

Redsun Properties Group (1996 HK)

Impressive sales and steady rental

- Driven by favorable geographic exposure to YRD, RPG's contracted sales rose from RMB 25.7bn in 2017 to RMB 86.5bn in 2020, implying a CAGR of 50%. We forecast contracted sales to increase 19%YoY to RMB 102.7bn for 2021E
- The "Property+ Commercial" model enhances the chances of acquiring land at low cost
- Initiate **BUY** with TP HK\$ 3.80 based on a 70% discount to NAV

A major developer in YRD. RPG is a comprehensive property enterprise with established presence in the Yangtze River Delta region. As of June 2020, RPG had a landbank GFA of 18.37mn sqm (or 9.678mn sqm on an attributable basis), of which 55%, 18% and 27% of the landbank is located in Jiangsu, YRD ex. Jiangsu (mainly Zhejiang and Anhui), and other key cities in China. Driven by favorable geographic exposure to YRD, RPG's contracted sales rose from RMB 25.7bn in 2017 to RMB 86.5bn in 2020, implying a CAGR of 50%. In 1H20, YRD accounts for 77% of total contracted sales amount.

"Property + Commercial" strategy. While developing residential properties, RPG also operates a range of commercial properties that include shopping malls, amusement parks, community centers, hotels and office buildings. Most of these commercial property buildings are adjacent to RPG's residential property projects, providing ancillary services for residents and supporting prices of the residential property projects. In particular, the "Property+ Commercial" model enhances the chances of acquiring land at low cost. E.g., the average land cost of Anqing Commercial and Residential Complex was RMB 1,846/sqm with an expected gross margin of no less than 30%.

Strong recurring rental income. As of June 2020, the Group operated three Hong Yang Plazas located in Nanjing in Jiangsu, Changzhou in Jiangsu, and Yantai in Shandong, respectively. Among the 11 malls to commence operation after 2020, three are asset-heavy while the rest are developed under the asset-light model. RPG targets to open the three asset-heavy malls in 2022-23. Driven by the rising rent rates, RPG's rental revenue increased at 57% CAGR from RMB 166mn in 2017 to RMB 411mn in 2019, and grew 14% YoY to RMB 213mn in 1H20.

Initiate BUY with TP at HK\$ 3.80. Our valuation is based on the discount-to-NAV method. We apply a WACC of 13.7% to assess the value of individual projects and a 5% cap rate for investment properties. End-2021E NAV is RMB 34.9bn, or HK\$ 12.62/share. Our TP at HK\$ 3.80 is based on a 70% discount (in line with YRD small-/mid-cap peers) to our NAV estimates and implies 5.6x 2021E P/E and 0.66x 2021E P/B.

Results and Valuation

FY ended Dec 31	2018A	2019A	2020E	2021E	2022E
Revenue (RMB mn)	9,239	15,170	23,645	29,902	36,558
Chg (% YoY)	50.5	64.2	55.9	26.5	22.3
Core profit (RMB mn)*	1,214	1,247	1,412	1,914	2,287
Chg (% YoY)	(15.5)	2.7	13.3	35.5	19.5
Core EPS (RMB)	0.36	0.37	0.42	0.57	0.68
Chg (% YoY)	(0.9)	2.4	13.3	35.5	19.5
BVPS (RMB)	3.80	4.14	4.44	4.84	5.31
Chg (% YoY)	79.3	9.1	7.1	9.0	9.9
P/E (x)	6.2	6.1	5.3	3.9	3.3
P/B (x)	0.6	0.5	0.5	0.5	0.4
ROE (%)	9.6	9.0	9.5	11.8	12.8
ROA (%)	1.8	1.3	1.2	1.3	1.3
DPS (RMB)	0.09	0.11	0.13	0.17	0.20
Yield (%)	4.0	4.9	5.6	7.6	9.1
Net gearing (%)	68.3	70.4	61.2	Net cash	Net cash

*Excluded post-tax revaluation gains on IP and exchange gain/(losses)

Source(s): The Company, ABCI Securities estimates

Company report

Jan 15, 2021

Rating: **BUY**

TP: **HK\$ 3.80**

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Share price (HK\$)	2.70
Est. share price return	40.7%
Est. dividend yield	6.9%
Est. total return	47.6%
Previous Rating & TP	NA
Previous Report Date	NA

Source(s): Bloomberg, ABCI Securities estimates

Key Data

52Wk H/L(HK\$)	3.04/1.75
Issued shares (mn)	3,320
Market cap (HK\$ mn)	8,971
Avg daily turnover since listing (HK\$ mn)	17.09
Major shareholder(s) (%):	
Mr. Zeng Huansha	72.29

Source(s): Bloomberg, ABCI Securities

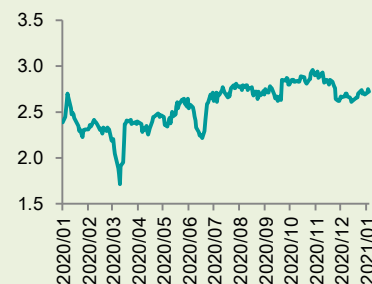
Share Performance (%)

	Absolute	Relative*
1-mth	1.1	(7.0)
3-mth	(4.6)	(18.4)
6-mth	0.7	(11.7)

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year share performance(HK\$)



Source(s): Bloomberg, ABCI Securities

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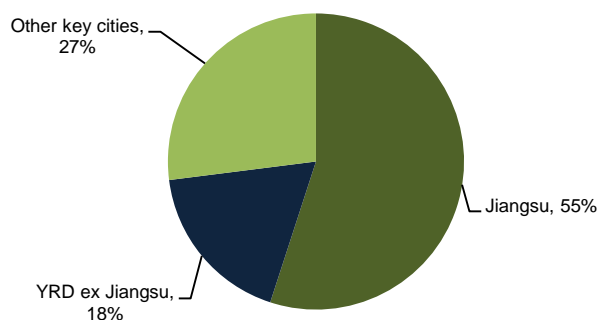
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Fast-growing contracted sales driven by favorable Yangtze River Delta (YRD) exposure

