April 7, 2017

Equity Research

China Aoyuan Property

Initiation of Coverage

Continuous growth supported by strong execution

Initiate with Buy rating: High earnings visibility; low valuation; industry consolidation provides growth opportunity

China Aoyuan is a medium-size Chinese developer that focuses in developing and managing properties in China's Tier 1 and Tier 2 cities, with a strong presence in Guangdong province. Since 2012, the company entered a phase of fast growth with its contracted sales expanding to Rmb 25bn in 2016 from 5bn in 2012. We expect Aoyuan's share price to outperform the sector due to 1) high earnings visibility from unbooked contracted sales; 2) high dividend yield; 3) low cost land bank in Tier 1/Tier 2 cities; 4) tightening policy may trigger industry consolidation and provide opportunity to replenish land bank at reasonable cost, given Aoyuan's healthy balance sheet. With its strong unbooked contract sales reserve, quality land bank and strong execution, we forecast a contracted sales CAGR of 20%, revenue CAGR of 33%, net profit CAGR of 38% during 2016-2019e. With its accelerated asset-churn, we forecast ROE to expand to 18.3% in 2019e from 10.3% in 2016.

Price target HK$2.92, 22% upside; 7.1% dividend yield attractive

Our price target applies 60% discount to Dec-17 NAV. Aoyuan proposed Rmb 15 cents dividend per share for 2016, which represents a 7.1% dividend yield. The stock is trading at 67% discount to NAV, 4.1x 2017 PE and 0.56x 2017e PB, 0.22x 2016 contracted sales, at a deep discount compared to peers.

Industry consolidation benefits developers with healthy balance sheet

YTD the listed Chinese developers posted better-than-expected presales particularly in cities without sales restriction, which has driven the re-rating of the property stocks. We believe the re-rating is not over yet. With relative loose mortgage loans in lower tier cities, developers will continue de-stocking there. In core Tier 1/Tier 2 cities, tightening policies may trigger industry consolidation and create opportunities for Aoyuan to replenish land bank at reasonable cost. In the longer run, we still see more sustainable end demand for housing in core cities due to continued population inflow. Aoyuan has proven its track record in growing across policy cycles and accumulated extensive experience in acquiring land through equity/asset acquisition. This model could help accelerate asset-churn with projects launched at fast pace.

Strategic optimization of land bank in core cities at relatively low cost

Tier1/international cities and tier 2 cities accounted for 80% of Aoyuan's land bank by land cost as of Dec-16. In 2016, Aoyuan further strengthened its land bank in core Tier 1/Tier 2 and international cities. Its average land cost was only Rmb 3,170 per sqm as of Dec-16, which gives it margin flexibility.

Improving credit profile reduces financing cost

With strong cash collection from property sales, Aoyuan's net gearing has declined to 50.7% at Dec-16 from 64.0% at Dec-13. Its credit rating/ outlook were upgraded by all three international rating agencies in 2016/17. This effectively reduced its financing cost to 8.1% in 2016 from 11.4% in 2013.

Catalysts: New projects in core cities; inclusion in SZ-HK stock connect

New project announcement in core cities in China and overseas markets could further strengthen Aoyuan's market position in these markets. Since Aoyuan's market cap has passed HK$ 5bn, the company's stock is likely to be eligible for trading through the SZ-HK stock connect program in June 2017.

Stock code: 3883.HK

Rating: Buy

Price target (HK$)	2.92
Current price (HK$, 6 April 2017)	2.39
Upside/downside %	22%
Market cap (HK$ m)	6,385
Market cap (US$ m)	824
Avg daily turnover (HK$ m)	5.61

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2016	2017e	2018e	2019e
Revenue	11,827	16,094	21,526	27,808
yoy %	24%	36%	34%	29%
Net profit	881	1,388	1,832	2,313
yoy %	8%	58%	32%	26%
Adjusted NP	890	1,279	1,764	2,289
yoy %	14%	44%	38%	30%
Gross margin	27.7%	28.1%	28.6%	28.6%
Net gearing	50.7%	61.1%	62.1%	58.3%
EPS	0.33	0.52	0.69	0.87
DPS	0.15	0.17	0.22	0.28
BPS	3.34	3.82	4.38	5.09

Source: Company data, AMTD Equity Research

Valuation

	2016	2017e	2018e	2019e
P/E	6.4	4.1	3.1	2.5
P/BV	0.64	0.56	0.48	0.42
Div. yield	7.1%	8.2%	10.6%	13.1%
ROA	1.7%	2.2%	2.4%	2.5%
ROE	10.3%	14.5%	16.7%	18.3%

Source: Bloomberg, AMTD Equity Research

Share price performance

Source: Bloomberg

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Executive summary

Initiate with Buy rating: High earnings visibility; low valuation; industry consolidation provides growth opportunity

China Aoyuan is a medium-size Chinese developer that focuses in developing and managing properties in China's Tier 1 and Tier 2 cities, with a strong presence in Guangdong province. Since 2012, the company entered a phase of fast growth with its contracted sales expanding to Rmb 25bn in 2016 from 5bn in 2012. We expect Aoyuan's share price to outperform the sector due to 1) high earnings visibility from unbooked contracted sales; 2) high dividend yield; 3) low cost land bank in Tier 1/Tier 2 cities; 4) tightening policy may trigger industry consolidation and provide opportunity to replenish land bank at reasonable cost, given its healthy balance sheet. With its strong unbooked contract sales reserve, quality land bank and strong execution, we forecast a contracted sales CAGR of 20%, a revenue CAGR of 33%, net profit CAGR of 38% during 2016-2019e. With its accelerated asset-churn, we forecast ROE to expand to 18.3% in 2019e from 10.3% in 2016.

Price target: HK$2.92, 22% upside

Our price target of HK$2.92 is based on discounted cash flow methodology to derive the Gross Asset Value (GAV) of development properties and investment properties. We deduct net debt from GAV to arrive at the Net Asset Value (NAV). We apply a 60% discount to the NAV to arrive at our price target. The stock is trading at 67% discount to NAV, 4.1x 2017 PE and 0.56x 2017e PB, 0.22x 2016 contracted sales, at a deep discount compared to peers.

High earnings visibility

Thanks to its strong sales growth in recent years, we estimated that Aoyuan has an unbooked contracted sales of over Rmb 30bn, majority of which will be completed in the next 24 months. This, compared to 2016 revenue of Rmb 11.8bn, should imply a high earnings visibility. The unbooked contracted sales represents around 90% of our forecast revenue in 2017 and 2018.

High dividend yield

Aoyuan has been maintaining a stable recurring dividend payout ratio of 30% with occasional special dividend. In 2016, the board proposed a total DPS of Rmb 15 cents per share, which represents a 7.1% dividend yield. We forecast an 8.2% dividend yield for 2017e. A closely comparable stock would be Times Property, which significantly outperformed Aoyuan and is trading at a price to contracted sales premium.

Strategically optimized land bank in Tier 1/Tier 2 cities laid the foundation for future growth

In recent years, Aoyuan has been strategically increasing its exposures in core Tier 1/Tier 2 cities outside Guangdong. In 2016, 90% of its land acquisition capex were spent on land in these core cities. We believe the potential market correction could give Aoyuan opportunities to buy land at reasonable cost. In the longer-term, we still expect stronger end demand in core Tier 1/Tier 2 cities, supported by continued population inflows. Its average land cost was only Rmb 3,170 per sqm as of Dec-16, which gives it margin flexibility.

Healthy balance sheet enables land bank replenishment during market consolidation

YTD the listed Chinese developers posted better-than-expected presales particularly in cities without sales restriction, which has driven the re-rating of the property stocks. We believe the re-rating is not over yet. With relative loose mortgage loans in lower tier cities, developers will continue de-stocking there. On the other hand, tightening policies may trigger industry consolidation and create opportunities for Aoyuan to replenish land bank at reasonable cost in core Tier 1/Tier 2 cities, where we see more sustainable end demand for housing in the long run due to continued population inflow. Aoyuan has proven its track record in growing across different cycles and accumulated extensive experience in acquiring land through equity/asset acquisition.

Improving asset churning

Aoyuan's equity/asset acquisition model of land could help accelerate assets churning by launching projects at fast pace. For example, Aoyuan launched its Chengdu Chenghua Aoyuan Plaza only three months after its acquisition of the project in 2016. In addition, we expect Aoyuan's increasing exposures to core cities could help improve its asset churn thus ROA in the long run.

Residential+Commercial portfolio offers flexibility across cycles

The company has maintained a balanced mix of retail and commercial apartment land and normal residential properties in its land bank. As a result, the company was able to maintain its fast growth through cycles. As of Dec-2016, residential apartments, commercial properties and others accounted for 63%, 27%, 10% of total land bank by GFA.

Expansion in overseas markets diversifies portfolio

Expansion overseas offers diversification from policy cycles in China. Aoyuan pursue a localization strategy in overseas markets by working with local partners, selling to local buyers and obtaining financing from local banks. Since early 2015, Aoyuan has tapped into the Australia market and already owns 4 projects there. In Feb 2017, Aoyuan successfully expanded into Canada by acquiring a high quality project, replicating its success in Australia, and promoting parallel development in domestic and overseas markets at a steady pace.

Improving credit profile and lower financing cost to increase profitability

With strong cash collection from property sales, Aoyuan's net gearing has declined to 50.7% at Dec-16 from 64.0% at Dec-13. With Aoyuan's enlarged size, proven track record of consistent growth through cycles, strong cash collection, Aoyuan's credit rating/rating outlook was upgraded by all three international rating agencies since 2016. This effectively reduced its financing cost to 8.1% in 2016 from 11.4% in 2013.

Relatively loose credit policy to help de-stocking in lower tier cities

Majority of lower tier cities recorded a strong growth in property sales in 2016, supported by the loose credit policy on mortgages. While tightened in core Tier 1/Tier 2 cities, we expect mortgage policy to remain relatively loose in lower tier cities to support the de-stocking. This will continue help Aoyuan to maintain its sales in lower tier cities.

Valuation

Valuation: Price target HK$2.92 (22% upside); share price at 67% discount to NAV

Our price target of HK$2.92 is based on discounted cash flow methodology to derive the Gross Asset Value (GAV) of development properties and investment properties. We deduct net debt from GAV to arrive at NAV. We apply a 60% discount to the NAV to arrive at our price target. Current share price implies 67% discount to Net Asset Value (NAV). The stock is trading at 4.1x 2017 PE and 0.56x 2017e PB, 0.22x 2016 contracted sales, at a deep discount compared to peers. We estimate that around 80% of Aoyuan development project GAV are located in Tier 1/Tier 2 cities and overseas market where market demand are strong.

We believe currently deep discount to NAV reflects Aoyuan's relatively small market capitalization. Once Aoyuan's market cap crosses the US$ 1bn hurdle, together with a potential inclusion in the Shenzhen-HK stock connect, a re-rating shall be expected. A closely comparable stock would be Times Property, which significantly outperformed Aoyuan and now trading at a premium over Aoyuan in terms of price to contracted sales.

Figure 1: Aoyuan price target derivation

Gross asset value (Rmb m)	
Development properties	25,246
Investment Properties	1,905
Total gross asset value	**27,152**
Net debt	9,848
NAV (Rmb m)	17,303
No. of shares outstanding	2,672
NAV/share (Rmb)	6.48
NAV/share (HK$)	7.30
Rmb/HKD	0.89
PT discount to NAV	60%
Price target (HK$)	**2.92**
Current share price	2.39
Upside %	22%
Share price discount to NAV	-67%

Priced as of 6 April 2017; Source: AMTD Equity Research

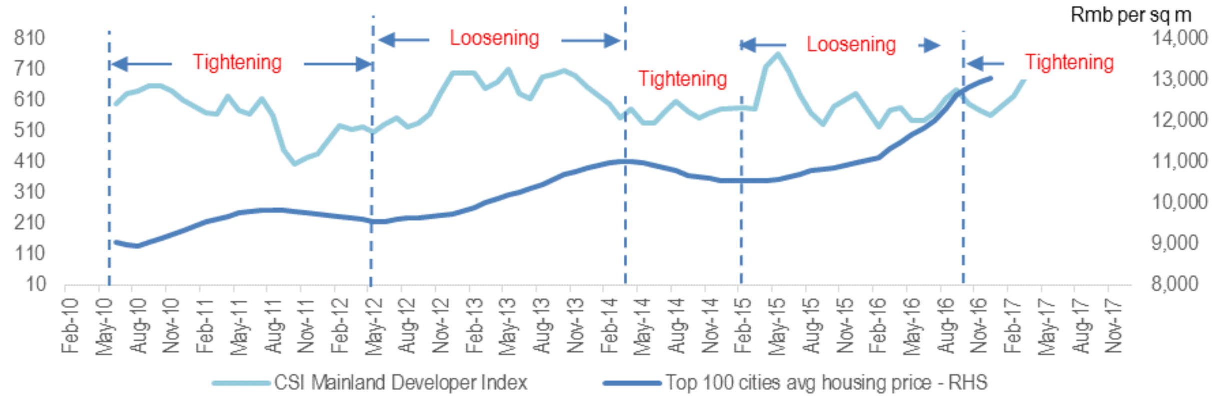
Figure 2: Chinese developer valuation comparison – Aoyuan is trading at a deep discount to peers

