



# 招商蛇口 (001979.SZ, 买入)

证券研究报告

## 缘起深圳（摘要）

### 高折价资产推动下一段估值修复

作为中国新经济的创新中心，深圳积极的宏观前景和人口趋势令我们对本地房地产市场的长期前景信心十足。招商蛇口是招商局旗下房地产业务的旗舰公司，致力于社区/园区/邮轮母港三大业务的开发运营，我们认为，较之其它大型开发商以及我们所研究同业，招商蛇口因其最高的深圳资产占比（深圳在其土地储备/2017年底预期净资产价值中的占比分别为45%/70%）而拥有实现资产价值长期升值的最佳定位。由于公司在深圳的优质土地储备成本低且开发周期长，而且与招商局集团跨行业资源的潜在资产整合有望带来增值空间，我们认为招商蛇口有望实现持续强于同业的盈利增长，并带来稳健的股东回报。

### 市场过度担忧短期风险，长期增值空间犹存

**1. 市场过度计入了深圳市场的周期性风险：**在过去12个月中招商蛇口股价较内地上市开发商领先了14%，但年初至今止步不前，因为市场对于深圳楼市或因“史上最严”调控令而走软的前景倍感担忧。目前招商蛇口的净资产价值折让在我们所覆盖国内上市开发商中处于最大幅度（40% vs. 同业30%），我们认为市场过度计入了深圳楼市或因政策而走软的担忧情绪。

**2. 近期经营层面积极向好：**在倍受瞩目且开发周期较长的前海项目的权益分配/太子湾项目的合作开发等方案上有了实质性进展；股权激励计划得以执行；业绩快报好于预期。

**3. 与母公司招商局存在更大规模的长期协同效应，**有望通过城市更新改造、国企资产整合以及邮轮母港开发等多种方式获取土地、继而开发多元化地产资产组合，显著扩张盈利增长空间。

### 借助植根深圳的优势

深圳楼市在数次周期轮转中的表现一直领先于全国整体市场，而且在前一上行周期中实现了最大的价格涨幅。因此，我们认为，虽然深圳楼市或将提早出现较大幅度回调的不利因素可能给招商蛇口股价的市场情绪带来冲击，但我们认为这将只是短期现象。

撇除周期性波动，我们看好深圳房地产市场，并对房地产各个子行业的长期前景持乐观看法，尽管不同细分领域依旧处在各自供应周期的不同阶段。我们预计到2025年深圳房地产市场的总资产价值将翻番至3.7万亿美元，从而令扎根深圳的招商蛇口成为一个主要受益者，并在执行得当的情况下拥有显著的市值扩张潜力。考虑到招商蛇口土地储备的重估价值，以及基于深圳楼市量价变化的净资产价值情景分析，我们认为招商蛇口当前的大幅净资产价值折让并不合理。

\*全文翻译随后提供

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Price	12m Target Price
RMB16.71	RMB20.0
Market Cap	12m ADTV
US\$17.9BN	US\$106MN

## The Asia Stock Collection

本系列汇总了分析师对亚洲个股的精选分析，重点在于差异化观点、流动性状况以及2017年推动因素，阐述了以下八大核心问题：

1. 投资观点
2. 未来走势
3. 我们的不同之处
4. 预测推动因素
5. 估值
6. 现金流和资产负债表
7. 风险及阻力因素
8. 外部股价因素

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# China Merchants Shekou Inds Zone: Summary financials

Profit model (Rmb mn)	12/15	12/16E	12/17E	12/18E	Balance sheet (Rmb mn)	12/15	12/16E	12/17E	12/18E
<b>Total revenue</b>	<b>49,222.4</b>	<b>66,361.5</b>	<b>80,213.1</b>	<b>95,410.5</b>	Cash & equivalents	40,611.2	29,675.9	30,070.6	42,376.6
Cost of goods sold	(35,880.7)	(51,292.7)	(61,473.5)	(72,898.6)	Accounts receivable	17,734.5	23,635.6	21,976.2	26,139.9
SG&A	(2,351.0)	(2,814.3)	(3,242.1)	(3,701.4)	Inventory	121,380.5	156,972.2	162,204.6	134,262.6
R&D	--	--	--	--	Other current assets	6,846.6	13,667.9	14,351.3	15,786.4
Other operating profit/(expense)	0.0	0.0	0.0	0.0	<b>Total current assets</b>	<b>186,572.8</b>	<b>223,951.6</b>	<b>228,602.8</b>	<b>218,565.5</b>
<b>EBITDA</b>	<b>11,684.2</b>	<b>12,677.3</b>	<b>15,917.2</b>	<b>19,238.6</b>	Net PP&E	2,544.2	2,453.2	2,434.6	2,483.6
Depreciation & amortization	(693.5)	(422.9)	(419.7)	(428.1)	Net intangibles	507.3	507.3	507.2	507.1
<b>EBIT</b>	<b>10,990.7</b>	<b>12,254.5</b>	<b>15,497.5</b>	<b>18,810.5</b>	Total investments	13,912.4	17,694.4	26,324.3	43,789.0
Interest income	574.3	406.1	296.8	300.7	Other long-term assets	7,362.5	6,995.9	6,995.9	6,995.9
Interest expense	(1,524.4)	(1,424.4)	(1,618.1)	(1,618.1)	<b>Total assets</b>	<b>210,899.2</b>	<b>251,602.3</b>	<b>264,864.8</b>	<b>272,341.2</b>
Income/(loss) from uncons. subs.	138.3	6.1	64.5	113.3	Accounts payable	18,446.7	22,484.5	26,947.3	31,955.6
Others	231.5	3,431.4	2,236.2	1,900.8	Short-term debt	9,041.4	14,194.0	14,194.0	14,194.0
<b>Pretax profits</b>	<b>10,410.3</b>	<b>14,673.7</b>	<b>16,476.8</b>	<b>19,507.1</b>	Other current liabilities	75,405.8	91,594.2	90,005.7	80,281.9
Income tax	(2,363.8)	(3,696.2)	(4,168.7)	(4,926.0)	<b>Total current liabilities</b>	<b>102,893.9</b>	<b>128,272.6</b>	<b>131,146.9</b>	<b>126,431.4</b>
Minorities	(1,154.0)	(2,408.5)	(1,957.8)	(2,094.7)	Long-term debt	39,925.8	45,736.1	45,736.1	45,736.1
<b>Net income pre-preferred dividends</b>	<b>6,892.5</b>	<b>8,568.9</b>	<b>10,350.2</b>	<b>12,486.3</b>	Other long-term liabilities	5,916.3	6,507.9	7,158.7	7,874.6
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	45,842.1	52,244.0	52,894.8	53,610.7
<b>Net income (pre-exceptionals)</b>	<b>6,892.5</b>	<b>8,568.9</b>	<b>10,350.2</b>	<b>12,486.3</b>	<b>Total liabilities</b>	<b>148,735.9</b>	<b>180,516.6</b>	<b>184,041.7</b>	<b>180,042.1</b>
Post-tax exceptionals	0.0	0.0	0.0	0.0	<b>Preferred shares</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net income</b>	<b>6,892.5</b>	<b>8,568.9</b>	<b>10,350.2</b>	<b>12,486.3</b>	<b>Total common equity</b>	<b>46,628.3</b>	<b>53,142.2</b>	<b>60,921.7</b>	<b>70,303.0</b>
EPS (basic, pre-exception) (Rmb)	0.87	1.08	1.31	1.58	Minority interest	15,535.0	17,943.5	19,901.3	21,996.1
EPS (basic, post-exception) (Rmb)	0.87	1.08	1.31	1.58	<b>Total liabilities &amp; equity</b>	<b>210,899.2</b>	<b>251,602.3</b>	<b>264,864.8</b>	<b>272,341.2</b>
EPS (diluted, post-exception) (Rmb)	0.87	1.08	1.31	1.58	<b>BVPS (Rmb)</b>	<b>5.90</b>	<b>6.72</b>	<b>7.71</b>	<b>8.89</b>
DPS (Rmb)	0.26	0.33	0.39	0.47					
Dividend payout ratio (%)	29.8	30.0	30.0	30.0					
Free cash flow yield (%)	0.3	(10.6)	7.5	21.0					
<b>Growth &amp; margins (%)</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>Ratios</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
Sales growth	8.2	34.8	20.9	18.9	CROCI (%)	15.2	8.7	13.8	14.6
EBITDA growth	6.1	8.5	25.6	20.9	ROE (%)	17.6	17.2	18.1	19.0
EBIT growth	6.6	11.5	26.5	21.4	ROA (%)	3.6	3.7	4.0	4.6
Net income growth	31.1	24.3	20.8	20.6	ROACE (%)	13.1	13.7	12.5	14.1
EPS growth	22.8	24.3	20.8	20.6	Inventory days	1,129.4	990.4	947.6	742.2
Gross margin	27.1	22.7	23.4	23.6	Receivables days	103.5	113.8	103.8	92.0
EBITDA margin	23.7	19.1	19.8	20.2	Payable days	180.4	145.6	146.8	147.5
EBIT margin	22.3	18.5	19.3	19.7	Net debt/equity (%)	13.4	42.5	36.9	19.0
					Interest cover - EBIT (X)	11.6	12.0	11.7	14.3
<b>Cash flow statement (Rmb mn)</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>Valuation</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
Net income pre-preferred dividends	6,892.5	8,568.9	10,350.2	12,486.3	P/E (analyst) (X)	27.6	15.6	12.9	10.7
D&A add-back	693.5	422.9	419.7	428.1	P/B (X)	3.7	2.5	2.2	1.9
Minorities interests add-back	1,154.0	2,408.5	1,957.8	2,094.7	EV/EBITDA (X)	16.9	14.3	11.5	9.0
Net (inc)/dec working capital	(7,281.9)	(37,455.0)	889.8	28,786.6	EV/GCI (X)	2.8	1.8	1.6	1.5
Other operating cash flow	626.0	10,319.3	(1,685.6)	(10,556.3)	Dividend yield (%)	1.2	1.9	2.3	2.8
<b>Cash flow from operations</b>	<b>2,084.3</b>	<b>(15,735.4)</b>	<b>11,932.0</b>	<b>33,239.5</b>					
Capital expenditures	(1,483.9)	(331.8)	(401.1)	(477.1)					
Acquisitions	0.0	0.0	0.0	0.0					
Divestitures	49.4	8,889.5	0.0	0.0					
Others	(608.2)	(12,665.4)	(8,565.5)	(17,351.4)					
<b>Cash flow from investments</b>	<b>(2,042.6)</b>	<b>(4,107.7)</b>	<b>(8,966.5)</b>	<b>(17,828.5)</b>					
Dividends paid (common & pref)	(4,904.4)	(2,055.1)	(2,570.7)	(3,105.1)					
Inc/(dec) in debt	3,275.9	10,962.9	0.0	0.0					
Common stock issuance (repurchase)	11,828.5	0.0	0.0	0.0					
Other financing cash flows	4,272.2	0.0	0.0	0.0					
<b>Cash flow from financing</b>	<b>14,472.2</b>	<b>8,907.8</b>	<b>(2,570.7)</b>	<b>(3,105.1)</b>					
<b>Total cash flow</b>	<b>14,513.8</b>	<b>(10,935.3)</b>	<b>394.8</b>	<b>12,305.9</b>					

