



Yuexiu Property Monthly Update

Issue 2 2015

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I. Operating Data (Unaudited)

Contracted Sales Value Reached RMB1.789 billion in January 2015

For January 2015, Yuexiu Property Company Limited (“Yuexiu Property” or the “Company”) (HKEx Stock Code: 00123) registered contracted sales value of approximately RMB1.789 billion, representing year-on-year decrease of 32%. The contracted sales value in January 2015 stayed essentially flat from that of December 2014. The contracted sales gross floor area (“GFA”) amounted to approximately 173,200 sq.m., representing year-on-year decrease of 23%, and month-on-month increase of 34%.

For January 2015, the aggregate value of contracted sales and preliminary sales (formal sales contracts which are expected to be entered into soon) was approximately RMB3.058 billion and the GFA of contracted sales and preliminary sales totaled approximately 346,400 sq.m..

According to the Company’s project launch schedule for 2015, the contracted sales performance for January 2015 was in line with the expectation of the management.

Yuexiu Property Hosted Green Building Symposium

On 5 January 2015, Yuexiu Property hosted a Green Building Symposium at the Yuexiu Financial Tower in Guangzhou. Many distinguished guests were invited to discuss the application and implementation of green architecture, which provided implications for the healthy development of green architecture in China.

Yuexiu Property has been committed to its corporate social responsibility, especially in the environmental aspect. It also leads the industry in terms of green architectural technology. The Yuexiu Financial Tower, at which the symposium was held, is one of Yuexiu Property’s key projects in green architecture. The project received the U.S. LEED-CS Gold Pre-certification and the National Green Building Three-Star Certification. Its central air conditioning system filters 99% of PM2.5 particles, standing out amongst other Grade-A office towers in Guangzhou.

Yuexiu Property Hosted Green Building Symposium



II. Other News

Yuexiu Property Acquires Foshan Chancheng Foping Road Land Parcel Introduction of Employee Incentive Scheme Facilitates Healthy and Rapid Development

On 5 February 2015, Yuexiu Property Company Limited (the “Company”, together with its subsidiaries, the “Group”) acquired a commercial and residential land parcel located at Foping Road, Chancheng District, Foshan City of Guangdong Province for a consideration of RMB633,050,000 by way of open tender.

Foshan Chancheng Foping Road Land Parcel has a site area of approximately 33,973 sq.m. and a total gross floor area (including the underground gross floor area) of approximately 221,334 sq.m.. Based on the total gross floor area, the average land cost amounted to approximately RMB2,900 per sq.m.. Subsequent to this land acquisition, the Group’s total land bank is approximately 16.12 million sq.m.. In terms of the attributable equity interest, the Group’s land bank amounted to approximately 13.21 million sq.m..

The management of Yuexiu Property said, “The Group is setting up an initial employee incentive scheme (the “Scheme”) for the Foshan Chancheng Foping Road Land Project, where project management members will participate to make an equity investment in the project company. The objective of the Scheme is to align the interests of the project management members and the interests of the Group. The Group believes the Scheme may incentivize the project management members to maximize the returns of the project. Therefore, the Scheme is in line with the interest of the Group and its shareholders as a whole. In respect of the Foshan Chancheng Foping Road Land Parcel, the aggregate equity interest held by all project management members shall not exceed 2%. The Group also intends to apply the Scheme to other projects in the future, as appropriate.”

Yuexiu Property Acquires Land Parcel in Kunshan Strengthen Development Partnership to Explore Innovative Business Models

On 21 January 2015, Yuexiu Property acquired a residential land parcel in Huaqiao Development Zone, Kunshan City, Jiangsu Province for a consideration of RMB442,783,578 by way of open tender through its subsidiary, of which 51% of equity interest is owned by a 95%-owned subsidiary of Yuexiu Property and 49% of equity interest is owned by Guangzhou Guangdian Property Development Group Co., Ltd.

Kunshan Huaqiao Development Zone Land Parcel has a site area of approximately 58,803 sq.m. and a total gross floor area (including the underground gross floor area) of approximately 184,698 sq.m.. Based on the total gross floor area, the average land cost amounted to approximately RMB2,400 per sq.m..