	Stock Code	Market cap (US$	P/E 2017e	P/E 2018e	P/BV 2017e	P/BV 2018e	ROE % 2017e	ROE % 2018e	Dividend yield % 2017e	Net gearing % 2016	Market cap to 2016 contract sales
China Aoyuan	**3883.HK**	**0.8**	**4.1**	**3.1**	**0.56**	**0.48**	**14.5**	**16.7**	**8.2**	**50.7**	**0.22**
Modern Land	1107.HK	0.4	3.5	3.1	0.50	0.57	19.7	20.0	7.6	68.9	0.18
Times	1233.HK	1.3	4.1	3.1	0.81	0.68	21.6	23.5	7.2	73.4	0.30
Shui On	0272.HK	1.8	8.3	7.1	0.29	0.28	3.9	4.5	2.8	80.3	0.54
KWG	1813.HK	2.3	4.5	4.1	0.58	0.53	13.5	13.7	7.8	71.6	0.71
Yuexiu	0123.HK	2.1	9.2	7.9	0.45	0.44	5.1	5.8	4.7	65.7	0.48
Greentown	3900.HK	2.2	7.9	6.8	0.54	0.51	6.5	6.8	2.1	64.0	0.29
Agile	3383.HK	3.5	6.9	6.1	0.60	0.57	8.7	9.6	5.7	71.5	0.46
Logan Property	3380.HK	3.1	5.4	4.2	1.03	0.87	19.5	21.3	6.0	76.2	0.75
GZ R&F	2777.HK	5.3	5.1	4.5	0.76	0.69	15.7	16.4	8.2	204.0	0.61
Shimao	0813.HK	5.6	5.8	5.1	0.67	0.61	12.1	12.5	6.0	51.0	0.57
Longfor	0960.HK	10.0	7.3	6.4	0.98	0.88	14.8	15.0	4.4	54.1	0.78
Country Garden	2007.HK	19.9	9.9	8.1	1.69	1.42	18.7	20.3	3.1	54.2	0.44
CR Land	1109.HK	19.6	7.9	6.9	1.11	0.99	15.4	15.9	3.6	23.8	1.25
Vanke	2202.HK	33.0	8.4	7.3	1.64	1.45	20.8	21.3	5.0	32.8	0.61
China Overseas	0688.HK	32.2	7.1	6.3	0.97	0.87	14.8	14.9	3.7	7.3	1.06
Mainland developer avg			**6.6**	**5.7**	**0.83**	**0.74**	**14.2**	**14.9**	**5.6**	**65.6**	**0.58**

Priced as of 6 April 2017; Source: Bloomberg, AMTD Equity Research

Previous cycles did not provide any clear indication on developers' share price performance during a tightening cycle. Since the start of this round of tightening policies on property market, the developers' share price collapsed to their trough valuation and then rebounded by around 30% from the bottom. Some profit-taking on further tightening policies may add pressure to short-term share price performance. However, with the high visibility on earnings growth and high dividend yield, we expect Aoyuan to outperform the sector.

Figure 3: Hong Kong listed Chinese property developers recovered by c30% from the trough at end of 2016



Source: Wind, National Statistics Bureau of China, AMTD Equity Research

Figure 4: Chinese developer contracted sales comparison

	Contracted sales (Rmb bn)			yoy growth %	
	2015	2016	2017 target	2016	2017 target
China Aoyuan	15.2	25.6	33.3	69%	30%
Modern Land	11.3	16.6	22.0	47%	33%
Times	19.5	29.3	32.5	50%	11%
Shui On	21.5	23.0	na	7%	na
KWG	20.2	22.3	28.0	10%	26%
Yuexiu	24.8	30.2	33.0	22%	9%
CIFI	30.2	53.0	65.0	75%	23%
Greentown	72.3	113.9	100.0	58%	-12%
Agile	44.2	52.8	60.0	19%	14%
Logan Property	20.5	28.7	34.5	40%	20%
GZ R&F	54.4	60.9	73.0	12%	20%
Shimao	67.0	68.1	80.0	2%	17%
Sunshine City	30.2	48.7	100.0	61%	105%
Longfor	54.5	88.1	85.0	62%	-4%
Country Garden	140	309	400	120%	30%
CR Land	86.2	108.0	120.0	25%	11%
Vanke	261.5	364.7	na	39%	na
China Overseas	180.6	210.6	210.0	17%	0%
Mainland developer avg				41%	21%
National avg				35%	na

Source: Company data, AMTD Equity Research

Risks analysis

Risks from sales restrictions in core cities

Since September 2016, many Tier 1/Tier 2 and selective satellite cities have enforced the property purchase restriction policy. We cannot rule out the possibility that more cities will carry out similar measures to repel speculation demand. This could slow down Aoyuan's sales in these cities and prevent it from improving its asset turnover. Experience from previous tightening cycle suggests potential price correction in these cities. Should that happen this time, it could result in lower selling price of residential properties and/or slower sales progress, which could result in a lower NAV.

Risks from potential slowdown in property sales in lower tier cities

Aoyuan still has 20% of its land bank (by land cost) in lower tier cities. These cities have witnessed strong growth in property sales and a stable property price in 2016 due to relaxation in mortgage loans which may have pushed some end-demand earlier. While the PBOC governor Mr. Zhou mentioned the mortgage loan growth in 2017 will remain relatively fast, we have sensed a marginal tightening signal. Potentially slower growth in mortgage loans in these cities could slow down property sales growth.

Risks from a faster-than-expected de-leveraging among financial institutions

PBOC has sent clear signal to the market its determination to reduce the leverage in the financial system and control risks. We believe the leverage created in the interbank market through interbank certificate deposits and other products was a key driver behind the credit growth in the property market. Faster-than-expected de-leveraging in the financial system could lead to unwanted liquidity drain in the property market, which may result in weaker developers' liquidity and property prices.

Risks from potentially much tighter purchase restriction and mortgage policies on commercial residential properties

Beijing announced a much tighter purchase restriction and suspended the mortgage loans on commercial residential properties on March 26th, 2017. This could set the standard for policies on commercial residential properties in other cities. The policy focus would be on limiting the land supply of commercial residential properties going forward, and preventing the spillover demand to push up prices for commercial properties. However, if tighter policies are implemented in cities where Aoyuan's commercial residential projects are located, it may have an impact on Aoyuan's sales progress.

Risks from retail properties

Currently commercial properties (retail and commercial apartments) contributed to 27% of Aoyuan's land bank by GFA as of Dec 2016. Retail property market in China in general has experienced over-supply issue due to the challenges brought about by E-Commerce and land supply policies. Only commercial properties in prime location with good management can maintain competitiveness. These two factors will continue to impact Aoyuan's retail property sales and revaluation gains on investment properties.

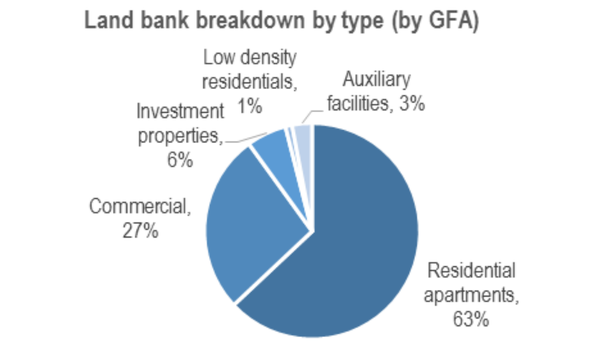
Risks from volatile FX movement

Majority of Aoyuan's revenue is in RMB while we estimate around 40% of its gross debt is offshore. To reduce FX impact, Aoyuan hedges 50% of offshore debt through capped forward arrangement. Unfavorable movement of the RMB could still affect its profit.

Aoyuan's quality land bank

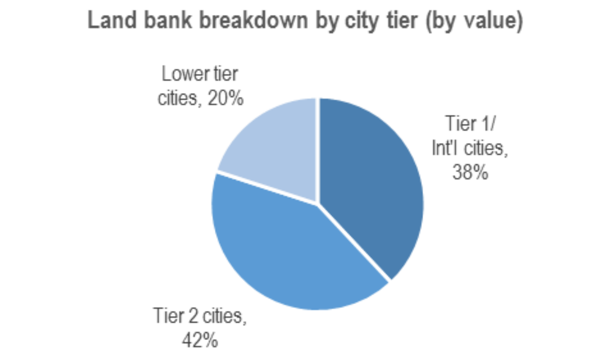
As of Dec 2016, Aoyuan has a land bank of 14.6 million square meters, with Tier 1 cities/international cities, Tier 2 cities and lower tier cities accounting for 38%, 42% and 20% of total land bank by land cost, respectively. Residential apartments, commercial properties, investment properties accounted for 63%, 27% and 6% of GFA, respectively.

Figure 5: Aoyuan's land bank breakdown by type (Dec-2016)



Source: Company data

Figure 6: Aoyuan's land bank breakdown by city tier (by value, Dec-2016)



Source: Company data

Guangdong remains a key region for Aoyuan

Guangdong remains a key region for Aoyuan's development and accounts for 58% of total land bank and 47% of GFA. Aoyuan has a very strong presence in Guangzhou and land bank there accounted for 23% of total land bank by land cost. Guangzhou's land bank was accumulated through cycles with an average land cost of Rmb 3,564 per sqm. Therefore, projects in Guangzhou enjoy a higher gross margin. Aoyuan acquired its first Shenzhen project Jade Bay in 2016 at land cost of Rmb 15,000 per sqm. Now Shenzhen accounted for 12% of Aoyuan's land bank by land cost as of Dec 2016. In Feb-2017, Aoyuan further acquired the equity interest in a Shenzhen project that can be sold as commercial residential properties (LOFT). We estimate average land cost of around Rmb 9,000 per sqm.

Within Guangdong, lower tier cities accounted for 23% of land bank by land cost, or 33% of total GFA. We estimate that half of the land bank are in cities that are close to Guangzhou or Shenzhen and enjoy strong demand due to population inflows and spillover demand. These include Zhuhai, Foshan, Zhongshan and Huizhou.

In lower tier cities, Aoyuan is exploring a cultural tourism model to boost the attractiveness of its projects. For example, the Aoyuan Cultural Tourism City Shaoguan Lingnan Impression features an alluring natural setting with its site spanning nearly 3 km along the Wu River. With GFA of approximately 680,000 sq.m., it has a full range of ancillary facilities and convenient access to the Shaoguan Station of the Wuhan-Guangzhou High-Speed Railway and an elite school at provincial level.

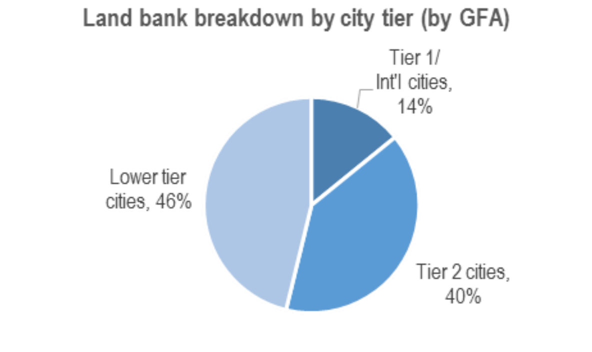
Strategic acquisition of land in Tier 1/Tier 2 cities outside Guangdong

Tier 1/Tier 2 and international cities accounted for 80% of total land bank in terms of land cost, and 54% of land bank in terms of GFA, as of Dec-2016. Aoyuan's land acquisition focuses on residential land or commercial apartment land. To further diversify geographically and enjoy the fast development in other regions, in recent years, Aoyuan further strengthened its land bank in the Yangtze River Delta in cities such as Jiaxing, Suzhou, Ningbo and Yangzhou. Aoyuan also entered Shenzhen, Beijing, and

Chengdu for the first time and acquired quality commercial and residential projects there. Aoyuan has a strong presence in Chongqing, with land bank there accounting for 12% of total land bank by land cost. In 2016, 90% of the land acquisition cost was spent on land in Tier 1/Tier 2 and international cities.

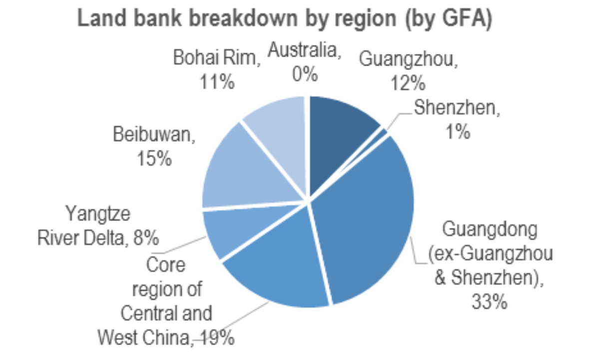
The potential correction in Tier 1/Tier 2 cities may give Aoyuan opportunities to enter these markets and acquire land at reasonable costs. Its healthy balance sheet also gives it the flexibility to acquire quality land during market downturns.

