



## Yuexiu Property Monthly Update

Issue 3 2015

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### I. Operating Data (Unaudited)

#### **Contracted Sales Value Grew 32% Year-on-Year to RMB715 million in February** **Aggregate Contracted Sales Value Reached RMB2.504 billion from January to February 2015**

For the month of February 2015, Yuexiu Property Company Limited (“Yuexiu Property” or the “Company”) (HKEx Stock Code: 00123) registered contracted sales (“contracted sales” included contracted sales by joint venture projects) value of approximately RMB715 million with contracted sales gross floor area (“GFA”) amounted to approximately 55,100 sq.m., representing year-on-year increases of 32% and 31%, respectively.

For January to February 2015, the aggregate contracted sales value amounted to approximately RMB2.504 billion, representing a year-on-year decrease of 21%. The corresponding contracted sales GFA amounted to 228,300 sq.m., representing a year-on-year decrease of 14%. The aggregate contracted sales value accounted for approximately 10% of the 2015 sales target of RMB24.8 billion.

From January to February 2015, the aggregate value of contracted sales and preliminary sales (formal sales contracts which are expected to be entered into soon) was approximately RMB3.548 billion and the GFA of contracted sales and preliminary sales totaled approximately 379,700 sq.m..

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

#### **Yuexiu Property Hosted 2014 Annual Results Presentation**



## II. Other News

### Yuexiu Property Announces 2014 Annual Results

#### Operating Results Achieved Stable Growth and Contracted Sales Reached Record High

On 27 February 2015, Yuexiu Property Company Limited (the “Company”, together with its subsidiaries, the “Group”) announced its annual results for the year ended 31 December 2014. In 2014, the Group’s revenue grew by 10.5% year-on-year to approximately RMB15.702 billion. If fair value gains on revaluation of investment properties and foreign exchange loss/gain are excluded, core net profit rose by 17.0% year-on-year to approximately RMB1.575 billion. The Board proposed to declare a final dividend of HK\$0.027 per share for 2014.

In 2014, the Group’s aggregate contracted sales value rose by 50.4% year-on-year to approximately RMB22.014 billion. The contracted sales value for the year met the annual target of RMB22 billion and once again hit a historical high, enabling the Group to rank among the top companies of the industry in terms of sales target completion rate and annual growth rate.

In view of the Group’s operating conditions and the development trend of the property market, the Group raised its contracted sales target to RMB24.8 billion for 2015, which is 13% higher than the actual contracted sales value for 2014. The Group will continue to innovate marketing tactics to attain the optimum in both sales volume and price for its projects, and strive to achieve the full-year sales target.

## III. Project Introduction

### Hangzhou Starry Upper City

Located at the core development area of Hangzhou city, Hangzhou Starry Upper City is adjacent to Shangtang Expressway, is only a 10-minute drive away from the city centre of Hangzhou and is also nearby the planned station of the Hangzhou Metro Line 10. It enjoys clear location advantages with a well-developed transportation network. Hangzhou Starry Upper City is composed of 14 high-rise residential buildings with street-level shops. The community also enjoys a scenic setting with the Hangzhou-Beijing Grand Canal and a large community garden of more than 20,000 square meters. The area has attracted many well-known developers to establish large-scale residential projects and also prominent commercial projects to enter. The region’s appreciation potential is immense. The project is expected to be launched in 2015.

### Yuexiu Property Hosted 2014 Annual Results Presentation



### Hangzhou Starry Upper City



### III. Project Introduction

#### Hangzhou Starry Joy City

Hangzhou Starry Joy City is located at Gudun Road in the Yuhang District of Hangzhou City. Near the downtown of Hangzhou, it is situated within the ring of Hangzhou City highway, and between Yuhang District and West Lake District. Lifestyle needs are well served with the surrounding facilities including educational institutions, rivers and parks. The project is also situated at a transportation hub as the nearby Gudun Road is the city's arterial road, which connects directly to the city center. It is also located near the Xinyue Road Station of Metro Line 2, which is currently under construction and thus has appreciation potential. The project is designed in a clean and simple Hong Kong-style. Coupled with a 40,000-square meter garden, the project will be established as a low-carbon, eco-friendly and vibrant urban youth community. The project has achieved the rapid-turnover strategy of "land acquisition, commencement of construction and launching for sale within the same year", demonstrating significant improvement in development efficiency.

### IV. Latest Research Reports on Yuexiu Property

Date of Report	Broker
2015-03-11	Kim Eng
2015-03-02	BOCI
2015-03-02	Citi
2015-03-02	BOCOM
2015-03-02	Mizuho
2015-03-02	DBS Vickers
2015-03-02	Kim Eng
2015-03-02	Morgan Stanley
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	Morgan Stanley
2014-08-28	DBS Vickers
2014-08-28	Mizuho
2014-08-28	Kim Eng
2014-08-27	Citi

#### Hangzhou Starry Joy City



#### Research Report on Yuexiu Property Issued by Kim Eng

COMPANY RESEARCH | Results Review
**Kim Eng**
March 2, 2015

### Yuexiu Property (123 HK)

Share Price: HKD1.56 | A/Cap (USD): 2.58 | China Real Estate

Target Price: HKD1.81 (+16%) | ADY (USD): 5M

**BUY** (Unchanged)

**Needs to improve non-GD execution**

FY14 net profits below consensus; core net profit up 17% YoY to CN¥1,575m, 9% lower than Bloomberg consensus est. of CN¥1,727m. GPM was lackluster at 26.3%, -2.5ppt YoY, partly hurt by drop in commercial projects' booking in 2Q14 (10% of total vs 24% in 2Q13) as Yuexiu's commercial portion carried higher GPM (33% GPM in 2Q14) than residential (24%).