YRD accounts for 73% of total landbank

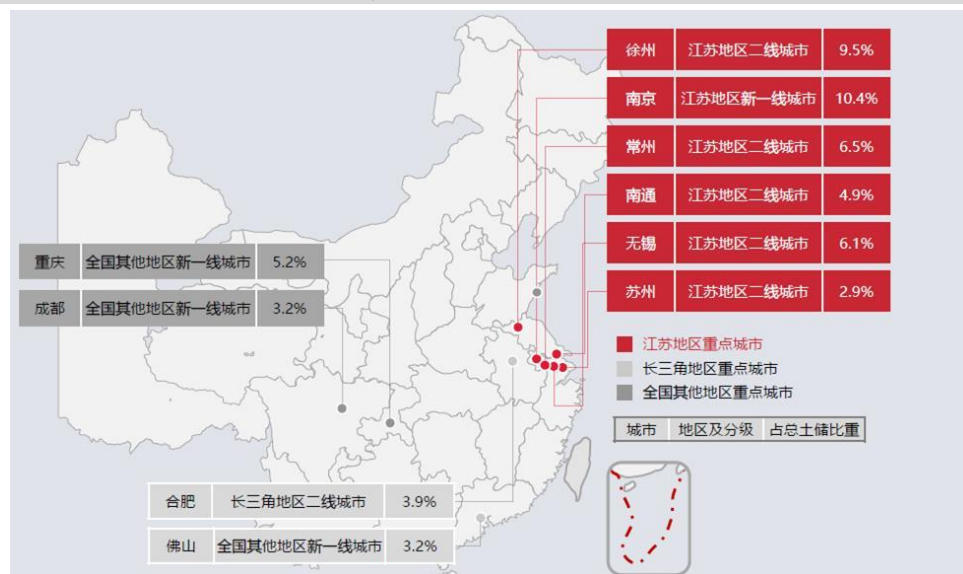
RPG is a comprehensive property enterprise with established presence in the YRD region. Since its listing in 2018, RPG has continued to foster the layout strategy of “penetrating the Greater Jiangsu Region, strengthening foothold in the YRD region and expanding into major metropolitan areas” (做透大江蘇、深耕長三角、佈局都市圈). As of June 2020, RPG had a landbank GFA of 18.37mn sqm (or 9.678mn sqm on attributable basis), of which 55%, 18% and 27% of the land bank is located in Jiangsu, YRD ex-Jiangsu (mainly Zhejiang and Anhui), and other key cities in China. In particular, the six major YRD cities, Nanjing, Xuzhou, Changzhou, Wuxi, Nantong and Suzhou, accounts for 10.4%, 9.5%, 6.5%, 6.1%, 4.9% and 2.9% of total landbank. As RPG accelerated land acquisition following its listing, contracted sales rose from RMB 25.7bn in 2017 to RMB 86.5bn in 2020, implying a CAGR of 50%; core profit jumped 30.7%YoY to RMB 656.6mn in 1H20.

Exhibit 1: RPG's landbank breakdown as at June 2020 (GFA: 18.37mn sqm, +8.5%HoH)



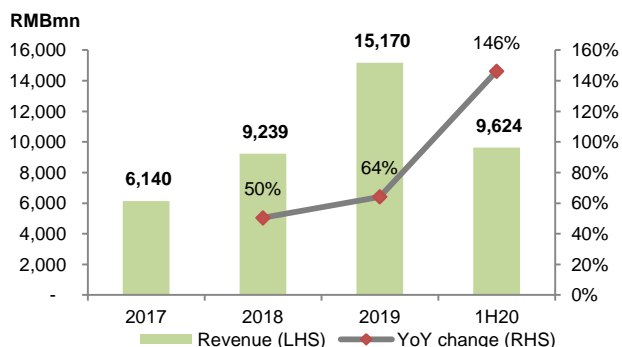
Source(s): The Company, ABCI Securities

Exhibit 2: RPG's landbank in major cities as at June 2020



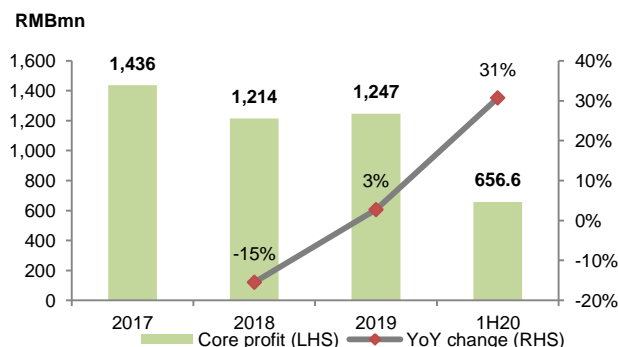
Source(s): The Company, ABCI Securities

Exhibit 3: RPG's total revenue



Source(s): The Company, ABCI Securities

Exhibit 4: RPG's core profit



Source(s): The Company, ABCI Securities

The “Property + Commercial” strategy

While developing residential properties, RPG also operates a range of commercial properties that include shopping malls, amusement parks, community centers, hotels, and office buildings. Most of these commercial properties are adjacent to RPG’s residential property projects, providing ancillary services for residents and supporting prices of the latter. Commercial properties can generate stable rents and reduce risks of price fluctuations and uncertain delivery schedules in the residential property development business, in addition to creating more possibilities for financing.

In particular, the “Property+ Commercial” model enhances the chance of acquiring land at low cost. After the acquisition of the Changzhou Legends of Canal project, RPG acquired the Anqing Commercial and Residential Complex project in Jan 2020. Average land cost was RMB1,846/sqm; the expected gross margin is no less than 30%.

Exhibit 5: Changzhou Mingli Legends of Canal



- Acquired in Nov 2017
- Consists of 83,000 sqm of commercial blocks, 150,000 sqm of textile cultural expo and cultural preservation buildings, and 278,800 sqm of residential housing
- Average land price per floor area of RMB 5,278/ sqm, with gross margin of the residential portion expected to be ~ 46%