Figure 7: Aoyuan's land bank breakdown by city tier (by GFA, Dec-2016)



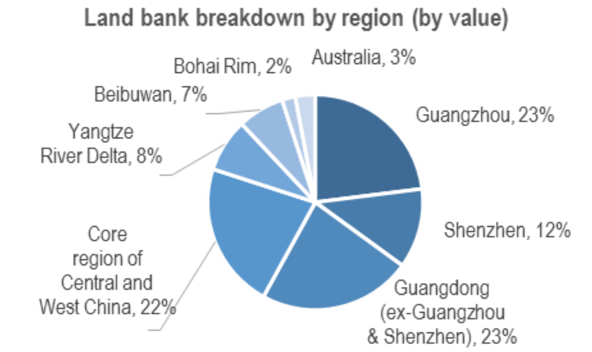
Source: Company data

Figure 8: Aoyuan's land bank breakdown by region (by GFA, Dec-2016)



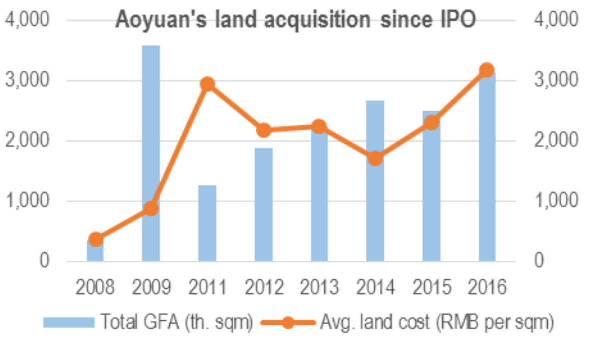
Source: Company data

Figure 9: Aoyuan's land bank breakdown by region (by value, Dec-2016)



Source: Company data

Figure 10: Aoyuan's land bank acquisition since IPO

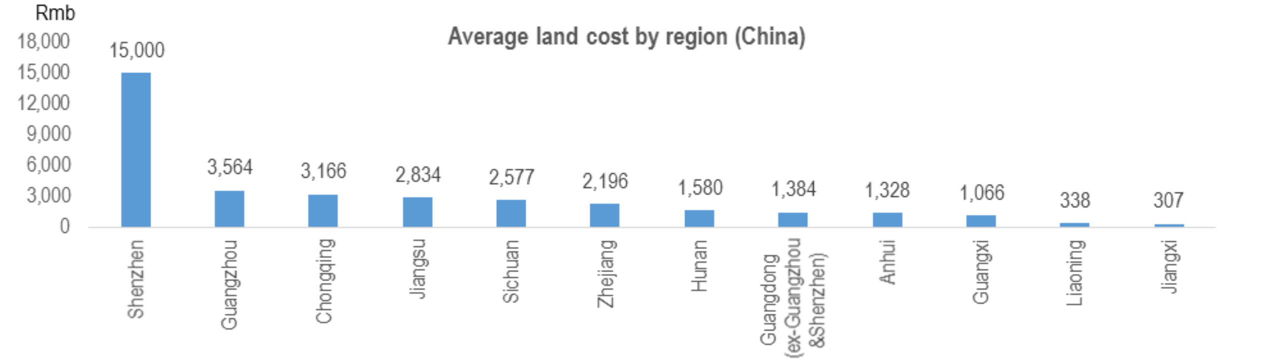


Source: Company data

Diversified land acquisition channels have effectively controlled land cost

Aoyuan has diversified its land acquisition channels to reduce its reliance on public land auction. In particular, Aoyuan has cumulated extensive experience in equity/asset acquisition of projects under construction. In 2017, out of the 17 parcels of land it acquired, 13 were acquired through this model. We went through the equity/asset acquisition announcements of individual projects and found that Aoyuan has arranged detailed covenants to control the risk arising from debt dispute which are common in this type of transactions.

Figure 11: Aoyuan has effectively maintained its land cost



Source: Company data

Successful expansion and localization strategy in overseas market

Since early 2015, Aoyuan has tapped into the Australia market and already owns 4 projects. In Feb 2017, Aoyuan successfully expanded into Canada by acquiring a high quality project, replicating its success in Australia, and promoting parallel development in domestic and overseas markets at a steady pace. Aoyuan's overseas projects primarily target local buyers to achieve sustainable demand.

Aoyuan partnered with an Australian developer to develop the luxury residential apartments in CBD of Sydney, One30 Hyde Park, and also partnered with a local Canadian developer to develop high-end residential apartments in Vancouver. Aoyuan has professional teams in Australia and Canada consisting of local professionals with a wealth of experience in property development, project management, financing and investment. Local buyers accounted for approx. 75% of contracted sales of Aoyuan's Australian projects, and Aoyuan's project in Canada will also target local customer base.

Aoyuan has successfully gained access to local financing channels. It obtained a syndicated loan of around A$200mn for One30 Hyde Park from the Commonwealth Bank of Australia (CBA), and Maison 188 Maroubra secured preliminary approval from Westpac Banking Corporation to fully fund the construction of the project, which enabled Aoyuan to establish its good credit record in Australia. Aoyuan has become one of the few PRC developers who have gained access to local bank financing in Australia.

Our understanding is that in certain overseas market such as Sydney, developers are able to pre-sell properties upfront as long as the development permit is obtained. As a result, the developers are able to obtain low cost construction loans with the presale contract as the pledged asset. For example, in Mar 2015, Aoyuan acquired One30 Hyde Park in Sydney CBD through a joint venture with Ecove to develop luxury residential apartments (Aoyuan holds 70% equity interests). In Aug 2015, One30 Hyde Park successfully obtained development approval (DA) and was launched for presale.

Figure 12: Aoyuan's land bank by city and property market performance in individual cities

Region	City	GFA ('000 sqm)	City classification	2015 contracted sales (GFA) yoy	2016 contracted sales (GFA) yoy	2015 property price yoy	2016 property price yoy	Purchase restriction (Yes/No)
Guangzhou	Guangzhou	1,816	T1	7%	18%	-2%	15%	Yes
	Subtotal	**1,816**						
Shenzhen	Shenzhen	218	T1	56%	-11%	39%	34%	Yes
	Subtotal	**218**						
Guangdong (ex-Guangzhou & Shenzhen)	Zhuhai	271	T2	24%	56%	4%	42%	Yes
	Foshan	639	T2	34%	56%	1%	26%	Yes
	Zhongshan	182	T3&4	36%	11%	0%	36%	No
	Huizhou	339	T2	32%	36%	5%	45%	No
	Jiangmen	122	T3&4	40%	57%	-4%	7%	No
	Yangjiang	313	T3&4	2%	34%	2%	3%	No
	Meizhou	740	T3&4	31%	9%	-2%	6%	No
	Qingyuan	485	T3&4	29%	43%	-4%	2%	No
	Yingde	757	T3&4	17%	7%	-2%	13%	No
	Yunfu	255	T3&4	7%	30%	-4%	5%	No
	Shaoguan	679	T3&4	-14%	17%	-1%	33%	No
	Subtotal	**4,781**						
Core region of Central and West China	Chongqing	1,008	T2	6%	16%	-2%	8%	Yes
	Chengdu, Sichuan	578	T2	2%	30%	-3%	6%	Yes
	Changsha, Hunan	149	T2	25%	37%	-1%	12%	Yes
	Zhuzhou, Hunan	698	T3&4	23%	13%	3%	-5%	No
	Ganzhou, Jiangxi	343	T3&4	15%	24%	3%	13%	Yes
	Subtotal	**2,775**						
Yangtze River Delta	Kunshan, Jiangsu	77	T3&4	23%	19%	4%	54%	Yes
	Yangzhou, Jiangsu	37	T2	4%	15%	-2%	3%	No
	Jiaxing, Zhejiang	202	T2	29%	79%	2%	19%	Yes
	Ningbo, Zhejiang	241	T2	39%	33%	-2%	7%	Yes
	Bengbu, Anhui	668	T3&4	7%	na	-4%	0%	No
	Subtotal	**1,225**						
Beibuwan	Nanning, Guangxi	773	T2	25%	20%	-3%	12%	Yes
	Yulin, Guangxi	1,449	T3&4	8%	11%	7%	5%	No
	Subtotal	**2,222**						
Bohai Rim	Shenyang, Liaoning	1,571	T2	-29%	11%	-1%	-6%	No
	Subtotal	1,571						
Australia	Sydney, NSW	40.3	T1	na	na	14%	3%	No
	Subtotal	**40**						

Source: Company data, AMTD Equity Research estimates

Figure 13: Aoyuan newly acquired land bank in 2016 and 2017 YTD

	Name	City	Type	Approach	Acquired Date	Interest %	Avg. land cost (RMB per sqm)	Total GFA (sqm)	Total cost (RMB mn)	Attributable cost (RMB mn)
1	Ningdu Aoyuan Plaza	Ganzhou, Jiangxi	C, R	Land auction	Jan-16	100%	500	125,900	63	63
2	Shenzhen Aoyuan Jade Bay	Shenzhen, Guangdong	R	Equity acquisition	Apr-16	70%	15,000	217,800	3,267	2,287
3	Chengdu Chenghua Aoyuan Plaza	Chengdu, Sichuan	C, R	Equity acquisition	Jun-16	70%	2,577	643,700	1,659	1,161
4	Yulin Aoyuan Plaza	Yulin, Guangxi	C, R	Land auction	Jun-16	100%	870	404,400	352	352
5	Zhongshan Aoyuan Garden Life	Zhongshan, Guangdong	R	Equity acquisition	Sep-16	100%	3,800	44,800	170	170
6	Guangzhou Aoyuan Glorious mansion	Zengcheng, Guangzhou	R	Equity acquisition	Oct-16	100%	4,701	138,300	650	650
7	Wuhua Aoyuan Park Alley	Meizhou, Guangdong	R	Land auction	Oct-16	100%	1,149	25,200	29	29
8	Nanning Aoyuan Yonghe Mansion	Nanning, Guangxi	C, R	Asset Acquisition	Oct-16	100%	940	127,600	120	120
9	Nanning Aoyuan Lion Rock Town	Nanning, Guangxi	C, R	Asset Acquisition	Oct-16	100%	1,104	153,900	170	170
10	Nanning Hande Xuefu	Nanning, Guangxi	C, R	Asset Acquisition	Oct-16	100%	2,267	207,400	470	470
11	Huizhou Aoyuan Yushan Lake	Huizhou, Guangdong	C, R	Equity acquisition	Nov-16	100%	2,423	339,200	822	822
12	Altessa 888 Gordon Sydney	Sydney, Australia	R	Land acquisition	Nov-16	100%	16,570	12,800	111	111
13	Turramurra Sydney Project	Sydney, Australia	R	Land acquisition	Nov-16	100%	13,769	6,700	176	176
14	Meizhou Aoyuan Meijiang Tianyun	Meizhou, Guangdong	R	Land auction	Dec-16	100%	1,300	256,000	333	333
15	Foshan Aoyuan Guanhu Shangju	Foshan, Guangdong	C, R	Equity acquisition	Dec-16	100%	2,912	157,900	460	460
16	Ningbo Project	Ningbo, Zhejiang	C, R	Equity acquisition	Dec-16	100%	7,522	240,500	899	899
17	Yangzhou Aoyuan Guanting	Yangzhou, Jiangsu	C, R	Equity acquisition	Dec-16	100%	5,453	36,500	199	199
18	Yangzhou project	Yangzhou, Jiangsu	C, R	Land auction	Jan-17	100%	4,300	300,000	1290	1,290
19	Zhuhai project	Zhuhai, Guangdong	C	Land auction	Jan-17	60%	4,029	206,000	830	498
20	Vancouver project	Vancouver, Canada	C, R	Equity acquisition	Feb-17	90%	28,750	5,600	161	145
21	Shenzhen project	Shenzhen, Guangdong	C	Equity acquisition	Feb-17	100%	8,347	118,000	985	985
22	Beijing	Beijing	C, R	Equity acquisition	Mar-17	100%	na	16,000	658	658
						Total	**3,507**	**3,768,200**	**13,874**	**12,048**

Source: Company data; Note: C=Commercial, R=Residential

Management strategy

Parallel development of residential and commercial properties

Aoyuan will adhere to the “Building a Healthy Lifestyle” brand philosophy, focus on the development of commercial and residential properties in parallel with quality-oriented strategy. It is committed to an upgraded product quality and has maintained a balanced mix of land bank in commercial and residential properties. This gives it the flexibility to adjust its portfolio across cycles.

Optimization of land bank in Tier 1 and Tier 2 cities

In recent years, Aoyuan has been strategically increasing its exposures in core Tier 1/Tier 2 cities. In 2016, 90% of its land acquisition capex were spent on land in these core cities. In 2017, Aoyuan entered Beijing for the first time and acquired a quality piece of land there. We believe the potential market correction could give Aoyuan opportunities to buy land at reasonable cost. In the longer-term, we still expect stronger end demand in core Tier 1/Tier 2 cities, supported by continued population inflows.

Localization strategy in overseas development

In early 2015, Aoyuan tapped into the Australia market and already owns 4 projects. In Feb 2017, Aoyuan successfully expanded into Canada by acquiring a high quality project, replicating its success in Australia, and promoting parallel development in domestic and overseas markets at a steady pace.

Disciplined land acquisition and healthy balance sheet

In the past three years, the land acquisition capex have been maintained at 25%-30% of contracted sales. Management intend to allocate similar budget (around 1/3 of contracted sales) to land acquisition going forward. The company has taken various measures to improve its cash collection rate to c90%, which is high in the sector. With strong cash collection, the company’s net gearing ratio has improved to 50.7% from 64% in 2013.

Diversified onshore/offshore financing channels

The company will maintain diversified funding channels. It has a balanced debt structure with onshore bank loans, offshore bank loans, onshore bonds, offshore bonds and trust loans. It has effectively reduced its financing cost to 8.1% in 2016 from 11.4% in 2013.

Asset-light operating model in commercial properties

Currently, Aoyuan has developed two brands for its commercial projects – Aoyuan Plaza and Aoyuan City Plaza. Aoyuan Plaza is positioned as integrated urban complex with shopping centers, shopping streets and apartments. Aoyuan City Plaza is positioned as an area urban complex, integrating shopping streets, hotels, office buildings and boutique apartments. In Nov 2014, Aoyuan has successfully invited Huaxia Insurance as a strategic investor of Guangzhou Aoyuan Plaza by means of capital injection, thus strengthening cash flows and further facilitating an asset-light operating model. Aoyuan intends to replicate this model to other commercial projects to improve its balance sheet liquidity and ROE.

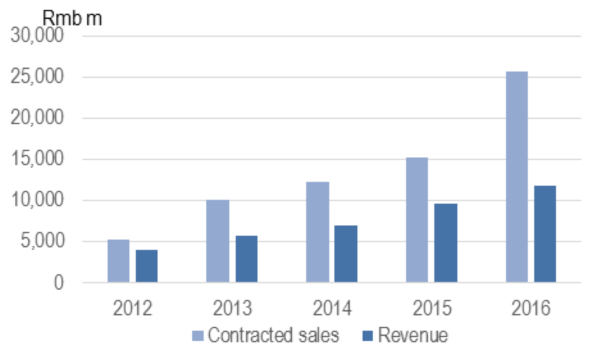
2016 results review

In 2016, Aoyuan recorded strong contracted sales of RMB25.6bn in 2016, up by 69% yoy, representing a fivefold increase as compared to 2012, and exceeded the full year target by 51%. This was contributed mainly by projects in Guangzhou, Zhuhai, Foshan, Chengdu, Chongqing and Jiaxing. Contracted sales in the first 2 months of 2017 increased by 72% yoy to RMB3.79bn.

