

## China Property

### ASP in Key Cities Rising; Developers' Funding Cost Waning

#### ■ Industry Overview

#### ■ Two opposite but favourable trends continue to underpin fundamentals —

The landscape continues to improve for the China property sector, with the ASP gradually rising in prime cities. Our *Equilibrium Triangle* on ASP, volume and policy remains balanced and the short-term policy risk should still not be overplayed until a more broad-based rally is seen. Also, a tailwind from more low-cost financing channels allows developers to tap into ample liquidity. As these trends continue near-term, certain developers will benefit.

#### ■ ASP sensitivity: Low-margin players with tier 1/2 city exposure to benefit —

Weekly figures from Soufun indicate that ASPs in key cities have been gradually recovering and our ground checks suggest prices in prime areas such as Beijing have bounced 15% since Nov-12. Our ASP base case of +5-7% faces upside risk. On our ASP sensitivity test, a 10% rise from our base case would lift average NAV 18.8%, with many highly geared names more sensitive. The sector's profitability would also improve, with net margin rising 1.3/2.3%pts in FY13/14E respectively (more impact in FY14E due to recognition timing). Low-margin players would be key beneficiaries, but given price increases are less likely in tier 3/4 cities due to stretched supply-demand dynamics, we believe developers with tier 1/2 city focus and low profitability would be key beneficiaries of an ASP uptrend, including *Vanke*, *Sino Ocean*, *Sunac*, *Poly Property*. While a more broad-based price rally would be detrimental, these names should capture the trend as near-term beneficiaries.

#### ■ Borrowing cost sensitivity: Est 10.4% earnings accretion in FY14 —

Amid ample liquidity, many developers have issued bonds. Overwhelming responses have resulted in lower costs for developers (est 200-300bps lower than last year). The current effective borrowing cost of c7.5-8.0% pa should gradually fall to 6.0-6.5% if liquidity remains ample. On our sensitivity analysis, developers' FY14 earnings could benefit 10.4% on interest savings (cost 100-250bp lower depending on each company's costs). Highly geared names with low earnings bases would be key beneficiaries, such as *Poly Property*, *Sino Ocean*, *Hopson*, *Glorious*, and *Yuxiu Property* with average 14-17% savings. Besides cost savings, the low-cost environment would also improve i) liquidity and offer more flexibility to developers on budgeting capex (GFA starts) and on landbanking for 2013, and ii) ease market concerns on placement risks.

#### ■ Investment strategy: Ride the rally; fundamentals remain robust —

Our extensive marketing reveals that the appetite for China property stocks remains strong. We suggest riding the rally and accumulating quality higher-beta names such as *Sunac*, *Hopson*, *Yuxiu* and *KWG*. In the quality large/mid-cap space, our top picks remain *Vanke*, *CRL*, *Shimao* and *Sino Ocean*.

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#### See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

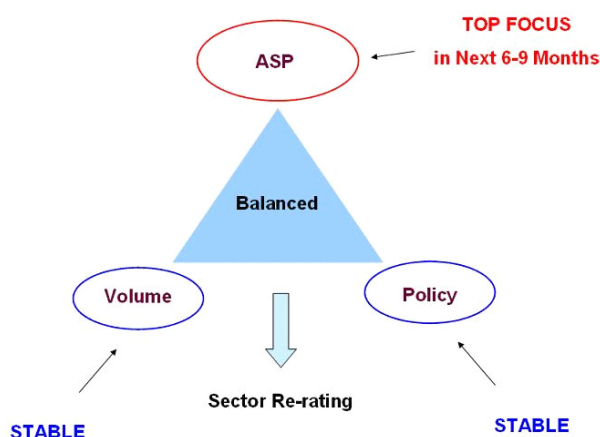
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# ASP in Key Cities on the Rise; Developers' Funding Cost on the Wane

## Two opposite but favourable trends continue to underpin fundamentals

We believe the sector's landscape continues to improve with gradual ASP increases in prime cities. Our proposed "Equilibrium Triangle" on ASP, Volume and Policy remains balanced and the short term policy risk should not be overplayed until a more broad-based rally is seen. Also, a tailwind from more low-cost financing channels also allows developers to tap into ample liquidity. As these trends continue in the near term, certain developers would be key beneficiaries.