Source(s): The Company, ABCI Securities

Exhibit 6: Anqing Hong Yang Plaza



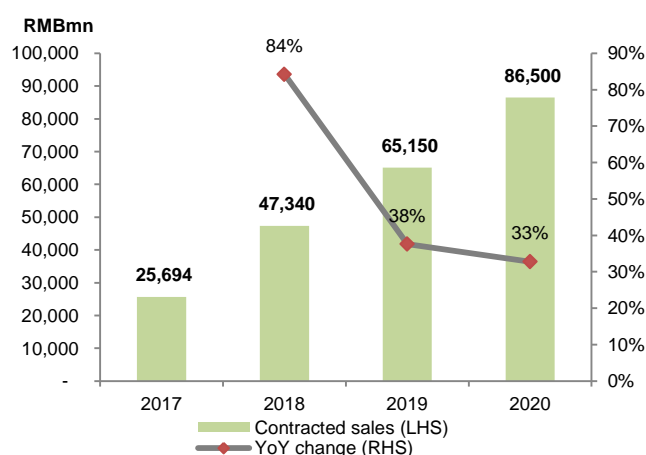
- Acquired in Jan 2020
- Includes a 10,000 sqm large scale theme park, 2,500 sqm city show centre, 11,000 sqm theme block, and rooftop sports parks
- Average land price per floor area of RMB1,846/ sqm, with gross margin of the residential portion expected to be over 30%

Source(s): The Company, ABCI Securities

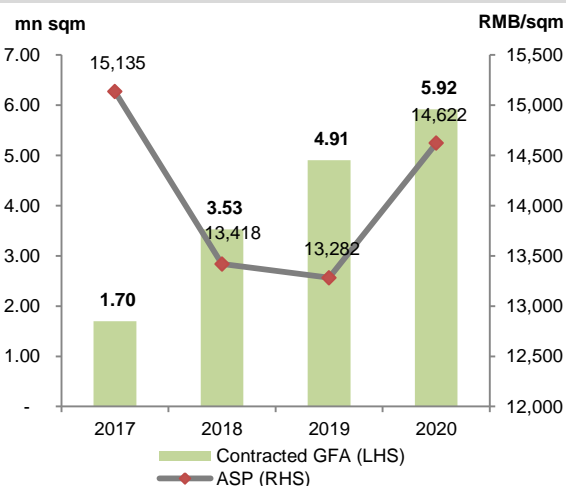
Impressive contracted sales driven by strong execution

Driven by favorable geographic exposure to YRD, RPG's contracted sales rose from RMB 25.7bn in 2017 to RMB 86.2bn in 2019, implying a CAGR of 59%. In 1H20, YRD accounted for 77% of total contracted sales amount. In particular, Nanjing, Changzhou, and Nantong accounted for 13.3%, 11.0%, and 9.0% of 1H20 contracted sales, respectively. In 2020, contracted sales soared 33%YoY to RMB 86.5bn, completing 115% of its sales target (RMB 75bn), as contracted GFA increased 21%YoY to 5.92mn sqm while ASP jumped 10%YoY to RMB 14,622/sqm.

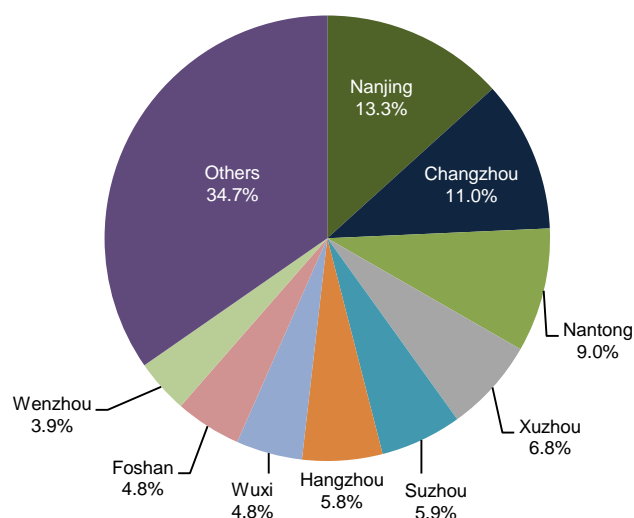
Strong contracted sales are also driven by efficient development cycle. In 2019, the average launch time from land acquisition to presales was 6.8 months with a comprehensive sell-through rate of 70%. During the same year, RPG also established the New Hongqiao Procurement Alliances with eight other participating medium-sized top developers, such as Dafa (6111 HK), Ganglong (6968 HK), and Sunkwan (6900 HK), and others, and made RMB 4.0bn of purchases.

Exhibit 7: RPG's contracted sales


Source(s): The Company, ABCI Securities

Exhibit 8: RPG's contracted GFA and contracted ASP


Source(s): The Company, ABCI Securities

Exhibit 9: RPG's contracted sales by city (1H20)


Source(s): The Company, ABCI Securities

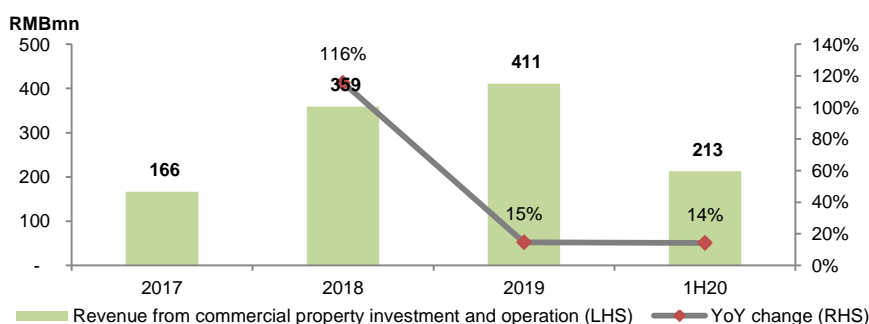
Strong recurring rental income

Growing number of malls via asset-light expansion

As of June 2020, the Group operated three Hong Yang Plazas located in Nanjing in Jiangsu, Changzhou in Jiangsu, and Yantai in Shandong. RPG prepares to commence 11 Hong Yang Plazas in Hefei, Hengyang, Yangzhou, Xuzhou, Yanjiao, Jining, Fushan and Lekai in Yantai, Dacheng and Fenghuangdong in Changzhou, and Anqing. Among these malls, three are asset-heavy while the rest are developed under the asset-light model. RPG targets to open the three asset-heavy malls in 2022-23.

Driven by rising rent rates, RPG's rental revenue increased at 57% CAGR from RMB 166mn in 2017 to RMB 411mn in 2019 and grew 14% YoY to RMB 213mn in 1H20. Besides, RPG has two hotels, namely, Nanjing Hong Yang Hotel and Wuxi Hong Yang Lakefort Hotel. The Group operates the Ibis Hotel under an entrusted management model. Impacted by COVID-19 in 1Q20, total hotel revenue dropped 29% YoY to RMB 12.8mn in 1H20.