2016 revenue increased by 24% yoy to RMB11.83bn. Gross profit increased by 24% to RMB3.28bn with stable gross profit margin at 27.7%. Net profit increased by 11% to RMB1.01bn. If excluding exchange losses, net profit would have increased by 25% to RMB1.48bn. The board recommended a final dividend of RMB9.7 cents per share with a payout ratio of 30%, and a special dividend of RMB5.3 cents per share to reflect the strong contracted sales in 2016. Total recommended dividend of RMB15 cents per share would represent a 45% dividend payout ratio.

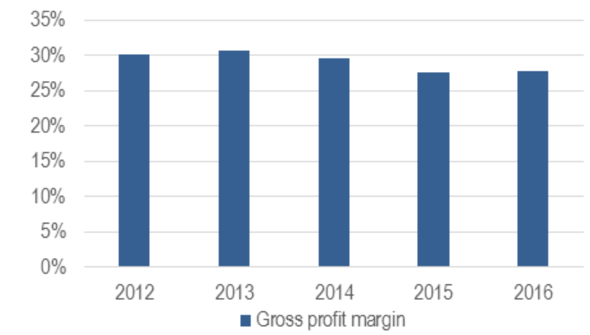
With strong cash collection from contracted sales, the company's credit profile continued to improve. Net gearing ratio decreased by 12ppt to 50.7%. Cash collection ratio increased by 8ppt to 90%, at a high level compared to peers.

Figure 14: Contracted sales in 2016 was five times of that in 2012



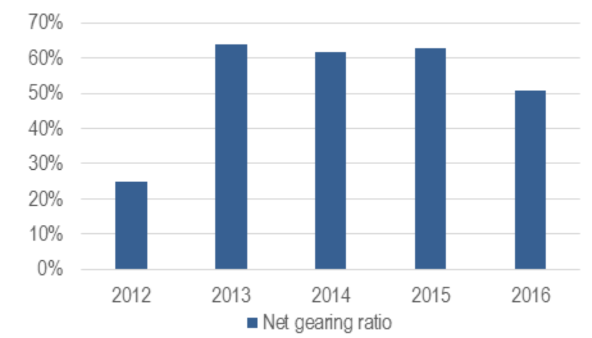
Source: Company data

Figure 15: Gross margin maintained above 25%



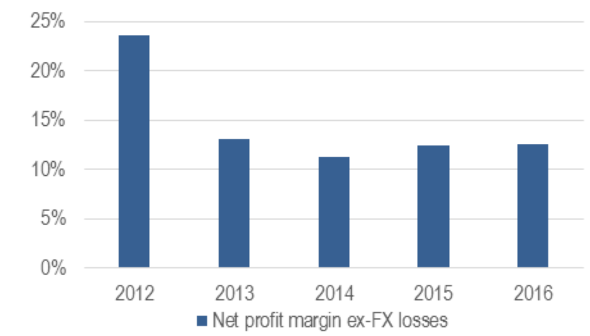
Source: Company data

Figure 16: Net gearing dropped in 2016



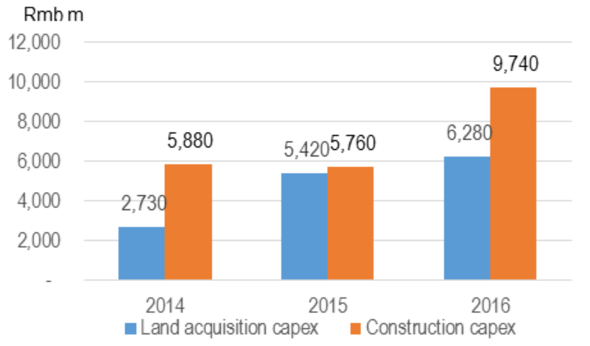
Source: Company data

Figure 17: Net profit margin stable



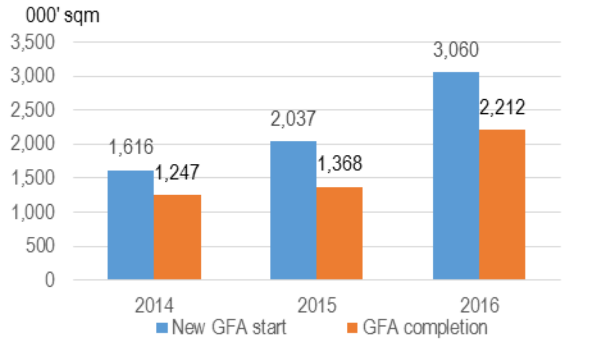
Source: Company data

Figure 18: Prudent land acquisition capex



Source: Company data

Figure 19: Well-managed new starts GFA and completed GFA to maintains flexible capex management



Source: Company data

Figure 20: Aoyuan's major projects in 2016

Project	Contracted Sales (RMB million)	Contracted GFA Sold (sq.m.)	Average Selling Price (RMB/sqm)
Foshan Aoyuan Prime Palace	1,904	85,700	22,208
Zhuhai Aoyuan Plaza	1,780	92,100	19,319
Chongqing Aoyuan PanlongYihao	1,697	221,800	7,649
Chengdu Chenghua Aoyuan Plaza	1,684	177,500	9,486
Foshan Aoyuan Central Parkview	1,626	158,400	10,266
Guangzhou Aoyuan International Center	1,237	46,600	26,560
Guangzhou LuogangAoyuan Plaza	1,216	79,200	15,353
JiaxingAoyuan Gold Coast	984	161,300	6,100
Bengbu Aoyuan HanlinHuafu	871	140,900	6,182
Nanhai Aoyuan	826	95,600	8,639
One30 Hyde Park Sydney	639	5,400	119,419
Maison188 Maroubra Sydney	217	3,700	58,284
Others	10,921	1,711,800	6,380
Total	**25,602**	**2,980,000**	**8,591**

Source: Company data

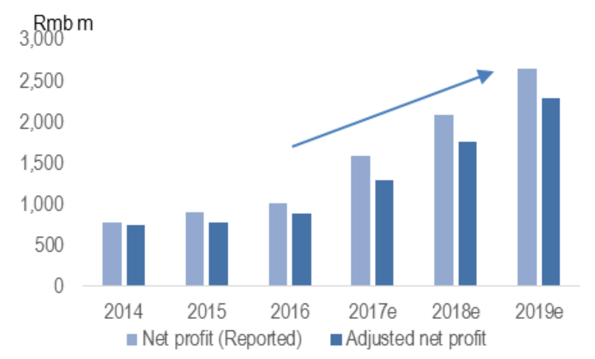
Financial analysis forecast

We forecast net profit CAGR of 38% during 2016-2019e.

Our earnings forecast is based on the following drivers:

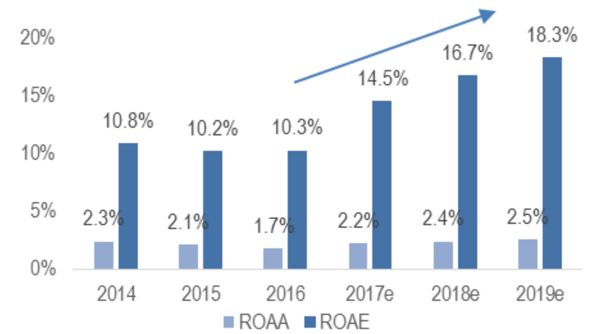
1) **Contract sales to grow at a CAGR of 20% in 2016-2019e;** the tightening policy in core cities may start to have an impact on contracted sales in 2017-2018. We expect the property market policy to loosen in end-18/early 2019. Aoyuan has a balanced mix of land bank in core cities and cities still supported by loose mortgage policy, therefore, we expect Aoyuan to maintain its growth across cycles.
2) **Revenue to grow at a CAGR of 33% in 2016-2019e:** Property development revenue to grow at a CAGR of 49%, driven by increasing project delivery of pre-sold projects.
3) **Gross margin to remain relatively stable at 27%-29% in 2017e-19e** due to continued delivery of high-margin projects in Guangzhou. We forecast overall gross margin to fall after 2019 as increasing competition in Tier 1/Tier 2 cities would add pressure to margins.
4) **An improvement in efficiency** as administration expense to grow slower than revenue growth. We forecast operating expenses including administrative expenses and selling expenses' share in revenue to drop to 13.7%, 13.5%, 13.3% in 2017e, 2018e and 2019e respectively, from 14.5% in 2016.
5) **We expect Aoyuan's asset turnover to improve** due to de-stocking in lower tier cities, its strategic increase of land bank in Tier 1/Tier 2 cities and its asset-light business model in commercial properties. We expect ROA to gradually improve to 2.5% in 2019e from 1.7% in 2016. ROE to improve to 18.3% in 2019e from 10.3% in 2016.

Figure 21: Aoyuan's net profit to grow at a CAGR of 38% in 2016-2019e



Source: Company data, AMTD Equity Research

Figure 22: Aoyuan's ROA, ROE to expand

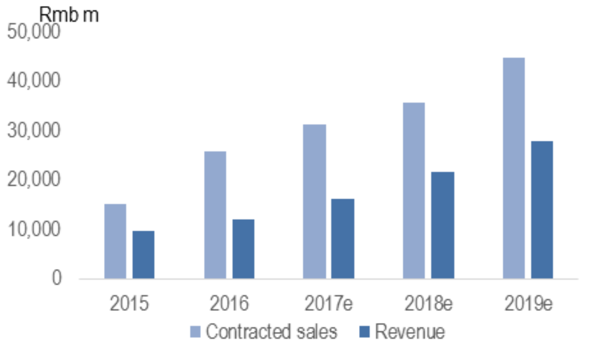


Source: Company data, AMTD Equity Research

Contract sales to grow at a CAGR of 20% during 2016-2019e

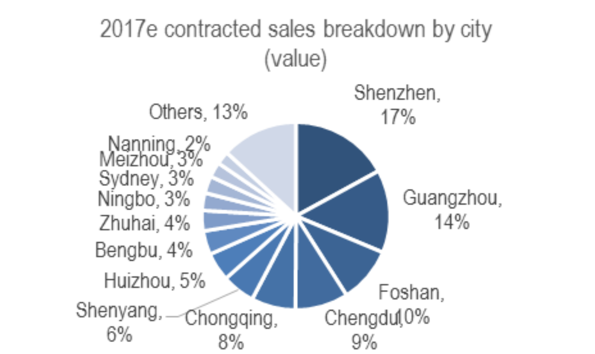
Aoyuan's management guide for a Rmb 33.3bn contracted sales or a 30% yoy growth for 2017. This will be driven by new project launches in Guangzhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Huizhou, Ningbo, Yangzhou, Nanning and Australia. In particular, Shenzhen Aoyuan Jade Bay, Shenzhen Aoyuan Fenghui Garden, Zhuhai Aoyuan Plaza, Guangzhou Luogang Aoyuan Plaza, Guangzhou Aoyuan Lianfeng State, Foshan Nanhai Aoyuan, Huizhou Aoyuan project will be the key contributor. Aoyuan's cheap land cost provide a strong margin buffer in these cities.

Figure 23: We forecast a contracted sales CAGR of 20%



Source: Company data, AMTD Equity Research

Figure 24: 2017e contracted sales breakdown by city

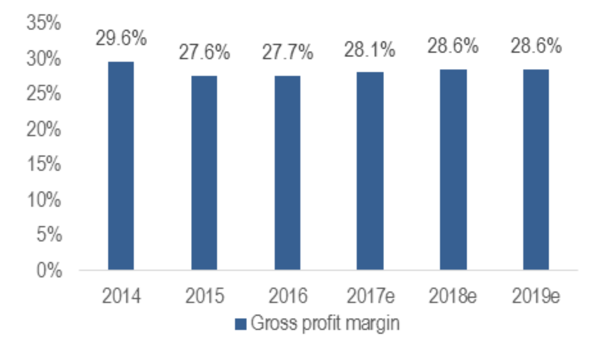


Source: Company data, AMTD Equity Research

Small upside of margins in 2017-2019e

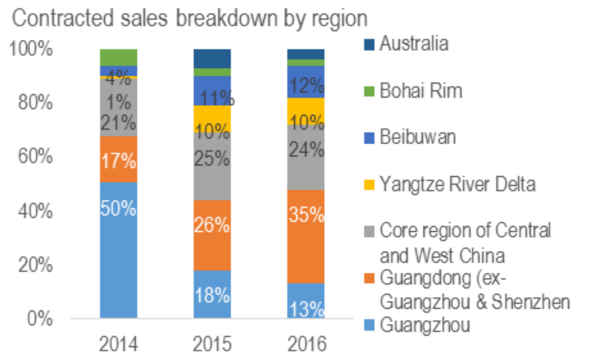
In 2016, Aoyuan's gross margin was stable at 27.7%. We expect small margin upside in 2017-2019e due to the delivery of higher margin products in Guangdong and higher ASP in general in 2016 vs 2015/2014. We forecast overall gross margin to fall after 2019 as increasing competition in Tier 1/Tier 2 cities would add pressure to margins.