The management of the Company said, “The subsidiary which is involved in the acquisition of Kunshan Huaqiao Development Zone Land Parcel is jointly established by Yuexiu Property and Guangzhou Guangdian Property. The subsidiary had developed another project namely Paradiso Pavilion in Kunshan City. The project had achieved satisfactory sales result since it was launched to market at the end of 2013, indicating the great success of the cooperation model. The acquisition this time has strengthened cooperation with our partner in exploring innovative business models for developing property projects. In the future, the two projects will be able to complement each other to better enhance brand image.”

Yuexiu Property’s Developed Project in Foshan – Nanhai Starry Winking



Yuexiu Property’s Developed Project in Kunshan – Kunshan Paradiso Pavilion



III. Project Introduction

Qingdao Starry Blue Bay

The Qingdao Starry Blue Bay Project is located at the transportation and commercial hub of Licang District in Qingdao City of Shandong Province. It is situated at a prime location with pleasant scenery and convenient transportation, and has bright prospects and high potential. To the west of the project is the “Mother Bay of Qingdao City” - Jiaozhou Bay. The project enjoys a superior scenic view of the bay and fresh air. The project is also easily accessible by train at the Qingdao North Railway Station, and Qingdao Metro Lines No. 1, No. 3 and No. 8. Meanwhile, as nearby large-scale urban complexes and commercial buildings for corporate headquarters are completed and as tenants are signing up for rental deals, the surrounding infrastructure will be enhanced.

As Yuexiu Property’s first project in Qingdao, the Starry Blue Bay will be a large coastal community with sea view in the Qingdao Licang district and will meet the standards of the quality properties of Yuexiu Property’s “Starry” series. The project aims at enhancing the quality of living environment of the district and facilitating Qingdao City’s urbanization.

IV. Latest Research Reports on Yuexiu Property

Date of Report	Broker
2014-12-17	BOCOM
2014-11-26	Citi
2014-11-25	Standard Chartered
2014-11-25	Kim Eng
2014-11-10	DBS Vickers
2014-09-05	BOCOM
2014-09-04	Morgan Stanley
2014-09-04	Standard Chartered
2014-09-04	Citi
2014-08-28	BOCOM
2014-08-28	BOCI
2014-08-28	Morgan Stanley
2014-08-28	DBS Vickers
2014-08-28	Mizuho
2014-08-28	Kim Eng
2014-08-27	Citi
2014-07-23	Kim Eng
2014-07-21	Citi
2014-07-08	Morgan Stanley
2014-07-08	DBS Vickers
2014-06-26	Citi
2014-05-20	Deutsche Bank
2014-03-25	Daiwa

Qingdao Starry Blue Bay



Research Report on Yuexiu Property Issued by Kim Eng

Kim Eng November 23, 2014

Yuexiu Property (015 HK)

Buy Price: HK\$1.02 | 52-Week High: HK\$1.48 | 52-Week Low: HK\$0.88

Target Price: HK\$2.08 (+104%) | Div: 0.27 (2014) | Yield: 2.65%

BUY (Outperform)

Big land acquisition in Baiyun, GZ

1. We report BOP after Guangzhou acquisition. Last night, Yuexiu Property announced a tender/conditional land acquisition of 1,612,912 sq m (383,147,120 sq ft) in Baiyun, Guangzhou. The acquisition cost is 1.1 billion RMB, with 10% to be paid in cash and the balance to be financed by bank loans. The acquisition cost is 1.1 billion RMB, with 10% to be paid in cash and the balance to be financed by bank loans.

2. The land cost is 0.67 RMB/sq m, but if we could achieve ground 90% only, then it would be 0.74 RMB/sq m. The estimated overall project yield is 10-11%, with 7-8% to be lower than that.

3. This would help bolster Yuexiu's 2015 contract sales if successful by reducing their management expense ratio. We expect to see a 20% increase in contract sales for each year and we currently expect 20% growth in 2015 from PRC to CNY20.46 billion (vs year target of CNY20.26).

What's New

Stable acquisition in Guangzhou, reported BOP in Yuxiu as we see upside to the stock. This land parcel is located in the northern part of Baiyun district, where primary property in the area have with estimated ASP of CNY2,000-25,000/sq m, per square and our research shows, we estimate the overall yield of the project to be 10-11%. The acquisition cost is not high, in our view, and in fact, Yuxiu acquired it at the competitive price.