Exhibit 10: RPG's income from commercial property investment and operation



Source(s): The Company, ABCI Securities

Exhibit 11: GFA of asset heavy Hong Yang Plaza and hotels

Project	City	GFA 000 sqm	Opening
Hong Yang Plaza			
Nanjing Hong Yang Plaza- shopping mall	Nanjing	15.0	2018
Nanjing Hong Yang Plaza- Hong Yang Furniture	Nanjing	24.0	2018
Nanjing Hong Yang Plaza- Future World	Nanjing	2.2	2018
Changzhou Zhongwu Hong Yang Plaza	Changzhou	6.5	2018
常州名力弘阳广场	Changzhou	11.0	2022
弘阳时光里邻里中心	Changzhou	5.8	2023
Anqing Hong Yang Plaza	Anqing	7.3	2022
Subtotal		71.8	
Hotels			
Nanjing Hong Yang Hotel	Nanjing	1.4	2013
Wuxi Lakefort Hotel	Wuxi	1.8	2015
Subtotal		3.2	
Total		75.0	

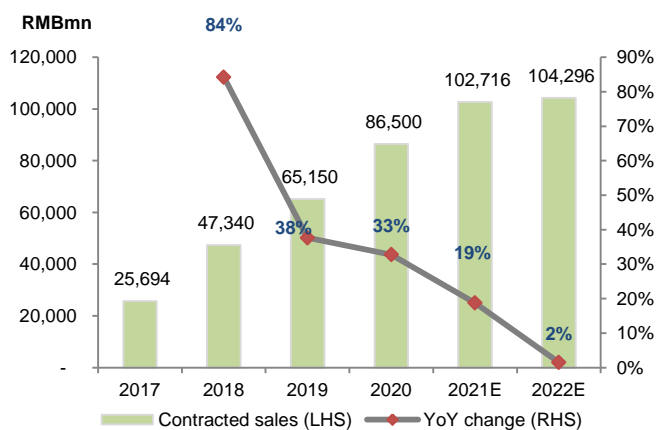
Source(s): The Company, ABCI Securities

Earnings forecasts

Core net profit to expand at 27% CAGR over 2020E-22E

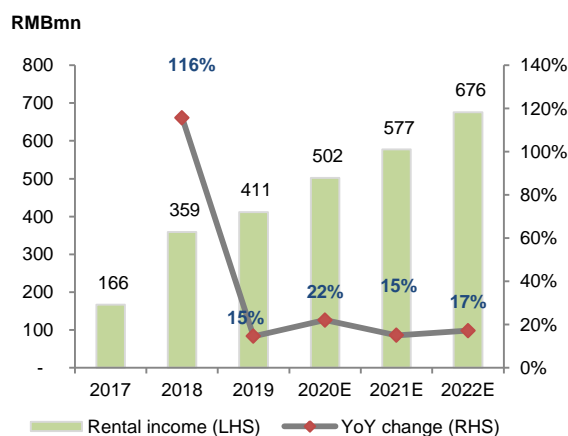
Driven by robust housing demand in YRD and increase in saleable resources, we expect contracted sales to grow 19% in 2021E to RMB 102.7bn (2020: +33%YoY to RMB 86.5bn). While we expect a decline in gross margin in 2020E resulted from RPG's expansion into new cities outside YRD, we forecast the figure to rise slightly 23.3% in 2020E to 25.7% in 2022E, assuming ASP would resume faster growth momentum after the COVID-19 outbreak. Rental income would increase at 16% CAGR for 2020-21E, driven by higher rent rates from Hong Yang Plazas and improving retails sales in YRD. Overall, we forecast core net profit to rise from RMB 1,412mn in 2020E to RMB 2,287mn in 2022E, representing a 27% CAGR in 2020E-22E.

Exhibit 12: RPG's contracted sales



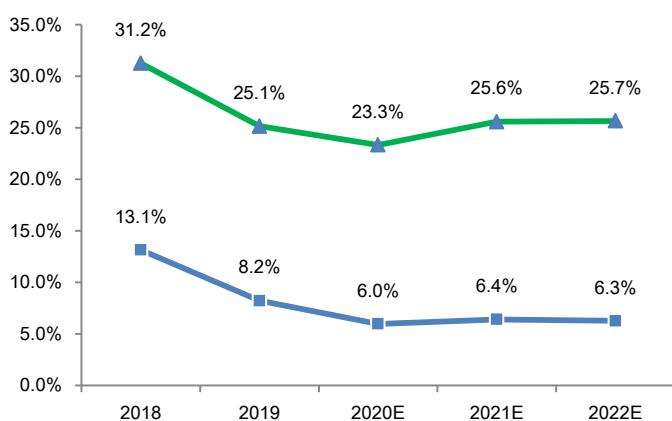
Source(s): The Company, ABCI Securities estimates

Exhibit 13: RPG's rental income



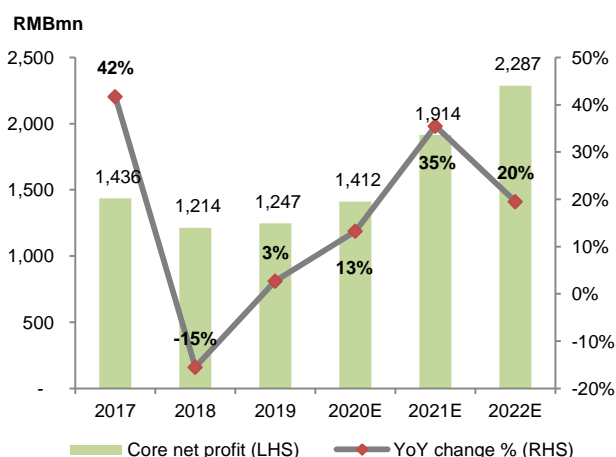
Source(s): The Company, ABCI Securities estimates

Exhibit 14: RPG's gross margin



Source(s): The Company, ABCI Securities estimates

Exhibit 15: RPG's net profit



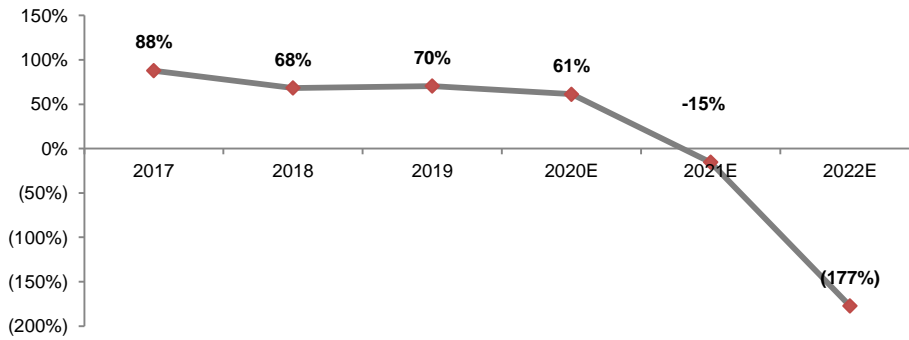
Source(s): The Company, ABCI Securities estimates