Figure 25: Aoyuan's gross margin



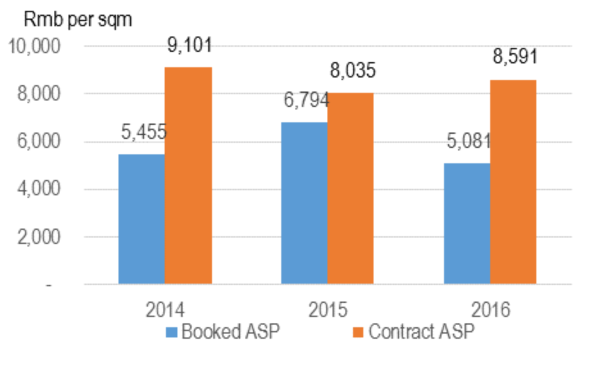
Source: Company data, AMTD Equity Research

Figure 26: Contracted sales breakdown



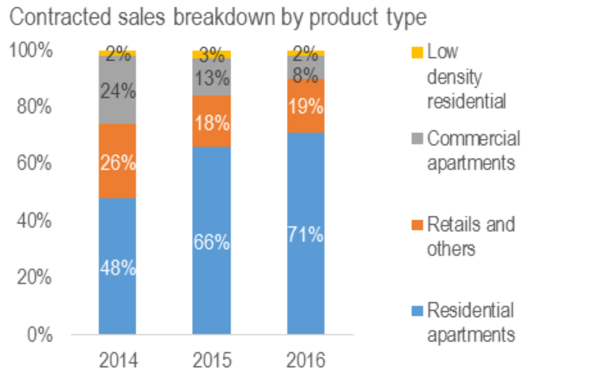
Source: Company data, AMTD Equity Research

Figure 27: Aoyuan ASP trend



Source: Company data, AMTD Equity Research

Figure 28: Contracted sales by product type



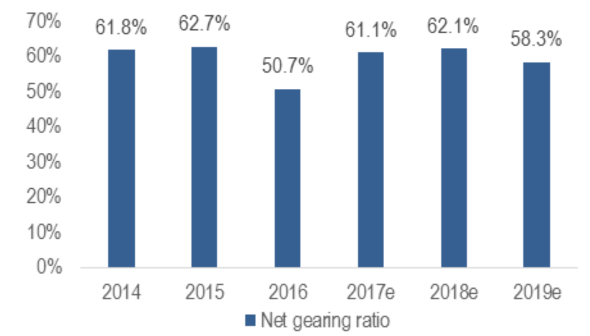
Source: Company data, AMTD Equity Research

Credit profile to stay stable

In 2016, Aoyuan's net gearing ratio dropped from 62.7% in Dec-15 to 50.7% in Dec-16. We estimate an average net gearing of 60% during FY17-FY19e, slightly higher than the 50.7% at Dec-16. Management indicates disciplined land acquisition capex at 1/3 of contracted sales going forward. Despite a strong cash inflow from sales of properties, the increasing construction capex is likely to keep Aoyuan's net gearing around the 60% level. The eventual financial leverage could differ from our forecast depending on the pace of land acquisitions and potential asset disposals. We also forecast an improving contracted sales to gross debt ratio from 1.4x in 2016 to 1.7x in 2019e.

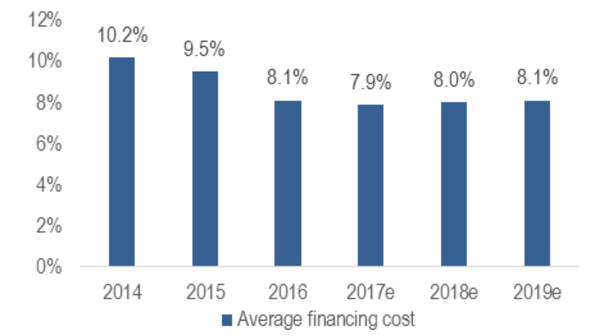
In 2016, Aoyuan was the only Chinese developer whose rating outlook was upgraded by all three international rating agencies namely Moody's, S&P and Fitch. Fitch upgraded Aoyuan's long-term corporate rating to BB- from B+ with Stable outlook, citing robust sales growth, enlarged scale, and good execution of the fast-churn strategy resulting in improved credit matrix as the key reasons. In March 2017, Moody's upgraded Aoyuan's credit rating to "B1" from "B2". Improving credit profile has effective reduced Aoyuan's financing cost to an average of 8.1% in 2016 from an average of 11.4% in 2013.

Figure 29: Aoyuan's net gearing ratio



Source: Company data, AMTD estimates; Note: We exclude a Rmb 1.8bn loan from minority shareholders, and include restricted cash in total cash.

Figure 30: Aoyuan's average financing cost improved



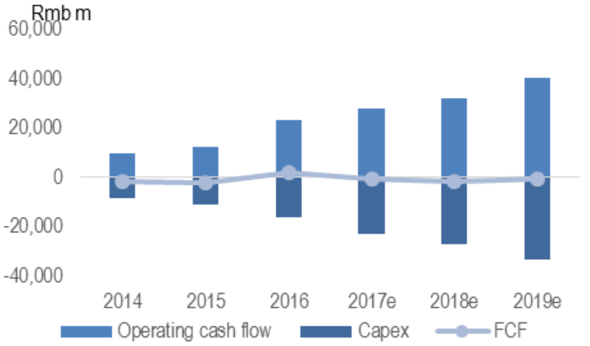
Source: Company data, AMTD Equity Research

Debt profile and refinancing needs

Aoyuan replaced high cost trust loans with onshore corporate bonds in 2016. In addition, Aoyuan redeemed high cost senior notes to reduce its funding cost. In Nov-15 and Feb-16, the company completely redeemed the US$ 225m 13.875% senior notes due 2017 in two batches. In May-16, it redeemed US$100m 9.25% senior notes due 2018. In Feb-17, it further redeemed US$ 300m 11.25% senior notes due 2019.

Aoyuan maintained a balanced mix of onshore and offshore debts to maintain its flexibility in financing as onshore bond market is subject to policy changes from time to time. To reduce FX impact, Aoyuan also hedges 50% of offshore debt through capped forward arrangement. As a result, in 2H16, it recorded a gain of Rmb 140m on the contract.

Figure 31: Aoyuan's free cash flow largely breakeven in 2017-19e

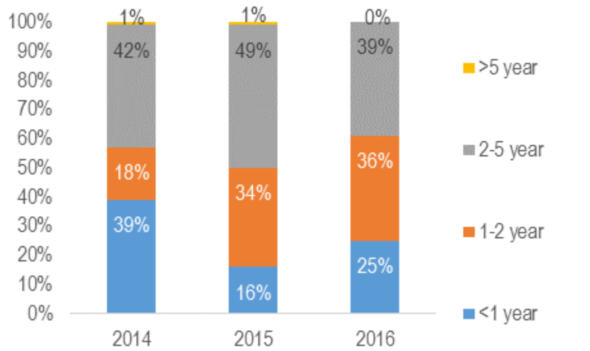


Source: Company data, AMTD Equity Research.

Figure 32: Aoyuan's contracted sales to gross debt improved

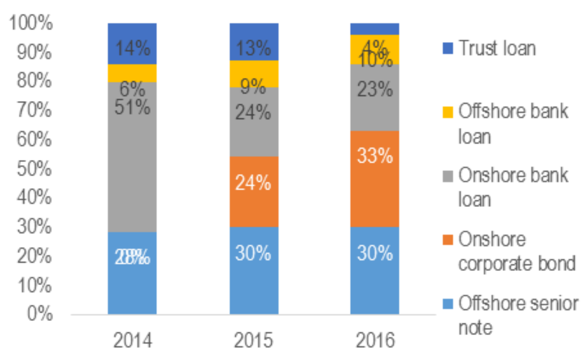
Source: Company data, AMTD Equity Research

Figure 33: Aoyuan's debt breakdown by maturity



Source: Company data, AMTD Equity Research.

Figure 34: Aoyuan's debt breakdown by type



Source: Company data, AMTD Equity Research

Figure 35: Aoyuan's P&L forecast and key ratios

							YoY growth				
PnL, RMB m	**2014**	**2015**	**2016**	**2017e**	**2018e**	**2019e**	**2015**	**2016**	**2017e**	**2018e**	**2019e**
Revenue	**6,976**	**9,572**	**11,827**	**16,094**	**21,526**	**27,808**	**37%**	**24%**	**36%**	**34%**	**29%**
Sales of properties	6,803	9,295	11,240	15,394	20,717	26,897	37%	21%	37%	35%	30%
Rental income of investment properties	71	69	73	75	77	80	-3%	6%	3%	3%	3%
Property management services	102	209	514	624	731	832	104%	146%	21%	17%	14%
Cost of sales	**(4,909)**	**(6,926)**	**(8,550)**	**(11,575)**	**(15,378)**	**(19,851)**	**41%**	**23%**	**35%**	**33%**	**29%**
Gross profit	**2,067**	**2,646**	**3,277**	**4,519**	**6,148**	**7,957**	**28%**	**24%**	**38%**	**36%**	**29%**
Fair value gains on investment properties	98	356	310	271	170	62	265%	-13%	-12%	-37%	-64%
Selling and marketing costs	(379)	(489)	(592)	(676)	(859)	(1,054)	29%	21%	14%	27%	23%
Administrative expenses	(391)	(402)	(489)	(628)	(840)	(1,085)	3%	22%	28%	34%	29%
Other gains	110	(164)	(230)	84	84	85	-250%	40%	-136%	0%	1%
Operating profit	**1,505**	**1,948**	**2,275**	**3,570**	**4,703**	**5,965**	**29%**	**17%**	**57%**	**32%**	**27%**
Share of profit of associates	9	28	(32)	0	0	0					
Finance costs — net	(65)	(91)	(157)	(114)	(122)	(135)	40%	72%	-27%	7%	11%
Profit before income tax	**1,449**	**1,884**	**2,085**	**3,456**	**4,582**	**5,830**	**30%**	**11%**	**66%**	**33%**	**27%**
Income tax expense	(666)	(977)	(1,078)	(1,870)	(2,488)	(3,186)	47%	10%	73%	33%	28%
Net profit (Reported)	**783**	**907**	**1,007**	**1,586**	**2,094**	**2,643**	**16%**	**11%**	**58%**	**32%**	**26%**
Attributable to:											
Equity holders of the company	**809**	**812**	**881**	**1,388**	**1,832**	**2,313**	**0%**	**8%**	**58%**	**32%**	**26%**
Minority interest	(26)	95	126	198	261	330	-460%	32%	58%	32%	26%
Dividend payout ratio	30%	36%	45%	34%	33%	32%					
Net profit ex-FX losses (Reported)	783	1,185	1,479	1,586	2,094	2,643	51%	25%	7%	32%	26%
Net Profit Margin ex-FX losses	11.2%	12.4%	12.5%	9.9%	9.7%	9.5%					
Adjusted net profit	**753**	**778**	**890**	**1,279**	**1,764**	**2,289**	**3%**	**14%**	**44%**	**38%**	**30%**
Adjusted net Profit Margin	10.8%	8.1%	7.5%	7.9%	8.2%	8.2%					
Net change to retained earnings	560	615	762	1,120	1,494	1,899	10%	24%	47%	33%	27%
EPS	0.291	0.292	0.330	0.520	0.686	0.866	0%	13%	58%	32%	26%
EPS - underlying	0.271	0.280	0.333	0.479	0.660	0.857	3%	19%	44%	38%	30%
DPS	0.087	0.106	0.150	0.175	0.224	0.278	22%	42%	16%	29%	24%
BVPS	**2.773**	**2.961**	**3.338**	**3.816**	**4.375**	**5.086**	**7%**	**13%**	**14%**	**15%**	**16%**
Key Ratios, RMB m											
Gross profit margin	29.6%	27.6%	27.7%	28.1%	28.6%	28.6%					
EBITDA margin	21.6%	20.4%	19.2%	22.2%	21.9%	21.4%					
Net profit margin	11.2%	9.5%	8.5%	9.9%	9.7%	9.5%					
Net profit margin ex-FX losses	11.2%	12.4%	12.5%	9.9%	9.7%	9.5%					
Gross debt	11,497	16,298	18,380	20,081	22,811	25,568					
Net debt	5,580	7,262	7,424	9,848	11,098	11,723					
Net gearing ratio	61.8%	62.7%	50.7%	61.1%	62.1%	58.3%					
Net debt/EBITDA	3.7	3.7	3.3	2.8	2.4	2.0					
Contracted sales to gross debt	1.1	0.9	1.4	1.5	1.6	1.7					
Cash collection rate	81%	82%	90%	90%	90%	90%					
Asset turnover days	1,745	1,632	1,778	1,655	1,493	1,377					
ROAA	2.35%	2.12%	1.75%	2.17%	2.38%	2.52%					
ROAE	10.8%	10.2%	10.3%	14.5%	16.7%	18.3%					

Source: Company data, AMTD Equity Research

Figure 36: Aoyuan's balance sheet forecast

Balance Sheet, RMB m	2014	2015	2016	2017e	2018e	2019e
Non-current assets	**3,636**	**5,629**	**6,589**	**6,661**	**7,139**	**7,512**
Land use rights	16	15	15	15	14	14
Property, plant and equipment	501	494	506	474	454	436
Investment properties	2,728	4,505	5,425	5,659	6,158	6,549
Interests in jointly controlled entities	63	217	164	164	164	164
Deposits to acquire equity interest in a company	-	-	130	-	-	-
Available-for-sale financial assets	25	75	10	10	10	10
Deferred income tax assets	151	171	183	183	183	183
Amounts de from a JV	152	152	152	152	152	152
Goodwill and intangibles	-	-	5	5	5	5
Current assets	**33,150**	**43,198**	**59,830**	**72,833**	**89,477**	**105,681**
Properties under development	20,479	31,792	43,487	57,098	69,836	76,261
Amounts due from non-controlling shareholders of subsidiaries	21	27	365	365	365	365
Prepayments	0	0	0	0	0	0
Trade and other receivables	1,849	1,753	3,604	3,604	3,604	3,604
Prepaid taxes	219	263	616	647	667	687
Restricted cash	3,928	1,267	486	486	486	486
Amounts due from related parties	197	222	98	98	98	98
Cash	1,989	7,769	10,471	9,747	11,228	13,360
Assets held for sale	-	105	386	386	386	386
Other current assets	-	-	-	**401**	**2,807**	**10,435**
Total assets	**36,786**	**48,827**	**66,418**	**79,494**	**96,616**	**113,194**
Shareholder's equity	**9,034**	**11,576**	**14,631**	**16,106**	**17,861**	**20,091**
Share capital	26	26	25	25	25	25
Reserves	7,693	8,216	8,893	10,170	11,664	13,563
Attributable equity	7,719	8,243	8,918	10,195	11,689	13,588
Minority interest in equity	1,315	3,333	5,713	5,911	6,172	6,502
Non-current liabilities	**7,374**	**14,481**	**15,645**	**17,650**	**20,656**	**23,662**
Long-term bank loans	3,776	4,803	3,795	4,795	6,295	7,795
Loans from non-controlling shareholders of subsidiaries	-	-	1,187	1,187	1,187	1,187
Senior notes	3,257	8,924	10,079	11,079	12,579	14,079
Deferred income tax liabilities	341	454	583	588	594	600
Current liabilities	**20,378**	**22,770**	**36,143**	**45,738**	**58,099**	**69,441**
Trade and other payables	3,501	5,348	6,795	8,833	11,483	11,483
Deposits received on sale of properties	8,772	9,823	20,524	27,928	37,354	48,256
Current income tax liabilities	1,790	2,202	2,593	3,111	3,733	4,480
Short-term bank loans	4,464	2,570	2,997	2,698	2,428	2,185
Senior note and bond	-	-	1,508	1,508	1,508	1,508
Amount due to a non-controlling shareholder	197	105	163	171	175	178
Amount due to a JV	57	1,123	133	130	128	125
Provisions	1,577	1,597	1,430	1,358	1,290	1,226
Total liabilities and equities	**36,786**	**48,827**	**66,418**	**79,494**	**96,616**	**113,194**