Figure 1. Citi's Investment Equilibrium Triangle Theory for Sector Outlook



Source: Citi Research

## 1. ASP sensitivity: Low-margin players with tier 1/2 city exposure to benefit

- **Market warming up to ASP recovery in prime cities:** According to Soufun's weekly transaction ASP, property prices in prime cities such as Beijing, Shanghai, Hangzhou, Nanjing, etc have gradually recovered along with the market since 4Q12. In our recent property tour visits, we noted that prices in prime area like Beijing have rebounded c15% since Nov-12. Currently, our base case factors in 5-7% yoy ASP growth nationwide (up 10-15% in tier 1, 5-10% in tier 2 and 0-5% in tier 3 cities) but we see upside risk to our base case. Prior to seeing more broad-based price escalation, which may trigger policy concerns, we believe it is critical for the market to identify the potential beneficiaries and ride this rally to maximize gains.

Figure 2. China Property — Our Physical Market Assumptions

FY13E Physical Market Assumptions	
ASP Assumptions	Up 5-7% YoY
Tier 1 cities	Up 10-15%
Tier 2 cities	Up 5-10%
Tier 3 cities	Up 0-5%
Volume	Up 5% YoY
Tier 1 cities	0%
Tier 2 cities	Up 5-10%
Tier 3 cities	0%

Source: Citi Research estimates

- **Citi's price sensitivity assessment:** We have run a sensitivity analysis of NAV and net margin to ASP changes. We assume a scenario of flattish volume change while the ASP rises 5-15% vs. our base case, which we think covers possible scenarios (downside risk is low). The results are summarized below.

Figure 3. China Property — NAV Sensitivity of ASP Changes

Stock	RIC	NAV	NAV if Volume flat YoY			% Change from Base Case if ASP Change		
		FY13E	ASP % Change YoY					
		Base Case	+5%	+10%	+15%	+5%	+10%	+15%
Agile Prop	3383.HK	16.48	18.02	19.64	21.24	9.3%	19.2%	28.9%
China Overseas	0688.HK	26.00	27.80	29.51	31.20	6.9%	13.5%	20.0%
China Res Land	1109.HK	25.39	26.80	28.18	29.55	5.6%	11.0%	16.4%
COGO	0081.HK	12.00	13.28	14.46	15.70	10.7%	20.5%	30.8%
Country Garden	2007.HK	4.88	5.39	5.89	6.37	10.5%	20.8%	30.6%
Evergrande	3333.HK	9.35	10.74	12.08	13.39	14.9%	29.2%	43.2%
Franshion Prop	0817.HK	4.80	5.00	5.19	5.39	4.2%	8.1%	12.3%
Glorious	0845.HK	3.46	3.94	4.21	4.51	13.8%	21.6%	30.2%
Greentown	3900.HK	17.32	20.06	22.69	25.12	15.8%	31.0%	45.0%
Guangzhou R&F	2777.HK	19.08	21.32	23.47	25.58	11.7%	23.0%	34.1%
Hopson	0754.HK	41.93	45.06	49.85	53.68	7.5%	18.9%	28.0%
KWG Prop	1813.HK	10.54	11.51	12.50	13.37	9.2%	18.6%	26.9%
Longfor	0960.HK	20.32	22.10	23.80	25.42	8.8%	17.2%	25.1%
Poly Property	0119.HK	9.38	10.61	11.83	13.03	13.2%	26.2%	39.0%
Shimao Prop	0813.HK	24.19	26.62	28.92	31.24	10.0%	19.6%	29.1%
Sino-Ocean Land	3377.HK	10.54	11.36	12.14	12.95	7.8%	15.2%	22.9%
SOHO China	0410.HK	8.50	8.56	8.63	8.70	0.8%	1.6%	2.4%
Sunac China	1918.HK	9.22	10.60	11.97	13.27	15.0%	29.9%	44.0%
Vanke	000002.SZ	14.59	15.94	17.20	18.40	9.3%	17.9%	26.1%
Yanlord	YNLG.SI	2.72	2.91	3.10	3.27	7.1%	14.1%	20.4%
Yuxiu Property	0123.HK	4.85	5.22	5.68	6.09	7.5%	17.0%	25.4%
<b>Sector Average</b>						<b>9.5%</b>	<b>18.8%</b>	<b>27.7%</b>

