

Sinic Holdings (2103 HK)

Rising star from Jiangxi

- **A rising developer from Jiangxi.** Sinic Holdings (Group) Company Limited ("Sinic") is a large-scale and comprehensive property developer in the PRC, focusing on the development of residential and commercial properties. Headquartered in Shanghai, Sinic commenced its first project in Nanchang, Jiangxi in 2010. Through almost 10 years of operations, Sinic has established a leading position among residential property developers in (i) Jiangxi Province, and expanded into the (ii) Yangtze River Delta Region, (iii) the Greater Bay Region and (iv) the Central and Western China Core Cities and Other Regions with High-Growth Potential.
- **Strong pipeline in Nanchang and Huizhou.** As of 31 Jul 2019, total land bank attributable to the Company amounted to approx.15.0mn sq m. Sinic holds a firm lead in the Jiangxi real estate market. According to the C&W Report, the Company led in terms of total contract sales from residential properties in 2018, and in the same period was ranked first among property developers, both in Nanchang and Ganzhou, based on total area of residential properties sold. As of 31 Jul 2019, land bank in Jiangxi and GBA amounted to 7.4mn sq m and 3.5mn sq m, accounting for 50% and 23% of total land bank, respectively. In specific, Nanchang and Huizhou are the two key markets of Sinic, accounting for 40% and 20% of land bank, respectively.
- **Forecast net profit to grow at a CAGR of 106% from 2018 to 2021.** Net profit attributable to shareholders were RMB62mn, RMB95mn and RMB414mn in 2016-18, respectively. Corresponding net profit margin attributable to shareholders were 2.8%, 1.8% and 4.9% in 2016-18. Driven by strong project delivery in the forecast period, we forecast net profit attributable to shareholders to be RMB 1,468mn, RMB 2,739mn and RMB 3,618mn in 2019-21, respectively, representing a CAGR of 106.0% next three years.
- **Initiate with BUY.** Using discount to NAV method, we estimate end-FY20 NAV of Sinic to be RMB8.69 per share. Given 50% discount and RMB 0.90=HK\$ 1.00 assumption, we have our TP at HK\$4.83. **Initiate with BUY.**

Earnings Summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue (RMB mn)	5,241	8,416	22,444	40,681	55,001
YoY growth (%)	135.8	60.6	166.7	81.3	35.2
Net income (RMB mn)	95	414	1,468	2,739	3,618
EPS (RMB)	n.a.	n.a.	0.41	0.77	1.01
YoY growth (%)	n.a.	n.a.	n.a.	86.5	32.1
P/E (x)	n.a.	n.a.	8.8	4.7	3.6
P/B (x)	n.a.	n.a.	1.8	1.4	1.1
Yield (%)	n.a.	n.a.	3.4	6.3	8.4
ROE (%)	2.4	9.7	20.7	30.4	31.4
Net gearing (%)	269.7	237.9	119.5	103.5	87.9

Source: Company data, CMBIS estimates

BUY (Initiation)

Target Price	HK\$4.83
Up/Downside	+19.9%
Current Price	HK\$4.03

China Property Sector

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Stock Data

Mkt Cap (HK\$ mn)	14,388
Avg 3 mths t/o (HK\$ mn)	n.a.
52w High/Low (HK\$)	4.13/3.81
Total Issued Shares (mn)	3,570
Source: Bloomberg	

Shareholding Structure

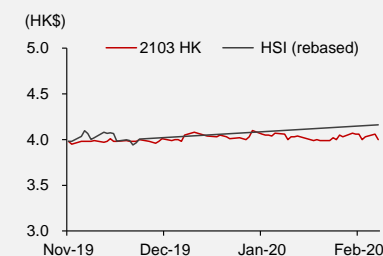
Zhang Yuanlin	83.19%
Free float	16.81%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	-1.5%	2.9%
3-mth	n.a	n.a
6-mth	n.a	n.a
12-mth	n.a	n.a

