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AMTD 尚乘

Fixed Income Research

Ronshine China

Capex Expansion & Refinancing Pressure in Next 2 Years

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Marketperform on RONXIN 19, still 180 bps value over MOLAND 19

We have Marketperform on RONXIN 19, mainly for 1) its high refinancing pressure 2) high Capex expectation for expansion in next 2 years & 3) low liquidation. Constructive factors: 1) land acquisition in 2017 will turn into strong sales pipeline in 2018, 2) the company is expecting to obtain new NDRC approval in 1Q18, which will secure refinancing of RONXIN 18. Valuation: RONXIN 19 has widened to a quite attractive value since mid-May in 2017: RONXIN 19 has some value at 180 bps over MOLAND 19, but with close maturity. Moody's upgrade trigger: 1) adjusted revenue/debt above 70-80%; 2) cash to short term debt above 1.25x. Moody's downgrade trigger: 1) fall to deleverage 2) EBIT/interest coverage deteriorates due to land acquisitions 3) worsen in liquidity position. We estimate the company will be maintained its outlook and rating in near term, given its revenues/debt wouldn't be improved to 70% and deleverage seems to be difficult to achieve in expansion period.

High Capex for expansion ahead and gearing ratio should increase

The company targets to achieve RMB 100 bn contracted sales in next 2 years. We estimate that the company will enter a rapid expansion of Capex and the company's high gearing will be maintained until 2020. As of 1H2017, the company had spent RMB 17.5 bn on land. In addition, the company has completed Hailiang acquisition of 35 projects with 5 mn sqm saleable areas, which costs at RMB 2.9 bn of consideration and will bear construction loan of approximately RMB 4 bn. High Capex will be maintained in next few years to support its fast growth, gearing ratio would increase in 2018; but net gearing ratio would decrease if sales would perform as management expectation.

Fast growth of sale scale needs more land acquisitions

Ronshine only took 4 years to boost its sales from RMB 8.9 bn in 2014 to RMB 50.2 bn in 2017, representing 80.3% CAGR. Its 2017 sales target was RMB 45 bn, which increased by 104% yoy over RMB 24.6 bn of 2016 contracted sales and was fast compared to peers' average of 44.9%. In 1H2017, 37.9%, 33.7%, 18.0% of total contracted sales were contributed by Fuzhou, Hangzhou and Shanghai, respectively. The sales distribution in 2018 will be more dispersed than that of 2017. In terms of land reserve, the company has assets in core locations in Yangtze River Delta & Fujian Province, accounting for 37.8% & 51.7% by GFA, respectively. We believe the company has sufficient saleable resource to support its RMB 100 bn sales target. However, we believe home price cap and tightening measures in main cities are the barriers for RMB 100 bn target, unless the company lowers its margin expectation.

Cash guidance was still positive in 2017

The company's guideline of 2017 cash flow: RMB 16 bn of cash on balance, RMB 36 bn of cash from sales, RMB 16 bn of land premium paid, RMB 3 bn of SG&A, RMB 4 bn of Taxation paid and RMB 3 bn of Interest paid.

Refinancing pressure comes in near term

The company has high pressure of refinancing for short-term debt. As of the end of 1H2017, the company has RMB 18.9 bn of debt due in 1 year. In 2018, the company will face another round of refinancing for its RMB 25.2 bn of debt. If the company cannot maintain high growth of cash inflow from sales, the company would face high pressure of repayment.

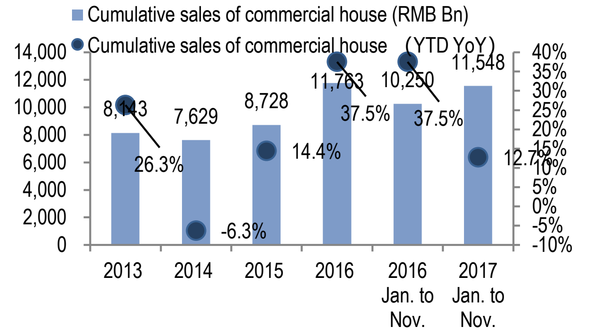
Property market

Home sales rebounding and destocking have been achieved in 2017. Inventories have declined to a relatively low level. Local governments have introduced more tightening policies to curb home price surge. Overall, property market has entered another cycle of tightening.

2017 home sales continue to rebound

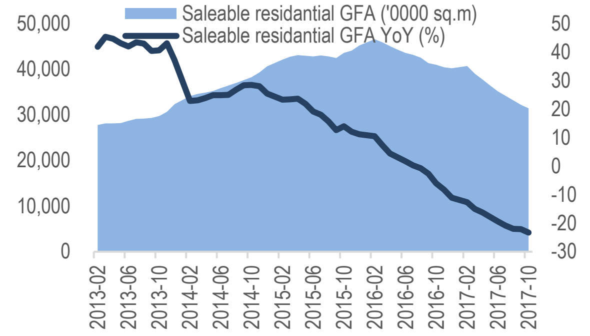
Home sales in 2016 had strongly rebounded to RMB 10,250 bn, up 37.5% yoy. As high base in 2016, yoy growth of home sales in 2017 is much lower, only 12.6% yoy vs 41.5% yoy in Jan. to Oct. 2016. Home sales of the first 11 months 2017 have reached the record high in China.