Source: Companies; Citi Research Estimates

- **Average 19% NAV upside potential on a 10% ASP rally – significant upside:** On our ASP sensitivity test, a 10% price rise from our base case would lift NAV, on average, by almost 18.8%. Many highly-g geared names like Greentown, Poly Property, and Sunac would all post sharp NAV increases. Comparatively, developers with sizable investment property like CRL, Franshion and SOHO China would be smaller beneficiaries. Overall speaking, we note that the magnitude of the NAV sensitivity could be more than expected.

Figure 4. China Property — NAV Sensitivity of FY13/14 Net Margin

Stock	RIC	Net margin FY13E	FY13E Core net margin Volume flat YoY ASP % Change YoY				Net margin FY14E	FY14E Core net margin Volume flat YoY ASP % Change YoY			
			Base Case	+5%	+10%	+15%		Base Case	+5%	+10%	+15%
Agile Prop	3383.HK	12.9%	12.9%	13.6%	14.2%	14.9%	11.3%	11.3%	12.6%	13.9%	15.2%
China Overseas	0688.HK	23.4%	23.4%	24.0%	24.5%	25.0%	22.8%	22.8%	24.1%	24.7%	25.7%
China Res Land	1109.HK	14.4%	14.4%	14.5%	14.5%	14.6%	14.3%	14.3%	15.1%	16.0%	17.8%
COGO	0081.HK	17.1%	17.1%	18.0%	18.5%	19.3%	17.0%	17.0%	18.8%	19.8%	21.1%
Country Garden	2007.HK	14.8%	14.8%	15.8%	16.3%	16.9%	14.6%	14.6%	16.1%	16.9%	17.8%
Evergrande	3333.HK	9.9%	9.9%	10.7%	11.4%	12.0%	10.1%	10.1%	11.4%	12.5%	13.4%
Franshion Prop	0817.HK	14.3%	14.3%	14.5%	14.6%	14.8%	13.6%	13.6%	14.2%	14.7%	15.1%
Glorious Prop Hld	0845.HK	15.2%	15.2%	16.3%	16.8%	17.7%	15.7%	15.7%	16.4%	17.1%	17.7%
Greentown	3900.HK	11.3%	11.3%	11.7%	12.1%	12.3%	11.3%	11.3%	11.7%	12.2%	12.6%
<b>Guangzhou R&amp;F</b>	<b>2777.HK</b>	<b>12.4%</b>	<b>12.4%</b>	<b>13.4%</b>	<b>14.4%</b>	<b>15.2%</b>	<b>12.7%</b>	<b>12.7%</b>	<b>14.4%</b>	<b>15.6%</b>	<b>16.7%</b>
<b>Hopson</b>	<b>0754.HK</b>	<b>17.3%</b>	<b>17.3%</b>	<b>18.6%</b>	<b>19.4%</b>	<b>20.5%</b>	<b>17.2%</b>	<b>17.2%</b>	<b>19.0%</b>	<b>20.5%</b>	<b>21.6%</b>
KWG Prop	1813.HK	16.2%	16.2%	17.2%	17.8%	18.3%	16.5%	16.5%	18.2%	19.2%	20.1%
Longfor	0960.HK	15.6%	15.6%	15.9%	16.0%	16.1%	15.0%	15.0%	15.8%	16.5%	16.9%
Poly Property	0119.HK	9.0%	9.0%	9.5%	10.2%	10.8%	8.2%	8.2%	9.5%	10.8%	11.8%
Shimao Prop	0813.HK	15.7%	15.7%	16.6%	17.2%	17.8%	15.9%	15.9%	17.2%	18.0%	19.0%
