(543)	(1,037)	(599)
<b>Reported net profit</b>	17,293	19,727	21,654	19,112	23,219	17,380
<b>Recurring net profit</b>	13,314	18,056	16,776	17,481	19,170	17,372
Basic EPS (HKD)	1.754	1.881	1.976	1.532	2.119	1.586
Core EPS (HKD)	1.301	1.779	1.531	1.561	1.750	1.586
DPS (HKD)	0.350	0.420	0.350	0.527	0.400	0.434
BVPS (HKD)	20.440	20.290	22.220	22.335	25.180	26.682
Gross margin	27.5%	28.1%	30.5%	35.6%	35.8%	32.5%
Operating margin	25.3%	24.6%	29.6%	36.7%	34.2%	28.9%
Effective tax rate	-33.7%	-31.9%	-31.6%	-35.7%	-34.7%	-37.3%
Net margin	20.5%	24.7%	24.8%	24.2%	26.2%	18.5%
Core net margin	15.8%	22.6%	19.2%	22.2%	21.6%	18.4%

Source: RHB

Figure 4: COLI's annual income statement

FY end Dec 31 (HKD m)	FY16	FY17F	FY18F	FY19F	FY20F
Property sales	159,891	162,140	178,156	244,802	305,685
Property investment	2,137	2,450	3,466	4,258	5,106
Property mgmt and others	2,040	1,455	1,148	1,205	1,265
<b>Total revenue</b>	<b>164,069</b>	<b>166,045</b>	<b>182,769</b>	<b>250,265</b>	<b>312,056</b>
Cost of sales	(118,425)	(111,345)	(120,498)	(167,439)	(210,536)
<b>Gross profit</b>	<b>45,643</b>	<b>54,700</b>	<b>62,271</b>	<b>82,826</b>	<b>101,520</b>
Other income	1,789	5,886	2,236	3,233	4,648
Selling and marketing exp	(3,372)	(2,950)	(3,001)	(4,098)	(4,958)
Administrative expenses	(3,180)	(2,849)	(3,910)	(4,711)	(4,939)
Revaluation change & Exceptionals	17,024	8,086	5,408	0	0
Finance cost	(2,056)	(1,394)	(1,552)	(1,596)	(1,612)
Associates and JCEs	1,252	1,938	4,373	6,258	8,096
<b>Profit before taxation</b>	<b>57,102</b>	<b>63,419</b>	<b>65,825</b>	<b>81,911</b>	<b>102,754</b>
Taxation	(18,711)	(21,277)	(23,590)	(31,462)	(38,790)
<b>Profit after taxation</b>	<b>38,391</b>	<b>42,142</b>	<b>42,234</b>	<b>50,449</b>	<b>63,965</b>
Minority interests	(1,370)	(1,375)	(1,636)	(2,004)	(2,605)
<b>Reported net profit</b>	<b>37,021</b>	<b>40,767</b>	<b>40,599</b>	<b>48,445</b>	<b>61,360</b>
<b>Recurring net profit</b>	<b>31,371</b>	<b>34,257</b>	<b>36,542</b>	<b>48,445</b>	<b>61,360</b>
Reported EPS (HKD)	3.635	3.721	3.706	4.422	5.600
Recurring EPS (HKD)	3.080	3.127	3.335	4.422	5.600
DPS (HKD)	0.770	0.800	0.834	1.327	1.680
<b>Profit margin:</b>					
Gross margin	27.8%	32.9%	34.1%	33.1%	32.5%
Reported net margin	22.6%	24.6%	22.2%	19.4%	19.7%
Recurring net margin	19.1%	20.6%	20.0%	19.4%	19.7%
<b>YoY growth:</b>					
Turnover	-3.2%	1.2%	10.1%	36.9%	24.7%
Booked property sales revenue	-2.2%	1.4%	9.9%	37.4%	24.9%
Reported net profit	6.9%	10.1%	-0.4%	19.3%	26.7%
Recurring net profit	8.6%	9.2%	6.7%	32.6%	26.7%
Reported EPS	-3.2%	2.4%	-0.4%	19.3%	26.7%
Recurring EPS	-1.6%	1.5%	6.7%	32.6%	26.7%

