

22 August 2018

Property | Real Estate

China Resources Land

Buy (Maintained)

A Counter-Cyclical Developer

Target Price: HKD33.00
 Price: HKD28.60
 Market Cap: USD25,208m
 Bloomberg Ticker: 1109 HK

Maintain BUY with new HKD33.00 TP from HKD31.50, and 16% upside – based on the same 25% discount to end-FY18F ENAV of HKD44.00, from HKD42.00. We continue to like CRL’s sector-leading GPM, strong rental income growth and sector-low weighted average financing cost. It should help it to weather any threat from credit or policy tightening ahead. Also, abundant saleable resources offer high visibility for strong sales performance, which we believe will allow CRL to finish 18.6% ahead of FY18F sales target, equivalent to 42.7% YoY growth.

Share Data

Avg Daily Turnover (HKD/USD) 326m/41.5m
 52-wk Price low/high (HKD) 21.5 - 32.4
 Free Float (%) 39
 Shares outstanding (m) 6,931
 Estimated Return 16%

Interim results beat. 1H18 recurring net profit came in stronger than our expectations by 8.3% at CNY7.3bn, +151.8% YoY, thanks to further expansion in GPM of property develop business to 48.1% from 35% in 1H17. Net gearing rose to 52%, from 35.9% in 2H18 following more aggressive land replenishments in 1H18. China Resources Land’s announced an interim dividend of CNY0.11/share, up 30% YoY.

Shareholders (%)

China Resources Holdings 61.2

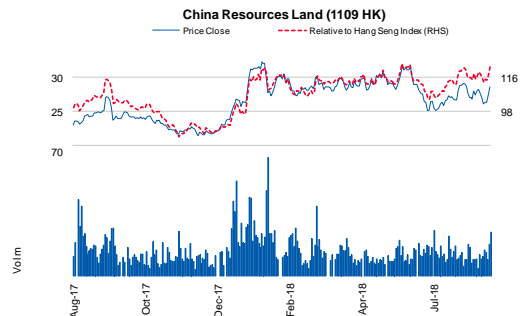
Sector-leading GPM with multiple years of visibility. Management reassured that properties pre-sold as at end-1H18 are set to be delivered in 2H18F and FY19F-20F shall command GPM of not less than 45%, 40% and 35%. Strong GPMs would be largely supported by the booking of property sales in Tier-1 and strong Tier-2 cities in Southern and Eastern China, in our view.

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	24.1	7.1	(5.0)	(6.2)	24.1
Relative	31.4	8.8	6.2	5.5	21.9

Source: Bloomberg

Abundant saleable resources in 2H18 to drive annual sales. With CNY277bn saleable resources in 2H18F, we are confident that CRL shall ride on the probable loosening pre-sale approvals and report CNY217bn contracted sales (+42.7% YoY, 18.6% ahead of sales target).



Source: Bloomberg

Mature IP portfolio plus sector-low finance cost add defensiveness. We like CRL’s shopping mall portfolios with high occupancy rate and visible retail sales growth, which should translate into stable growth in rental income. With 19 new malls to be launched in 2018-2020, the CNY100bn rental income target for FY20F appears to be highly feasible. Coupled with sector-low financing cost of 4.4% and an average debt maturity of 3.9 years, CRL should continue to deliver steady, counter-cyclical growth, amid the tightening cycle.

Reiterate BUY with a new HKD33.00 TP, based on the same 25% discount to end-FY18F ENAV of HKD44.00 (from HKD42.00). We raise earnings forecasts by 8-13% for FY18-20, and also incorporated our new earnings forecasts, following CRL’s adjustment of its reporting currency to CNY from HKD, as well as to factor in our new GPM forecasts.

Forecasts and Valuations	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Total turnover (CNYm)	109,328	118,588	132,088	166,782	222,247
Reported net profit (CNYm)	19,501	23,017	24,113	25,560	29,891
Recurring net profit (CNYm)	16,274	19,156	22,567	25,560	29,891
Recurring net profit growth (%)	13.9	17.7	17.8	13.3	16.9
Recurring EPS (CNY)	2.35	2.76	3.25	3.68	4.30
DPS (CNY)	0.70	0.97	0.88	0.99	1.16
Recurring P/E (x)	10.6	9.0	7.7	6.8	5.8
P/B (x)	1.48	1.44	1.25	1.11	0.97
Dividend Yield (%)	2.8	3.9	3.5	4.0	4.7
Return on average equity (%)	16.8	19.5	18.7	17.4	17.9
Return on average assets (%)	4.7	5.1	4.5	4.1	4.3
Net debt to equity (%)	23.8	35.6	44.6	47.9	55.4
Our vs consensus EPS (adjusted)					