<b>Sino-Ocean Land</b>	<b>3377.HK</b>	<b>10.3%</b>	<b>10.3%</b>	<b>11.3%</b>	<b>12.4%</b>	<b>13.3%</b>	<b>11.2%</b>	<b>11.2%</b>	<b>12.7%</b>	<b>14.2%</b>	<b>15.6%</b>
SOHO China	0410.HK	23.6%	23.6%	23.9%	24.2%	24.5%	28.9%	28.9%	29.3%	29.7%	30.1%
<b>Sunac China</b>	<b>1918.HK</b>	<b>12.2%</b>	<b>12.2%</b>	<b>13.2%</b>	<b>14.3%</b>	<b>15.2%</b>	<b>14.6%</b>	<b>14.6%</b>	<b>16.0%</b>	<b>17.5%</b>	<b>18.7%</b>
<b>Vanke</b>	<b>000002.SZ</b>	<b>11.5%</b>	<b>11.5%</b>	<b>12.9%</b>	<b>13.9%</b>	<b>14.9%</b>	<b>11.7%</b>	<b>11.7%</b>	<b>13.6%</b>	<b>15.1%</b>	<b>16.2%</b>
Yanlord	YNLG.SI	11.1%	11.1%	11.6%	12.1%	12.2%	11.0%	11.0%	12.4%	12.8%	13.5%
Yuexiu Property	0123.HK	14.9%	14.9%	15.5%	16.1%	16.5%	13.6%	13.6%	15.0%	16.3%	17.6%
<b>%pts Change</b>											
Agile Prop	3383.HK			0.7%	1.3%	2.0%			1.3%	2.6%	3.9%
China Overseas	0688.HK			0.6%	1.1%	1.6%			1.3%	1.9%	2.9%
China Res Land	1109.HK			0.1%	0.1%	0.2%			0.8%	1.7%	3.5%
COGO	0081.HK			0.9%	1.4%	2.2%			1.8%	2.8%	4.1%
Country Garden	2007.HK			1.0%	1.5%	2.1%			1.5%	2.3%	3.2%
Evergrande	3333.HK			0.8%	1.5%	2.1%			1.3%	2.4%	3.3%
Franshion Prop	0817.HK			0.2%	0.3%	0.5%			0.6%	1.1%	1.5%
Glorious Prop Hld	0845.HK			1.1%	1.6%	2.5%			0.7%	1.4%	2.0%
Greentown	3900.HK			0.4%	0.8%	1.0%			0.4%	0.9%	1.3%
<b>Guangzhou R&amp;F</b>	<b>2777.HK</b>			<b>1.0%</b>	<b>2.0%</b>	<b>2.8%</b>			<b>1.7%</b>	<b>2.9%</b>	<b>4.0%</b>
<b>Hopson</b>	<b>0754.HK</b>			<b>1.3%</b>	<b>2.1%</b>	<b>3.2%</b>			<b>1.8%</b>	<b>3.3%</b>	<b>4.4%</b>
KWG Prop	1813.HK			1.0%	1.6%	2.1%			1.7%	2.7%	3.6%
Longfor	0960.HK			0.3%	0.4%	0.5%			0.8%	1.5%	1.9%
Poly Property	0119.HK			0.5%	1.2%	1.8%			1.3%	2.6%	3.6%
Shimao Prop	0813.HK			0.9%	1.5%	2.1%			1.3%	2.1%	3.1%
<b>Sino-Ocean Land</b>	<b>3377.HK</b>			<b>1.0%</b>	<b>2.1%</b>	<b>3.0%</b>			<b>1.5%</b>	<b>3.0%</b>	<b>4.4%</b>
SOHO China	0410.HK			0.3%	0.6%	0.9%			0.4%	0.8%	1.2%
<b>Sunac China</b>	<b>1918.HK</b>			<b>1.0%</b>	<b>2.1%</b>	<b>3.0%</b>			<b>1.4%</b>	<b>2.9%</b>	<b>4.1%</b>
<b>Vanke</b>	<b>000002.SZ</b>			<b>1.4%</b>	<b>2.4%</b>	<b>3.4%</b>			<b>1.9%</b>	<b>3.4%</b>	<b>4.5%</b>
Yanlord	YNLG.SI			0.5%	1.0%	1.1%			1.4%	1.8%	2.5%
Yuexiu Property	0123.HK			0.6%	1.2%	1.6%			1.4%	2.7%	4.0%
<b>Sector Average</b>				<b>0.7%</b>	<b>1.3%</b>	<b>1.9%</b>			<b>1.3%</b>	<b>2.3%</b>	<b>3.2%</b>