Figure 1: Home sale in 2013-2017



Source: NBS

Figure 2: Saleable residential GFA

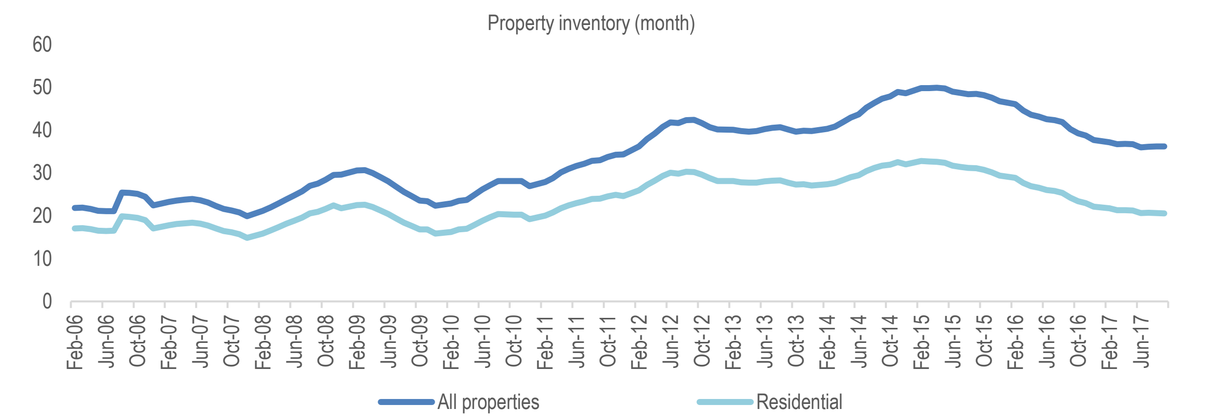


Source: NBS

Inventory level is low

The saleable residential GFA continues to decrease from May 2015. The saleable GFA has further decreased from 46.6 mn sq.m in Feb 2016 to 31.5 mn sq.m in Oct 2017. The saleable residential GFA decreased by 11.2% yoy during Jan to Nov. 2017. In addition, inventory month also declined to safer level in 2017. Residential inventory month is only 20 months, back to the low level of 2011.

Figure 3: Inventory months



Source: NBS

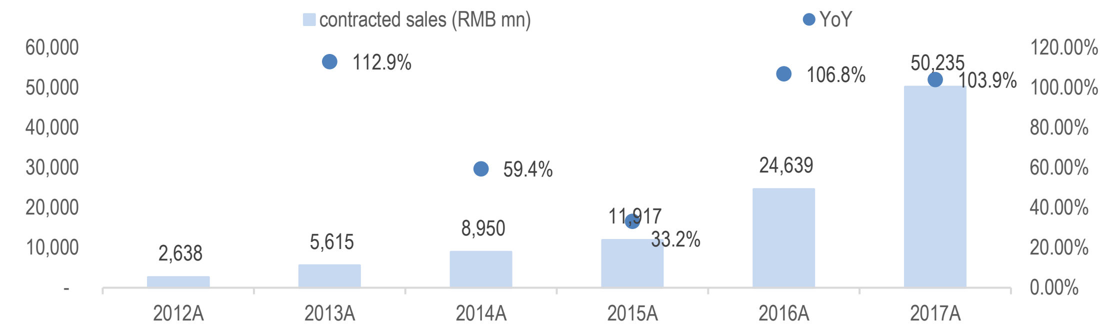
Company Profit

Ronshine is a Chinese property developer focusing on residential development. It started its business in Fuzhou in 2003 and expanded its business to Zhangzhou in 2010, Xiamen in 2012, Shanghai and Hangzhou in 2013. In 2017, the company has acquired Anhui Hailiang & Ningbo Hailiang, expanding its exposure to 18 cities and required 35 projects from Hailiang. In 1H2017, the company has entered 18 cities with 13 mn sqm land reserve.

Sales performance

Chasing rapid growth of contracted sales should be the only strategy of Ronshine. Ronshine only took 3 years to boost its sales from RMB 8.9 bn in 2014 to RMB 50.2 bn in 2017, representing 80.3% CAGR. Its 2017 sale is RMB 50.2 bn, which increased by 103.9% yoy over RMB 24.6 bn of 2016 contracted sales. In 1H2017, 37.9%/33.7%/18.0% of total contracted sales are contributed by Fuzhou/Hangzhou/Shanghai, respectively. The company launches 9 projects in 2H2017 to boost sales. The sales distribution will be more dispersed than that of 1H2017.