Net gearing should decline on contracted sales growth

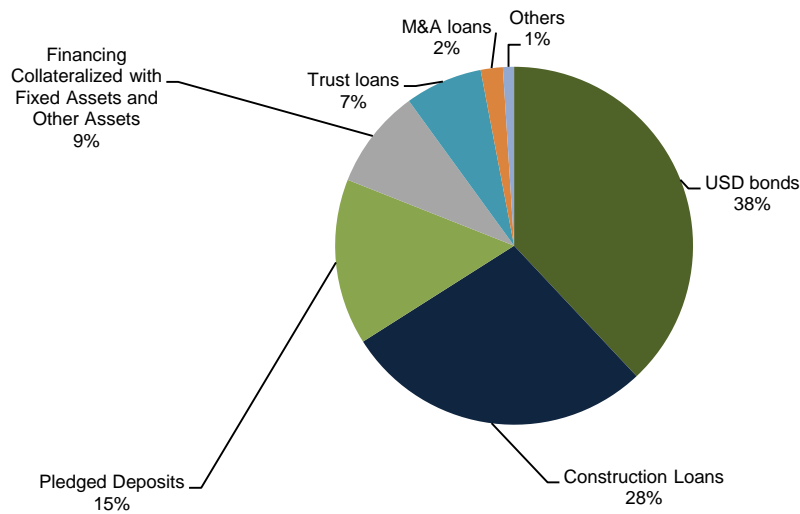
Driven by fast-growing contracted sales, we expect net gearing to trend down from 61% in 2020E to net cash in 2021E. In the financial forecast, we have not factored in any cash outflow for land acquisition in 2021 or after due to unconfirmed schedule.

Exhibit 16: RPG's net gearing



Source(s): The Company, ABCI Securities estimates

Exhibit 17: Debt structure



Source(s): The Company, ABCI Securities

Initiate BUY with TP at HK\$3.80 based on 70% discount to NAV

Our valuation for RPG is based on the discount-to-NAV method, one of the commonest valuation metrics used for PRC developers:

- **Property development:** a DCF analysis with a WACC of 13.7% is applied to assess the value of RPG's projects for sales; total value of property development projects arrives at RMB 25.5bn.
- **Investment properties:** a cap rate of 5% is applied to 2021E net rental income for RPG's investment properties; total value of investment properties arrives at RMB 5.77bn.

Our end-2021E NAV of RMB 34.9bn (HK\$ 12.64/shr) is derived by adding 2021E net cash (RMB 3,320mn) from the end-2021E GAV of RMB 31.26bn. We apply a 70% discount (in-line with small-/mid-cap peers) to the 2021E NAV to obtain a TP of HK\$ 3.60. Our target valuation of 5.6x 2021E P/E with a 5.4% yield is higher than YRD small-/mid-cap peer average of 3.6x 2021E P/E with an 9.5% yield. We believe RPG deserves a premium over its YRD peers (e.g. Zhongliang, Zhenro and Ronshine) given: **1) higher gross margin**- RPG's 1H20 gross margin of 25.3% is higher than 14.9%-22.6% for Zhongliang, Zhenro and Ronshine; **2) higher asset turnover** - this reflects RPG's strong execution capability in sales and marketing. Initiate with **BUY**.

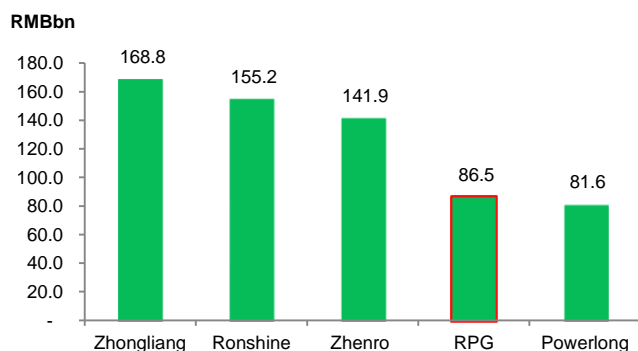
Exhibit 18: RPG's 2021E NAV

	Attr. GFA (mn sqm)	Net assets value (RMB mn)	% of total	Valuation Method	Implied value per sqm (RMB)
Property development	7.3	25,489	82%	DCF with WACC of 13.7%	3,486
Investment Properties		5,771	18%	5% cap rate on 2021E net rental	
Total 2021E GAV		31,260	100%		
2021E Net cash/ (debt)		3,689	12%		
Total 2021E NAV		34,949	112%		
No. of share outstanding (diluted)		3,320			
NAV per share (RMB)		10.53			
Ex rate		1.20			
NAV per share (HKD)		12.62			
Target discount (%)		70%			
Target Price (HKD)		3.80			

WACC	13.7%
Cost of debt	9.5%
Cost of equity	25.0%
Debt/ (Debt + Equity)	63%

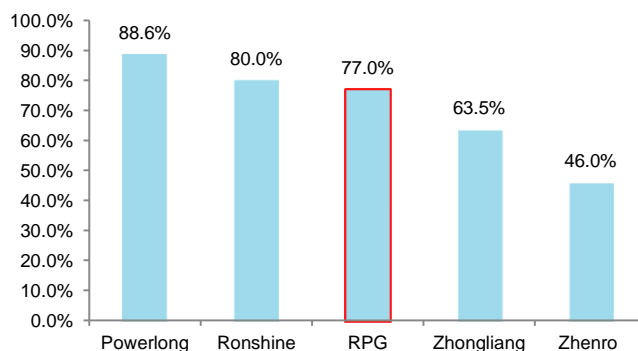
Source(s): ABCI Securities estimates

Exhibit 19: YRD peers comparison- contracted sales (2020)