After this acquisition, based on the land premium we see this year, that would increase Yuxiu's net profit per share from 0.25 to 0.30 RMB. Management also announced increase of 0.15 RMB on 2014-2015 from a dividend from their program with support of Housu International and Standard Chartered Bank.

What's Our View

Yuxiu trades at over 40x discount to our estimated HK\$ 2.08 P/B and 0.5x forward P/B. We maintain BUY.

Key Metrics

2013	2014	2015E	2016E	2017E
Revenue	1,000	1,200	1,400	1,600
Net Profit	100	120	140	160
EPS	0.25	0.30	0.35	0.40
P/E	40	33	28	24
D/P	0.05	0.05	0.05	0.05
Dividend	0.05	0.05	0.05	0.05
Yield	0.5%	0.5%	0.5%	0.5%
ROE	10%	10%	10%	10%
Operating Margin	10%	10%	10%	10%
Net Profit Margin	10%	10%	10%	10%
EBITDA	100	120	140	160
EBITDA Margin	10%	10%	10%	10%
Operating Cash Flow	100	120	140	160
Operating Cash Flow Margin	10%	10%	10%	10%
Free Cash Flow	100	120	140	160
Free Cash Flow Margin	10%	10%	10%	10%

What's Our View

Yuxiu trades at over 40x discount to our estimated HK\$ 2.08 P/B and 0.5x forward P/B. We maintain BUY.

Key Metrics

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Net Profit	100	120	140	160
EPS	0.25	0.30	0.35	0.40
P/E	40	33	28	24
D/P	0.05	0.05	0.05	0.05
Dividend	0.05	0.05	0.05	0.05
Yield	0.5%	0.5%	0.5%	0.5%
ROE	10%	10%	10%	10%
Operating Margin	10%	10%	10%	10%
Net Profit Margin	10%	10%	10%	10%
EBITDA	100	120	140	160
EBITDA Margin	10%	10%	10%	10%
Operating Cash Flow	100	120	140	160
Operating Cash Flow Margin	10%	10%	10%	10%
Free Cash Flow	100	120	140	160
Free Cash Flow Margin	10%	10%	10%	10%

V. Recent Investor and Media Events

Event	Date	Location
Barclays 2015 China Property Day	2015-01-07	Hong Kong
The Asset Corporate Awards 2014 Awarding Ceremony	2014-12-11	Hong Kong
Industrial Securities Annual Strategy Conference	2014-11-28	Shenzhen
Goldman Sachs Greater China CEO Summit	2014-11-17	Hong Kong
Morgan Stanley Annual Asia Pacific Summit	2014-11-12	Singapore
Kim Eng InvestAsia Conference	2014-11-04	U.S.
Citi Investor Conference 2014	2014-11-04	Macau
Standard Chartered Bond Investor Roadshow	2014-09-18	Hong Kong
Yuexiu Property Rights Issue Investor Conference Call	2014-09-04	Hong Kong
Yuexiu Property 2014 Interim Results Roadshow	2014-08~09	Hong Kong, Singapore
Yuexiu Property 2014 Interim Results Announcement	2014-08-27	Hong Kong

VI. Upcoming Investor and Media Events

Event	Date	Location
Yuexiu Property 2014 Annual Results Announcement	2015-02-27	Hong Kong
Yuexiu Property 2014 Annual Results Roadshow	2015-02~03	Hong Kong, Singapore

About Yuexiu Property

Yuexiu Property Company Limited (HKEx Stock Code: 00123) was listed in Hong Kong in December 1992. The Company's main business is property development with its operations mainly concentrated in the Guangzhou area. Its business is gradually expanding to Pearl River Delta, and branching out to selective locations in the Yangtze River Delta, Bohai Rim Economic Zone and Central China. As of 30 June 2014, the Company's combined GFA of properties under development and undeveloped properties was approximately 15.07 million sq.m..

Disclaimer

The Company wishes to remind investors that the above operational statistics are based on the Group's internal records which are unaudited. Differences may arise between such statistics and the data disclosed in subsequent audited financial statements. Such statistics are provisional and for reference purposes only. Investors are cautioned not to rely unduly on such statistics.

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