Source: Company data, RHB

Analysts

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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)	2.35	2.76	3.25	3.68	4.30
Property	EPS (CNY)	2.81	3.32	3.48	3.68	4.30
China Resources Land	DPS (CNY)	0.70	0.97	0.88	0.99	1.16
Bloomberg 1109 HK	BVPS (CNY)	16.8	17.3	19.9	22.5	25.6
Buy	Weighted avg adjusted shares (m)	6,931	6,931	6,938	6,945	6,952
Valuation basis	Valuation metrics	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Based on 25% discount to CRL's end-FY18F ENAV of HKD44.00	Recurring P/E (x)	10.6	9.0	7.7	6.8	5.8
Key drivers	P/E (x)	8.85	7.50	7.17	6.77	5.79
Both contracted sales growth and GPM recovery	P/B (x)	1.48	1.44	1.25	1.11	0.97
Key risks	FCF Yield (%)	2.7	(7.4)	3.8	(11.0)	(9.3)
Tightening measures in Tier-1 cities, especially Shenzhen	Dividend Yield (%)	2.8	3.9	3.5	4.0	4.7
Company Profile	EV/EBITDA (x)	2.19	2.08	2.49	2.61	2.69
China Resources Land is the real estate flagship of China Resources Group, which currently holds 61.3% stake in CRL. It is one of the leading property developers in China, engaged in both residential and commercial property development businesses. The "MIXC" brand is well-known as high-end metropolitan complexes. As of end-2017, CRL's landbank had total gross floor area (GFA) of 50.0m sqm and covers over 50 cities. It was listed on the Hong Kong Stock Exchange (HKEx) in Nov 1996, and has been one of the Hang Seng Index's (HSI) constituent stocks since Mar 2010.	EV/EBIT (x)	2.23	2.11	2.53	2.65	2.73
	Income statement (CNYm)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Total turnover	109,328	118,588	132,088	166,782	222,247
	Gross profit	36,889	47,737	54,490	63,968	77,894
	EBITDA	32,941	41,278	50,009	59,352	73,710
	Depreciation and amortisation	(537)	(654)	(785)	(726)	(852)
	Operating profit	32,404	40,624	49,224	58,626	72,858
	Net interest	552	(746)	(977)	(863)	(1,301)
	Income from associates & JVs	601	236	687	865	1,158
	Exceptional income - net	4,831	5,980	2,061	0	0
	Pre-tax profit	38,387	46,094	50,995	58,627	72,715
	Taxation	(15,888)	(20,686)	(24,241)	(29,731)	(38,379)
	Minority interests	(2,998)	(2,392)	(2,642)	(3,336)	(4,445)
	Recurring net profit	16,274	19,156	22,567	25,560	29,891
	Cash flow (CNYm)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Change in working capital	(10,080)	(30,300)	(14,611)	(39,778)	(41,312)
	Cash flow from operations	6,782	(10,381)	6,541	(16,688)	(13,784)
	Capex	(2,100)	(2,400)	0	(2,402)	(2,402)
	Cash flow from investing activities	(7,691)	(6,467)	(4,960)	(7,610)	(7,871)
	Dividends paid	(3,975)	(4,879)	(6,702)	(6,093)	(6,901)
	Cash flow from financing activities	525	25,121	13,298	19,907	26,899
	Cash at beginning of period	45,886	45,502	53,774	68,652	64,261
	Net change in cash	(384)	8,272	14,878	(4,391)	5,244
	Ending balance cash	45,502	53,774	68,652	64,261	69,505
	Balance sheet (CNYm)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Total cash and equivalents	46,674	53,774	68,652	64,261	69,505
	Tangible fixed assets	9,031	8,345	9,683	11,359	12,909
	Total investments	105,207	112,707	118,354	124,427	131,054
	Total other assets	14,862	25,299	26,443	26,443	26,443
	Total assets	427,045	480,451	602,066	654,267	746,404
	Short-term debt	11,988	25,256	24,629	30,584	38,325
	Total long-term debt	67,763	79,899	117,546	123,151	149,209
	Other liabilities	16,015	16,489	16,574	16,733	17,038
	Total liabilities	287,886	336,210	437,165	467,371	533,242
	Shareholders' equity	116,438	119,718	137,738	156,397	178,217
	Minority interests	22,721	24,522	27,164	30,499	34,944
	Total equity	139,159	144,240	164,902	186,896	213,161
	Net debt	33,077	51,380	73,523	89,474	118,030
	Total liabilities & equity	427,045	480,451	602,066	654,267	746,404
	Key metrics	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Revenue growth (%)	5.2	8.5	11.4	26.3	33.3
	Recurrent EPS growth (%)	11.1	17.7	17.7	13.2	16.8
	Gross margin (%)	33.7	40.3	41.3	38.4	35.0
	Operating EBITDA margin (%)	30.1	34.8	37.9	35.6	33.2
	Net profit margin (%)	17.8	19.4	18.3	15.3	13.4
	Dividend payout ratio (%)	25.0	29.1	25.3	27.0	27.0
	Capex/sales (%)	1.9	2.0	0.0	1.4	1.1
	Interest cover (x)	168	27	26	29	30