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

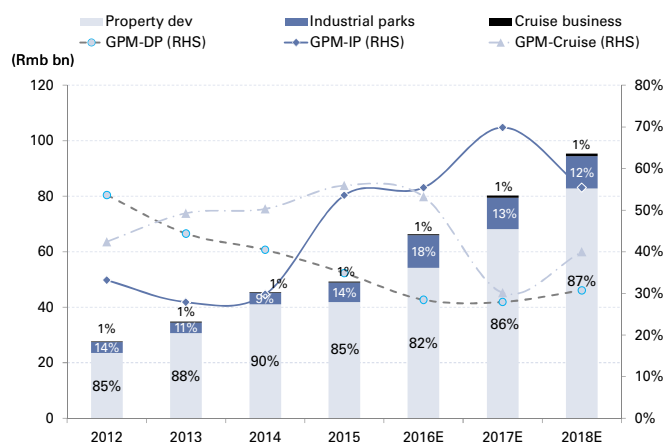
Note: Share price related numbers were as of Feb 17, 2017.

## Best-in-class land bank in SZ to drive fully-funded returns

Leveraging its **best-in-class land bank position in SZ** and its **shared resources and branding with China Merchants Group (CMG)**, we believe CMSK is poised to lead the long-term sector growth in the region. Currently, CMSK has three areas of focus, namely community, industrial park and cruise homeport development, each accounting for on average 84%/15%/1% of the topline in 2016E-2018E<sup>1</sup>. The company aims to become a leading community and industrial park developer and manager in China over the long term.

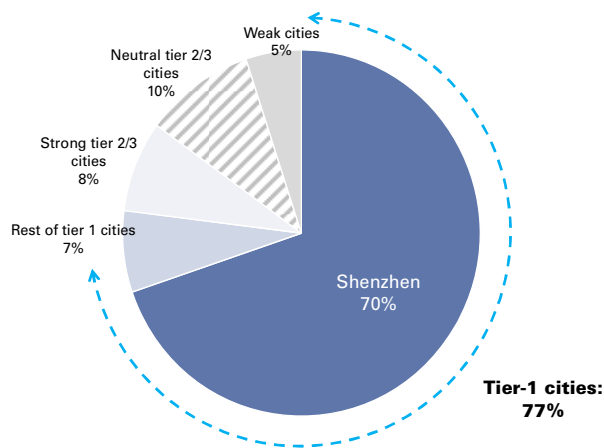
We expect CMSK to own GFA44mn sqm land bank in total across 33 cities in China by end-2016E, with **SZ contributing over 30%-40% of 2017E-2019E presales, 45% of land bank** (mostly in the Nanshan district, the emerging CBD), **45%-50% of 2016E-2019E earnings and 70% of its end-2017E NAV** (all highest among our coverage universe).

**Exhibit 1: Property sales is the main business**  
CMSK revenue/gross margin performance, by segment, 2012-2018E



Source: Company data, Gao Hua Securities Research.

**Exhibit 2: Shenzhen contributes a major share to CMSK's NAV**  
End-2017E NAV breakdown by city



Note: For our classification of strong, neutral, and weak cities, please refer to *Deep downturn priced in, two positive developments; COLI to CL-Buy*, dated January 10, 2017 for more details.

Source: Gao Hua Securities Research.

**#1 SZ gives CMSK the edge:** SZ is embarking on a new phase of economic transformation to become the innovation leader in China and in the world. As part of the ambition to turn SZ into a global gateway city and reinforce its position as the entrepreneur heartland of China in the coming decade, SZ's government has undertaken major upgrades on infrastructure, healthcare and education. We believe the positive macro outlook (rising income and growing population to propel strong consumption and housing needs), coupled with world-class infrastructure, will be two key pillars supporting capital value appreciation for the SZ real estate market. Hence, developers with a strong presence in SZ are likely to benefit<sup>2</sup>.

<sup>1</sup> Note our forecast does not factor in any new acquisitions from now to end-2019E, which could render our 2018 forecast conservative. We did not cite 2019 earnings forecast as we believe majority of growth in that year will need to be driven by acquisitions in 2017 and early 2018, in our flat yoy price change assumption from 2017E-2019E.

<sup>2</sup> Details refer to our reports *Building Shenzhen: Incubating a "New China"* and *Building Shenzhen: Solid fundamentals bolster local property market; Buy CMSK, CRL*, published on August 10, 2016.

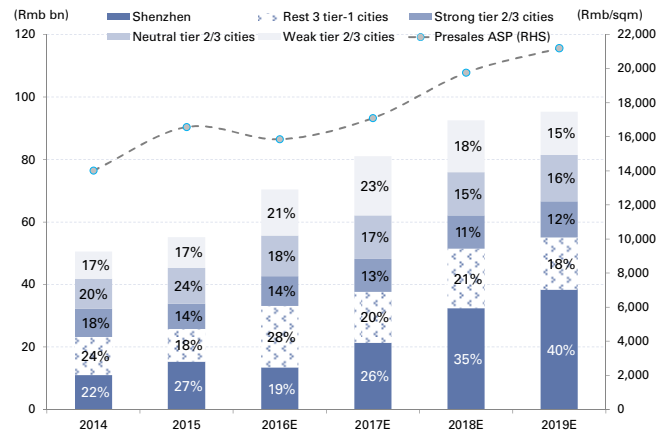
**#2 Cost competitiveness underpinning stronger return outlook:** With cost advantage for its quality land bank in SZ (land cost 23% of 2017E ASP vs. our coverage average of 28%), **we expect CMSK to deliver sector-leading EPS growth in 2016E-2018E** (21% CAGR vs. peers' average of 12%) and robust ROE (+2pp to 19% in 2018E from 2016E vs. peers' average -1pp to 15%) on the back of a well-protected margin (average 30% GPM in 2016E-2018E, 2pp above peers).

**Exhibit 3: We expect CMSK to deliver leading sales and earnings growth among our onshore coverage...**  
Onshore coverage developers presales and underlying EPS growth CAGR in 2016-2018E

	Presales				Underlying EPS	
	2016	2017E	2018E	16-18E CAGR	16-18E CAGR	16-18E CAGR
	Rmb bn					
<b>CMSK</b>	74	81	93	<b>12%</b>	<b>21%</b>	
Vanke (A)	365	389	388	3%	19%	
Poly (A)	210	220	201	-2%	14%	
OCT	23	25	26	8%	10%	
Gemdale	101	94	89	-6%	10%	
SMC	15	17	18	9%	-3%	
<b>Average</b>				<b>4%</b>	<b>12%</b>	

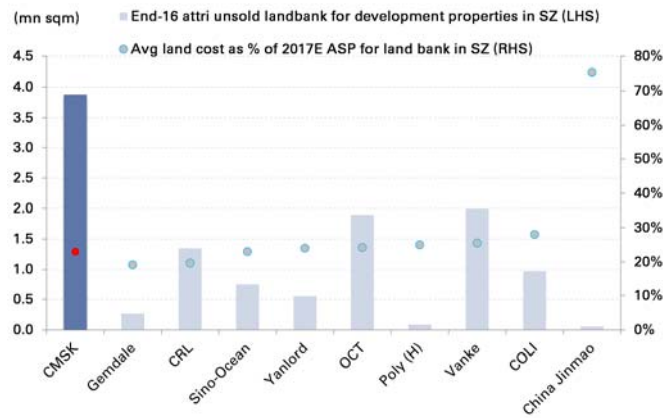
Source: Company data, Gao Hua Securities Research.

**Exhibit 4: ...on the back of increasing sales contribution from Shenzhen...**  
Presales breakdown by city, 2014-2019E



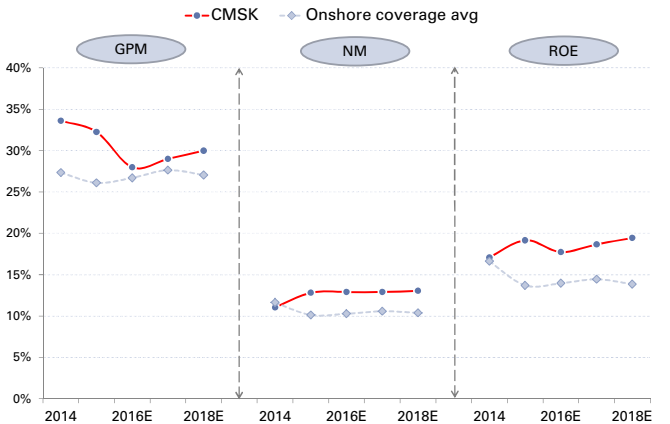
Source: Company data, Gao Hua Securities Research.

**Exhibit 5: ...and its competitive land cost in Shenzhen...**  
Comparison of land cost as % of ASP for our coverage developers



Source: Company data, Gao Hua Securities Research.

**Exhibit 6: ...leading to healthy margins among peers**  
NM/ROE (excl. revaluation gain) comparison among our onshore coverage developers



Source: Company data, Gao Hua Securities Research.