Figure 4: Contracted sales



Source: the Company, AMTD Research

Figure 5: 1H2017 contracted sales breakdown by cities

Cities	Sales (RMB mn)	GFA sold (sq.m)	ASP (RMB/sq.m)	% of total sales
Fuzhou	5,879	286,856	20,496	37.9%
Hangzhou	5,235	158,312	33,065	33.7%
Shanghai	2,800	73,589	38,049	18.0%
Zhangzhou	868	55,573	15,626	5.6%
Xiamen	732	25,711	28,466	4.7%
Total	15,514	600,041	25,855	100.0%

Source: the Company, AMTD Research

Figure 6: Launching Schedule in 2017

1H2017	Location	Project	Attributable GFA (K sq.m)	ASP (RMB/sqm)
	Shanghai	铂爵	52.6	43,000
	Shanghai	江南学府（银河小学地块）	96.8	28,000
	Hangzhou	永兴首府	40.9	25,000
	Hangzhou	保利大国璟（经开地块）	43.2	34,500
Sub-total			233.5	
2H2017	**Location**	**Project**	**Attributable GFA (K sq.m)**	
	Hangzhou	萧山公馆	98.9	
	Hangzhou	创世纪（钱江世纪地块）	168.7	
	Hangzhou	融信万科西雅图	120.3	
	Hangzhou	融信公馆（庆隆地块）	59.7	
	Hangzhou	天麓府（杭州卧城地块）	70.3	
	Fuzhou	华云山庄	65.9	
	Xiamen	同安铂悦湾	185.6	
	Longyan	龙岩学院府	83.6	
	Zhangzhou	漳州一号府（漳州 2017P01 地块）	193.1	
Sub-total			1046.1	
Total			1279.6	

Source: the Company, AMTD Research

Figure 7: Land reserve breakdown by cities

Regions	Cities	Attributable GFA	Project Amount	% of total GFA
Yangtze River Delta	Shanghai	55.9	8	7.25%
	Hangzhou	106.15	13	13.78%
	Nanjing	60.1	3	7.80%
	Kunshan	14.02	1	1.82%
	Shaoxing	38.4	1	4.98%
	Jinhua	8.66	1	1.12%
	Ningbo	3.57	1	0.46%
	Quzhou	4.81	1	0.62%
Western Taiwan Straits Econ Zone	Fuzhou	247.88	9	32.17%
	Xiamen	22.3	2	2.89%
	Zhangzhou	104.43	6	13.55%
	Longyan	8.36	1	1.08%
	Putian	15.51	1	2.01%
Bohai Rim	Tianjin	26.83	2	3.48%
Pearl River Delta	Guangzhou	5.7	1	0.74%
Central China	Zhengzhou	25.26	1	3.28%
	Chengdu	6.14	1	0.80%
	Chongqing	16.52	1	2.14%
Total		770.54	54	100.00%

Source: the Company, AMTD Research

Land reserve

In 2017, the company has entered 18 cities and operated 54 projects. As of 1H2017, the company had 7.7 mn sq.m of attributable GFA, 72% of total land reserves were in 1st and 2nd tier cities, the rest of total land reverse in lower tier cities. However, it is noticeable that average land cost was RMB8,463 per sq.m, which was relatively high among peers.

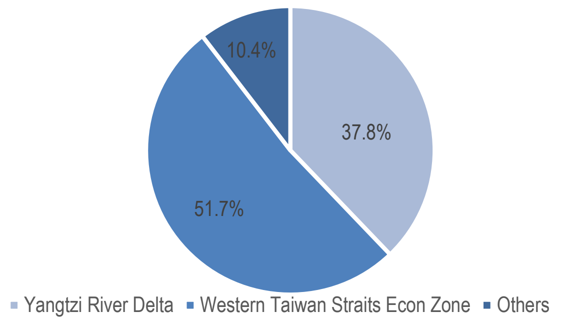
The company targets RMB 100 bn contracted sales in next 2 years. We estimate the company will enter rapid expansion of Capex and the company's high gearing will be maintained until 2020. As of 1H2017, the company has spent RMB 17.5 bn on land acquisition (Figure 8) to support its next year growth. Additionally, the company has completed Hailiang acquisition of 35 projects with 5 mn sq.m saleable area, which costs at RMB 2.9 bn of consideration and another construction loan of approximately RMB 4 bn. We believe the company has sufficient saleable resource to support its RMB 100 bn sales target. However, long run sustainable growth in next 3 years needs more land reserve, the company may bear its high Capex and gearing in next few years.