Source: Company data, RHB

1H18 Results Review

Figure 1: CRL's 1H18 results review

FY end Dec 31 (HKD m)	(Restated)						
	(CNY m)	(CNY m)	1H18	RHB	1H18	BBG	1H18
	Actual	Actual	YoY	1H18	Variance	Consensus	Variance
	1H17	1H18					
Turnover	31,171	43,778	40.4%	45,425	-3.6%	N/A	N/A
<i>Property sales</i>	25,597	36,486	42.5%				
<i>Property rental and mgmt</i>	2,991	3,690	23.4%				
<i>Hotels</i>	586	678	15.8%				
<i>Others</i>	1,996	2,924	46.4%				
Cost of sales	(20,259)	(22,712)	12.1%				
Gross profit	10,911	21,066	93.1%				
Other incomes	(383)	932	-343.3%				
Selling and marketing costs	(1,337)	(1,474)	10.3%				
Administrative expenses	(1,399)	(1,580)	13.0%				
Operating profit	7,793	18,943	143.1%				
Revaluation change	2,602	2,061	-20.8%				
Finance cost	(643)	(929)	44.4%				
Associates and JCEs	129	341	165.3%				
Profit before taxation	9,880	20,417	106.6%				
Taxation	(4,394)	(9,710)	121.0%				
Profit after taxation	5,486	10,707	95.2%				
Minority interests	(971)	(1,856)	91.1%				
Reported net profit	4,514	8,851	96.1%				
Recurring net profit	2,891	7,280	151.8%	6,723	8.3%	N/A	N/A
Basic EPS (HKD)	0.651	1.277	96.1%				
Core EPS (HKD)	0.417	1.050	151.8%				
DPS (HKD)	0.100	0.110	10.0%				
BVPS (HKD)	17.273	17.797					
Gross margin	35.0%	48.1%					
Operating margin	25.0%	43.3%					
Effective tax rate	-44.5%	-47.6%					
Net margin	14.5%	20.2%					
Core net margin	9.3%	16.6%					

Source: RHB

Earnings Forecast Revisions

Figure 2: Changes to our P&L forecasts

(CNY m)	FY18F			FY19F			FY20F		
	Original	New	chg (%)	Original	New	chg (%)	Original	New	chg (%)
Revenue	137,764	132,088	-4%	186,352	166,782	-11%	233,545	222,247	-5%
Cost of goods sold	(83,397)	(77,599)	-7%	(117,234)	(102,814)	-12%	(152,531)	(144,353)	-5%
Gross Profit	54,367	54,490	0%	69,118	63,968	-7%	81,014	77,894	-4%
Selling and distribution exp	(4,454)	(3,394)	-24%	(5,074)	(3,515)	-31%	(5,539)	(3,420)	-38%
Administrative expenses	(4,764)	(2,214)	-54%	(6,257)	(2,462)	-61%	(7,608)	(2,837)	-63%
Other incomes	1,218	1,279	5%	1,574	1,779	13%	2,396	2,309	-4%
Revaluation gains	0	2,061	N/A	0	0	N/A	0	0	N/A
Interest expense	(110)	(1,912)	1642%	(1,361)	(2,007)	48%	(1,718)	(2,389)	39%
JCE & Associate items	738	687	-7%	1,005	865	-14%	1,255	1,158	-8%
Profit before tax	46,997	50,995	9%	59,005	58,627	-1%	69,799	72,715	4%
Taxation	(23,869)	(24,241)	2%	(31,585)	(29,731)	-6%	(38,566)	(38,379)	0%
Minority Interests	(2,755)	(2,642)	-4%	(3,727)	(3,336)	-11%	(4,671)	(4,445)	-5%
Reported net profit	20,373	24,113	18%	23,693	25,560	8%	26,562	29,891	13%
Recurring net profit	20,373	22,567	11%	23,693	25,560	8%	26,562	29,891	13%
Gross profit margin (%)	39.5%	41.3%	1.8%	37.1%	38.4%	1.3%	34.7%	35.0%	0.4%
Reported net profit margin (%)	14.8%	18.3%	3.5%	12.7%	15.3%	2.6%	11.4%	13.4%	2.1%
Recurring net profit margin (%)	14.8%	17.1%	2.3%	12.7%	15.3%	2.6%	11.4%	13.4%	2.1%