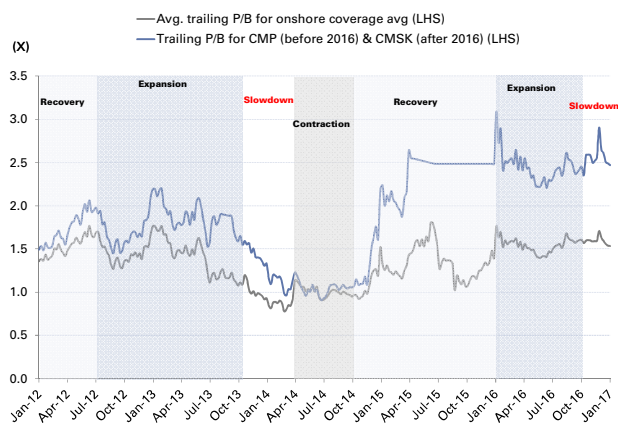
## High P/B is not the full story; asset value overly discounted

We apply a 30% target price discount to end-2017E NAV of Rmb28.1 to derive our 12-month target price of Rmb20.0 for CMSK vs. the range of 10% to 50% discount for the onshore coverage (or on average 30%). Our target price for CMSK implies a higher premium of 30% to our onshore sector TP-implied P/B & ROE trendline, vs. 20% premium its predecessor China Merchants Property (CMP (A), 000024.SZ, delisted) traded at during the last downturn in 2H13-2014 to reflect CMSK's improving ROE and lower than peers average leverage ratios (see Exhibit 24 in Appendix).

Post the merger with CMP in December 2015, we note that CMSK has been trading at higher P/B multiples than its predecessor CMP and an enlarged premium to onshore peers, which in our view are mainly attributable to: **(1) its almost doubled land bank size through the asset integration with significantly boosted exposure to SZ (45% of land bank vs. 17% for CMP), but the book value has yet to fully factor in its future profit potential; (2) meanwhile the SZ assets (mainly Shekou, Prince Bay and Qianhai projects) were injected at below market price, therefore CMSK's book value at cost has not fully reflected its intrinsic land bank value. We estimate that CMSK's total land bank value, if marked to market, will be about Rmb401bn, almost double its original cost.**

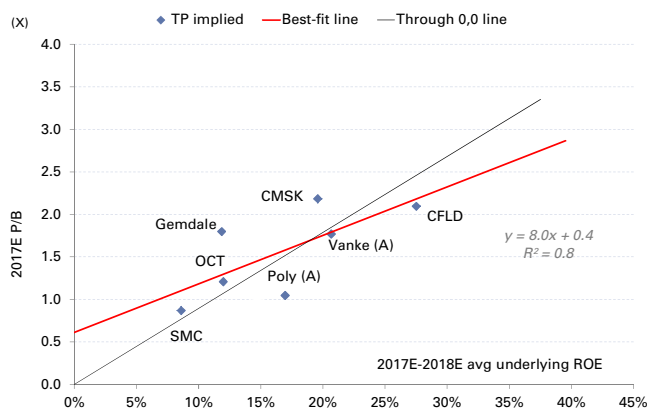
As Exhibit 10 shows, despite trading at a premium to its book value, CMSK's current share price of Rmb16.71 (Feb 17 closing) is at a **deep discount to its reappraised land bank value and end-2017 GHe NAV (40% discount vs. onshore average of 30%)**, suggesting that property prices in prime locations are likely to fall more than those in average locations, which is unjustified and we believe the risk-reward is skewed to the upside.

**Exhibit 7: CMSK and its predecessor (CMP) have always been trading at higher P/B multiples than peers**  
 CMP (before 2016) and CMSK (after 2016) trailing P/B vs. onshore coverage average through the industry cycles



Source: Datastream, Gao Hua Securities Research.

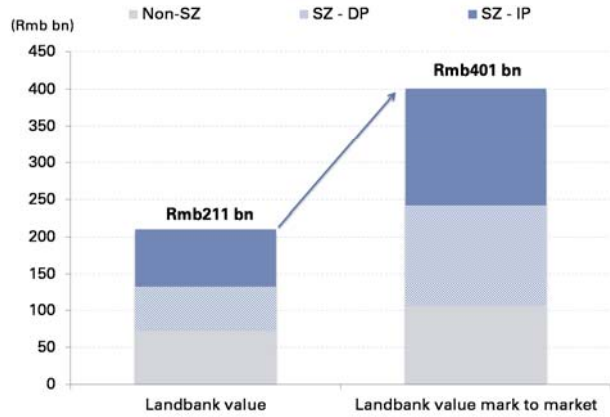
**Exhibit 8: Our TP for CMSK implies a 30% premium to our onshore sector TP-implied P/B-ROE trend line**  
 Onshore sector TP implied P/B-ROE trend



Source: Datastream, Gao Hua Securities Research.

**Exhibit 9: Given its low cost assets injected from parent in SZ, we estimate CMSK's land bank value would almost double if marked to market**

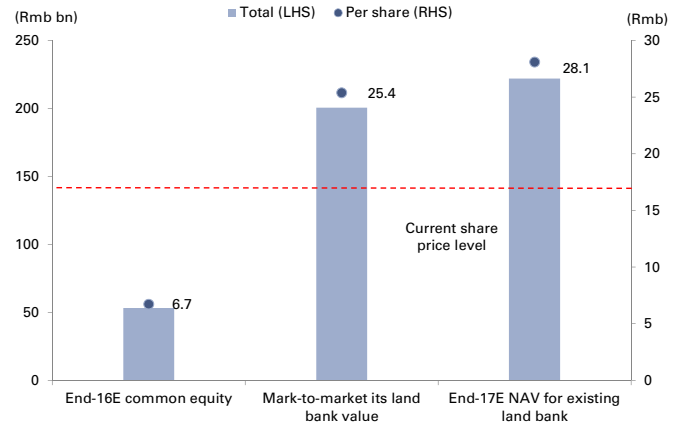
CMSK's unsold land bank value at cost vs. marked to market



Source: CREIS, Company data, Gao Hua Securities Research.

**Exhibit 10: CMSK's current share price is at a deep discount to reappraised asset value and our end-2017E NAV**

Current price vs. end-16E common equity, end-17E NAV for existing land bank and mark-to-market its land bank value

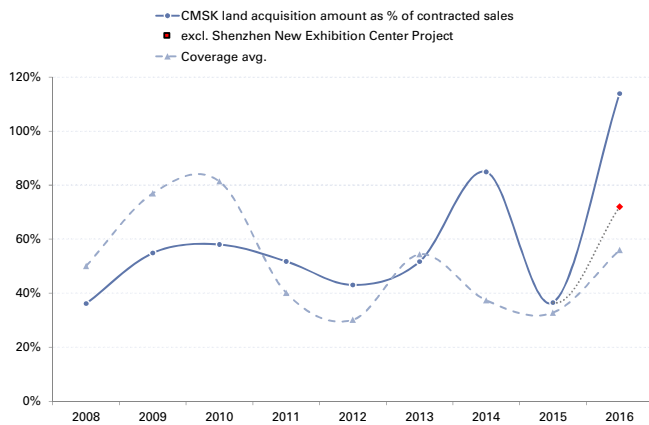


Source: CREIS, Company data, Gao Hua Securities Research.

## Strong balance sheet to fuel scale expansion

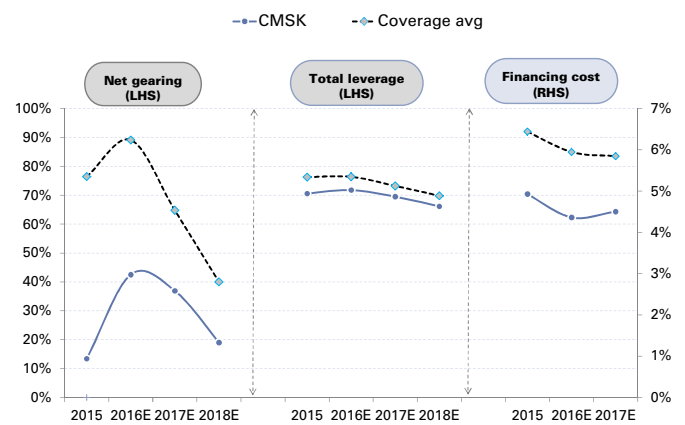
Despite active land banking last year (land acquisition amounted to 114% of its presales or 72% if excluding the Shenzhen New Exhibition Center project jointly bided with OCT (000069.SZ) vs. coverage developers' average of 56% in 2016), CMSK still **preserves a healthy balance sheet** due to its existing balance sheet strength (one of the sector's lowest net gearing ratios at end-2015) and strong sales performance last year (+28% yoy and beat management target by 14%). Together with its **access to cheaper capital** (as the sole real estate arm of a top SOE, i.e., CMG) and scope for value creation from potential asset integration with CMG's cross-industry resources, CMSK stands out among peers to grow its asset portfolio through **diversified land sourcing channels** and is thus more likely to achieve solid growth in the midst of a sector downturn.

**Exhibit 11: Despite active land banking last year...**  
CMSK's land acquisition amount as % of contracted sales vs. peers, 2008-2016



Source: Company data.

**Exhibit 12: ...CMSK still has a strong balance sheet and enjoys cheaper capital to grow its scale**  
Net gearing, total leverage ratio and financing cost vs. onshore coverage average level



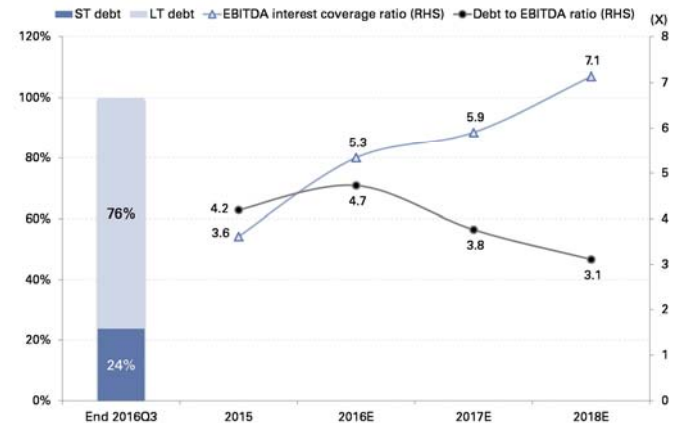
Source: Company data, Gao Hua Securities Research.