Figure 8: New land plots in 1H2017

Acquisition Date	City	Land plot	GFA (k sq.m)	Land cost per sq.m	Attributable shares	Attributable Cost (RMB 'Mn)
1/19/2017	Hangzhou	张家坝港西、康良路北地块	39.3	16,720.8	100%	657.1
2/23/2017	Longyan	紫金山体育公园商住地块	132.8	3,146.9	51%	213.2
3/10/2017	Zhangzhou	漳华东路地块	146.8	10,897.0	100%	1,600.0
3/31/2017	Nanjing	江宁区信诚大道以南、玉振路以东地块	148.7	12,842.1	50%	955.0
4/6/2017	Chengdu	金牛区百寿路	44.4	16,914.9	100%	751.0
4/19/2017	Tianjin	静海区团泊新城东区	107.3	9,773.1	100%	1,048.7
4/19/2017	Tianjin	津南区北闸口镇	61.8	17,365.6	100%	1,072.5
4/27/2017	Fuzhou	桂湖垄头温泉小区地块一	128.8	5,978.3	50%	385.0
4/27/2017	Fuzhou	桂湖垄头温泉小区地块二	27.5	6,727.3	50%	92.5
4/27/2017	Fuzhou	桂湖垄头苑地块一	50.9	6,267.2	50%	159.5
4/28/2017	Putian	溪白村地块	93.2	10,032.2	100%	935.0
5/4/2017	Guangzhou	荔城街庆丰村 83001220A16159 宅地	78.4	14,999.5	100%	1,176.0
5/18/2017	Xiamen	2017TP01	25.0	31,520.0	100%	788.0
5/18/2017	Chongqing	巴南区龙洲湾 Q 分区地块	235.1	6,189.3	100%	1,455.0
5/19/2017	Jinhua	宋濂路北侧地块，叶宅北地块	129.2	12,550.0	50%	810.8
5/27/2017	Hangzhou	靖江花神庙地块	38.9	12,734.9	100%	495.2
5/31/2017	Shaoxing	R/B2017-26 号出让地块 B 地块	11.3	3,638.0	100%	41.0
		R/B2017-26 号出让地块 C 地块	43.7	2,697.7	100%	118.0
		R/B2017-26 号出让地块 A4 地块	167.5	2,650.1	100%	444.0
		R/B2017-26 号出让地块 A3 地块	136.4	1,569.1	100%	214.0
		R/B2017-26 号出让地块 A2 地块	129.9	3,780.3	100%	491.0
		R/B2017-26 号出让地块 A1 地块	112.3	2,145.3	100%	241.0
3/24/2017	Hangzhou	萧政储出（2017）1 号	118.3	30,816.0	51%	1,859.5
4/18/2017	Quzhou	衢市储（2017）4 号	162.1	10,456.5	45%	762.8
4/26/2017	Ningbo	奉化原毛纺厂地块	92.0	8,772.5	50%	403.5
5/31/2017	Zhengzhou	牟政出 2013（58）号	205.2	1,506.8	100%	309.2
Total			2,666.9	8,702.4		17,478.3

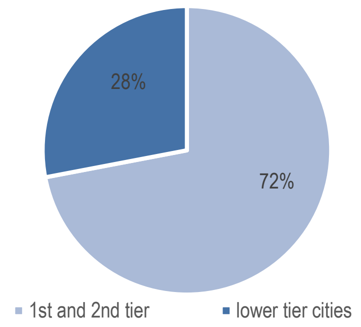
Source: the Company, AMTD Research

Figure 9: Land reserve breakdown by regions



Source: the Company

Figure 10: Land reserve breakdown by cities tiers

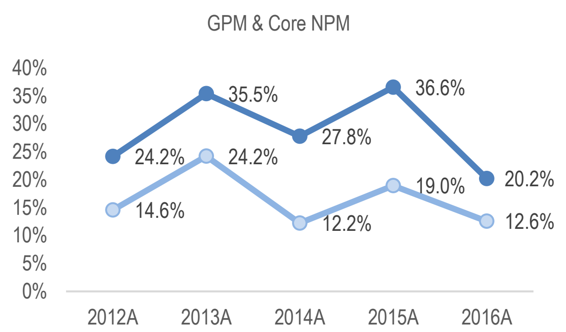


Source: the Company

Profitability

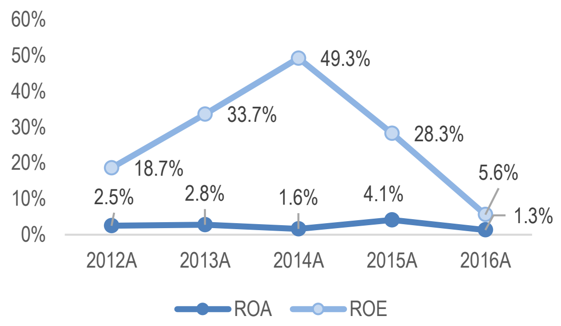
The profitability of Ronshine varied in last 5 years, due to its booking structure. The company chased scale and acquired more land plots, while land price was rocketing in last 5 years. That caused fast growth of debt and aggravated its funding cost. Regarding to ROE, the company had very high ROE from 2013 to 2015, with 22.7%/49.3%/28.3%, respectively; given the high leverage.