Source: Companies; Citi Research Estimates

- **Net margin up by 1.3% and 2.3%pts in FY13/14E in +10% ASP scenario:**  
While NAV is perceived as more subjective, a more objective factor would be the improvement on the sector's profitability. Especially amid concerns on rising costs, the ASP uptrend would relieve the market's concerns on margins. On our assessment the sector's net margins could improve 1.3%pts and 2.3% pts in FY13 and FY14 respectively (more impact in FY14 on recognition timing). Low-margin players would become key beneficiaries, as expected.
- **Key beneficiaries – Not only low margins, but tier 1/2 exposure is also important:** Simply picking potential winners by picking the low-margin names may not work because price increases are less likely in tier 3/4 cities given

stretched supply-demand dynamics. We believe developers with tier 1/2 city focus and low profitability would be the key beneficiaries in a wave of ASP uptrend, including **Vanke, Sino Ocean, Sunac, R&F, Hopson (and Poly Property on NAV side)**, etc. While more broad-based price rally will be detrimental, these names shall capture this trend as the near-term beneficiaries.

## 2. Borrowing cost sensitivity: Est 10.4% earnings accretion in FY14E

- **Debt window opens again....**: The debt market has kicked off this year strongly. Amid ample liquidity, many developers have tapped or are going to tap into this opportunity with bonds/senior notes issuances. Recent issues of Shimao, Hopson, Country Garden, etc all were oversubscribed 5-10x or even more within a day, with pricing at least 200-300bps lower than the estimated cost last year.

Figure 5. China Property — Fund Raising Activities in 4Q12-YTD

Name	RIC	Announcement Date	Type	Currency	Amount (mn)	Maturity Date	Coupon Rate (%)	Payment Term
Yuexiu Property	0123.HK	11-Jan-13	Medium Term Notes	USD	2,000	N/A	N/A	Semi-annual
Agile	3383.HK	10-Jan-13	Subordinated Perpetual Capital Securities	USD	700	N/A	8.25%	Semi-annual
Hopson	0754.HK	8-Jan-13	Senior Notes	USD	300	Jan-18	9.875	Semi-annual
Shimao	0813.HK	7-Jan-13	Senior Notes	USD	800	Jan-20	6.625	Semi-annual
Country Garden	2007.HK	3-Jan-13	Senior Notes	USD	750	Jan-23	7.5	Semi-annual
Shui On Land	0272.HK	4-Dec-12	Senior perpetual capital securities	USD	500	N/A	10.125	Semi-annual
Beijing Capital Land	2868.HK	20-Nov-12	Guaranteed Notes	CNY	2,000	29-Nov-15	7.60	Semi-annual
COLI	0688.HK	15-Nov-12	Guaranteed Notes	USD	700	14-Nov-22	3.95	Semi-annual
COLI	0688.HK	15-Nov-12	Guaranteed Notes	USD	300	14-Nov-42	5.35	Semi-annual
Aoyuan	3883.HK	15-Nov-12	Senior Notes	USD	125	14-Nov-17	13.875	Semi-annual
China SCE	1966.HK	1-Nov-12	Senior Notes	USD	200	14-Nov-17	11.50	Semi-annual
SOHO China	0410.HK	26-Oct-12	Senior Notes	USD	600	7-Nov-17	5.75	Semi-annual
SOHO China	0410.HK	26-Oct-12	Senior Notes	USD	400	7-Nov-22	7.125	Semi-annual
Yuzhou	1628.HK	19-Oct-12	Senior Notes	USD	250	26-Oct-17	11.75	Semi-annual
Franshion	0817.HK	19-Oct-12	Guaranteed Notes	USD	500	29-Oct-17	4.70	Semi-annual
New World China Land	0917.HK	18-Oct-12	2 for 1 right Issues	HK\$	4,293	N/A	N/A	Offer price is HK\$1.49/sh
Longfor	0960.HK	14-Oct-12	Senior Notes	USD	400	18-Oct-19	6.875	Semi-annual
Sunac	1918.HK	9-Oct-12	Senior Notes	USD	400	9-Oct-17	12.50	Semi-annual