Source(s): The Company, ABCI Securities

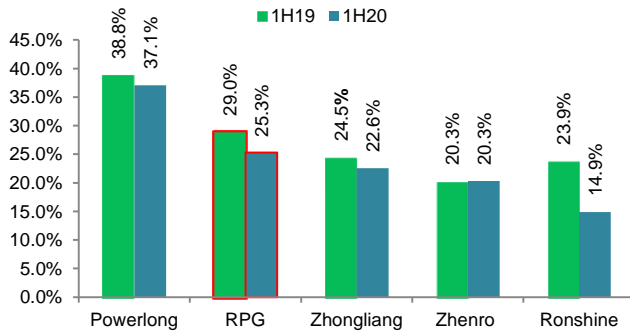
Exhibit 20: YRD peers comparison- percentage of contracted sales from YRD (1H20)



Source(s): The Company, ABCI Securities

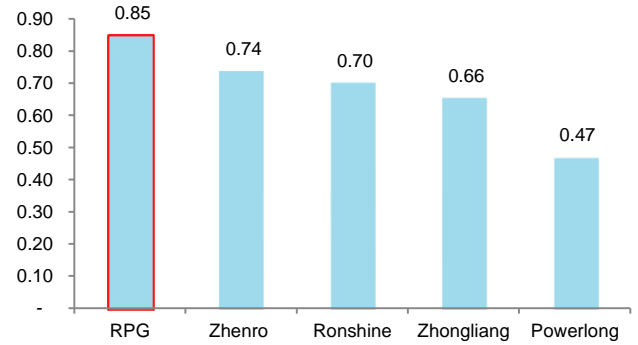


Exhibit 21: YRD peers comparison- Gross margin



Source(s): The Company, ABCI Securities

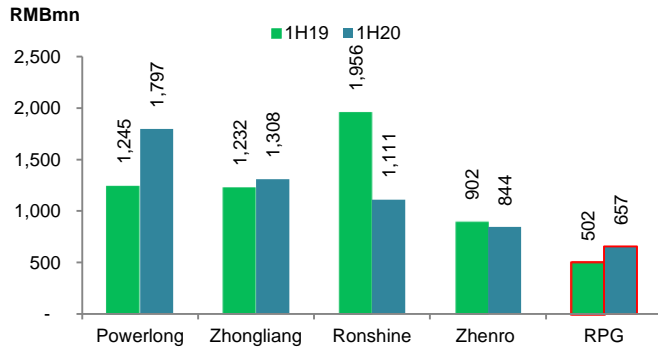
Exhibit 22: YRD peers comparison- Asset turnover*



*calculated by 2020 contracted divided by 1H20 total assets

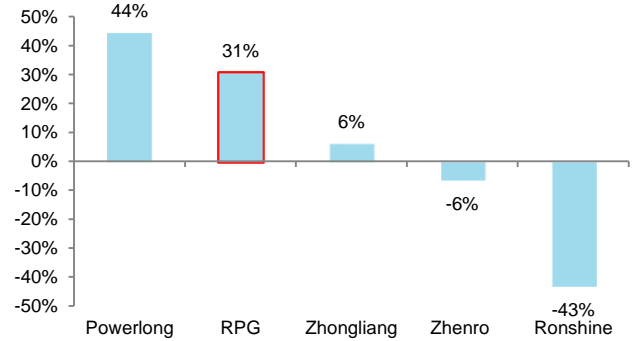
Source(s): The Company, ABCI Securities

Exhibit 23: YRD peers comparison- Core net profit



Source(s): The Company, ABCI Securities

Exhibit 24: YRD peers comparison- core net profit YoY growth (1H20)



Source(s): The Company, ABCI Securities

Exhibit 25: Valuation of HK-listed developers

China Property	Ticker	Mkt cap	Share Price	Performance			Discount to NAV	Valuation									
				3M	YTD	2020		P/E			Yield (%)			P/B			
		(HKD bn)	(local ccy)	% Chg	% Chg	% Chg	(%)	2019A	2020E	2021E	2019A	2020E	2021E	2019A	2020E	2021E	
<u>National players</u>																	
1	Vanke-H	2202 HK	406.5	30.00	27	11	(16)	(39.89)	8.72	6.71	6.03	4.18	4.55	5.06	1.43	1.30	1.12
2	COLI	688 HK	184.2	16.82	(15)	0	(42)	(74.73)	4.48	3.80	3.25	6.06	6.59	7.71	0.55	0.50	0.45
3	Country Garden	2007 HK	221.2	10.04	3	(7)	(8)	(60.01)	4.60	4.27	3.74	6.82	7.27	8.14	1.16	1.00	0.84
4	Sunac	1918 HK	143.2	30.70	3	7	(36)	(60.93)	5.43	3.91	3.40	4.81	5.60	6.32	1.23	1.06	0.84
5	Longfor	960 HK	259.3	42.80	(1)	(4)	29	(17.98)	13.91	11.06	9.59	3.36	3.98	4.69	2.26	2.01	1.76
6	Shimao	813 HK	80.7	22.80	(28)	(8)	(14)	(52.99)	6.42	5.20	4.44	7.63	7.99	9.22	0.89	0.83	0.73
	Average				(2)	(0)	(15)	(51.09)	7.26	5.82	5.07	5.48	6.00	6.86	1.25	1.11	0.96
<u>YRD players</u>																	
1	Powerlong	1238 HK	21.4	5.16	(11)	(4)	13	(73.69)	6.65	4.90	3.87	8.33	9.43	11.74	0.55	0.51	0.46
2	Zhongliang	2772 HK	17.7	4.94	(1)	(5)	(9)	(50.60)	3.78	3.21	2.67	9.74	12.33	14.81	1.69	1.20	0.91
3	Zhenro	6158 HK	21.1	4.83	5	3	(15)	(67.69)	7.62	6.33	5.11	2.48	2.98	3.65	1.05	0.85	0.78
4	Ronshine	3301 HK	9.2	5.45	(8)	1	(45)	(80.54)	2.41	3.25	2.21	7.09	7.70	9.68	0.48	0.44	0.38
5	Redsun Property	1996 HK	9.0	2.70	(5)	0	10	(78.61)	6.05	5.34	3.94	4.93	5.61	7.61	0.54	0.51	0.47
	Average				(4)	(1)	(9)	(70.23)	5.30	4.61	3.56	6.51	7.61	9.50	0.86	0.70	0.60