Figure 11: GPM and Core NPM



Source: the Company, AMTD Research

Figure 12: ROE & ROA



Source: the Company, AMTD Research

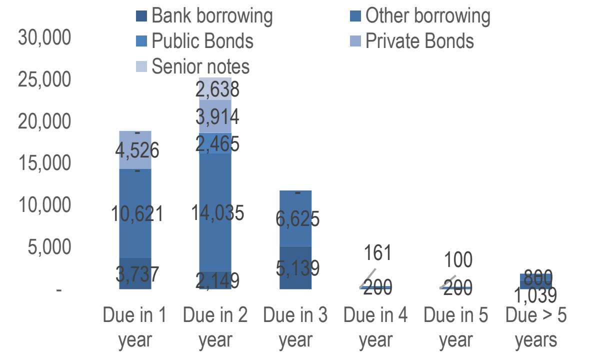
Our concern is that high land cost will erode its gross profit margin in future. We have checked all land plots acquired in 1H2017 and compare the land cost to home price of nearby projects or resold residents; the result shows that total land cost over saleable resource value of 1H2017 land plots accounted for 64%. **Some land cost of new land plots were over 70% of nearby home price in Tianjin, Putian, Xiamen and Hangzhou. Moreover, some high land cost projects must be priced at 15-30% premium over nearby projects to meet target of 30% gross profit margin or to be profitable.**

Debt structure & funding cost

The company has high pressure of refinancing for short-term debt. As of the end of 1H2017, the company had RMB 18.9 bn short-term debt. In 2018, the company will face another refinancing for its RMB 25.2 bn debt. If the company's sales fall short of expectation, the company would face high pressure of liquidity. We also notice that the company's low interest coverage ratio, given fast growth of debt and asset in last five years.

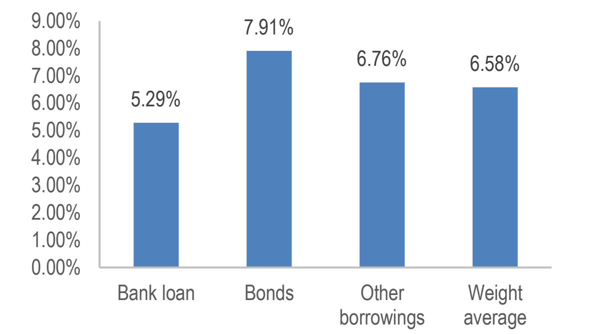
Bond cost was relatively high among all borrowing, which cost at 7.91%. Other borrowing accounted for 56% of total borrowings, which cost at 6.76%. Weight average funding cost was 6.58% in 1H2017. As interest rate is hiking in onshore market and offshore market, we believe the company will face higher funding cost in next 2 years.

Figure 13: Debt structure and maturity



Source: the Company, AMTD Research

Figure 14: Borrowing cost



Source: the Company, AMTD Research

Figure 15: Key credit ratios

Key Ratios, RMB mn	2012	2013	2014	2015	2016
Total Debt / EBITDA	7.1x	11.2x	20.8x	6.6x	16.1x
Total Debt / Equity	184.8%	550.5%	1677.3%	322.8%	170.7%
Total Debt / Capitalization	64.9%	84.6%	94.4%	76.3%	63.1%
Net Debt / EBITDA	6.6x	10.3x	20.0x	5.5x	11.4x
Net Debt / Equity	172.5%	505.3%	1613.3%	268.8%	120.8%
Net Debt / Capitalization	60.6%	77.7%	90.8%	63.6%	44.6%
Current Ratio	116.7%	142.6%	143.9%	134.8%	209.6%
Cash / Total Assets	1.6%	3.7%	2.1%	7.9%	11.7%
Inventory / Total Assets	64.0%	50.6%	50.0%	70.8%	39.6%
Net debt / Inventory	35.8%	81.9%	105.2%	55.3%	71.2%
Quick Ratio	114.6%	136.9%	140.6%	122.8%	182.6%
Cash Ratio	2.1%	5.7%	3.4%	12.0%	27.0%
Interest Coverage	0.9x	1.3x	0.5x	1.2x	1.1x
Contract Sales/ Gross debt	1.4x	0.7x	0.5x	0.7x	0.6x
Cash/ST debt	0.1x	0.2x	0.1x	0.3x	1.5x

Source: the Company, AMTD Research

Moody's rating down/upgrade triggers

Upgrade trigger: 1) adjusted revenue/debt above 70-80%; 2) cash to short term debt above 1.25x. Downgrade trigger: 1) fall to deleverage 2) EBIT/interest coverage deteriorates due to land acquisitions 3) worsen in liquidity position. The company was changed its outlook by Moody's from stable to negative in Sept 2017. The criteria of returning to stable are: 1) sales keep growing, 2) better cash collections from presales 3) Revenue/adjusted debt at 40% 4) cash to short term debt at 1x. We estimate the company will be maintained its outlook and rating in near term, given its revenues/debt wouldn’t be improved to 70% and deleverage seems to be difficult to achieve in expansion period.