Source: Company data, AMTD Equity Research

Figure 37: Aoyuan's cash flow forecast

Cash Flow Statement, RMB mn	2014	2015	2016	2017e	2018e	2019e
Operating cash flow	9,880	12,470	23,040	27,959	32,153	40,191
Land acquisition	(2,730)	(5,420)	(6,280)	(10,355)	(11,908)	(14,886)
Construction expenses	(5,880)	(5,760)	(9,740)	(12,662)	(15,194)	(18,233)
Tax expenses	(1,040)	(1,170)	(2,210)	(2,682)	(3,084)	(3,855)
SG&A	(700)	(890)	(1,040)	(1,248)	(1,498)	(1,797)
Interest expenses	(1,110)	(1,260)	(1,530)	(1,427)	(1,521)	(1,688)
Dividend payments	(220)	(290)	(250)	(309)	(466)	(600)
FCF	**(1,800)**	**(2,320)**	**1,990**	**(724)**	**(1,519)**	**(868)**
New bank borrowings	6,160	5,800	5,540	5,000	5,000	5,000
Proceeds from bonds issuance	1,770	5,930	3,580	5,000	5,000	5,000
Debt repayment	(5,140)	(6,130)	(7,040)	(8,000)	(7,000)	(7,000)
Redemption of bonds	0	(770)	(1,460)	(2,000)	0	0
Other cash outflow	216	608	(689)	0	0	0
Net change of cash	**1,206**	**3,118**	**1,921**	**(724)**	**1,481**	**2,132**
Opening cash balance	**4,712**	**5,917**	**9,036**	**10,956**	**10,233**	**11,713**
Ending cash balance	**5,917**	**9,036**	**10,956**	**10,233**	**11,713**	**13,845**

Source: Company data, AMTD Equity Research

2017 China property market outlook

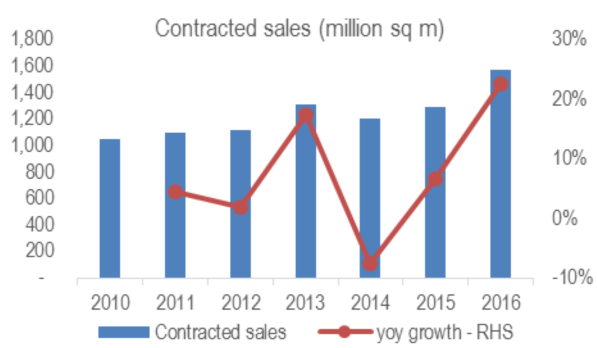
We expect this round of tightening policies to last for 18-24 months, given the degree of property price appreciation that took place and faster-than-expected inventory de-stocking. The purchase restriction and tightened mortgage policies will be mainly applied in Tier 1/Tier 2 cities while inventory de-stocking in Tier 3/Tier 4 cities is still encouraged.

- **We expect a price correction of 10-15% in Tier 1/Tier 2 cities by 2018.** We see more tightening policies to come as the fear of missing among homeowners continues pushing up property prices. We expect a small correction in property price in Tier 1/Tier 2 cities and a bigger drop in GFA sold in 2017/18.
- **We expect a small contraction in national GFA sold in 2017 by 5% yoy.** We see bigger contraction in GFA sold in Tier 1/Tier 2 cities by 20% as the tighter purchase restriction and mortgage policies to deter speculation demand. We see relatively stable sales and price performance in lower tier cities supported by relatively loose credit to help inventory de-stocking.
- **We believe the property tightening policies will alternate with easing policies**. As evidenced by previous cycles. Property investment are still an important driver in FAI investment, which is essential for maintaining a satisfactory GDP growth. Land sales revenue remains a key component in a local government's income. The policy cycles normally last for 12-18 months before the next cycle kicks in.
- **In the longer term, we still expect the property price in Tier 1/Tier 2 cities and satellite cities to outperform that in lower tier cities.** Demand for properties in core Tier 1/Tier 2 cities and their satellite cities will sustain as better education systems, better employment prospect continue to attract population inflows, thus supporting property demand.
- **Quality developers with balanced product mix, healthy balance sheet to outgrow the market.** Developers with balanced product mix in end-demand product, good execution will outgrow the market and deliver better contracted sales.

Property inventory de-stocking in progress

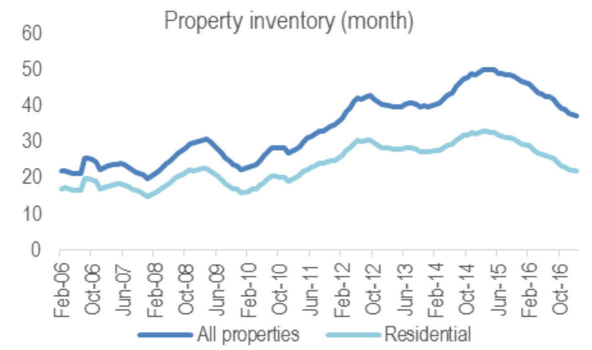
The easing policy started in 2015 supported higher-than-expected property sales and decline in inventory levels (Figure 39). De-stocking of property inventory especially in lower tier cities is still the key policy focus in 2017, according to Premier Li's speech at China NPC 2017. With the purchase restriction kicking in in late 2016 and further tightened in 2017 in core Tier 1/Tier 2 cities, we expect satellite Tier 3/Tier 4 cities to continue enjoying the spillover demand from these cities. For other Tier 3/Tier 4 cities, a relatively loose mortgage policy will continue supporting end demand in these cities.

Figure 38: Continued growth in contract sales



Source: Wind, National Statistics Bureau of China, AMTD Equity Research

Figure 39: National property market de-stock in progress



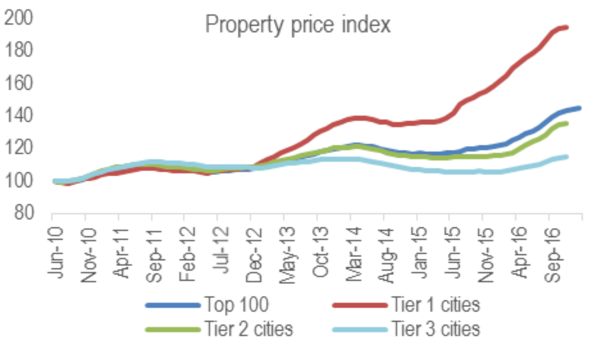
Source: Wind, National Statistics Bureau of China, AMTD Equity Research

Property price performance diverged

While this round of policy tightening has yet to have an impact on property price, its impact on sales volume started to show. We expect a 10-15% correction in property price in Tier 1/Tier 2 cities and a bigger drop in GFA sold in 2017/18.

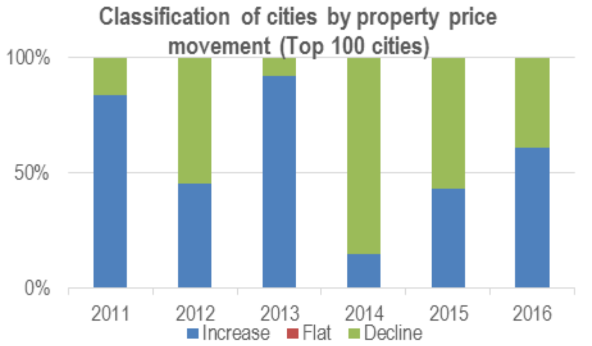
National average property price experienced a fast growth in 2016. The biggest rise in price came from satellite cities that are surrounding core Tier 1/Tier 2 cities. Tier 1 cities enjoy strong demand due to continued population inflow, low inventory levels and limited land supply. Tier 2 cities also recorded unprecedented rise in price, due to their low inventory levels and the spillover demand from Tier 1 cities where the absolute level of property prices became unaffordable for Tier 2 city residents' investment needs. Property prices in lower tier cities have been relatively stable in 2016, but sales volume was boosted significantly. This would help accelerate the de-stocking in these cities and reduce inventories to a more healthy level. Previous tightening cycles normally had a bigger impact on volume than on price in Tier 1 cities. Property prices normally corrected by 10-15% following the implementation of purchase restriction policies. Once the policy was relaxed, the property price would resume the upward trend.

Figure 40: Property price performance diverged



Source: Wind, National Statistics Bureau of China, AMTD Equity Research

Figure 41: Increasing number of cities experienced a rise in property price in 2016

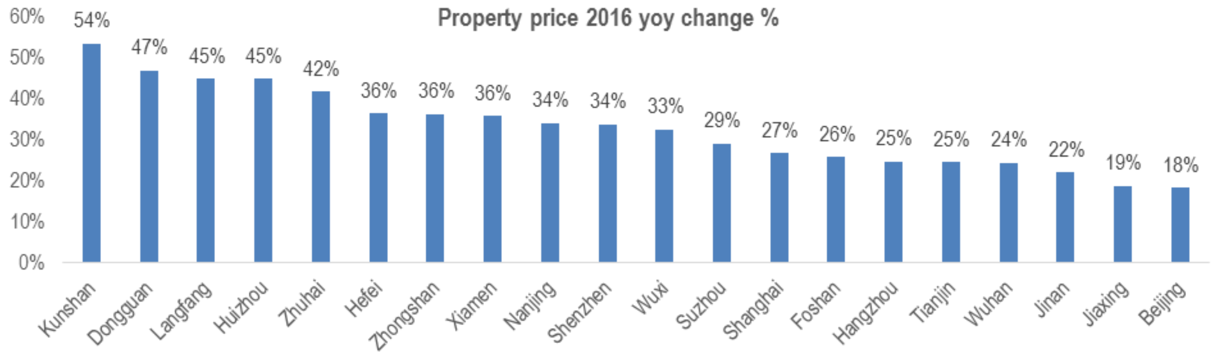


Source: Wind, National Statistics Bureau of China, AMTD Equity Research

We group the cities with the biggest price movements in 2016 into three categories:

- **Tier 1 cities:** In general Tier 1 cities enjoy a sustained population inflow, limited land supply and low inventory level. They also benefit from strong investment demand from citizens in other cities. Shenzhen is the top performer among Tier 1 cities with average price up by 34%.
- **Core Tier 2 cities:** These include Foshan, Dongguan, Zhuhai, Hefei, Xiamen, Nanjing, Wuxi, Suzhou, Hangzhou, Tianjin, Wuhan and Jinan. Normally the core tier 2 cities are key municipalities or strongest economies in their own provinces, with continuous population inflow, investment demand from other cities in the same province and relatively healthy inventory levels. Some of these Tier 2 cities also benefited from the spillover demand from Tier 1 cities due to their proximity to Tier 1 cities. These include Foshan (close to Guangzhou) and Dongguan (close to Shenzhen and Guangzhou).
- **Satellite Tier 3/Tier 4 cities:** These include Kunshan, Langfang, Huizhou, Zhongshan, Jiaxing. These cities' property prices mainly benefited from the spillover demand from Tier 1/Tier 2 cities due to their proximity to big cities. Citizens that cannot afford properties in Tier1/Tier 2 cities may turn to lower tier cities close by.

Figure 42: Top 20 outperformers in China – Tier 1/Tier 2 and satellite cities outperformed



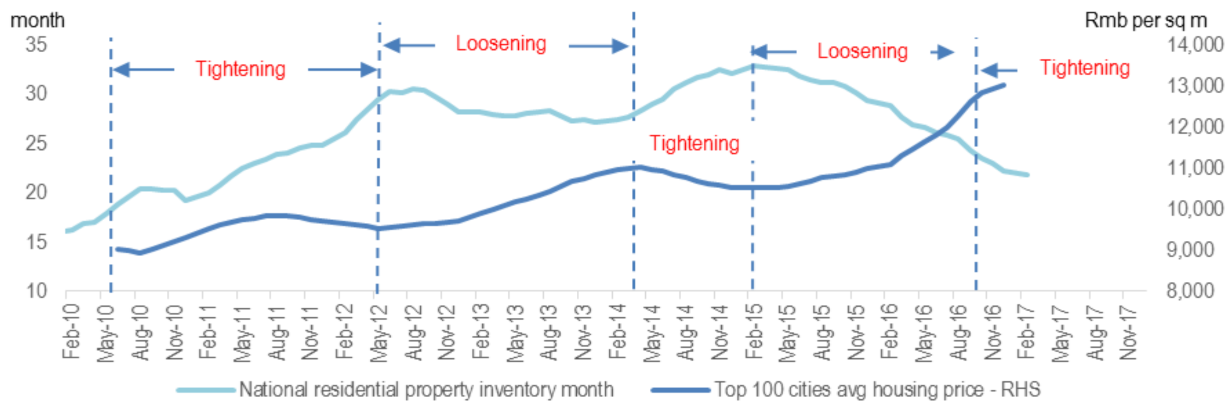
Source: Wind, National Statistics Bureau of China, AMTD Equity Research

Property market tightening policies to alternate with easing policies

We noticed differentiated policies towards core Tier 1/Tier 2 cities and Tier 3/Tier 4 cities. The policy focus has been on repelling the speculation demand in Tier 1/Tier 2 cities and their satellite cities while encouraging first-time home buyers and the de-stocking of inventory in Tier 3/ Tier 4 cities.