Source: RHB

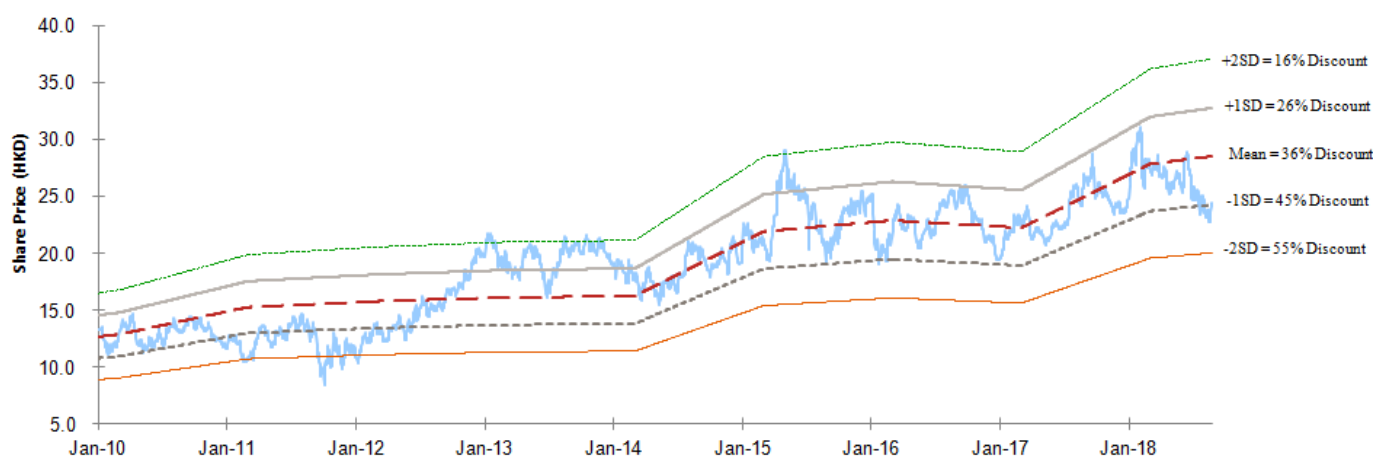
## Valuation

Figure 5: COLI's end-FY18F ENAV

Details	Total HKD m	HKD/share	% of Total
Landbank and properties under development	469,967	42.9	104%
Investment properties completed and under development	58,628	5.4	13%
38% stake in COGO	9,814	2.9	2%
Net debts as of end-FY18F	(87,366)	(8.0)	-19%
<b>Total</b>	<b>451,043</b>	<b>43.2</b>	<b>100%</b>