Trading view

Yield is attractive, but high refinancing pressure ahead

Ronshine has widened to a quite attractive value: RONXIN 19 has much wider yield over MOLAND 19, even higher than JINGRUI 20. RONXIN 19 has some value at 180 bps over MOLAND 19, but with close maturity.

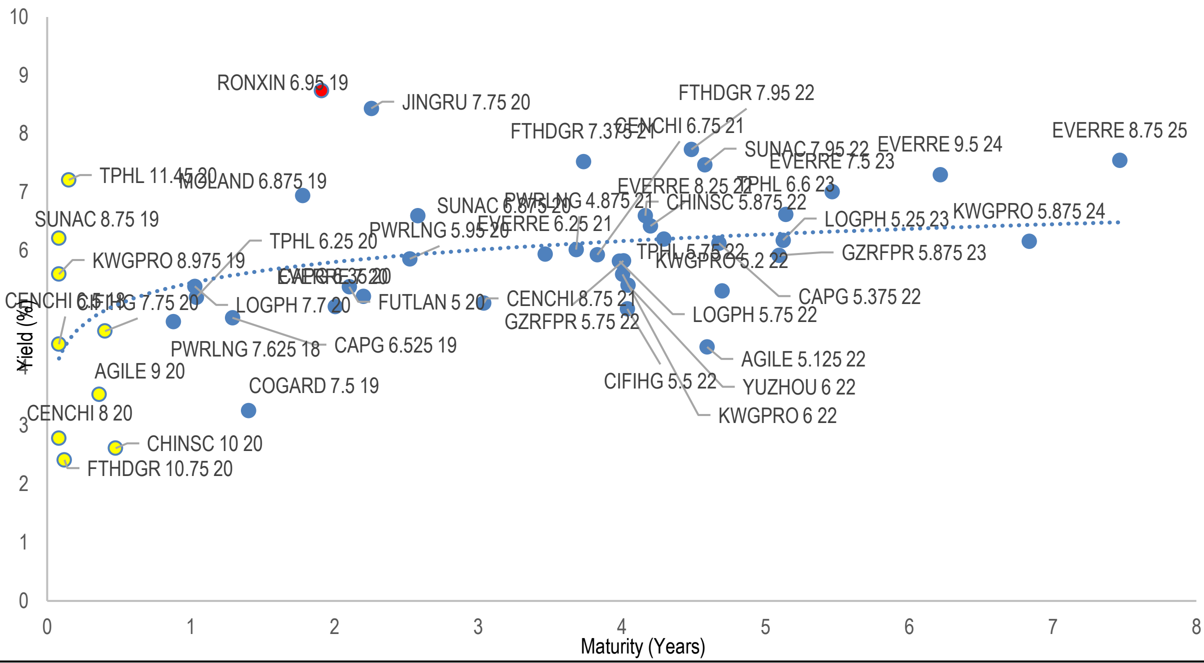
Among all 2 year bonds, RONXIN 19 still has the highest yield. We believe it has reflected its fragile debt structure. Ronshine's debt is 3x higher than that of Modern Land and Jingrui. Short-term debt surged from RMB 7.7 bn in 2016 to RMB 19.2 bn in 1H2017. Cash to ST debt was only 0.1x in 1H2017, which was much lower than those of Jingrui and Modern Land. EBITDA to interest paid was only 1x in 1H2017, which was much lower than 2.2x of Modern Land.

In terms of sales, Ronshine has better sales scale: RMB 41 bn vs. Jingrui's RMB 15 bn and Modern Land's RMB 19 bn. The company's guideline of 2017 cash flow: RMB 16 bn of cash on balance, RMB 36 bn of cash from sales, RMB 16 bn land premium paid, RMB 3 bn of SG&A, RMB 4 bn of Taxation paid and RMB 3 bn of Interest paid.

On debt side, the company has strong demand of refinancing in short term. As NDRC approvals are accelerated recently, we believe the company will obtain its new NDRC approval next year for refinancing purpose.

We marketperform on RONXIN 19, mainly for its high refinancing pressure, high Capex expectation for expansion in next 2 years and low liquidity of the bond. Falling short of sales will cause liquidity issue. We believe some constructive factors ahead: the company will have a strong pipeline for sales in 2018; the company will obtain new NDRC approval in 1Q18, which will secure its offshore refinancing.