Source: RHB

Figure 3: CRL's interim income statement

FY end Dec 31	(HKD m)	(HKD m)	(HKD m)	(HKD m)	(CNY m)	(CNY m)
	Actual 1H16	Actual 2H16	Actual 1H17	Actual 2H17	Actual 1H18	RHB 2H18F
Turnover	44,624	64,704	35,259	83,329	43,778	88,310
Property sales	39,242	59,485	29,087	75,471	36,486	77,949
Property rental and mgmt	3,092	3,175	3,403	4,000	3,690	4,810
Hotels	453	532	609	771	678	822
Others	1,836	1,512	2,159	3,086	2,924	4,730
Cost of sales	(29,518)	(42,920)	(22,943)	(47,908)	(22,712)	(54,887)
Gross profit	15,105	21,784	12,316	35,421	21,066	33,423
Other incomes	1,272	1,317	446	1,339	932	347
Selling and marketing costs	(1,477)	(1,769)	(1,504)	(2,394)	(1,474)	(1,920)
Administrative expenses	(1,551)	(1,532)	(1,571)	(2,648)	(1,580)	(634)
Operating profit	13,350	19,800	9,687	31,719	18,943	31,216
Revaluation change	2,055	2,775	2,983	2,997	2,061	0
Finance cost	(253)	60	(1,611)	84	(929)	(983)
Associates and JCEs	157	443	148	88	341	345
Profit before taxation	15,309	23,078	11,206	34,888	20,417	30,579
Taxation	(6,226)	(9,662)	(4,986)	(15,699)	(9,710)	(14,531)
Profit after taxation	9,083	13,416	6,220	19,189	10,707	16,047
Minority interests	(1,436)	(1,562)	(1,108)	(1,284)	(1,856)	(786)
Reported net profit	7,647	11,854	5,112	17,905	8,851	15,262
Recurring net profit	6,262	10,012	3,250	15,906	7,280	15,287
Basic EPS (HKD)	1.103	1.710	0.738	2.583	1.277	2.198
Core EPS (HKD)	0.903	1.445	0.469	2.295	1.050	2.202
DPS (HKD)	0.092	0.612	0.100	0.867	0.110	0.768
BVPS (HKD)	16.748	16.800	17.549	20.645	17.797	19.853
Gross margin	33.9%	33.7%	34.9%	42.5%	48.1%	37.8%
Operating margin	29.9%	30.6%	27.5%	38.1%	43.3%	35.3%
Effective tax rate	-40.7%	-41.9%	-44.5%	-45.0%	-47.6%	-47.5%
Net margin	17.1%	18.3%	14.5%	21.5%	20.2%	17.3%
Core net margin	14.0%	15.5%	9.2%	19.1%	16.6%	17.3%

Source: RHB

Figure 4: CR Land's annual income statement

Year ended 31 Dec	FY16 (CNY m)	FY17 (CNY m)	FY18F (CNY m)	FY19F (CNY m)	FY20F (CNY m)
Property sales	82,273	87,132	114,435	144,138	192,979
Property investment and management	5,222	6,170	8,500	9,759	11,204
Hotel operations	821	1,151	1,500	1,717	1,768
Construction, decoration and others	2,790	4,371	7,654	11,168	16,296
Total turnover	91,106	98,823	132,088	166,782	222,247
Property sales	24,518	31,492	42,800	49,977	60,740
Property investment and management	2,189	2,468	3,502	4,142	4,898
Hotel operations	-163	-15	56	149	242
Construction, decoration and others	-93	133	387	788	1,475
Unallocated income/(expense) - net	554	-225	2,479	3,570	5,503
EBIT	27,003	33,853	49,224	58,626	72,858
Net interest income/(expenses)	460	-622	-977	-863	-1,301
JV and associates	501	196	687	865	1,158
Exceptional items	4,026	4,984	2,061	0	0
Taxation	-13,240	-17,238	-24,241	-29,731	-38,379
Minority interests	-2,499	-1,993	-2,642	-3,336	-4,445
Reported net profit	16,251	19,181	24,113	25,560	29,891
Recurring net profit	13,562	15,963	22,567	25,560	29,891
Reported EPS (HKD)	2.345	2.767	3.476	3.680	4.300
Recurring EPS (HKD)	1.957	2.303	3.253	3.680	4.300
DPS (HKD)	0.587	0.806	0.878	0.994	1.161
Contracted sales revenue (CNY m)	108,045	152,100	217,000	257,688	293,764
Profit margin:					
Gross margin	33.7%	40.3%	41.3%	38.4%	35.0%
EBIT margin	29.6%	34.3%	37.3%	35.2%	32.8%
Reported net margin	17.8%	19.4%	18.3%	15.3%	13.4%
Recurring net margin	14.9%	16.2%	17.1%	15.3%	13.4%
YoY growth:					
Turnover	5.2%	8.5%	31.3%	26.3%	33.3%
Reported net profit	10.2%	18.0%	25.7%	6.0%	16.9%
Recurring net profit	13.9%	17.7%	41.4%	13.3%	16.9%
Reported EPS	7.5%	18.0%	25.6%	5.9%	16.8%
Recurring EPS	11.1%	17.7%	41.2%	13.2%	16.8%