Looking back to the previous policy cycles, the pace of inventory de-stocking, the movement of property price and the growth of property investments are the key determinants of the duration of policy cycles. For example, the tightest and longest policy cycle previously was the one that started in early 2010, when national property inventory month dropped to a very healthy level of 15 months and property investment rose by 30% in 2010. This time around, the national inventory level fell back to 22 months in Feb-2017, the lowest level since Jun-2011. The property price experienced a fast rise in Tier 1/Tier 2 cities and their satellite cities since 2015. Therefore, we expect this round of tightening policy to last for 18-24 months, given the notable appreciation of property prices and faster-than-expected inventory de-stocking.

Figure 43: Property market policy tightening cycles to alternate with easing cycles



Source: Wind, National Statistics Bureau of China, AMTD Equity Research

Figure 44: 2016 - 2017 tightening policies in detail (1)

	City	Announcement time of the tightening policy	Purchase restriction (PR)/mortgage restriction (MR)	Both apartment and mortgage record are recognized as first home	No. of apartments allowed with local Hukou	No. of apartments allowed without local Hukou	No. of years of social security/personal tax records required for purchasing
Tier 1 cities	Beijing	Before	PR	No	2	1	5
		9/30/2016	MR	No	2	1	5
		3/17/2017	MR	Yes	2	1	5
	Shanghai	Before	PR	No	2	1	2
		9/30/2016	MR	No	2	1	5
		3/17/2017	MR	Yes	2	1	5
	Shenzhen	Before	PR	No	2	1	1
		3/25/2016	MR	No	2	1	5
		11/28/2016	MR	Yes	2 (Singles allowed for only 1)	1	5
	Guangzhou	Before	PR	No	2	1	3
		10/4/2016	MR	No	2	1	3
		3/17/2017	MR	Yes	2 (Singles allowed for only 1)	1	5
Tier 2 cities	Hefei	Before	None	No	Unlimited	Unlimited	Not required
		6/21/2016	PR+MR	Yes	Unlimited	1	Not required
		10/2/2017	PR+MR	Yes	2	1	Not required
	Suzhou	Before	None	No	Unlimited	Unlimited	Not required
		8/11/2016	MR	No	Unlimited	Unlimited	1
		10/4/2017	PR+MR	Yes	3	1	1
	Nanjing	Before	None	No	Unlimited	Unlimited	Not required
		8/11/2016	MR	No	Unlimited	Unlimited	Not required
		9/25/2016	PR	No	2	1	Not required
		10/5/2016	PR+MR	Yes	2 (Singles allowed for only 1)	1	1
		3/15/2017	PR	Yes	2 (Singles allowed for only 1)	1	2
	Hangzhou	Before	None	No	Unlimited	Unlimited	Not required
		9/18/2016	PR	No	Unlimited	1	Not required
		9/27/2016	MR	No	Unlimited	1	Not required
		11/9/2016	MR	Yes	Unlimited	1	1
		3/2/2016	PR	Yes	2	1	2
	Wuhan	Before	None	No	Unlimited	Unlimited	Not required
		8/31/2016	MR	No	Unlimited	Unlimited	Not required
		10/2/2016	PR+MR	No	2	Unlimited	Not required
		11/14/2016	PR+MR	No	2	1	2
	Tianjin	Before	None	No	Unlimited	Unlimited	Not required
		9/30/2016	PR+MR	No	Unlimited	1	Not required
		11/25/2016	MR	No	Unlimited	1	Not required
	Chengdu	Before	None	No	Unlimited	Unlimited	Not required
		10/1/2016	PR+MR	No	1	1	Not required
		10/9/2016	MR	No	1	1	Not required
		11/17/2016	PR	No	1	1	1
	Jinan	Before	None	No	Unlimited	Unlimited	Not required
		10/2/2016	PR+MR	No	3	1	Not required
		12/26/2016	PR	No	2	1	2
	Zhengzhou	Before	None	No	Unlimited	Unlimited	Not required
		10/3/2016	PR+MR	No	2	1	Not required
		12/24/2016	MR	No	2	1	2
		3/17/2017	PR	No	2	1	2
	Xiamen	Before	None	No	Unlimited	Unlimited	Not required
		7/15/2016	PR+MR	Yes	2	2	Not required
		8/31/2016	MR	Yes	2	1	1
		10/4/2016	PR	Yes	2	1	1

Source: Wind, National Statistics Bureau of China, AMTD Equity Research

Figure 45: 2016 - 2017 tightening policies in detail (2)

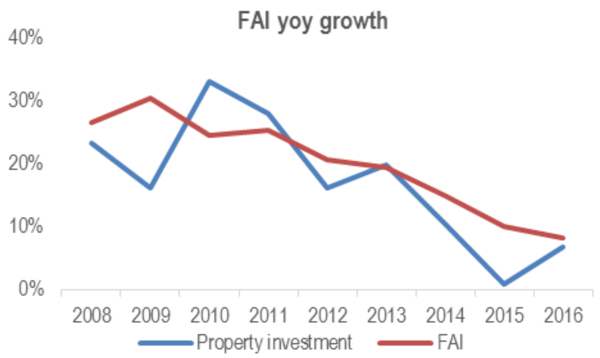
	City	Announcement time of the tightening policy	Purchase restriction (PR)/mortgage restriction (MR)	Both apartment and mortgage record are recognized as first home	No. of apartments allowed with local Hukou	No. of apartments allowed without local Hukou	No. of years of social security/personal tax records required for purchasing
Tier 2 cities	Fuzhou	Before	None	No	Unlimited	Unlimited	Not required
		10/6/2016	PR+MR	No	2	1	1
	Nanchang	Before	None	No	Unlimited	Unlimited	Not required
		10/8/2016	PR+MR	Yes	1	Unlimited	Not required
		3/9/2017	PR	Yes	1	1	Not required
	Qingdao	Before	None	No	Unlimited	Unlimited	Not required
		3/15/2017	PR+MR	No	Unlimited	1	1
	Shijiazhuang	Before	None	No	Unlimited	1	Not required
		3/17/2017	PR+MR	No	Unlimited	1	1
	Changsha	Before	None	No	Unlimited	Unlimited	Not required
		10/4/2016	PR	No	2	2	Not required
		3/18/2017	PR+MR	No	2	1	1
	Zhongshan	Before	None	No	Unlimited	Unlimited	Not required
		3/26/2017	PR+MR	No	3	2	2
Tier 3 cities	Wuxi	Before	None	No	Unlimited	Unlimited	Not required
		10/2/2016	PR+MR	No	Unlimited	1	Not required
	Zhuhai	Before	None	No	Unlimited	Unlimited	Not required
		10/6/2016	PR+MR	No	3	1	1
	Zhangjiakou	Before	None	No	Unlimited	0	Not required
	Huairou County	12/8/2016	PR+MR	No	Unlimited	1	Not required
	Chongli District	3/7/2017	MR	No	Singles allowed for 1	1	1
	Lianyungang	Before	None	No	Unlimited	Unlimited	Not required
		2/24/2017	None	No	Unlimited	Unlimited	Not required
	Tunzhou	Before	None	No	Unlimited	Unlimited	Not required
		3/1/2017	PR+MR	No	Unlimited	1	1
	Xuzhou	Before	None	No	Unlimited	Unlimited	Not required
		3/1/2017	PR+MR	No	Unlimited	Unlimited	Not required
	Sanya	Before	PR	No	2	1	Not required
		3/1/2017	MR	No	2	1	Not required
	Ganzhou	Before	None	No	Unlimited	Unlimited	Not required
		3/15/2017	PR+MR	No	Under 18s allowed for 1	1	2
	Baoding	Before	None	No	Unlimited	Unlimited	Not required
		3/19/2017	PR+MR	Yes	3	1	1
	Dongguan	Before	None	No	Unlimited	Unlimited	Not required
		10/6/2016	PR+MR	No	2	2	1
	Foshan	Before	None	No	Unlimited	Unlimited	Not required
		10/8/2016	PR+MR	No	2	2	1
	Jiaxing	Before	None	No	Unlimited	Unlimited	Not required
		12/3/2016	MR	No	Unlimited	1	Not required
		3/14/2017	MR	No	Unlimited	1	Not required
	Langfang	Before	None	No	Unlimited	Unlimited	Not required
	Downtown	4/1/2016	PR+MR	No	Unlimited	1	Not required
	Sanhe district	7/7/2016	PR+MR	No	Unlimited	1	Not required
	Northern counties	9/13/2016	PR+MR	No	Unlimited	1	Not required

Source: Wind, National Statistics Bureau of China, AMTD Equity Research

Mortgage policy tightening in Tier 1/Tier 2 cities

The notable property price movement in 2016 in Tier 1/Tier 2 cities was partly driven by the easing credit policy on mortgages loans as well as loosening policy in domestic bonds for developers. National mortgage loans grew significantly by 35% yoy in 2016, vs 23% in 2015. With purchase restriction policy in place in Tier 1 cities, the tightening policies started to focus on mortgage loans in cities where property price has increased the most. This is likely to remain for the rest of 2017 but national mortgage loans is likely to grow at a relatively fast pace in 2017, according to PBOC governor Mr. Zhou Xiaochuan at PBOC press conference in March 2017. This, while aiming at suppressing the speculation demand in Tier 1/Tier 2 cities, will support the property inventory de-stocking in lower tier cities.

Figure 46: Property investment slowdown triggered easing policy



Source: Wind, National Statistics Bureau of China

Figure 47: Housing mortgage loans and developer loans yoy growth

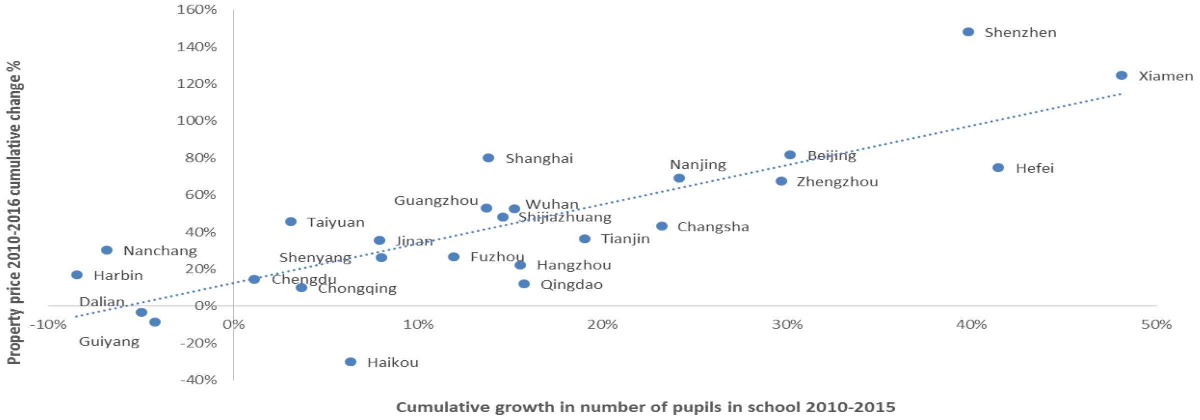
Source: Wind, National Statistics Bureau of China

Long-term property demand dependent on population inflows

We studied the correlation between property price performance and the population inflow of the municipalities and capital cities in China. We use the number of pupils as a proxy for population movement. We believe this data point is a better indicator of long-term residence trend than the Hukou population data. During 2010-2015, national total number of pupils recorded a 3% decrease due to decreasing newborns. However, the picture varied a lot in different cities. An increase in pupil would suggest an increase in long-term residence and may indicate an increase in the end-demand for properties, vice versa. For example, during 2010-2015, Shenzhen, Xiamen, and Hefei recorded the biggest increase in the number of pupils in schools. Their property prices also recorded the strongest appreciation. However, there is deviation from the trend which may be affected by the investment demand, inventory levels and expectation of future land supplies.

Going forward, we expect continued population inflows in core Tier 1/Tier 2 and their satellite cities which will support local property end demand. In particular, we expect stronger population inflows in satellite cities and core tier 2 cities where property prices are more affordable. We do not expect the population outflow trend to reverse in other lower tier cities. Therefore, the growth in property sales in these lower tier cities may not be sustainable.