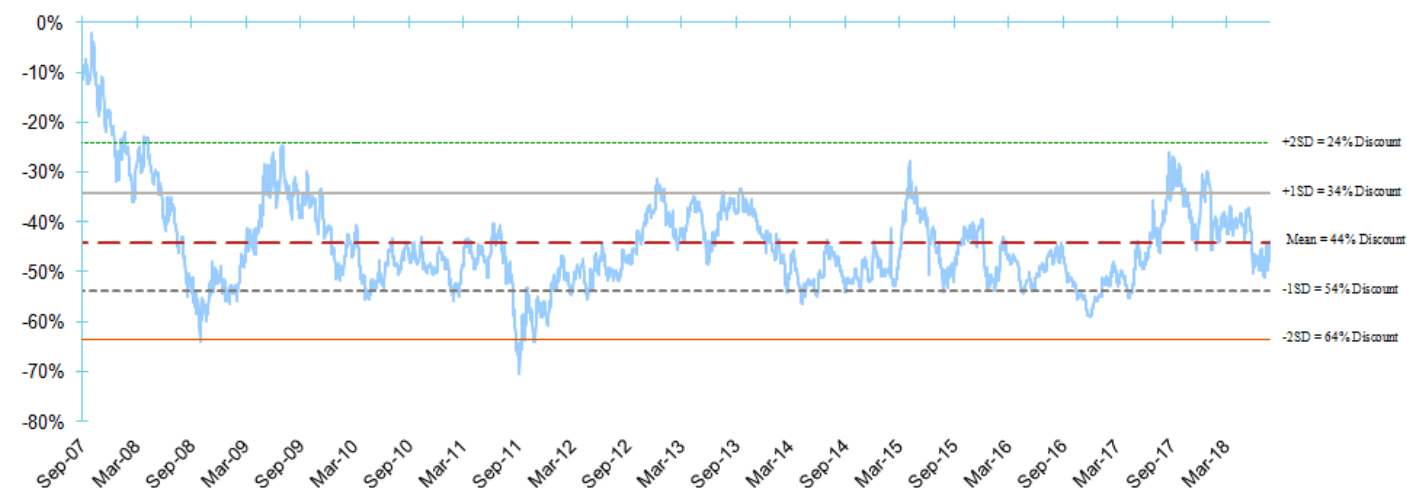
Source: RHB

Figure 6: COLI's 5-year rolling forward ENAV band



Source: RHB

Figure 7: China property - past 10-year ENAV discount bands



Source: RHB

## Peers 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 (%)	
<b>Large peer average</b>							<b>37.1</b>	<b>7.6</b>	<b>6.1</b>	<b>19.1</b>	<b>25.4</b>	<b>20.2</b>	<b>1.7</b>	<b>1.4</b>	<b>5.1</b>	<b>5.9</b>
China Vanke	2202 HK	25.95	36,639	33.1	33.34	22.2	7.2	5.9	24.7	22.5	20.3	1.6	1.4	5.0	6.2	
**Country Garden	2007 HK	12.06	33,319	111.5	26.70	54.8	6.6	5.0	38.0	32.5	29.3	1.9	1.5	5.2	6.6	
**Evergrande	3333 HK	28.85	47,913	101.6	42.20	31.6	8.4	7.0	-1.0	19.8	9.9	2.4	2.0	7.5	7.1	
**China Overseas	688 HK	24.45	34,125	59.0	43.20	43.4	6.7	5.6	17.4	18.8	17.5	0.9	0.8	3.9	4.6	
**CR Land	1109 HK	27.80	24,545	44.4	44.00	36.8	7.8	6.6	29.7	18.1	21.4	1.2	1.1	4.4	5.2	
**Sunac	1918 HK	25.35	14,218	91.3	41.30	38.6	7.6	4.7	4.4	61.2	31.3	1.9	1.4	2.9	4.4	
**Longfor	960 HK	22.60	17,073	16.3	35.60	36.5	9.3	7.3	26.9	27.6	25.4	1.5	1.3	4.3	5.5	
<b>Mid-and-small peer average</b>							<b>49.1</b>	<b>7.1</b>	<b>5.9</b>	<b>30.1</b>	<b>22.3</b>	<b>19.5</b>	<b>0.7</b>	<b>0.6</b>	<b>6.2</b>	<b>7.3</b>
**Shimao	813 HK	22.85	9,694	21.6	40.00	42.9	7.4	5.9	31.3	26.5	27.2	1.0	0.9	5.3	6.7	
**Agile	3383 HK	11.82	5,898	15.7	34.00	65.2	5.5	4.5	21.4	23.6	22.2	0.9	0.8	8.3	10.3	
Guangzhou R&F	2777 HK	15.06	6,182	15.7	20.86	27.8	4.2	3.4	33.8	24.7	26.3	0.6	0.6	9.4	11.3	