Source: Companies; Citi Research

- **Citi's view: Citi estimates 11% earnings accretion in FY14 from interest savings:** Clearly, this is positive for developers with financing capability and becomes a new angle to fuel the sector's continuous re-rating. We expect key listed developers' borrowing costs to fall 100-250bps (depends on existing cost level). This improves i) liquidity and offers more flexibility to developers on budgeting capex (GFA starts) and landbanking in 2013 and ii) relieves market concerns on potential placement risk.

More importantly, the direct impact of this would interest-cost savings. Even if part of the costs is capitalized, it would eventually be reflected in COGS when the projects are recognized (so reflected in FY14E).

- **Earnings sensitivity to interest savings:** We quantify the P/L impact of reduced borrowing costs (after-tax impact) on FY14E earnings based on the following assumptions:

1) For developers with an effective borrowing cost >10% in 1H12, assume a 250bp rate reduction

2) For developers with effective borrowing cost between 7% and 10% in 1H12, assume a 175bp rate reduction

3) For developers with an effective borrowing cost <7% in 1H12, assume a 100bp rate reduction

- **Estimated 7.1% earnings accretion in FY14 - More significant than expected:** On our assessment, after-tax interest savings could increase earnings by a significant 7.1% in FY14E. This would help to improve GPM by 2-3% pts (if all capitalized) and NPM by 1-2% pts. The sector's average debt scale is now RMB25-30bn, with large players reaching RMB50bn-60bn levels. The effective borrowing cost is 7.5-8.0% pa, which we expect to gradually come down to 6.0-6.5% if liquidity remains abundant.