**Exhibit 13: We see low refinancing risk in 2017E...**  
Funding gap analysis for 2017E



Source: Gao Hua Securities Research.

**Exhibit 14: ...and expect interest coverage ratio to steadily improve**  
Debt profile & EBITDA interest coverage ratio analysis



Source: Company data, Gao Hua Securities Research.

## SZ market volatilities (S-T), execution in Qianhai/Prince Bay (improving)

CMSK has outperformed onshore peers by 14% over the past 12 months, but its share price has plateaued recently. Based on our discussion with investors, their concerns are concentrated in two main areas:

**#1 Concentration risk in Shenzhen where stringent-than-ever tightening policies are in place** (including strict presales permits and price control announced recently), and CMSK will be more vulnerable to any potential SZ property market volatilities. We note that during the past two industry downcycles, property prices corrected by 26%/12% from the peak to low (Aug-2007 to Feb-2009 and May-2011 to Feb-2012 respectively) in Shenzhen's secondary market, while combined volumes in primary and secondary markets dropped 29%/45% yoy in 2008/2011 downturns. We lay out below our sensitivity analysis by assuming ASP/volume would be 30%/50% below our base-case assumptions to test the potential downside risks to our earnings and valuation estimates for CMSK (as Exhibits 15-16 show, **earnings will be on average 20% lower for 2017E/2018E and 2017E NAV will shrink 15% in the bear case**).

### Our view:

Trading at a deepest discount to NAV for CMSK among our onshore coverage, we think the market has priced in an overly bearish view on the SZ property market outlook from a policy driven downturn and implies that property prices in prime locations are likely to fall more than those in average locations, which is unjustified as we do see **more resilient ASP performances in the Nanshan district** (where 83%/38% of CMSK's SZ land bank/total land bank size is located) on the back of supply shortage and more promising economic growth outlook.

- Nanshan is the high tech industrial base, higher education center and logistics hub of Shenzhen and has the highest GDP as a single district in the Guangdong province. As shown in Exhibits 17-18, Nanshan is the most active market within four core districts (namely Futian, Luohu, Nanshan, Yantian) in SZ and its ASP performance has been more resilient during industry downcycles.
- Looking forward, **we believe the positive macro outlook, coupled with world-class infrastructure will bolster a buoyant SZ local property market and support capital value appreciation over time**. If ASPs were to increase 30% from 2016 levels<sup>3</sup> and volumes were to rise 20% (back to the peak in 2009), **our end-2017E NAV and average 2017E-2018E earnings for CMSK would be boosted by 20%/25%**. As such, we believe CMSK's valuation risk/reward is skewed towards the upside.

<sup>3</sup> Per our forecast in our thematic report *Building Shenzhen: Solid fundamentals bolster local property market; Buy CMSK, CRL*, published on August 10, 2016



**Exhibit 15: If SZ ASP/vol were to drop 30%/50% from 2016 levels, our end-2017E NAV will fall 15%...**  
CMSK's NAV sensitivity in relation to Shenzhen market ASP/volume changes

2017E NAV	2017E SZ ASP							
	ASP growth change vs 17E base case							
	-30%	-20%	-10%	0%	10%	20%	30%	
SZ vol	-50%	-15%	-10%	-6%	-3%	9%	13%	16%
	-30%	-14%	-9%	-5%	-1%	10%	14%	17%
	-10%	-13%	-9%	-4%	0%	11%	15%	19%
	0%	-13%	-8%	-4%	Base-case	12%	16%	19%
	10%	-13%	-8%	-4%	3%	12%	16%	20%
	20%	-12%	-8%	-3%	4%	13%	17%	20%

Source: Gao Hua Securities Research.

**Exhibit 16: ...and 2017E-2018E earnings will be on average 20% lower than our base case**  
CMSK's earnings sensitivity in relation to Shenzhen market ASP/volume changes

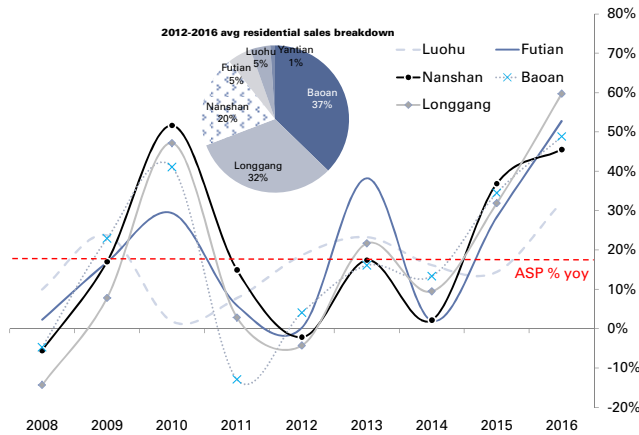
2017E EPS	2017E SZ ASP							
	ASP growth change vs 17E base case							
	-30%	-20%	-10%	0%	10%	20%	30%	
SZ vol	-50%	-11%	-8%	-6%	-3%	9%	11%	13%
	-30%	-10%	-7%	-4%	-2%	10%	12%	15%
	-10%	-9%	-5%	-3%	-1%	12%	14%	16%
	0%	-8%	-5%	-2%	Base-case	12%	15%	17%
	10%	-8%	-4%	-2%	1%	13%	16%	18%
	20%	-7%	-4%	-1%	1%	14%	16%	19%

2018E EPS	2017E SZ ASP							
	ASP growth change vs 17E base case							
	-30%	-20%	-10%	0%	10%	20%	30%	
SZ vol	-50%	-29%	-24%	-20%	-17%	-13%	-10%	-6%
	-30%	-26%	-20%	-14%	-9%	-5%	1%	6%
	-10%	-24%	-16%	-9%	-3%	3%	9%	16%
	0%	-23%	-14%	-7%	Base-case	7%	14%	21%
	10%	-22%	-12%	-4%	3%	10%	18%	26%
	20%	-20%	-10%	-1%	6%	14%	23%	31%

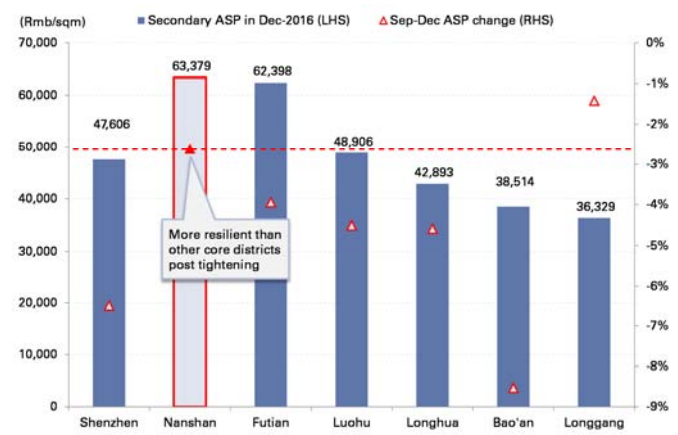
Source: Gao Hua Securities Research.

**Exhibit 17: Nanshan, the emerging CBD where CMSK's SZ assets are mainly located, is the most active market within four core districts in Shenzhen...**  
Residential property sales and ASP yoy growth by district



Source: CREIS.

**Exhibit 18: ...and has a more resilient ASP after the tightening**  
Secondary ASP changes (pre/post last Oct tightening) comparison in Shenzhen by district



Source: fang.com.

**#2 Execution slippage for Qianhai/Prince Bay sites development** (accounting for 35% of its end-2017E NAV and average 20% of its 2017E-2019E presales). Given (1) the final consideration and detailed development plan is still under negotiation with the Qianhai local government, and (2) both are high profile and decade-long development projects for CMSK, any potential slower-than-expected progression of the land site conversion and/or development may adversely impact CMSK's earnings visibility in the next few years.

**Our view:**

We have seen steady and meaningful progress in terms of CMSK's development of the Qianhai/Prince Bay sites during the past few months:

- **Qianhai site:** The profit sharing framework has been achieved between CMG and the Authority of Qianhai on October 26, 2016 (on a 40%/60% basis) following their 50%/50% interest split on June 18, 2016 to co-develop the Qianhai site. This should

remove the long-lasting overhang of benefit distribution between CMG and the government.

- **Prince Bay site:** CMSK disposed two land plots to New World Development (0017.HK) on December 8, 2016 (the implied land price is c.Rmb24k/sqm vs. CMSK's original land cost of c.Rmb5k/sqm) and also introduced NWD to co-develop another two commercial projects in the Prince Bay site. We think by cooperating with an experienced investment property operator, CMSK will not only unlock its asset value but also expedite the development pace and further improve the project quality.
- Moreover, the **share option incentive scheme** (including 49mn shares, 0.62% of total, execution price of Rmb19.51, 17% higher than the current share price (as of 17 Feb) and covering 254 core members, 1.3% of total) announced in December 2016 shows management's confidence in the promising growth trajectory for CMSK in the longer run. Under the plan, it has strict prerequisite exercising conditions on ROE (ROE excl. extraordinary gain/loss to be no less than 13%/14%/15% before the three exercising periods), net profit (3-year CAGR to be no less than 13%) and stock price (to be above IPO price Rmb23.34 for at least 10 trading days). We believe the strategic move could help better align the interests of its key employees (especially mid-level management and executive-level personnel) with the company's growth, which indirectly addresses investors' concern about the company's earnings sustainability.
- On Jan 17, 2017, CMSK reported an **upbeat profit alert** for FY2016 with net profit up 92%-102% yoy (or up 35%-42% vs. 2015 pro forma net profit) to Rmb9.3 bn-Rmb9.8 bn or EPS of Rmb1.18-Rmb1.24. Apart from the impact of the minorities interest arrangement in 2015-2016 post restructuring, its earnings growth were mainly driven by: 1) 33% yoy rise in property sales booked; and 2) en-bloc sales of Nanhai E-cool and Qianhai Bay Garden in Shenzhen which monetized the land bank value.