Yuexiu has set 2015 contract sales target of CN¥2.8b, 12.7% YoY growth. Similar to various other developers' soft guidances, Yuexiu's 2015 contract sales growth rate should be less than 2014. We attribute this partly to fewer new projects (mgmt expects five new launches vs -11 last year).

Maintain BUY but trim our TP by 4% after incorporating more conservative GPM estimates for 2015E and 2016E (27.3% and 27.4%). Properties held for sale also rose H1 to CN¥11b as of Dec. We believe Yuexiu's GPM troughed in 2014, but it is unlikely to rebound much unless the company improves execution outside of its Guangdong homebase. In our view,

**What's New**  
 Yuexiu posted below-consensus net profit for FY14, with core net profit at CN¥1,575m, lower than Bloomberg consensus estimate. Full-year DPS for FY14 aggregated to HKD0.076, below Street's CN¥0.064/b, net debt attributable equity for Dec 2014 was 45.6% vs Jun 2014's 45.4% thanks to the rights issue. 2014 contract sales GDP was CN¥11,700 (up 1% from 10% YoY) due to product mix and in our view, Yuexiu needs to improve its pricing capability outside of Guangdong in order to achieve better GPM. Average cost of funding dropped to 5.07% last year vs 5.29% in 2013.

**What's the View**  
 In order to achieve better profitability, Yuexiu should leverage its solid execution for commercial properties. Counter trades at 4% discount to our fair of HK\$4.02/b. TP is pegged to 50% discount.

FINANCIAL RATIOS	FY13	FY14	FY14E	FY15E	FY16E
Revenue	2,183.9	2,209.4	2,207.7	2,244.4	2,324.1
EBITDA	1,284.7	1,282.0	1,275.0	1,292.0	1,317.4
Core net profit	1,574	1,575	1,575	1,575	1,575
Core EPS (CNY)	0.14	0.13	0.13	0.14	0.14
Core EPS growth (%)	13.3	4.5	2.4	(4.3)	20.3
Core EPS (USD)	0.20	0.20	0.20	0.20	0.20
Core EPS (HKD)	0.1	0.1	0.1	0.1	0.1
FY14 P/E (x)	6.1	6.1	6.1	6.1	6.1
4Q14 dividend yield (%)	4.1	4.0	4.0	4.0	4.0
ROAC (%)	6.1	5.9	5.9	5.9	5.9
ROAE (%)	11.0	10.8	10.8	10.8	10.8
FFY14 P/B (x)	0.5	0.5	0.5	0.5	0.5
net debt/eqty (%)	45.6	45.6	45.6	45.6	45.6

**Key Data**

Dividend Yield (%) 1.87/1.35

Dividend Payout (%) 5.2

Free float (%) 50.3

Issued shares (M) 12,403

Market capitalization HKD15.3B

Major shareholders:

Hua Shu Group 45.7%

Yuexiu Property 1.7%

Vanguard Group 1.5%

**Share Price Performance**

1 Year: 1.87x

3 Months: 1.12x

1 Month: 1.00x

52 Week High: 1.87

52 Week Low: 1.35

Target Price (HKD) 1.81

12 Month Return: 1.32

Relative to Index (%) 1.2

**Key Metrics to Watch**

Metric Name	Actual	Target	Weight
Revenue	1.00	1.00	1.00
Core Profit	1.00	1.00	1.00
Core EPS	1.00	1.00	1.00
Core EPS Growth	1.00	1.00	1.00
FFY14 P/B	1.00	1.00	1.00
FFY14 P/E	1.00	1.00	1.00
FFY14 ROAC	1.00	1.00	1.00
FFY14 ROAE	1.00	1.00	1.00
FFY14 Dividend Yield	1.00	1.00	1.00
FFY14 Net Debt/Equity	1.00	1.00	1.00

Target Price (HKD) 1.81

12 Month Return: 1.32

Relative to Index (%) 1.2

**Analyst's Rating**

Buy (Unchanged)

Based on our 2015 revenue projection and relative value assessment, we maintain our BUY rating with the 2015E target price of HK\$4.02/b.

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SEE PAGE 7 FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

## V. Recent Investor and Media Events

Event	Date	Location
Yuexiu Property 2014 Annual Results Roadshow	2015-03-05~06	Singapore
Yuexiu Property 2014 Annual Results Roadshow	2015-03-02	Hong Kong
Yuexiu Property 2014 Annual Results Announcement	2015-02-27	Hong Kong
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

## VI. Upcoming Investor and Media Events

Event	Date	Location
Macquarie Greater China Conference	2015-05-04~06	Hong Kong
DBSV Pulse of Asia Conference	2015-05	Hong Kong
dbAccess Asia Conference	2015-05	Singapore
Morgan Stanley Sixth Annual Hong Kong Investor Summit	2015-05	Hong Kong
Barclays Asia Financial and Property Conference	2015-05	Hong Kong

### 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 and investment with its operations mainly concentrated in the Guangzhou area. It is gradually expanding its business to Pearl River Delta, and branching out to select locations in the Yangtze River Delta, Bohai Rim Economic Zone and Central Region. As of 31 December 2014, the Company's combined GFA of properties under development and undeveloped properties was approximately 14.31 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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