Source: RHB

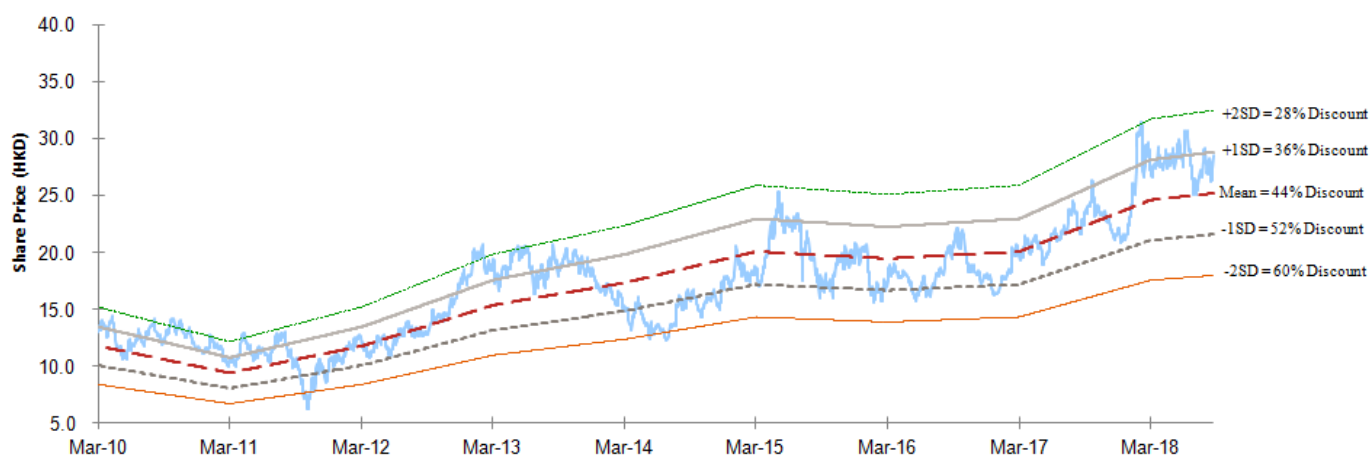
Valuation And Recommendation

Figure 5: CRL's end-FY18F ENAV

Details	Total HKDm	HKD/share	% of Total
Landbank - development properties	250,079	36.1	82.0%
Landbank - investment properties	151,901	21.9	49.8%
Net debt as at end-FY18F	(97,227)	(14.0)	(31.8%)
Total	304,753	44.0	100.0%