China Jinmao	817 HK	3.49	5,135	15.1	5.23	33.3	6.9	5.4	20.5	29.3	27.6	0.9	0.8	6.0	7.4	
**CIFI	884 HK	4.60	4,551	16.7	10.50	56.2	5.6	4.3	25.9	29.3	27.0	1.2	1.0	6.5	8.4	
Sino-Ocean	3377 HK	3.95	3,832	4.8	6.80	41.9	5.2	4.4	23.4	20.0	22.5	0.5	0.5	8.2	9.9	
**KWG	1813 HK	8.87	3,585	14.9	22.30	60.2	5.4	4.0	49.0	32.7	35.5	0.8	0.7	6.6	8.6	
Shenzhen Inv	604 HK	2.62	2,747	5.6	8.50	69.2	8.0	5.9	-36.6	34.9	-6.1	0.5	0.4	7.0	7.8	
Kaisa	1638 HK	3.11	2,404	6.2	5.60	44.5	1.9	1.5	214.5	N/A	N/A	0.9	N/A	3.8	N/A	
**Greentown	3900 HK	8.27	2,284	6.7	20.30	59.3	7.4	6.6	27.7	11.5	15.2	0.5	0.5	2.7	2.9	
Yuexiu Property	123 HK	1.42	2,243	7.0	1.86	23.7	5.8	5.0	13.5	16.3	14.4	0.4	0.4	6.8	8.2	
SOHO China	410 HK	3.14	2,080	3.3	7.30	57.0	35.7	30.2	N/A	18.2	N/A	0.4	0.4	3.7	3.2	
Hopson	754 HK	7.10	2,013	1.2	13.08	45.7	11.3	11.1	N/A	1.6	N/A	N/A	N/A	2.7	2.7	
Shui On Land	272 HK	1.86	1,910	4.1	5.90	68.5	8.9	8.3	-23.4	7.7	0.2	0.3	0.3	3.9	4.1	
**CSC	1668 HK	1.40	1,428	4.0	6.90	79.7	5.7	4.7	N/A	22.4	18.0	0.3	0.3	3.6	5.3	
Poly HK	119 HK	3.12	1,455	3.1	7.00	55.4	4.2	4.2	104.5	0.5	N/A	0.4	0.4	6.8	6.7	
**COGO	81 HK	2.71	1,182	2.6	7.50	63.9	4.7	3.7	22.2	26.3	23.7	0.4	0.4	2.4	3.1	
Fantasia	1777 HK	1.11	815	1.2	2.60	57.3	4.0	3.1	20.0	29.2	24.9	0.4	0.3	6.3	7.5	
<b>Sector average</b>							<b>39.8</b>	<b>7.5</b>	<b>6.0</b>	<b>21.5</b>	<b>24.8</b>	<b>20.0</b>	<b>1.5</b>	<b>1.2</b>	<b>5.4</b>	<b>6.2</b>