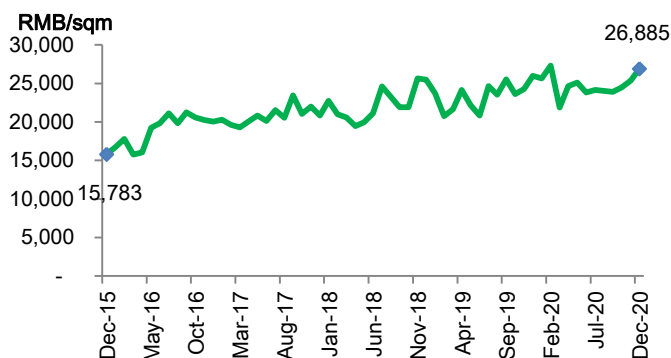
Source(s): Bloomberg, ABCI Securities

Industry analysis- property market in YRD

YRD accounts for 73% of RPG landbank as at Jun 2020 and 77% of 1H20 contracted sales. In particular, the six major YRD cities, Nanjing, Xuzhou, Changzhou, Wuxi, Nantong and Suzhou, accounts for 10.4%, 9.5%, 6.5%, 6.1%, 4.9% and 2.9% of total landbank. The group's future financial performance is highly dependent on property market in these core cities. Based on statistics from CRIC, commodity house selling price in Nanjing, Xuzhou, Wuxi and Suzhou has been growing at 11.2%, 5.3%, 17.6% and 5.0% CAGR during 2015-20, reflecting strong underlying housing demand.

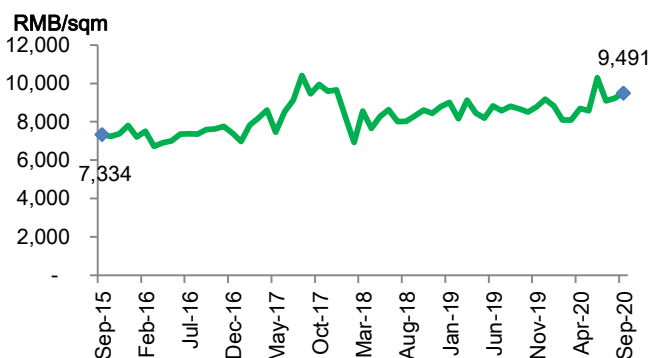
Going forward, YRD's economy and property market will be boosted by the "Master Plan for Integrated Regional Development of Yangtze River Delta (长江三角洲区域一体化发展规划纲要)" policy announced by the state council in Dec 2019. The policy set out different specific to be achieved by 2025. In particular, the policy aims to narrow the income gap between urban and rural area in YRD, such that the income ratio between the two should reach 2.2:1 by 2025, compared to national average of 2.64:1 as of 2019. In our view, this target will result in faster economic growth in the lower-tier YRD cities from a long term perspective. Such target is feasible by significant improvement in transportation, such that the higher income population can commute to work in upper tier cities while enjoy better living quality at lower property price in the lower tier cities. The policy also laid out a target to reach 507km per sq.km. in railway density by 2025.

Exhibit 26: Nanjing commodity housing selling price



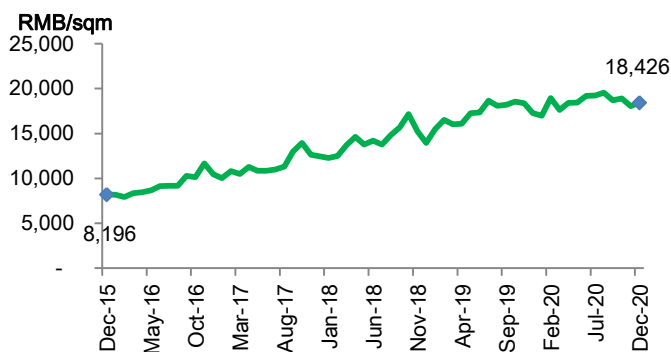
Source(s): CRIC, ABCI Securities

Exhibit 27: Xuzhou commodity housing selling price



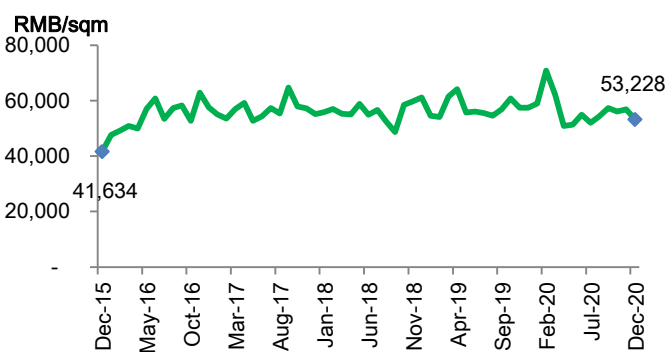
Source(s): CRIC, ABCI Securities

Exhibit 28: Wuxi commodity housing selling price



Source(s): CRIC, ABCI Securities

Exhibit 29: Suzhou commodity housing selling price



Source(s): CRIC, ABCI Securities



Risk factors

- **Uncertain business environment due to COVID-19 pandemic.** In 1Q20, RPG's monthly contracted sales registered 5-47%YoY decline during Jan-Mar 2020 upon COVID-related nationwide lockdown. If COVID-19 resurges, RPG's sales can be adversely affected.
- **Long payback period of shopping malls.** We estimate RPG's upcoming asset-heavy Hong Yang Plazas to be commenced in 2022-23 would have a 5-8% gross yield on costs, which implies a payback period of 12-20 years. An increasing number of Hong Yang Plazas will drag down asset turnover, which may drive up net gearing.
- **JV projects' debts.** RPG has a significant number of JV projects with less than a 50% stake. Since equity accounting is adopted for these projects, their debts are not consolidated. Therefore, gearing level may have been understated.
- **Interest rate risk:** As at Dec 31, 2019, if interest rates on borrowings were 25 bps higher/lower with all other variables held constant, profit before tax for the year would have been ~ RMB22mn lower/higher.
- **Foreign exchange risk:** As at Dec 31, 2019, if RMB depreciated against the USD by 5%, profit before tax for the year would have been ~RMB 117mn lower/higher.