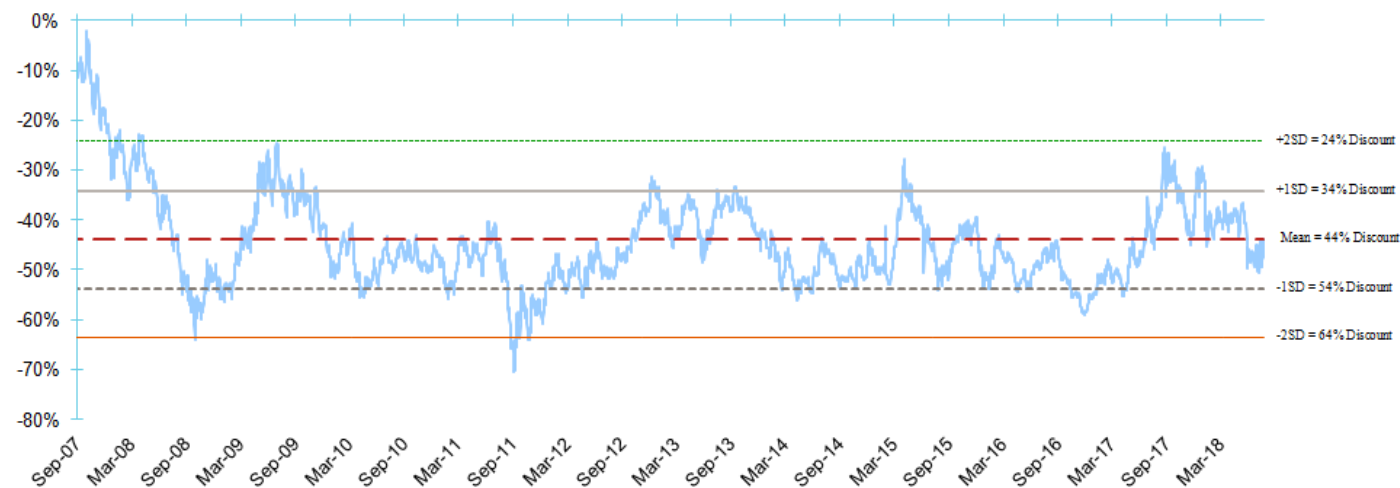
Source: RHB

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



Source: RHB

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



Source: RHB

Peer Comparison

Figure 8: Peer valuation comparison table 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							43.2	6.8	5.5	18.8	25.5	20.2	1.5	1.2	5.7	6.5
China Vanke	2202 HK	23.50	35,287	32.0	33.34	29.5	6.5	5.3	24.6	22.8	20.0	1.5	1.2	5.4	6.8	
**Country Garden	2007 HK	10.92	30,170	110.4	25.80	57.7	6.1	4.6	35.8	33.4	29.6	1.7	1.3	5.6	7.2	
**Evergrande	3333 HK	24.45	40,606	91.0	42.20	42.1	7.2	6.0	-2.1	20.5	9.9	2.0	1.7	9.0	8.2	
**China Overseas	688 HK	22.75	31,752	57.3	43.00	47.1	6.2	5.2	17.4	18.8	17.5	0.8	0.7	4.1	4.9	
**CR Land	1109 HK	26.15	23,089	41.8	44.00	40.6	7.4	6.3	28.0	17.8	20.8	1.1	1.0	4.7	5.5	
**Sunac	1918 HK	22.50	12,620	87.8	41.30	45.5	6.7	4.2	5.3	60.8	31.3	1.7	1.3	3.2	5.0	
**Longfor	960 HK	19.88	15,019	15.8	35.10	43.4	8.2	6.5	27.1	25.9	24.5	1.3	1.1	4.8	6.1	
Mid-and-small peer average							52.6	7.0	5.7	29.9	21.9	18.8	0.7	0.6	6.5	7.8
**Shimao	813 HK	19.86	8,569	22.3	40.00	50.4	6.5	5.2	31.2	25.9	27.2	0.9	0.8	6.0	7.6	
**Agile	3383 HK	10.92	5,449	15.9	34.00	67.9	5.1	4.1	21.4	24.0	22.2	0.9	0.8	8.9	11.1	
Guangzhou R&F	2777 HK	13.80	5,665	16.0	20.86	33.8	3.9	3.1	33.7	24.7	26.3	0.6	0.5	10.2	12.3	
China Jinmao	817 HK	3.14	4,620	15.9	5.23	40.0	6.3	4.9	20.0	29.4	27.8	0.8	0.7	6.5	8.2	
**CIFI	884 HK	4.28	4,234	16.7	10.50	59.2	5.2	4.0	26.6	28.6	26.8	1.1	0.9	6.9	8.8	
Sino-Ocean	3377 HK	3.96	3,842	5.1	6.80	41.8	5.3	4.4	23.1	19.9	22.5	0.5	0.5	8.1	9.8	
**KWG	1813 HK	8.06	3,258	15.8	22.30	63.9	4.9	3.7	48.2	33.1	35.5	0.7	0.6	7.2	9.5	
Shenzhen Inv	604 HK	2.58	2,649	5.8	8.50	69.6	6.9	5.9	-27.1	17.3	-6.1	0.5	0.4	7.1	7.9	
Kaisa	1638 HK	2.83	2,188	6.5	5.60	49.5	1.8	1.3	214.5	N/A	N/A	0.8	N/A	4.2	N/A	
**Greentown	3900 HK	8.21	2,267	7.5	20.30	59.6	7.4	6.6	27.7	11.5	15.2	0.5	0.5	2.7	2.9	
Yuexiu Property	123 HK	1.39	2,196	7.4	1.86	25.3	5.8	4.9	12.4	18.3	14.3	0.4	0.4	6.7	8.2	
SOHO China	410 HK	3.47	2,298	3.1	7.30	52.5	38.2	29.1	N/A	31.3	N/A	0.5	0.5	3.0	3.4	
Hopson	754 HK	6.64	1,883	1.2	13.08	49.2	10.5	10.4	N/A	1.6	N/A	N/A	N/A	2.9	2.9	
Shui On Land	272 HK	1.78	1,828	4.7	5.90	69.8	8.6	8.0	-23.4	7.7	0.2	0.3	0.3	4.1	4.3	
**CSC	1668 HK	1.38	1,408	4.0	6.90	80.0	5.6	4.6	N/A	22.4	N/A	0.3	0.3	3.6	5.4	
Poly HK	119 HK	2.91	1,357	3.2	7.00	58.4	3.9	3.9	104.5	0.5	N/A	0.3	0.3	7.3	7.2	
**COGO	81 HK	2.51	1,095	2.7	6.60	62.0	4.0	3.3	31.0	22.4	23.7	0.4	0.4	2.3	2.8	
Fantasia	1777 HK	1.15	844	1.2	2.60	55.8	4.2	3.3	20.0	29.2	24.9	0.5	0.3	6.1	7.2	
Sector average							45.4	6.8	5.5	21.3	24.7	19.8	1.3	1.1	5.9	6.8