**Major risks include: 1) Sales and margin miss on significant unexpected SZ market correction:** We estimate our 2017E/2018E underlying profit will be affected by -11%/-29% if its SZ ASP/volume were to drop 30%/50% from 2016 levels (similar percentage drop from peak to trough in SZ during past downcycles); and **2) supply outpacing demand, exerting pressure on the rental outlook in SZ especially unsuccessful development of the SZ Free Trade Zone:** As c.40% of CMSK's valuation comes from rental properties (mostly office assets in SZ FTZ) for which we use the income capitalization approach to ascribe value, a 10% rental decline (vs. flattish rental growth in our base-case) and 1pp expansion of cap rate (vs. our base-case 7.5%) will affect CMSK's valuation by 12%.

## Long-term conviction in SZ, further asset integration with CMG

Other than the impact from China's housing cycles which drives developers' stocks in a broader way, we find that the relative outperformance/underperformance of CMSK (or CMP before 2016) against peers is more significantly affected by the SZ local property market and scope for value creation from potential asset integration with CMG.

### 1) Shenzhen the weather vane

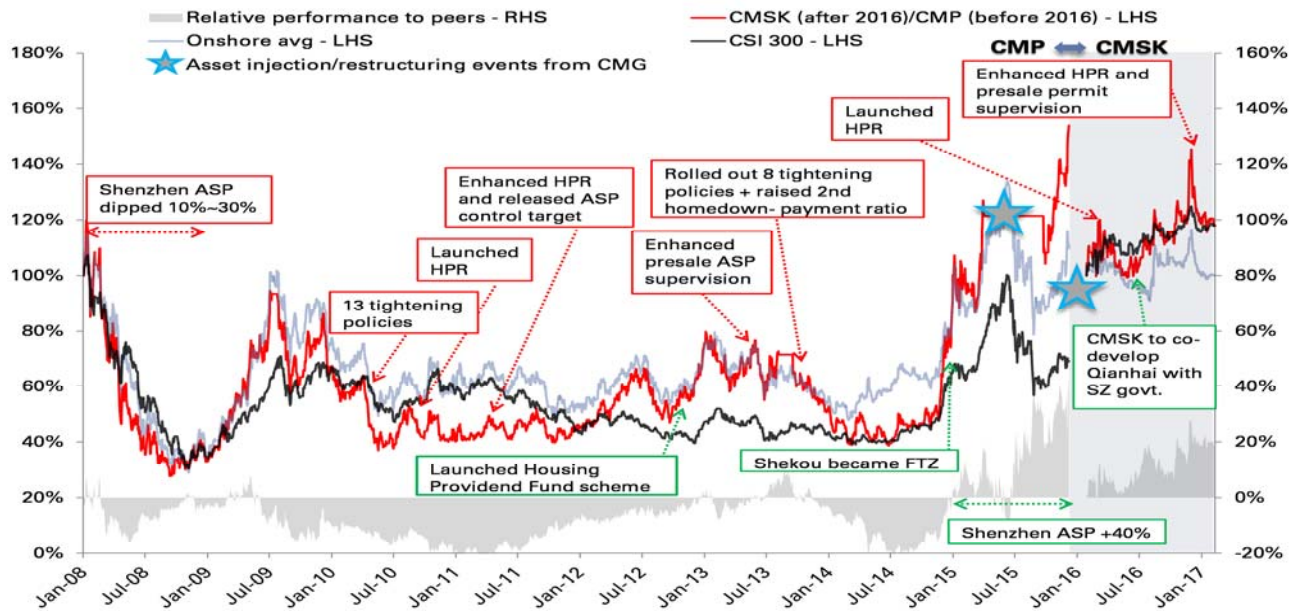
We expect headwinds from "strictest ever" tightening policies in SZ to remain until we see more meaningful price weakness. Any surprising market correction could nonetheless impact sentiment on CMSK but should be short-lived as we see the downturn in this cycle as more policy driven.

Looking beyond short-term fluctuations, we prefer SZ's housing market and remain bullish across all real estate sectors in the long term. **We forecast the total capital value of SZ's real estate market would double by 2025E** and thus developers with a strong presence there look poised to become major beneficiaries.

## 2) Cultivating greater synergies with parent group

We see further room for CMSK to explore a diversified portfolio of property assets within CMG's cross-industry resources, and believe potential synergies have yet to be priced in. During recent years, CMG has been consolidating various business segments under its corporate umbrella, both internally and externally. We believe this presents ample opportunities for CMSK as it can now grow its asset portfolio through **diversified land sourcing channels, such as land injection and conversion through SOE's property asset consolidation and cruise town developments based on key port assets owned by CMG**, thus serving as a line-up of potential catalysts.

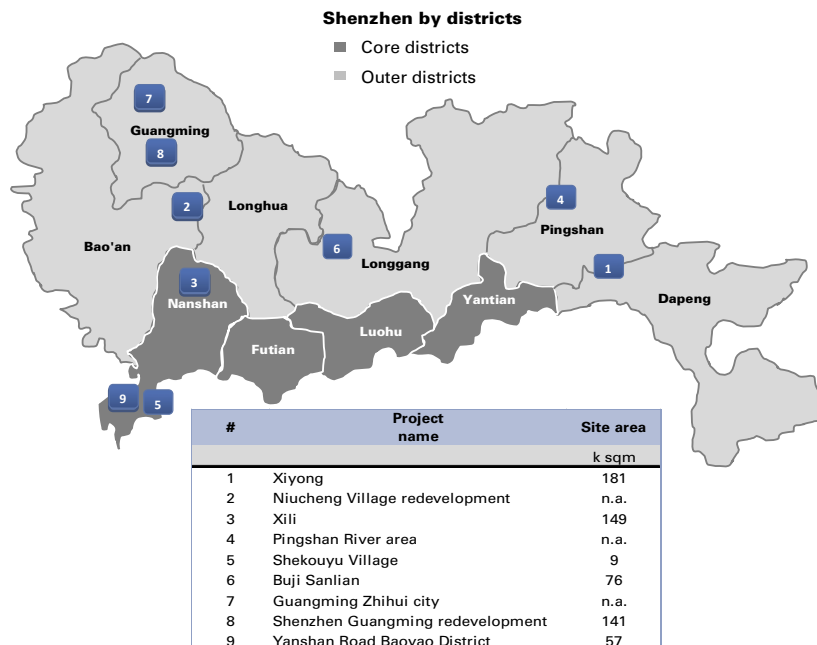
**Exhibit 19: SZ market and asset restructuring with CMG are key to CMSK's share price**  
 CMP/CMSK share performance vs. Shenzhen properties related policies and restructuring events



Source: Datastream, Gao Hua Securities Research, Xinhua, Sina.com.cn.

**Exhibit 20: Strong roots in Shenzhen help secure urban redevelopment projects in a large scale (total 10 with site area of 3.5mn sqm)**

Snapshot of CMSK's major urban redevelopment projects with available information in Shenzhen



Source: Company data, www.csgx.com, Gao Hua Securities Research.

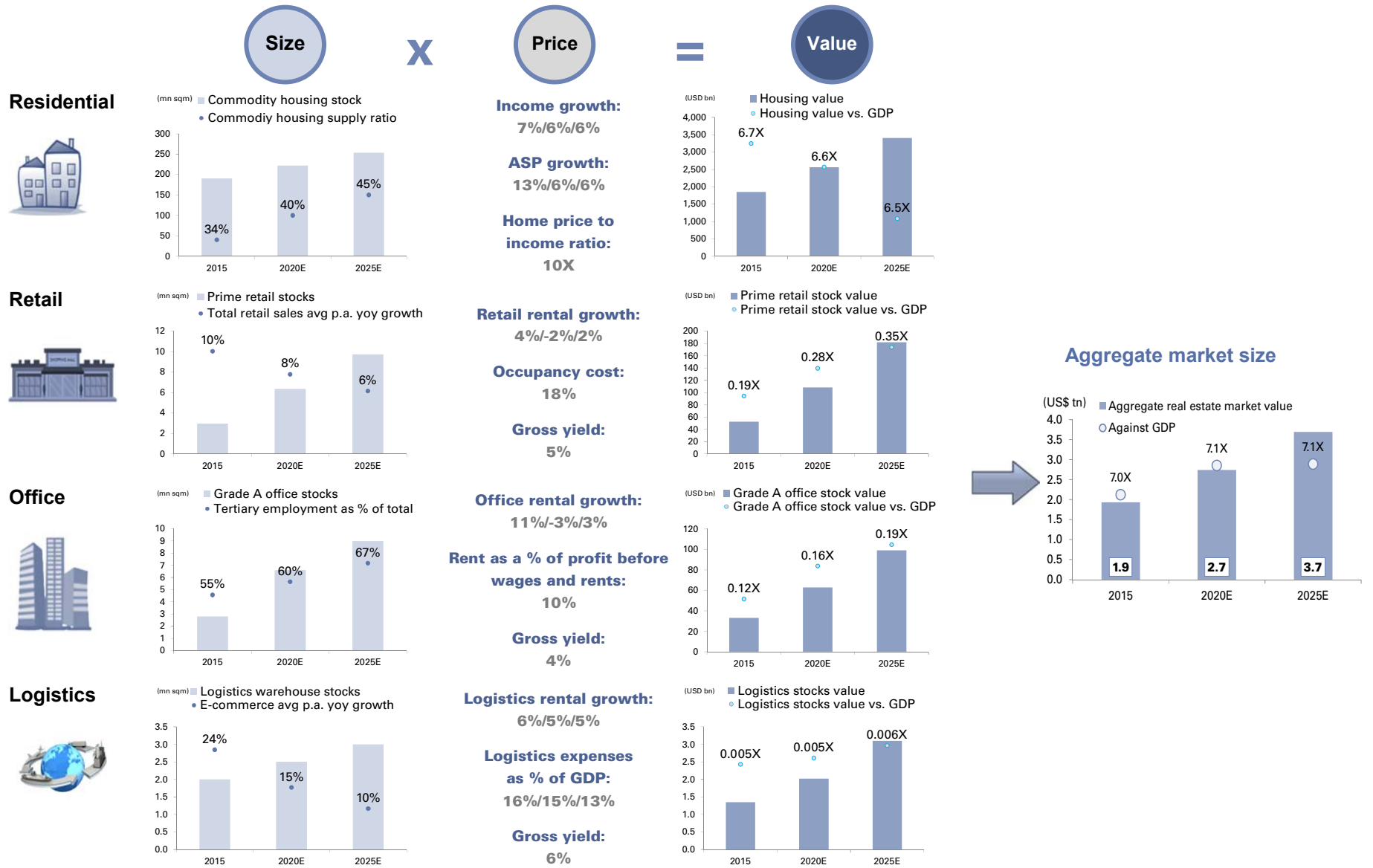
**Exhibit 21: Significant room for potential future asset consolidation from CMG**