Figure 48: 2010-2016 – Property price performance is closely correlated to population flows: cities with the strongest population inflows also recorded the highest rise in property price



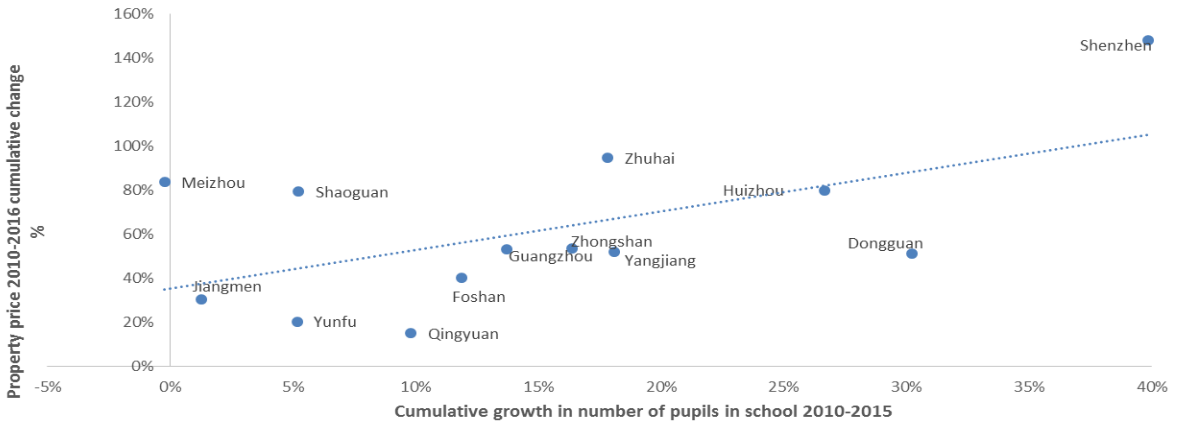
Source: Wind, National Statistics Bureau of China, AMTD Equity Research

Guangdong's property market

In particular, we look at the property market in Guangdong. We list out the property market performance in all the cities in Figure 12. Aoyuan has quality land bank in Guangzhou and Shenzhen, and in a few Pearl-River-Delta cities that are near these two core cities such as Zhuhai, Foshan, Zhongshan and Huizhou. All of these cities witnessed strong demand in recent years, and significant price appreciation in 2016. Other lower tier cities in Guangdong recorded relatively stable price performance, but some of them enjoyed remarkable increase in floor space sold such as Qingyuan, Yunfu and Yangjiang. Aoyuan's inventory in Tier 3/Tier 4 cities are mainly in cities surrounding Guangzhou or Shenzhen. Most of the lower tier cities enjoyed strong growth in floor space sold, while all of the "satellite cities" also recorded notable price appreciation such as Dongguan, Zhongshan and Huizhou.

Local property price performance also closely correlate with population inflows. However, there is similar deviation from the trend affected by the investment demand, inventory levels and expectation of future land supplies. For example, the large cumulative price appreciation in Meizhou and Shaoguan was driven by a very low level of property price back to 2010. The big movement in Shenzhen and Zhuhai may suggest a big supply-demand imbalance.

Figure 49: Most of Aoyuan's land bank cities recorded population in flows



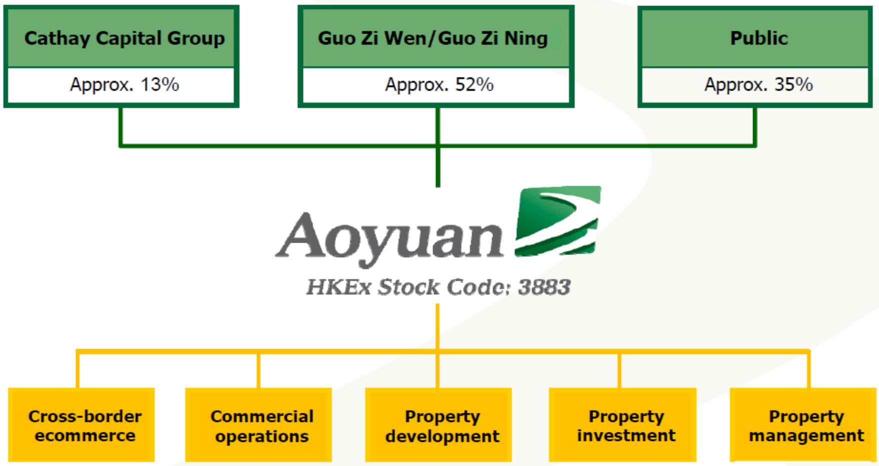
Source: Wind, Statistics Bureau of Guangdong, AMTD Equity Research

Appendix

Company background

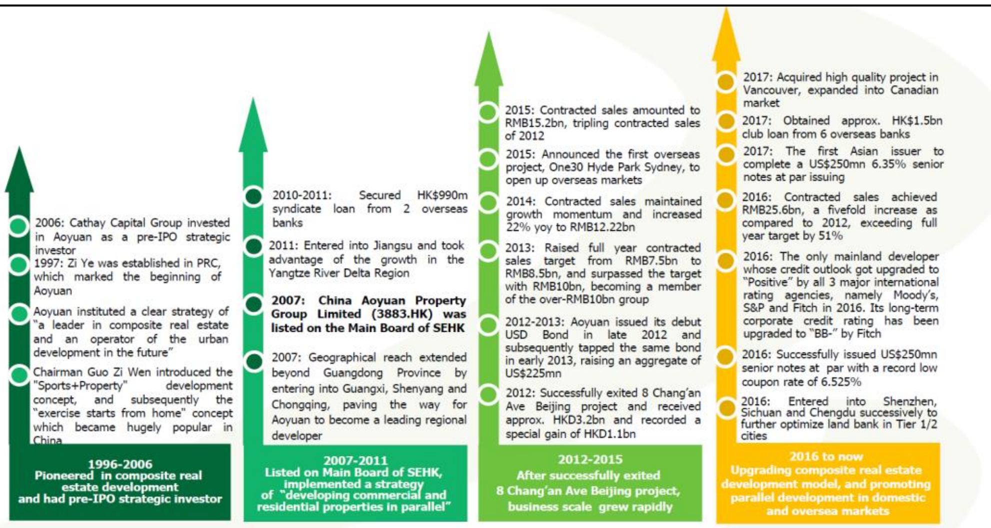
China Aoyuan Property Group Limited has been developing residential projects for over two decades with innovative concept of composite real estate, incorporating healthy living concepts of sports and regimen into residential communities. Aoyuan focuses on developing residential and commercial properties in Tier 1 and Tier 2 cities. The company was listed on the main board of The Stock Exchange of Hong Kong in 2007. Since its listing, Aoyuan has grown from a leading regional developer in Guangdong to a national diversified developer with presence in Pearl River Delta, Central&Western China, Yangtze River Delta, Beibuwan and Bohai Wan. It has also successfully established itself in Sydney with its localization strategy. Recently the company also entered into Canada market, a further step towards global markets.

Figure 50: Aoyuan shareholding structure



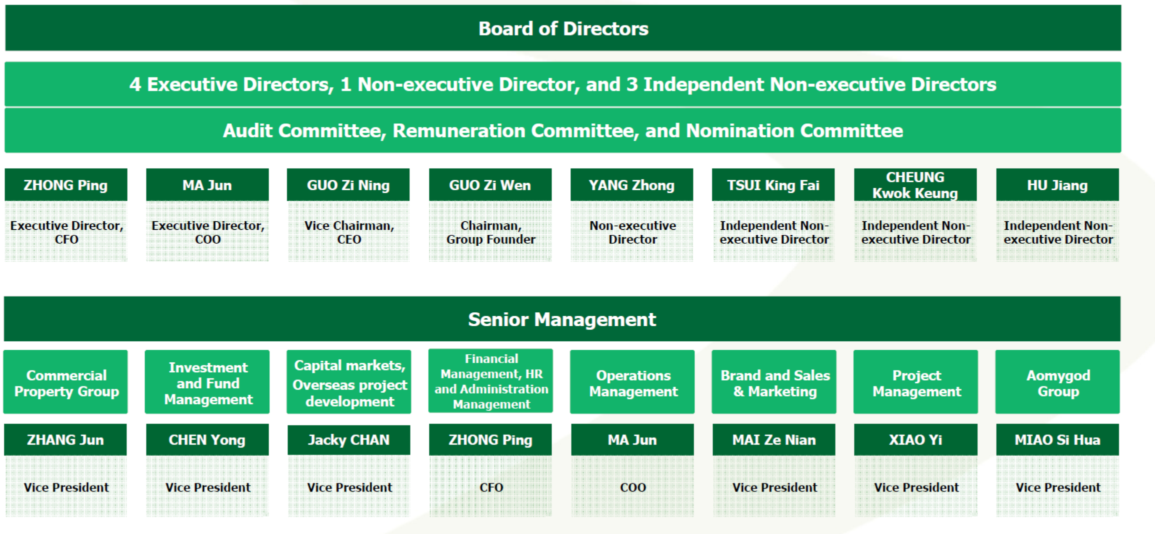
Source: Company data

Figure 51: Aoyuan corporate milestones



Source: Company data

Figure 52: Aoyuan's experienced management team



Source: Company data

Figure 53: Aoyuan's experienced management team

Name	Position	Experience
Guo Zi Wen	**Chairman**	Guo Zi Wen, aged 52, is the founder of the Aoyuan Group. Mr. Guo is mainly responsible for the formulation of development strategies, as well as giving guidance to the group's project planning, financing and investment. In 2014, Mr. Guo received the Award of "Outstanding Leaders for the Year" nominated by Nanfang Media and Peking University. In 2010, Mr. Guo was named "Outstanding Leader" in the event "Leaders of Real Estate of Guangdong in Ten Golden Years" and in 2011, Mr. Guo was named "CAPITAL Leader of Excellence 2011". In 2008, Mr. Guo was awarded as one of the Top 10 Outstanding Entrepreneurs of the Past Three Decades in China Real Estate and was recognized as one of the Top 30 Leaders in the Residential Construction of Guangdong. In 2004, Mr. Guo received the China Real Estate Special Contribution Award, and the China Real Estate Theory Research Contribution Award and was named one of the Top 10 Outstanding Real Estate Entrepreneurs in the PRC in the same year.
Guo Zi Ning	**Vice Chairman and Chief Executive Officer**	Guo Zi Ning, aged 55. He participated in the preparation of the Group in 1996, now primarily responsible for legal affairs, commercial property investment, development and operation, and leads the overall administration management of the Group.
Zhong Ping	**Chief Financial Officer**	Zhong Ping, aged 48, is an executive Director, chief financial officer, director of Finance Centre and director of personnel assessment centre. She obtained a Master degree of Accountancy from Jinan University and is a certified tax advisor and certified accountant. She joined Aoyuan in August 2003 and is mainly responsible for the finance, internal audit, administration and human resources management of the Group.
Ma Jun	**Chief Operating Officer**	Mr. Ma Jun, aged 40, is an executive director and chief operating officer of the group. Mr. Ma is mainly responsible for the management of real estate business operations of the group. Before joining the group in March 2015, Mr. Ma worked at Zhonghai Property Tianjin Company as deputy general manager and Shenzhen Ao Chen Property as an executive vice president and possessed more than 15 years of experience in the real estate industry. Mr. Ma holds a bachelor degree in Environmental Engineering awarded by Tianjin University in the PRC.
Yang Zhong	**Non-executive Director**	Yang Zhong, aged 48, was appointed as an executive Director of the company in January 2011 and re-designated as a non-executive director of the company in February 2016. Mr. Yang is also a director of certain subsidiaries of the Company. He joined the Group in September 2009. He has the qualification of a PRC registered real estate appraiser and is a registered supervision engineer with extensive, comprehensive and professional management experience in the real estate industry in the PRC. Mr. Yang worked in two reputable property developers prior to joining the Group in September 2009.
Tsui King Fai	**Independent Non-executive Director**	Tsui King Fai, aged 67, was appointed as an independent non-executive Director on 13 September 2007. Mr. Tsui is the chairman of remuneration committee, member of audit committee and nomination committee of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Accountants Australia + New Zealand and a member of the American Institute of Certified Public Accountants. He has over 30 years of extensive experience in accounting, finance and investment management, particularly in investments in Mainland China. Mr. Tsui is a director and senior consultant of a registered financial services company in Hong Kong. He had worked for two of the "Big Four" audit firms in Hong Kong and the United States of America and served in various public listed companies in Hong Kong in a senior capacity.
Cheung Kwok Keung	**Independent Non-executive Director**	Cheung Kwok Keung, aged 50, was appointed as an independent nonexecutive director on 20 January 2011. Mr. Cheung is the chairman of audit committee, member of remuneration committee and nomination committee of the Company. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over 20 years of experience in auditing, accounting and financial management. Mr. Cheung is the chief financial officer and company secretary of Lee & Man Paper Manufacturing Limited (2314.HK) and he was until 25 April 2014, also an independent non-executive director of Sheng Yuan Holdings Limited (851.HK), both of which are listed on the Main Board of Stock Exchange.
Hu Jiang	**Independent Non-executive Director**	Hu Jiang, aged 60, was appointed as an independent non-executive director on 28 February 2014. Mr. Hu is the member of audit committee, remuneration committee and nomination committee of the Company. He was the principal of Beijing Normal University (Zhuhai) College of Real Estate from November 2010 to July 2015. Mr. Hu has over 20 years of teaching and research experience in the fields of geography and real estate. He is a senior economist and has the qualification of a PRC registered real estate appraiser. He is also a member of China Real Estate Valuers Association and he appointed as deputy permanent secretary of China Real Estate Valuers and Agent Association on July 2015. Mr. Hu holds a degree in science from the Beijing Normal University. Mr. Hu had been a vice president of the company from July 2007 to May 2008. Except for being a director of the Company, Mr. Hu has not held any directorship in any other listed public companies during the past three years.
Chan Ka Yeung Jacky	**Senior Management**	Chan Ka Yeung Jacky, aged 37, is a vice president of the Group, the president of Australia Company and overseas markets the head of corporate finance and investor relations. He graduated from the University of Illinois at Urbana Champaign in the United States of America with Bachelor's degree in Economics. He has extensive experience in financial services and investor relations. He had previously been the chief investment officer and investor relations director of Zhong An Real Estate Limited and the deputy head and responsible officer of the capital markets department of Agile Property Holdings Limited. He joined the group in October 2013 and is now mainly responsible for the operation and management of Hong Kong and Australia office, development of overseas projects, corporate finance, investor relations, as well as other capital markets related affairs of the Group.

Source: Company data

IMPORTANT DISCLOSURES

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Neutral	Industry sector expected to perform in-line with the market over the next 12 months
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