Note: \*Prices as at 23 Aug 2018 \*\*Under RHB coverage

Source: RHB, Bloomberg

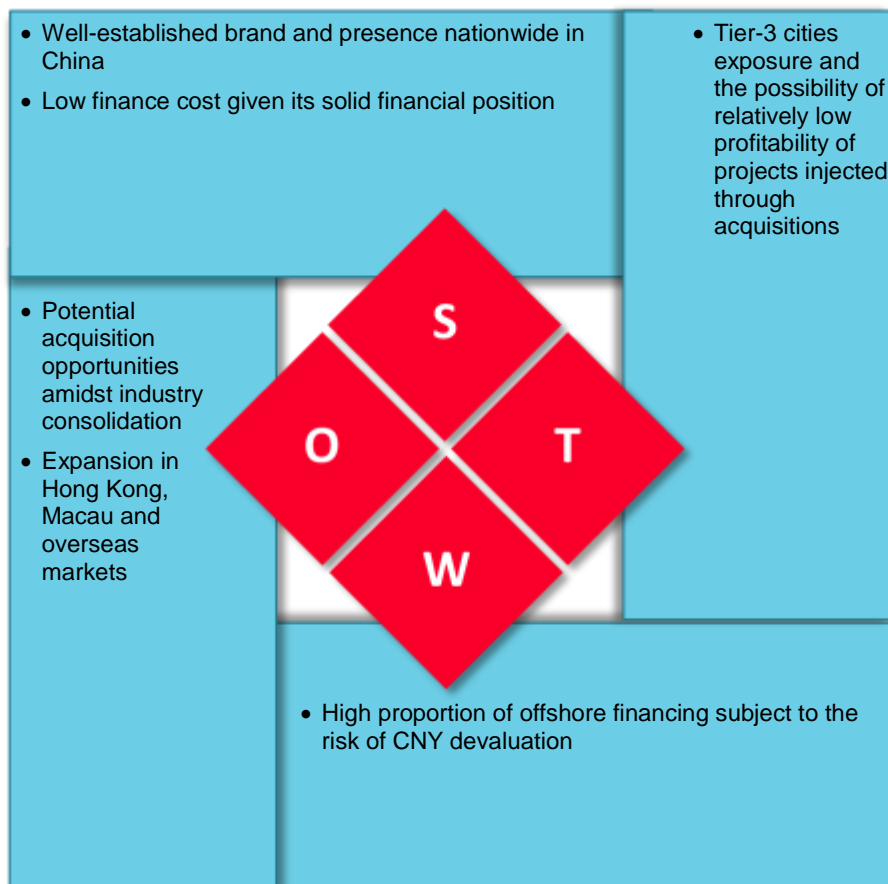


Figure 9: Peer comparison II

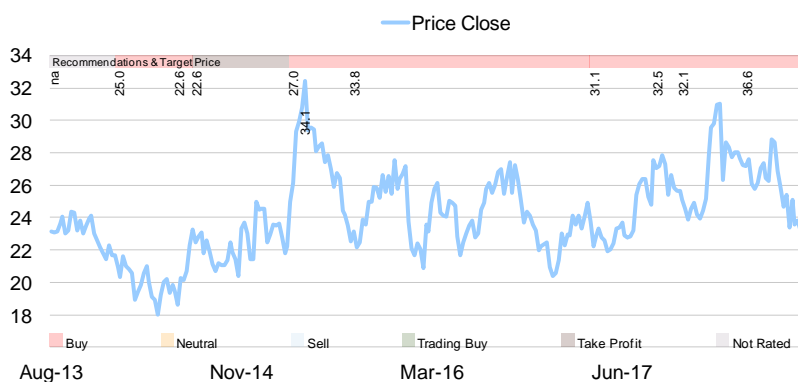
Company	Stock	Mkt cap	Revenue			Net profit		Gross margin		Net margin		Net gearing		ROE		Share price change	
	code		FY17	FY18F	FY17	FY18F	FY17	FY18F	FY17	FY18F	FY17	FY18F	FY17	FY18F	1-mth	YTD	
		(USDm)	(USDm)	(USDm)	(USDm)	(USDm)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
<b>Large peer average</b>							<b>31.8</b>	<b>15.8</b>	<b>12.5</b>	<b>94.9</b>	<b>17.2</b>	<b>25.6</b>	<b>22.6</b>	<b>7.5</b>	<b>-1.8</b>		
China Vanke	2202 HK	36,639	34,540	45,409	4,082	5,100	32.3	11.8	11.2	14.1	N/A	24.1	23.4	1.2	-16.8		
Country Garden	2007 HK	33,319	33,020	51,689	3,793	5,086	25.9	11.5	9.8	45.3	15.6	34.4	30.4	-4.0	-14.9		
Evergrande	3333 HK	47,913	45,262	68,098	3,547	5,884	36.1	7.8	8.6	237.8	N/A	30.7	33.2	39.7	7.1		
China Overseas	688 HK	34,125	20,888	26,978	5,193	5,129	33.4	24.9	19.0	27.1	13.6	16.3	14.5	2.7	-2.8		
CR Land	1109 HK	24,545	14,955	18,762	2,903	3,150	40.3	19.4	16.8	43.1	17.7	21.2	16.6	3.9	20.9		
Sunac	1918 HK	14,218	9,586	20,412	1,700	1,810	20.7	17.7	8.9	249.1	N/A	32.8	22.7	1.0	-21.6		
Longfor	960 HK	17,073	10,489	14,263	1,833	1,849	33.9	17.5	13.0	47.8	21.9	20.0	17.6	7.9	15.5		
<b>Mid-and-small peer average</b>							<b>33.2</b>	<b>31.8</b>	<b>12.7</b>	<b>88.0</b>	<b>44.6</b>	<b>13.9</b>	<b>12.5</b>	<b>-2.3</b>	<b>-12.2</b>		
Shimao	813 HK	9,694	10,249	12,456	1,141	1,334	30.4	11.1	10.7	61.1	55.9	14.2	14.6	4.6	34.4		
Agile	3383 HK	5,898	7,510	9,227	946	1,063	40.1	12.6	11.5	93.8	13.2	16.8	17.3	-2.0	-0.3		
Guangzhou R&F	2777 HK	6,182	8,626	11,351	3,104	1,462	35.4	36.0	12.9	188.8	104.5	40.2	15.4	5.6	-14.5		
China Jinmao	817 HK	5,135	4,522	6,144	579	724	32.3	12.8	11.8	69.1	54.6	12.9	13.2	-9.1	1.5		