Summary of key ports related real estate assets held by CMG as of end 2015

China Presence	Region	Location	Selected companies (ports)	CMG's interest	Real estate assets remarks
Bohai Rim	Qingdao	Qingdao	Qingdao Qianwan United Container Terminal	50%	2.44sq km site area
		Qingdao	Qingdao Qianwan West Port United Terminal	49%	1mn sqm storage yard area and 9 docks
		Tianjin	Tianjin Five Continents Int. Container Terminal	14%	0.29mn sqm yard area; 0.45mn sqm site area
YRD	Shanghai	Shanghai	Shanghai International Port	24%	2.42mn sqm yard area
	Ningbo	Ningbo	Ningbo Daxie China Merchants International Terminals/ Ningbo Port	45%	1.66mn sqm total port area and 233km coastline
Taiwan Strait	Xiamen	Xiamen	Xiamen Haicang Xinhaida Container Terminals	20%	0.43mn sqm site area
	Zhangzhou	Zhangzhou	Zhangzhou CM Port	60%	0.68mn sqm yard area
PRD	Shenzhen	Shenzhen	Shekou Container Terminals	80%	1.38mn sqm site area
		Shenzhen	Shenzhen Chiwan Wharf	46%	1.25mn sqm site area; 1.02mn sqm yard area
		Shenzhen	Shenzhen Mawan Terminal	84%	0.40mn sqm site area
		Zhanjiang	Zhanjiang	Zhanjiang Port	40%

Source: Company data, Gao Hua Securities Research.

**Exhibit 22: We expect the total capital value of SZ's real estate market to double to US\$3.7tn by 2025E from US\$1.9tn in 2015**



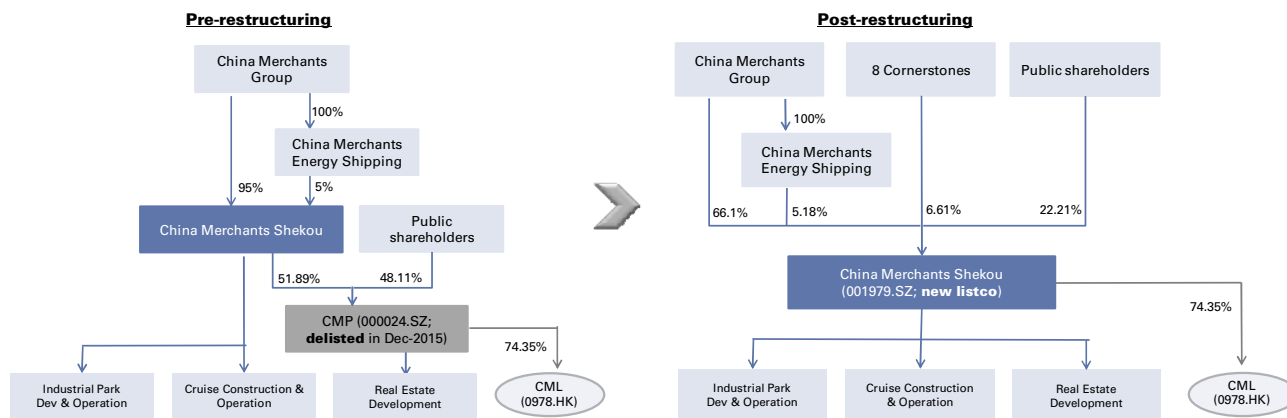
Source: Shenzhen Statistics Bureau, Shenzhen urban housing construction planning 2016-2020, CREIS, Centaline, CBRE, DTZ, JLL, Gao Hua Securities Research.

# Appendix

**China Merchants Group (CMG)** is a century-old Chinese conglomerate and one of the top SOEs directly under the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). Founded in the Westernization Movement in 1872, CMG has been pioneering China’s industry and business developments. In 1979, CMG as the sole investor promoted the establishment of “Shekou Industrial Zone”, making it one of the first zones in China to open up to the outside world. CMG possesses three core business segments: (1) transportation and related infrastructure; (2) finance; and (3) property (zones development, real estate). As of end-2015, CMG’s total assets amounted to Rmb6.4tn (or Rmb660bn owners’ equity) and it generated total revenues of Rmb281bn with total profits of Rmb82.6bn, ranking #3 among all central SOEs. CMG has stakes in 29 listed subsidiaries in Mainland China, Hong Kong and Singapore.

**China Merchants Shekou Industrial Zone Co., Ltd. (CMSK)** was listed on Dec 31, 2015, post asset restructuring across the property development business of **China Merchant Properties** (000024.SZ; founded in 1984 and delisted in Dec 2015; it is one of the oldest real estate companies in China and now constitutes the main body of CMSK’s real estate business), the industrial park development business and the cruise homeport development business. CMSK is now 71.28% owned by parent CMG and is the latter’s onshore-listed real estate flagship. CMSK also owns 74.35% of China Merchants Land (0978.HK; Not Covered), which is the group’s sole offshore-listed real estate vehicle.

**Exhibit 23: Shareholding structure of CMSK**



Note: The 8 cornerstone investors refer to ICBC Credit Suisse Asset Management (0.64%), Guokai Financial limited Company (0.8%), Shenzhen Overseas Chinese Town (0.8%), Beijing Qidian Linyu No.1 Investment Center (0.8%), CIB-fund (0.8%), Shenzhen Zhaowei Investment Partners (1.07%), Bosera Capital (1.07%) and Employee stock ownership plan (0.36%), which are subject to 36 months lock-up from the listing in Dec 2015.

Source: Company data.

**Exhibit 24: Our A-share valuation discount to NAV is based on the target price implied P/B-ROE**

Premium/discount against P/B-ROE trend line during previous industry downcycle (2H13-2014) and ROE/leverage changes

	P/B prem/disc to sector trend line			P/B (X)			ROE quartile			Net gearing			Total leverage					
	2H13-14 downcycle	2017E		2H13-14		2017E				-- treat PCS as debt, ex. revaluation in equity			Normal			Adjusted by revaluation, presale deposits and PCS		
	Avg	Current trading implied	TP implied	Avg	Current	TP implied	13-14	16E	17E-18E	13-14	16E	17E-18E	13-14	16E	17E-18E	13-14	16E	17E-18E
<b>Onshore</b>																		
CMSK	20%*	20%	30%	1.5*	2.2	2.7	17.6%	17.7%	19.6%	34%	43%	7%	73%	72%	68%	66%	62%	59%
Gemdale	30%	40%	30%	1.0	1.7	1.6	10.6%	10.6%	11.9%	55%	44%	24%	68%	64%	61%	62%	56%	52%
OCT	20%	0%	10%	1.6	1.2	1.4	19.3%	12.2%	12.0%	43%	46%	33%	67%	64%	61%	65%	60%	57%
Poly (A)	-30%	-30%	-40%	1.0	1.0	1.3	22.2%	16.9%	17.0%	101%	82%	69%	78%	73%	66%	68%	60%	57%
SMC	-10%	-20%	-20%	0.5	0.9	0.9	9.8%	11.3%	9.3%	37%	40%	31%	67%	56%	52%	64%	55%	52%
Vanke (A)	-20%	0%	-10%	1.1	1.8	1.5	20.3%	18.8%	20.6%	18%	-2%	-44%	78%	78%	75%	66%	67%	62%
CFLD	0%	0%	0%	4.0	2.1	2.6	46.3%	32.6%	27.5%	84%	41%	-21%	86%	82%	82%	75%	72%	70%
<b>Avg</b>				<b>1.5</b>	<b>1.6</b>	<b>1.7</b>	<b>20.9%</b>	<b>17.2%</b>	<b>16.8%</b>	<b>53%</b>	<b>42%</b>	<b>14%</b>	<b>74%</b>	<b>70%</b>	<b>66%</b>	<b>67%</b>	<b>62%</b>	<b>58%</b>

Note: (1) Numbers marked with "\*" refer to CMP (A) (000024.SZ; delisted) historical trading P/B and its premium to the sector PB/ROE trend line during the last downcycle. (2) ROE color coding for respective quartile: 1Q-dark blue, 2Q-light blue, 3Q-light grey, 4Q-dark grey.

Source: Datastream, Company data, Gao Hua Securities Research.

**Exhibit 25: CMSK – quarterly financial summary**

<b>Financials (Rmb mn)</b>	<b>2016Q1</b>	<b>2016Q2</b>	<b>2016Q3</b>	<b>2016Q4E</b>	<b>2017Q1E</b>	<b>2017Q2E</b>	<b>2017Q3E</b>	<b>2017Q4E</b>
Revenue	4,524	16,724	15,484	29,630	8,021	16,043	24,064	32,085
EBIT	1,180	3,400	3,996	3,679	1,550	3,099	4,649	6,199
Net Income	739	2,836	1,727	2,958	1,035	2,070	3,105	4,140
EPS (Rmb)	0.09	0.36	0.22	0.37	0.13	0.26	0.39	0.52

Source: Company data, Gao Hua Securities Research.