Note: *Prices as at 21 Aug 2018

Note 2: **Under RHB coverage

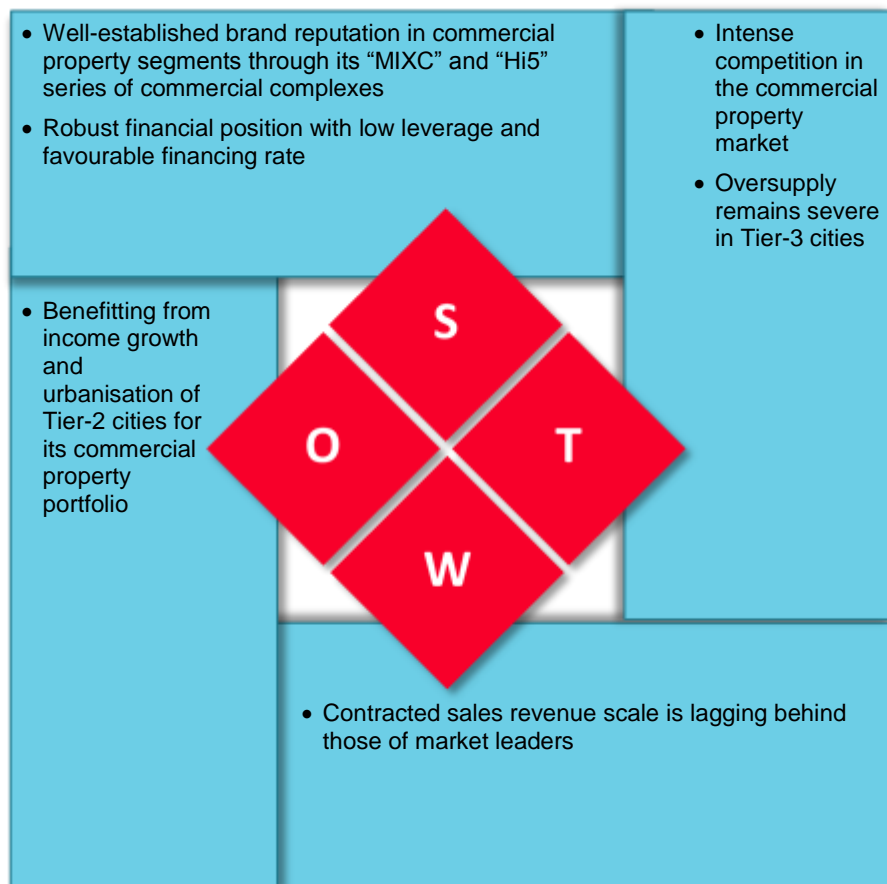
Source: RHB, Bloomberg

Figure 9: Peer valuation comparison table II

Company	Stock code	Mkt cap (USDm)	Revenue (USDm)		Net profit (USDm)		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
Large peer average							31.8	15.8	12.5	96.3	23.1	24.5	22.5	-6.6	-11.7	
China Vanke	2202 HK	35,287	34,313	44,997	4,055	5,063	32.3	11.8	11.3	14.1	N/A	22.8	23.4	-8.6	-24.7	
Country Garden	2007 HK	30,170	32,803	50,967	3,768	4,958	25.9	11.5	9.7	55.0	29.6	31.8	29.7	-16.1	-23.0	
Evergrande	3333 HK	40,606	44,965	66,806	3,523	5,760	36.1	7.8	8.6	237.8	N/A	30.7	32.9	14.0	-9.3	
China Overseas	688 HK	31,752	20,888	26,940	5,193	5,131	33.4	24.9	19.0	27.1	13.6	16.7	14.5	-10.4	-9.5	
CR Land	1109 HK	23,089	15,107	18,989	2,932	3,128	40.3	19.4	16.5	43.1	27.0	17.7	16.4	-2.2	13.7	
Sunac	1918 HK	12,620	9,523	20,178	1,689	1,860	20.7	17.7	9.2	249.1	N/A	32.8	23.3	-17.9	-30.4	
Longfor	960 HK	15,019	10,420	14,002	1,821	1,827	33.9	17.5	13.1	47.8	22.2	19.0	17.3	-4.9	1.6	
Mid-and-small peer average							33.2	31.8	12.6	88.0	46.5	14.2	12.5	-8.4	-16.5	
Shimao	813 HK	8,569	10,182	12,346	1,134	1,324	30.4	11.1	10.7	61.1	55.9	14.2	14.5	-9.3	16.8	
Agile	3383 HK	5,449	7,461	9,156	939	1,056	40.1	12.6	11.5	93.8	13.2	16.8	17.3	-11.4	-7.9	
Guangzhou R&F	2777 HK	5,665	8,570	11,220	3,084	1,452	35.4	36.0	12.9	188.8	104.5	40.2	15.4	-6.9	-21.7	
China Jinmao	817 HK	4,620	4,493	6,075	575	713	32.3	12.8	11.7	69.1	53.8	12.9	13.0	-19.5	-8.7	
CIFI	884 HK	4,234	4,601	5,889	698	818	27.1	15.2	13.9	49.4	N/A	26.9	22.5	-10.3	-9.1	