Figure 6. China Property — Earnings Accretion from Reduced Borrowing Costs

Stock	Currency	RIC	Offshore borrowing	1H12 Total Borrowing	Offshore Borrowing / Total Borrowing	Effective borrowing costs in 1H12	Reduced Borrowing costs assume rate reduction*	After-tax saving on borrowings cost	Est Core Profit FY14E	Impact on FY14 P/L
In Million			a	b	a/b	c	d	e= (c-d)*b*(1-25%)	g	f/g
Poly Prop	HKD	0119.HK	1,677	43,648	4%	8.5%	6.8%	573	1,953	29.3%
Glorious	RMB	0845.HK	1,908	15,332	12%	11.0%	8.5%	287	1,648	17.4%
Yanlord	RMB	YNLG.SI	6,043	16,279	37%	7.2%	5.5%	214	1,311	16.3%
Yuxiu	RMB	0123.HK	7,849	22,427	35%	7.5%	5.8%	294	1,967	15.0%
Sino-Ocean	RMB	3377.HK	6,955	37,206	19%	7.7%	5.9%	488	3,297	14.8%
Hopson	HKD	0754.HK	5,000	33,505	15%	8.3%	6.6%	440	3,070	14.3%
KWG	RMB	1813.HK	6,914	16,952	41%	7.0%	5.3%	222	1,826	12.2%
Agile	RMB	3383.HK	12,516	29,152	43%	8.5%	6.8%	383	3,246	11.8%
Greentown	RMB	3900.HK	243	27,078	1%	8.6%	6.9%	355	3,218	11.0%
GZ R&F	RMB	2777.HK	4,080	32,737	12%	7.8%	6.0%	430	3,982	10.8%
Shimao	RMB	0813.HK	13,998	41,186	34%	7.5%	5.8%	541	5,648	9.6%
Evergrande	RMB	3333.HK	17,512	59,658	29%	9.0%	7.3%	783	8,317	9.4%
Franshion	HKD	0817.HK	6,729	26,915	25%	6.1%	5.1%	202	2,456	8.2%
Sunac	RMB	1918.HK	-	12,454	0%	10.4%	7.9%	234	3,034	7.7%
Vanke	RMB	000002.SZ	-	63,203	0%	8.3%	6.6%	830	12,445	6.7%
Country Gdn	RMB	2007.HK	15,190	32,542	47%	9.2%	7.5%	427	6,429	6.6%
CR Land	HKD	1109.HK	37,649	65,705	57%	4.0%	3.0%	493	7,698	6.4%
SOHO China	RMB	0410.HK	2,050	13,574	15%	5.5%	4.5%	102	2,288	4.4%
Longfor	RMB	0960.HK	9,129	29,649	31%	6.7%	5.7%	222	6,127	3.6%
COLI	HKD	0688.HK	42,901	51,690	83%	3.5%	2.5%	388	19,729	2.0%
COGO	HKD	0081.HK	3,003	5,620	53%	5.2%	4.2%	42	2,906	1.5%
<b>Average</b>					<b>28%</b>					<b>10.4%</b>

Source: Companies; Citi Research Estimates; Note For developers with effective borrowing cost >10%, assume 250 bps rate reduction; for developers with effective borrowing cost between 7% and 10%, assume 175 bps rate reduction; for developers with effective borrowing cost <7%, assume 100 bps rate reduction

- **Highly geared names with low earnings base could be key beneficiaries,** e.g. Poly Property, Yanlord, Yuxiu, Sino Ocean, Hopson, etc (average 9-12% savings with Poly Property as an outlier). On the other hand, the P&L impact is less obvious for quality low-cost names such as COLI, Longfor and CRL. However, these names could also take the opportunity to further gear up at lower cost to benefit on the NAV side.

## Investment strategy: Ride the rally; fundamentals remain robust

Our extensive marketing reveals that the appetite for China property stocks remains strong. We suggest riding the rally and accumulating quality higher-beta names such as Sunac, Hopson, Yuexiu and KWG. In the quality large/mid-cap space, our top picks remain Vanke, CRL, Shimao and Sino Ocean.

Figure 7. China Property Sector — Valuations (as of 11 Jan 2013)