CIFI	884 HK	4,551	4,631	6,069	703	810	27.1	15.2	13.4	49.4	27.6	30.5	22.8	-4.0	-2.3		
Sino-Ocean	3377 HK	3,832	6,671	7,650	744	721	24.5	11.2	9.4	66.5	33.2	10.1	9.9	-11.2	-26.7		
KWG	1813 HK	3,585	1,680	2,398	527	638	34.8	31.4	26.6	72.4	44.7	14.0	15.3	5.0	-2.8		
Shenzhen Inv	604 HK	2,747	1,306	2,383	631	401	34.6	48.3	16.8	22.0	N/A	13.3	7.1	-6.4	-19.1		
Kaisa	1638 HK	2,404	4,770	10,018	478	1,248	27.3	10.0	12.5	326.2	N/A	20.5	38.5	9.5	-29.5		
Greentown	3900 HK	2,284	6,105	6,412	319	298	19.2	5.2	4.7	59.1	51.8	6.5	6.8	-15.5	-17.8		
Yuexiu Property	123 HK	2,243	3,463	3,992	329	377	25.7	9.5	9.4	84.1	45.4	7.7	7.5	-1.4	-2.7		
SOHO China	410 HK	2,080	286	261	689	67	74.0	241.2	25.8	51.4	N/A	5.2	1.3	-11.8	-31.3		
Hopson	754 HK	2,013	1,761	N/A	738	N/A	36.8	41.9	N/A	71.9	N/A	9.8	N/A	6.4	-7.3		
Shui On Land	272 HK	1,910	2,685	2,299	326	217	42.6	12.2	9.4	55.1	N/A	4.4	3.0	3.9	-13.9		
CSC	1668 HK	1,428	1,198	1,577	575	250	43.3	48.0	15.8	76.8	N/A	14.0	10.4	-8.5	-31.7		
Poly HK	119 HK	1,455	4,039	4,863	314	364	20.6	7.8	7.5	72.1	N/A	9.3	9.4	-0.3	-23.3		
COGO	81 HK	1,182	2,583	3,402	162	248	20.1	6.3	7.3	77.6	14.8	10.0	12.7	1.1	-35.0		
Fantasia	1777 HK	815	1,424	1,988	168	199	29.6	11.8	10.0	87.1	N/A	9.8	7.5	-6.7	3.7		
<b>Average</b>							<b>32.8</b>	<b>27.3</b>	<b>12.6</b>	<b>89.9</b>	<b>36.7</b>	<b>17.1</b>	<b>15.5</b>	<b>0.5</b>	<b>-9.3</b>		

Source: RHB, Bloomberg

## SWOT Analysis



## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2018-04-26	Buy	36.6	25.7
2018-03-27	Buy	36.6	28.3
2017-10-23	Buy	32.1	25.5
2017-08-22	Buy	32.5	26.5
2017-03-23	Buy	31.1	24.0
2016-08-23	Buy	33.8	26.3
2016-03-21	Buy	33.8	25.5
2015-08-20	Buy	33.8	23.2
2015-07-31	Buy	34.1	24.5
2015-04-22	Buy	34.1	30.4

Source: RHB, Bloomberg

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