Sino-Ocean	3377 HK	3,842	6,627	7,568	740	716	24.5	11.2	9.5	66.5	33.2	11.1	9.9	-11.2	-26.5	
KWG	1813 HK	3,258	1,669	2,382	523	636	34.8	31.4	26.7	72.4	44.7	14.0	15.3	-11.8	-11.7	
Shenzhen Inv	604 HK	2,649	1,306	2,383	631	381	34.6	48.3	16.0	22.0	N/A	13.3	7.1	-7.9	-20.4	
Kaisa	1638 HK	2,188	4,739	9,952	475	1,240	27.3	10.0	12.5	326.2	N/A	20.5	38.5	-6.6	-35.8	
Greentown	3900 HK	2,267	6,065	6,370	317	296	19.2	5.2	4.7	59.1	51.8	6.5	6.8	-18.9	-18.4	
Yuexiu Property	123 HK	2,196	3,440	3,906	327	368	25.7	9.5	9.4	84.1	45.7	7.2	7.3	-5.4	-4.8	
SOHO China	410 HK	2,298	284	280	684	69	74.0	241.2	24.4	51.4	N/A	14.1	1.4	-3.1	-24.1	
Hopson	754 HK	1,883	1,761	N/A	738	N/A	36.8	41.9	N/A	71.9	N/A	9.8	N/A	-1.3	-13.3	
Shui On Land	272 HK	1,828	2,667	2,284	324	216	42.6	12.2	9.4	55.1	N/A	4.4	3.0	-1.1	-17.6	
CSC	1668 HK	1,408	1,198	1,577	575	250	43.3	48.0	15.8	76.8	N/A	14.0	10.4	-8.0	-32.7	
Poly HK	119 HK	1,357	4,039	4,863	314	364	20.6	7.8	7.5	72.1	N/A	9.3	9.4	-7.0	-28.5	
COGO	81 HK	1,095	2,583	3,460	162	252	20.1	6.3	7.3	77.6	15.4	10.6	13.7	-6.3	-39.8	
Fantasia	1777 HK	844	1,414	1,975	167	198	29.6	11.8	10.0	87.1	N/A	9.8	7.5	-5.7	7.5	
Average							32.8	27.3	12.6	90.3	39.3	17.1	15.4	-7.9	-15.1	

Source: RHB, Bloomberg

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2018-03-21	Buy	31.5	30.1
2017-12-14	Buy	27.5	22.2
2017-08-24	Buy	27.5	23.5
2017-03-23	Buy	28.7	22.4
2017-01-02	Buy	27.8	17.4
2016-08-29	Buy	27.8	22.0
2016-03-22	Buy	27.8	20.5
2015-11-27	Buy	28.7	20.9
2015-08-25	Buy	28.7	18.2
2015-07-31	Buy	32.1	21.8

Source: RHB, Bloomberg

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