Figure 16: Relative valuation



Source: Bloomberg, AMTD Fixed Income Research
Note: Yield to call in Yellow markers

Figure 17: Credit comparison

(RMB bn) **Credit**	Modern Land FY 2016	Jingrui FY2016	Ronshine FY2016	Modern Land FS1 2017	Jingrui FS1 2017	Ronshine FS1 2017
Short and Long-Term Debt	10.02	13.22	39.42	12.93	15.38	58.70
Short-Term Debt	2.46	3.96	7.73	4.54	4.50	19.23
Long Term Debt	7.56	9.26	31.68	8.39	10.88	39.46
Cash & Cash Equivalents	4.58	9.45	11.53	7.00	5.74	6.45
Net Debt	5.44	3.77	27.89	5.94	9.64	52.25
Total Equity	4.73	4.56	23.09	6.68	3.68	24.63
Cash Interest Paid	0.77	1.13	1.75	0.38	0.56	1.73
EBITDA	0.65	0.92	1.38	0.86	0.12	1.79
EBIT	0.63	0.91	1.36	0.85	0.12	1.75
Total Debt/T12M EBITDA	15.3x	14.3x	28.6x	10.1x	12.4x	25.6x
Net Debt/EBITDA	8.3x	4.1x	17.5x	4.6x	7.8x	21.3x
Cash/ST debt	1.9x	2.4x	0.3x	1.5x	1.5x	0.1x
Total Debt/EBIT	15.9x	14.5x	28.9x	10.3x	12.6x	26.1x
Net Debt/EBIT	8.6x	4.1x	17.8x	4.7x	7.9x	21.7x
EBITDA/Cash Interest Paid	0.9x	0.8x	0.8x	2.2x	0.2x	1.0x
EBIT/Cash Interest Paid	0.8x	0.8x	0.8x	2.2x	0.2x	1.0x
Common Equity/Total Assets	16.3%	8.7%	7.6%	13.5%	6.9%	6.9%
Long-Term Debt/Equity	159.7%	203.2%	137.2%	125.6%	295.8%	160.3%
Long-Term Debt/Capital	51.2%	52.1%	50.7%	42.8%	57.1%	47.4%
Long-Term Debt/Total Assets	26.5%	24.3%	32.0%	22.5%	27.6%	33.3%
Total Debt/Equity	211.8%	290.1%	170.7%	193.6%	418.3%	238.3%
Total Debt/Capital	67.9%	74.4%	63.1%	65.9%	80.7%	70.4%
Total Debt/Total Assets	35.2%	34.8%	39.9%	34.6%	39.1%	49.5%
Net Debt/Equity	114.9%	82.8%	104.8%	88.9%	262.1%	198.2%
Net Debt/Capital	53.5%	45.3%	51.2%	47.1%	72.4%	66.5%
Cash Ratio	0.3x	0.4x	0.4x	0.3x	0.2x	0.2x
Current Ratio	1.5x	1.4x	2.1x	1.4x	1.4x	1.9x
Quick Ratio	0.3x	0.4x	0.4x	0.3x	0.4x	0.2x
Long-Term Debt/Equity	159.7%	203.2%	137.2%	125.6%	295.8%	160.3%
Long-Term Debt/Capital	51.2%	52.1%	50.7%	42.8%	57.1%	47.4%
Long-Term Debt/Total Assets	26.5%	24.3%	32.0%	22.5%	27.6%	33.3%
Total Debt/Equity	211.8%	290.1%	170.7%	193.6%	418.3%	238.3%
Total Debt/Capital	67.9%	74.4%	63.1%	65.9%	80.7%	70.4%
Total Debt/Total Assets	35.2%	34.8%	39.9%	34.6%	39.1%	49.5%