## Exhibit 26: CMSK – financial summary

	2014	2015	2016E	2017E	2018E		2014	2015	2016E	2017E	2018E
<b>Operation</b>						<b>Balance sheet (Rmb mn)</b>					
<b>Presales (Rmb bn)</b>	<b>51.0</b>	<b>57.6</b>	<b>70.4</b>	<b>81.1</b>	<b>92.5</b>	Bank balances and cash, unrestricted	26,097	40,611	29,676	30,071	42,377
GFA sold (mn sqm)	3.6	3.5	4.4	4.7	4.7	Receivables	10,174	17,735	23,636	21,976	26,140
Presales ASP (Rmb/sqm)	14,014	16,572	15,855	17,097	19,759	Inventory	100,676	121,380	156,972	162,205	134,263
Revenue booked (Rmb bn)	41.1	41.9	54.2	68.1	82.8	Other current assets	7,234	6,847	13,668	14,351	15,786
GFA booked (mn sqm)	2.9	2.9	3.2	4.3	4.9	<b>Total current assets</b>	<b>144,181</b>	<b>186,573</b>	<b>223,952</b>	<b>228,603</b>	<b>218,565</b>
Booked ASP (Rmb/sqm)	14,403	14,376	17,007	15,700	16,962						
<b>Financials (Rmb mn)</b>						Properties and equipment	2,367	2,544	2,453	2,435	2,484
Property development	41,069	41,926	54,172	68,130	82,831	Net intangibles	525	507	507	507	507
Industrial park development	4,106	6,964	11,818	11,329	11,600	Total investment	15,873	13,912	17,694	26,324	43,789
Cruise industry development	311	332	372	754	980	Other long-term assets	5,317	7,363	6,996	6,996	6,996
<b>Revenue</b>	<b>45,486</b>	<b>49,222</b>	<b>66,362</b>	<b>80,213</b>	<b>95,411</b>	<b>Total non-current assets</b>	<b>24,082</b>	<b>24,326</b>	<b>27,651</b>	<b>36,262</b>	<b>53,776</b>
% change, yoy	31	8	35	21	19	<b>Total assets</b>	<b>168,264</b>	<b>210,899</b>	<b>251,602</b>	<b>264,865</b>	<b>272,341</b>
Property development	16,616	14,630	15,415	19,032	25,452	Trade and other payables	17,018	18,447	22,484	26,947	31,956
Industrial park development	1,222	3,730	6,549	7,914	6,428	Advances from customers	35,635	50,991	65,959	63,089	52,019
Cruise industry development	156	186	198	227	392	Short-term loan	11,541	9,041	14,194	14,194	14,194
Business tax (including LAT)	-5,709	-5,204	-7,092	-8,433	-9,760	Other current liabilities	23,621	24,415	25,635	26,917	28,263
<b>Gross profit</b>	<b>12,285</b>	<b>13,342</b>	<b>15,069</b>	<b>18,740</b>	<b>22,512</b>	<b>Total current liabilities</b>	<b>87,815</b>	<b>102,894</b>	<b>128,273</b>	<b>131,147</b>	<b>126,431</b>
SG&A	-1,975	-2,351	-2,814	-3,242	-3,701	Long-term loan	32,756	39,926	45,736	45,736	45,736
<b>EBITDA</b>	<b>11,017</b>	<b>11,684</b>	<b>12,677</b>	<b>15,917</b>	<b>19,239</b>	Other long-term liabilities/creditors	2,293	5,916	6,508	7,159	7,875
Depreciation and amortization	(707)	(694)	(423)	(420)	(428)	<b>Total non-current liabilities</b>	<b>35,049</b>	<b>45,842</b>	<b>52,244</b>	<b>52,895</b>	<b>53,611</b>
<b>EBIT - total</b>	<b>10,310</b>	<b>10,991</b>	<b>12,254</b>	<b>15,497</b>	<b>18,810</b>	Share Capital	7,402	7,904	7,904	7,904	7,904
Financial (costs)/income, net	(922)	(950)	(1,018)	(1,321)	(1,317)	Reserves	24,370	38,724	45,238	53,018	62,399
Share of results of associated company/JV	365	138	6	64	113	<b>Shareholders' equity</b>	<b>31,772</b>	<b>46,628</b>	<b>53,142</b>	<b>60,922</b>	<b>70,303</b>
Other non-operating income/expense	-57	231	3,431	2,236	1,901	Minority interests	13,628	15,535	17,943	19,901	21,996
<b>Pretax profit</b>	<b>9,695</b>	<b>10,410</b>	<b>14,674</b>	<b>16,477</b>	<b>19,507</b>	<b>Total shareholders' equity and liabilities</b>	<b>168,264</b>	<b>210,899</b>	<b>251,602</b>	<b>264,865</b>	<b>272,341</b>
Taxation	(3,110)	(2,364)	(3,696)	(4,169)	(4,926)						
<b>Profit before minority interests</b>	<b>6,586</b>	<b>8,047</b>	<b>10,977</b>	<b>12,308</b>	<b>14,581</b>	<b>Leverage</b>					
Minority interests	(1,330)	(1,154)	(2,409)	(1,958)	(2,095)	Total debt (Rmb bn)	44.3	49.0	59.9	59.9	59.9
<b>Profit attributable to shareholders</b>	<b>5,256</b>	<b>6,893</b>	<b>8,569</b>	<b>10,350</b>	<b>12,486</b>	Net debt (Rmb bn)	18.2	8.3	30.2	29.8	17.5
% change, yoy	89	31	24	21	21	Financing cost	5.5%	4.9%	4.4%	4.2%	4.0%
<b>Core profit attributable to shareholders</b>	<b>5,020</b>	<b>6,307</b>	<b>8,569</b>	<b>10,350</b>	<b>12,486</b>	Net gearing	40%	13%	43%	37%	19%
% change, yoy	107	26	36	21	21	Total leverage	73%	71%	72%	69%	66%
<b>Margins &amp; returns</b>						<b>Dividend</b>					
Gross margin	34%	32%	28%	28%	29%	Cash dividend payout	26%	30%	30%	30%	30%
-property development	40%	35%	28%	28%	30%						
-industrial parks	30%	54%	55%	70%	55%						
-Cruise	50%	56%	53%	30%	40%						
SG&A a % of sales	3.9%	4.1%	4.0%	4.0%	4.0%						
Underlying margin	11%	13%	13%	13%	13%						
ROE (excl. revaluations)	17%	19%	17%	18%	19%						

Source: Company data, Gao Hua Securities Research.