Financial statements

Consolidated income statement (2018A-2022E)

FY Ended Dec 31 (RMB mn)	2018A	2019A	2020E	2021E	2022E
Revenue	9,239	15,170	23,645	29,902	36,558
Cost of sales	(6,352)	(11,356)	(18,130)	(22,251)	(27,180)
Gross Profit	2,887	3,813	5,515	7,651	9,377
SG&A expenses	(1,028)	(1,742)	(1,968)	(2,457)	(3,074)
EBIT	1,859	2,072	3,547	5,194	6,303
Finance cost	(499)	(634)	(492)	(560)	(624)
Share of profit of associates	367	693	890	1,084	1,274
Other income/ (expenses)	236	331	156	129	177
Fair value gain of investment	261	310	-	-	-
Disposal/one-off items	(48)	(37)	-	-	-
Profit before tax	2,175	2,735	4,101	5,847	7,131
Tax	(852)	(1,100)	(1,145)	(1,820)	(2,247)
Profit after tax	1,323	1,636	2,956	4,027	4,884
Minority interest	89	(168)	(1,543)	(2,113)	(2,597)
Reported net profit	1,412	1,468	1,412	1,914	2,287
Less: exceptional items	(198)	(221)	-	(0)	(0)
Core net profit	1,214	1,247	1,412	1,914	2,287
Per share					
Core EPS (RMB)	0.36	0.37	0.42	0.57	0.68
DPS (RMB)	0.09	0.11	0.13	0.17	0.20
Payout ratio (%)	25%	30%	30%	30%	30%
BVPS (RMB)	3.80	4.14	4.44	4.84	5.31
Growth %					
Revenue	50.5%	64.2%	55.9%	26.5%	22.3%
Gross Profit	15.9%	32.1%	44.6%	38.7%	22.6%
EBIT	-3.6%	11.4%	71.2%	46.4%	21.4%
Core net profit	-15.5%	2.7%	13.3%	35.5%	19.5%
Margin %					
Gross margin	31.2%	25.1%	23.3%	25.6%	25.7%
EBIT margin	20.1%	13.7%	15.0%	17.4%	17.2%
Core net margin	13.1%	8.2%	6.0%	6.4%	6.3%
Key assumptions					
Contracted Sales (RMB mn)	47,340	65,150	86,500	102,716	104,296
GFA sold (mn sqm)	3.53	4.91	5.92	7.03	7.13
ASP (RMB/sqm)	13,418	13,282	14,622	14,616	14,621
Booked Sales (RMB mn)			23,112	29,288	35,842
GFA delivered (mn sqm)			1.65	2.02	2.46
Booked ASP (RMB/sqm)			13,994	14,512	14,571

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet (2018A-2022E)

As of Dec 31 (RMB mn)	2018A	2019A	2020E	2021E	2022E
Current assets	54,313	74,298	94,695	123,453	147,221
Cash	6,233	8,692	10,795	29,083	77,421
Restricted cash	6,223	8,153	8,153	8,153	8,153
Trade & other receivables	24	7	7	7	7
Property under development	29,702	36,281	54,575	65,045	40,475
Other current assets	12,131	21,166	21,166	21,166	21,166
Non-current assets	13,609	21,099	21,913	22,731	23,552
Property, plant & equipment	989	808	732	642	536
Investment properties	9,397	11,572	12,372	13,172	13,972
Investment in Associate and JCE	2,739	7,821	7,910	8,019	8,146
Other non-current assets	484	898	898	898	898
Total Assets	67,922	95,397	116,608	146,184	170,773
Current Liabilities	40,649	56,876	75,554	101,678	122,069
Short-term borrowings	10,827	12,411	14,411	16,411	18,411
Trade & other payables	2,886	4,846	4,846	4,846	4,846
Pre-sales deposits	20,392	32,016	48,694	72,818	91,209
Other current liabilities	6,545	7,603	7,603	7,603	7,603
Non-current liabilities	13,423	20,475	20,475	20,475	20,475
Long-term borrowings	11,093	17,135	17,135	17,135	17,135
Other non-current liabilities	2,330	3,340	3,340	3,340	3,340
Total Liabilities	54,072	77,351	96,029	122,153	142,544
Net Assets	13,850	18,046	20,578	24,031	28,229
Shareholders' Equity	12,695	13,888	14,876	16,216	17,817
Minority Interest	1,155	4,159	5,702	7,815	10,412
Total Equity	13,850	18,046	20,578	24,031	28,229
Key ratio					
Gross debt (RMB mn)	21,919	29,546	31,546	33,546	35,546
Net debt (RMB mn)	9,463	12,702	12,599	(3,689)	(50,027)
Net gearing (%)	68%	70%	61%	-15%	-177%

Source(s): Company, ABCI Securities estimates

Consolidated cash flow statement (2018A-2022E)

FY ended Dec 31 (RMB mn)	2018A	2019A	2020E	2021E	2022E
EBITDA	1,931	2,155	3,643	5,304	6,430
Change in Working Capital	(2,598)	1,989	519	15,893	45,308
Tax payment	(454)	(1,019)	(1,145)	(1,820)	(2,247)
Operating cash flow	(1,120)	3,124	3,017	19,376	49,491
Purchase of PP&E	(316)	(99)	(20)	(20)	(20)
Addition of Investment Properties	(413)	(862)	(800)	(800)	(800)
Others	(3,181)	(5,378)	957	1,104	1,324
Investing cash flow	(3,911)	(6,340)	137	284	504
Debt raised	16,755	31,151	10,000	10,000	10,000
Debt repaid	(7,233)	(23,218)	(8,000)	(8,000)	(8,000)
Interest expenses	(1,577)	(2,279)	(2,627)	(2,799)	(2,971)
Equity raised	2,960	-	-	-	-
Dividend to shareholders	-	(304)	(424)	(574)	(686)
Others	(2,120)	324	-	0	0
Financing cash flow	8,785	5,674	(1,051)	(1,373)	(1,657)
Net cash inflow/ (outflow)	3,755	2,459	2,103	18,288	48,338
Cash- beginning	2,478	6,233	8,692	10,795	29,083
Cash- year-end	6,233	8,692	10,795	29,083	77,421

Source(s): Company, ABCI Securities estimates

Disclosures

Analyst Certification

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate ($\sim 10\%$)
Hold	- Market return ($\sim 10\%$) \leq Stock return $<$ Market return rate ($\sim 10\%$)
Sell	Stock return $<$ - Market return ($\sim 10\%$)

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months
Market return rate: average market return rate since 2008 (For reference: HSI total return index 2008-20 CAGR at 9.2%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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