Stock	11 Jan 2013		Market Cap (US\$M)	Citi Rating	Est. NAV	NAV Disc	Target Price	P/E			P/B			Yield		
	RIC	Price (HK\$)						FY12E	FY13E	FY14E	FY12E	FY13E	FY14E	FY12E	FY13E	FY14E
Agile Property	3383.HK	11.24	5,002.01	1	16.48	-32%	11.54	9.2	9.6	9.2	1.3	1.2	1.1	4.1%	3.9%	4.1%
COGO	0081.HK	10.12	2,979.68	2	12.00	-16%	8.4	9.0	6.8	5.3	3.2	2.3	1.7	1.1%	1.3%	1.6%
COLI	0688.HK	24.60	25,936.97	1	26.00	-5%	26	12.6	10.2	8.4	2.4	2.0	1.7	2.0%	2.5%	3.0%
CR Land	1109.HK	22.65	17,028.30	1	26.22	-14%	26.22	20.3	17.0	13.2	2.0	1.9	1.7	1.2%	1.5%	1.9%
Country Garden	2007.HK	4.08	9,595.49	3	4.88	-16%	3.41	9.2	8.9	8.8	1.6	1.4	1.3	4.8%	5.0%	5.0%
Evergrande	3333.HK	4.37	8,451.45	1H	9.35	-53%	5.61	6.6	6.3	6.1	1.4	1.2	1.0	3.8%	3.2%	3.3%
Franshion Prop	0817.HK	2.90	3,427.62	1	4.80	-40%	3.36	11.6	10.8	8.0	0.9	0.9	0.8	1.7%	1.8%	2.5%
Glorious Prop	0845.HK	1.57	1,578.38	1	3.46	-55%	2.08	6.5	6.0	6.6	0.5	0.5	0.5	0.0%	0.0%	0.0%
Guangzhou R&F	2777.HK	15.56	4,310.40	3H	17.32	-10%	10.39	8.5	9.6	8.6	1.4	1.2	1.0	0.0%	0.0%	0.0%
Greentown	3900.HK	14.10	5,861.68	1H	19.08	-26%	13.36	10.1	9.2	8.3	1.5	1.4	1.3	4.9%	5.5%	6.0%
Hopson	0754.HK	16.18	3,623.74	1	41.93	-61%	25.16	13.4	9.1	7.6	0.6	0.6	0.5	0.4%	0.5%	0.7%
KWG Property	1813.HK	6.07	2,265.62	1	10.54	-42%	7.38	7.5	7.7	7.0	1.0	0.9	0.8	4.0%	3.9%	4.3%
Longfor	0960.HK	15.26	10,687.71	1	20.32	-25%	16.25	12.7	10.9	9.2	2.3	2.0	1.7	1.6%	1.8%	2.2%
New World China	0917.HK	3.83	4,279.83	1	5.46	-30%	3.28	13.0	14.3	13.3	0.7	0.7	0.6	1.8%	2.1%	2.2%
Poly HK Inv	0119.HK	6.08	2,830.42	1H	9.38	-35%	6.56	13.5	11.2	11.1	0.8	0.8	0.7	0.0%	0.0%	0.0%
Powerlong	1238.HK	1.90	992.26	1	4.09	-54%	2.45	7.2	5.9	4.9	0.4	0.4	0.4	3.1%	3.7%	4.1%
Shimao Property	0813.HK	16.60	7,436.82	1	24.19	-31%	19.35	10.0	8.2	7.4	1.3	1.2	1.1	2.5%	3.1%	3.4%
Sino-Ocean Land	3377.HK	5.92	4,467.48	1	10.54	-44%	7.38	10.0	8.1	6.8	0.9	0.8	0.7	3.0%	3.1%	3.7%
SOHO China	0410.HK	6.28	4,142.20	2	8.50	-26%	5.95	5.6	11.4	9.2	1.1	1.1	1.0	4.5%	4.5%	4.4%
Sunac China	1918.HK	6.63	2,578.93	1H	9.22	-28%	6.45	6.6	5.3	4.0	1.7	1.3	1.0	2.2%	2.8%	3.7%
Vanke	000002.SZ	10.12	17,861.06	1	14.59	-31%	13.13	10.1	8.9	8.2	1.7	1.5	1.3	1.5%	1.7%	1.8%
Yanlord	YNLG.SI	1.60	2,551.12	1	2.72	-41%	1.9	14.6	12.1	11.5	1.0	0.9	0.9	0.0%	0.0%	0.0%
Yuexiu Prop	0123.HK	2.63	3,154.96	1	4.85	-46%	3.4	11.7	9.5	8.4	0.9	0.9	0.8	3.4%	3.7%	4.2%
<b>Average</b>						<b>-26%</b>		<b>11.5</b>	<b>10.2</b>	<b>8.8</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>	<b>2.2%</b>	<b>2.4%</b>	<b>2.7%</b>

<sup>1</sup> in CNY, <sup>2</sup> in SGD Source: DataCentral; Citi Research Estimates

# Appendix A-1

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