Source: Bloomberg

Figure 18: Balance sheet & Cash flow

Balance Sheet, RMB mn	2012	2013	2014	2015	2016
Non-current assets	**736**	**1,311**	**3,460**	**4,059**	**9,492**
Current assets	**6,838**	**17,444**	**28,075**	**30,737**	**89,415**
Properties under development	3,700	8,574	14,907	23,338	31,615
Completed properties held for sale	1,150	921	866	1,302	7,573
Cash and cash equivalents	124	696	658	2,742	11,526
Others	1,864	7,253	11,644	3,355	38,701
Current liabilities	**5,857**	**12,230**	**19,506**	**22,798**	**42,654**
Borrowings	1,151	3,486	6,259	9,447	7,734
Advanced proceeds received from customers	3,260	6,088	8,100	10,083	20,968
Others	1,446	2,656	5,147	3,268	13,952
Non-current liabilities	**710**	**4,986**	**11,000**	**6,926**	**33,163**
Bank and other borrowings - due after one year	710	4,986	11,000	6,926	31,684
Others	0	0	0	0	1,479
Capital and reserves	**1,007**	**1,539**	**1,029**	**5,072**	**23,090**
Equity attributable to owners of the Company	1,007	1,526	1,021	4,302	7,471
Perpetual capital instruments	0	0	0	0	3,233
Non-controlling interests	0	13	8	770	12,386
Cash Flow Statement, RMB mn	**2012**	**2013**	**2014**	**2015**	**2016**
Profit before income tax	**263**	**760**	**834**	**2,465**	**2,569**
Operating cash flows before movements in working capital	136	442	601	2,067	1,373
Adjustments items	(127)	(318)	(233)	(398)	(1,196)
Changes in working capital:	0	0	0	0	0
Increase in inventories	(906)	(6,541)	(8,046)	(6,045)	(1,078)
Advanced proceeds received from customers	1,064	2,840	1,298	1,983	9,619
Others	(333)	(243)	261	6,087	(26,102)
Income taxes paid	(118)	(202)	(458)	(485)	(973)
Net cash (used in) from operating activities	**(157)**	**(3,704)**	**(6,344)**	**3,607**	**(17,161)**
Net cash used in investing activities	**(507)**	**(2,797)**	**(1,032)**	**991**	**(7,846)**
Financing activities	0	0	0	0	0
Proceeds from borrowings	**1,355**	**7,759**	**14,075**	**1,430**	**41,456**
Repayment of borrowings	**(1,330)**	**(1,148)**	**(5,288)**	**(15,188)**	**(22,776)**
Net cash from (used in) financing activities	**671**	**7,073**	**7,337**	**(2,514)**	**33,724**
Net increase in cash and cash equivalents	**7**	**572**	**(39)**	**2,084**	**8,717**
Effect of foreign exchange rate changes	0	0	0	1	65
Cash and cash equivalents at beginning of the year	117	124	696	657	2,742
Cash and cash equivalents at end of the year	**124**	**696**	**657**	**2,742**	**11,524**

Source: Company data, AMTD Research

Figure 19: P&L & Key ratios

PnL, RMB mn	2012	2013	2014	2015	2016
Revenue	**1,291**	**2,129**	**4,099**	**7,415**	**11,372**
Property development and sales	1,265	2,075	3,996	7,327	11,114
Cost of sales	(979)	(1,374)	(2,959)	(4,700)	(9,070)
Gross profit	**312**	**755**	**1,140**	**2,714**	**2,302**
Selling expenses	(102)	(174)	(289)	(396)	(473)
Administrative expenses	(81)	(150)	(267)	(273)	(478)
Share of post-tax loss of an associate	131	324	241	423	443
Share of post-tax (losses)/profits of joint ventures	0	0	0	0	0
Finance costs	1	2	5	(11)	125
Profit before tax	**263**	**760**	**834**	**2,465**	**2,569**
Income tax expense	(75)	(244)	(332)	(1,058)	(867)
Profit for the year	**188**	**516**	**502**	**1,407**	**1,702**
Profit for the year attributable to:					
Net profit	**188**	**518**	**507**	**1,433**	**1,292**
Core net profit	**188**	**516**	**502**	**1,407**	**1,432**
Non-controlling interests	0	(2)	(5)	(27)	309
Perpetual Securities & others	0	0	0	0	102
Dividends	0	0	338	0	0
Key Ratios, RMB mn	**2012**	**2013**	**2014**	**2015**	**2016**
GPM	24.2%	35.5%	27.8%	36.6%	20.2%
NPM	14.6%	24.3%	12.4%	19.3%	11.4%
Core NPM	14.6%	24.2%	12.2%	19.0%	12.6%
Return on assets	2.5%	2.8%	1.6%	4.1%	1.3%
Return on capital employed	6.6%	5.2%	2.8%	7.2%	3.1%
Return on equity	18.7%	33.7%	49.3%	28.3%	5.6%
Total Debt / EBITDA	7.1x	11.2x	20.8x	6.6x	16.1x
Total Debt / Equity	184.8%	550.5%	1677.3%	322.8%	170.7%
Total Debt / Capitalization	64.9%	84.6%	94.4%	76.3%	63.1%
Net Debt / EBITDA	6.6x	10.3x	20.0x	5.5x	11.4x
Net Debt / Equity	172.5%	505.3%	1613.3%	268.8%	120.8%
Net Debt / Capitalization	60.6%	77.7%	90.8%	63.6%	44.6%
Current Ratio	116.7%	142.6%	143.9%	134.8%	209.6%
Cash / Total Assets	1.6%	3.7%	2.1%	7.9%	11.7%
Inventory / Total Assets	64.0%	50.6%	50.0%	70.8%	39.6%
Net debt / Inventory	35.8%	81.9%	105.2%	55.3%	71.2%
Quick Ratio	114.6%	136.9%	140.6%	122.8%	182.6%
Cash Ratio	2.1%	5.7%	3.4%	12.0%	27.0%
Interest Coverage	0.9x	1.3x	0.5x	1.2x	1.1x
Contract Sales/ Gross debt	1.4x	0.7x	0.5x	0.7x	0.6x
Cash/ST debt	0.1x	0.2x	0.1x	0.3x	1.5x

Source: Company data, AMTD Research

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