## Exhibit 27: China developers' valuation comparison

Company	Ticker	Mkt Cap (US\$ bn)	Rating	Price as of 17/Feb/17	12 mth Price target	Potential upside/downside (%)	Target price disc. to NAV	End-17 NAV	Shr price (disc) prem to NAV	FD Core P/E (x)				P/B (exclude revaluation gain) (x)				Dividend yield (%)								
										16E	17E	18E	19E	16E	17E	18E	19E	16E	17E	18E	19E					
										<b>Hong Kong listed</b>																
Agile	3383.HK	2.3	Buy	4.56 (HKS)	<b>5.60</b>	23	-55%	<b>12.51</b>	(64)	5.5	4.5	4.3	4.7	0.5	0.5	0.5	0.4	7.4	9.2	9.9	9.1					
China Vanke (H)	2202.HK	3.3	Neutral	19.38 (HKS)	<b>19.00</b>	(2)	-30%	<b>26.78</b>	(28)	9.3	7.9	7.1	7.0	1.7	1.5	1.4	1.2	4.9	5.9	6.7	6.8					
COGO	0081.HK	0.8	Buy*	2.80 (HKS)	<b>3.70</b>	32	-50%	<b>7.36</b>	(62)	5.7	4.8	4.1	3.9	0.6	0.5	0.5	0.4	0.0	0.0	0.0	0.0					
COLI	0688.HK	33.1	Buy*	23.60 (HKS)	<b>31.00</b>	31	-10%	<b>34.44</b>	(31)	7.4	6.1	6.1	6.1	1.1	1.0	0.9	0.8	3.4	4.1	4.1	4.1					
CRL	1109.HK	18.6	Buy	20.95 (HKS)	<b>25.10</b>	20	-25%	<b>33.51</b>	(37)	8.8	7.7	7.2	7.0	1.4	1.2	1.1	1.0	3.2	3.7	4.0	4.1					
CG	2007.HK	14.7	Neutral	5.34 (HKS)	<b>4.80</b>	(10)	-30%	<b>7.38</b>	(28)	9.5	7.6	6.9	5.8	1.5	1.3	1.2	1.0	3.2	4.1	4.6	5.4					
Evergrande	3333.HK	10.3	Sell	5.84 (HKS)	<b>3.30</b>	(43)	-60%	<b>8.28</b>	(29)	11.2	13.5	11.7	11.3	2.4	2.6	2.5	2.5	9.2	7.8	9.3	9.6					
China Jinmao	0817.HK	3.3	Neutral	2.38 (HKS)	<b>2.54</b>	7	-40%	<b>4.23</b>	(44)	8.6	7.4	6.9	6.6	1.0	0.9	0.8	0.8	3.9	4.5	4.8	5.1					
Greentown	3900.HK	1.9	Neutral	6.88 (HKS)	<b>7.60</b>	10	-50%	<b>14.43</b>	(52)	7.4	6.5	6.5	6.6	0.6	0.6	0.6	0.5	0.0	0.0	0.0	0.0					
R&F	2777.HK	4.3	Buy	10.50 (HKS)	<b>12.70</b>	21	-30%	<b>18.17</b>	(42)	4.9	4.5	4.6	4.4	0.9	0.8	0.8	0.7	8.4	9.1	9.3	9.7					
Joy City	0207.HK	2.0	Neutral	1.08 (HKS)	<b>1.20</b>	11	-45%	<b>2.11</b>	(49)	23.3	15.6	12.8	11.9	0.8	0.8	0.8	0.7	5.1	1.7	2.1	2.2					
KWG	1813.HK	2.0	Neutral	5.03 (HKS)	<b>5.20</b>	3	-45%	<b>9.45</b>	(47)	4.7	4.5	4.2	4.1	0.7	0.6	0.6	0.5	7.1	7.5	8.2	8.5					
Longfor	0960.HK	9.0	Buy	12.00 (HKS)	<b>14.00</b>	17	-50%	<b>27.95</b>	(57)	7.6	7.2	7.1	8.3	1.2	1.2	1.1	1.0	4.0	4.2	4.4	3.8					
Poly Property (H)	0119.HK	1.6	Buy	3.32 (HKS)	<b>4.20</b>	27	-70%	<b>9.13</b>	(64)	n.m.	43.7	29.9	26.4	0.5	0.5	0.5	0.5	0.0	0.0	0.0	0.0					
Red Star Macalline	1528.HK	3.7	Neutral	7.94 (HKS)	<b>8.80</b>	11	-35%	<b>13.34</b>	(40)	9.2	9.5	9.8	9.8	1.5	1.5	1.4	1.4	6.6	6.5	6.5	6.5					
Shimao	0813.HK	4.8	Neutral	11.00 (HKS)	<b>12.80</b>	16	-55%	<b>28.35</b>	(61)	5.1	5.0	5.3	5.3	0.8	0.7	0.7	0.6	5.9	6.2	6.0	6.0					
Shui On Land	0272.HK	1.7	Neutral	1.69 (HKS)	<b>2.10</b>	24	-55%	<b>4.77</b>	(65)	n.m.	n.m.	n.m.	n.m.	0.4	0.4	0.4	0.4	3.1	1.8	1.9	2.1					
Sino Ocean	3377.HK	3.6	Buy	3.72 (HKS)	<b>4.70</b>	26	-55%	<b>10.52</b>	(65)	7.0	5.5	5.2	4.5	0.6	0.6	0.6	0.5	4.0	5.2	5.7	6.5					
SOHO China	0410.HK	2.7	Neutral	4.00 (HKS)	<b>4.20</b>	5	-45%	<b>7.63</b>	(48)	36.2	26.5	21.1	19.2	1.1	1.3	1.3	1.3	11.1	3.9	5.0	5.5					
Sunac	1918.HK	3.7	Neutral	7.53 (HKS)	<b>7.30</b>	(3)	-45%	<b>13.22</b>	(43)	26.8	12.8	5.5	5.0	1.1	1.1	0.9	0.8	0.8	1.6	3.9	4.3					
<b>HK listed average</b>						<b>11</b>		<b>(48)</b>		<b>8.7</b>	<b>7.2</b>	<b>6.4</b>	<b>6.3</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>4.6</b>	<b>4.4</b>	<b>4.8</b>	<b>5.0</b>					
<b>A-share listed</b>																										
CMSK	001979.SZ	17.9	Buy	16.71 (Rmb)	<b>20.00</b>	20	-30%	<b>28.09</b>	(41)	15.4	12.8	10.6	10.1	2.6	2.2	1.9	1.7	1.9	2.4	2.8	2.8					
CFLD	600340.SS	11.1	Buy	25.84 (Rmb)	<b>30.10</b>	16	n.m.	<b>n.m.</b>	n.m.	11.8	9.2	7.3	6.1	2.9	2.3	1.8	1.4	0.9	1.1	1.4	1.4					
Gemdale	600383.SS	7.9	Sell	12.04 (Rmb)	<b>11.20</b>	(7)	-25%	<b>14.98</b>	(20)	17.1	14.1	14.1	14.1	1.8	1.7	1.6	1.5	3.5	4.2	4.2	4.2					
OCT	000069.SZ	8.6	Buy	7.23 (Rmb)	<b>8.30</b>	15	-50%	<b>16.00</b>	(55)	12.1	11.0	10.0	9.8	1.4	1.3	1.1	1.0	1.0	1.1	1.2	1.2					
Poly (A)	600048.SS	16.0	Buy*	9.31 (Rmb)	<b>11.60</b>	25	-10%	<b>12.94</b>	(28)	8.1	6.4	6.2	5.8	1.2	1.1	0.9	0.8	3.2	3.9	4.1	4.1					
SMC	600823.SS	2.8	Neutral	7.22 (Rmb)	<b>7.00</b>	(3)	-25%	<b>9.34</b>	(23)	8.9	9.5	9.4	10.3	1.0	0.9	0.8	0.8	1.3	1.1	1.1	1.1					
Vanke (A)	000002.SZ	28.9	Sell	20.54 (Rmb)	<b>17.60</b>	(14)	-30%	<b>25.17</b>	(18)	11.3	9.2	8.0	7.9	2.0	1.8	1.6	1.4	4.0	4.9	5.6	5.6					
<b>Onshore average</b>						<b>11</b>		<b>(31)</b>		<b>10.6</b>	<b>9.0</b>	<b>8.2</b>	<b>8.0</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>	<b>2.3</b>	<b>2.7</b>	<b>2.9</b>	<b>2.9</b>					
<b>Singapore listed</b>																										
Yanlord	YNLG.SI	2.2	Buy	1.44 (S\$)	<b>1.90</b>	32	-45%	<b>3.46</b>	(58)	8.2	6.6	6.2	6.6	0.8	0.7	0.7	0.6	1.8	2.3	2.4	2.4					
<b>Simple average of above</b>						<b>13</b>		<b>(46)</b>		<b>11.3</b>	<b>10.5</b>	<b>8.9</b>	<b>8.5</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>3.9</b>	<b>3.7</b>	<b>4.1</b>	<b>4.2</b>					

Note: (1) \*denotes the stock is on our Conviction List. (2) Our 12-month target prices are based on end-2017E NAV for our coverage universe except for RSM which is based on SOTP. Exceptions include Greentown, Poly (H), for which our TP is a blend of our fundamental valuation (based on end-2017E NAV) and M&A value. We derive M&A value based on the mean multiple implied by recent M&A deals, with the multiple adjusted for a premium/discount (P/B-ROE vs. sector), detailed in our report "Poly H: Assessing asset value crystallization from possible M&A; up to Buy" published Feb 3, 2017. (3) Average P/E does not include SOHO, Poly (H), Joy City and Shui On Land, which are outliers.

Source: Company data, Datastream, Gao Hua Securities Research.

Prices in this report are as of the close of February 17, 2017, unless otherwise stated.

Gao Hua Securities acknowledges the role of Scofield Chi of Goldman Sachs in the preparation of this product.

# 信息披露附录

## 申明

我们，李薇、王逸，CFA，在此申明，本报告所表述的所有观点准确反映了我们对上述公司或其证券的个人看法。此外，我们的薪金的部分不与，不与，也将不会与本报告中的具体推荐意见或观点直接或间接相关。

## 投资摘要

投资摘要部分通过将一只股票的主要指标与其行业和市场相比较来评价该股的投资环境。所描述的四个主要指标包括增长、回报、估值倍数和波动性。增长、回报和估值倍数都是运用数种方法综合计算而成，以确定该股在地区研究行业内所处的百分位排名。

每项指标的准确计算方式可能随着财务年度、行业和所属地区的不同而有所变化，但标准方法如下：

**增长**是下一年预测与当前年度预测的综合比较，如每股盈利、EBITDA 和收入等。**回报**是各项资本回报指标一年预测的加总，如 CROCI、平均运用资本回报率及净资产回报率。**估值倍数**根据一年预期估值比率综合计算，如市盈率、股息收益率、EV/FCF、EV/EBITDA、EV/DACF、市净率。**波动性**根据 12 个月的历史波动性计算并经股息调整。

## Quantum

Quantum 是提供具体财务报表数据历史、预测和比率的高盛专有数据库，它可以用于对单一公司的深入分析，或在不同行业和市场公司之间进行比较。

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GS SUSTAIN 是侧重于长期做多建议的相对稳定的全球投资策略。GS SUSTAIN 关注名单涵盖了我们认为相对于全球同业具有持续竞争优势和出色的资本回报、因而有望在长期内表现出色的行业领军企业。我们对领军企业的筛选基于对以下三方面的量化分析：现金投资的现金回报、行业地位和管理水平（公司管理层对行业面临的环境、社会和企业治理方面管理的有效性）。

## 信息披露

### 相关的股票研究范围

李薇：A 股房地产、中国房地产行业。王逸，CFA：A 股房地产、中国房地产行业。

A 股房地产：华夏幸福、招商蛇口、万科(A)、金地集团、保利地产、世茂股份、华侨城。

中国房地产行业：雅居乐房产、中国恒大、中国金茂控股、中海宏洋、中国海外、华润置地、万科(H)、碧桂园、绿城中国、富力地产、大悦城、合景泰富、龙湖地产、保利置业、红星美凯龙、世茂房地产、瑞安房地产、远洋地产、SOHO 中国、融创中国、仁恒置地。

### 与公司有关的法定披露

以下信息披露了高盛高华证券有限责任公司（“高盛高华”）与北京高华证券有限责任公司（“高华证券”）投资研究部所研究的并在本研究报告中提及的公司之间的关系。

没有对下述公司的具体信息披露：招商蛇口 (Rmb17.37)

### 公司评级、研究行业及评级和相关定义

**买入、中性、卖出**：分析师建议将评为买入或卖出的股票纳入地区投资名单。一只股票在投资名单中评为买入或卖出由其相对于所属研究行业的潜在回报决定。任何未获得买入或卖出评级的股票均被视为中性评级。每个地区投资评估委员会根据 25-35% 的股票评级为买入、10-15% 的股票评级为卖出的全球指导原则来管理该地区的投资名单；但是，在某一特定行业买入和卖出评级的分布可能根据地区投资评估委员会的决定而有所不同。地区强力买入或卖出名单是以潜在回报规模或实现回报的可能性为主要依据的投资建议。

**潜在回报**：代表当前股价与一定时间范围内预测目标价格之差。分析师被要求对研究范围内的所有股票给出目标价格。潜在回报、目标价格及相关时间范围在每份加入投资名单或重申维持在投资名单的研究报告中都有注明。

**研究行业及评级**：分析师给出下列评级中的其中一项代表其根据行业历史基本面及 / 或估值对研究对象的投资前景的看法。**具吸引力(A)**：未来 12 个月内投资前景优于研究范围的历史基本面及 / 或估值。**中性(N)**：未来 12 个月内投资前景相对研究范围的历史基本面及 / 或估值持平。**谨慎(C)**：未来 12 个月内投资前景劣于研究范围的历史基本面及 / 或估值。

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高盛高华为高华证券的关联机构，从事投资银行业务。高华证券、高盛高华及它们的关联机构与本报中涉及的大部分公司保持着投资银行业务和其它业务关系。

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