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

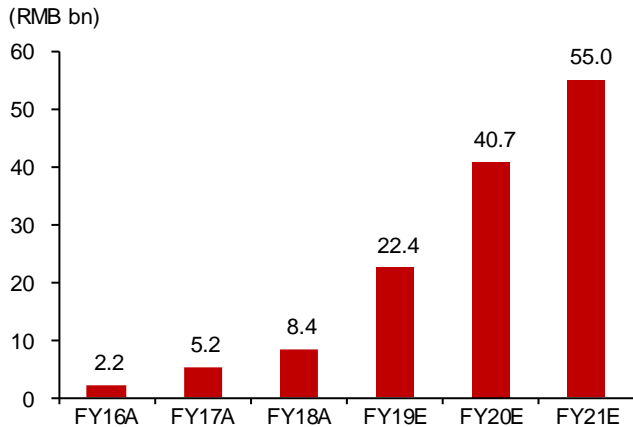
Auditor: Ernst & Young

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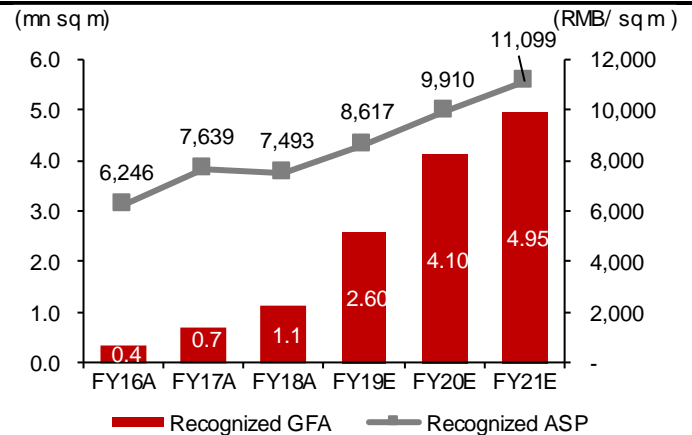
Foucs Charts

Figure 1: Revenue



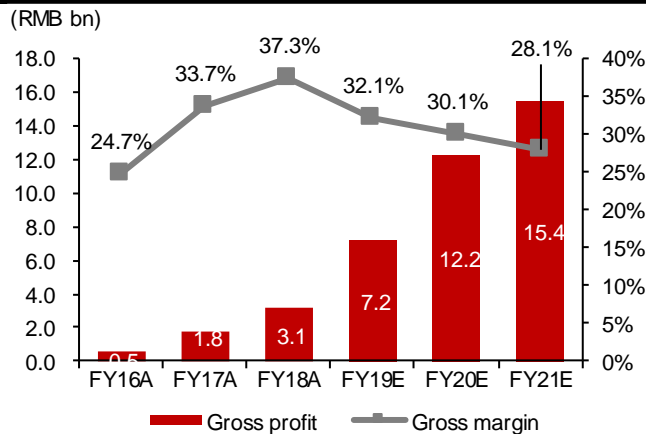
Source: Company data, CMBIS estimates

Figure 2: Recognized GFA and ASP



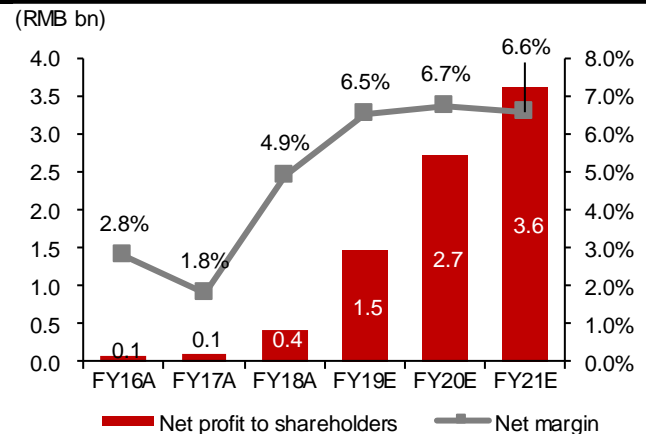
Source: Company data, CMBIS estimates

Figure 3: Gross profit and gross margin



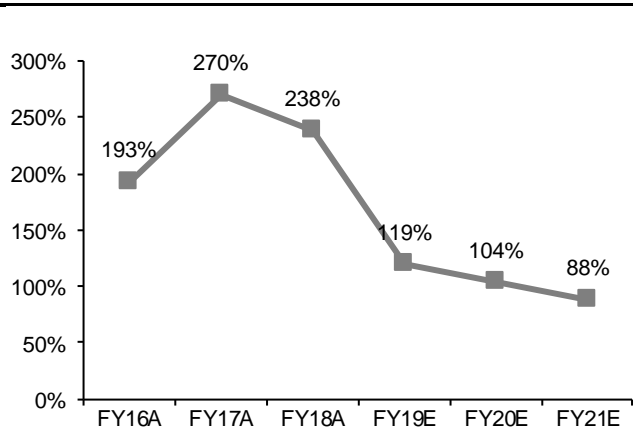
Source: Company data, CMBIS estimates

Figure 4: Net profit and net margin



Source: Company data, CMBIS estimates

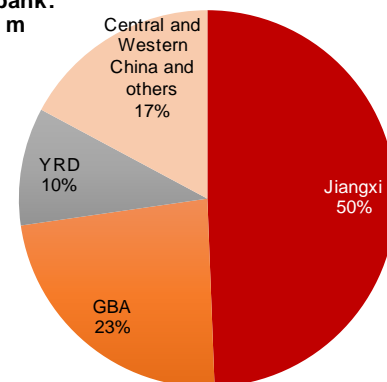
Figure 5: Net gearing ratio



Source: Company data, CMBIS estimates

Figure 6: Land bank

Total land bank:
15.0 mn sq m



Source: Company data

Note: As of 31 Jul 2019; including Joint Ventures and Associates projects.

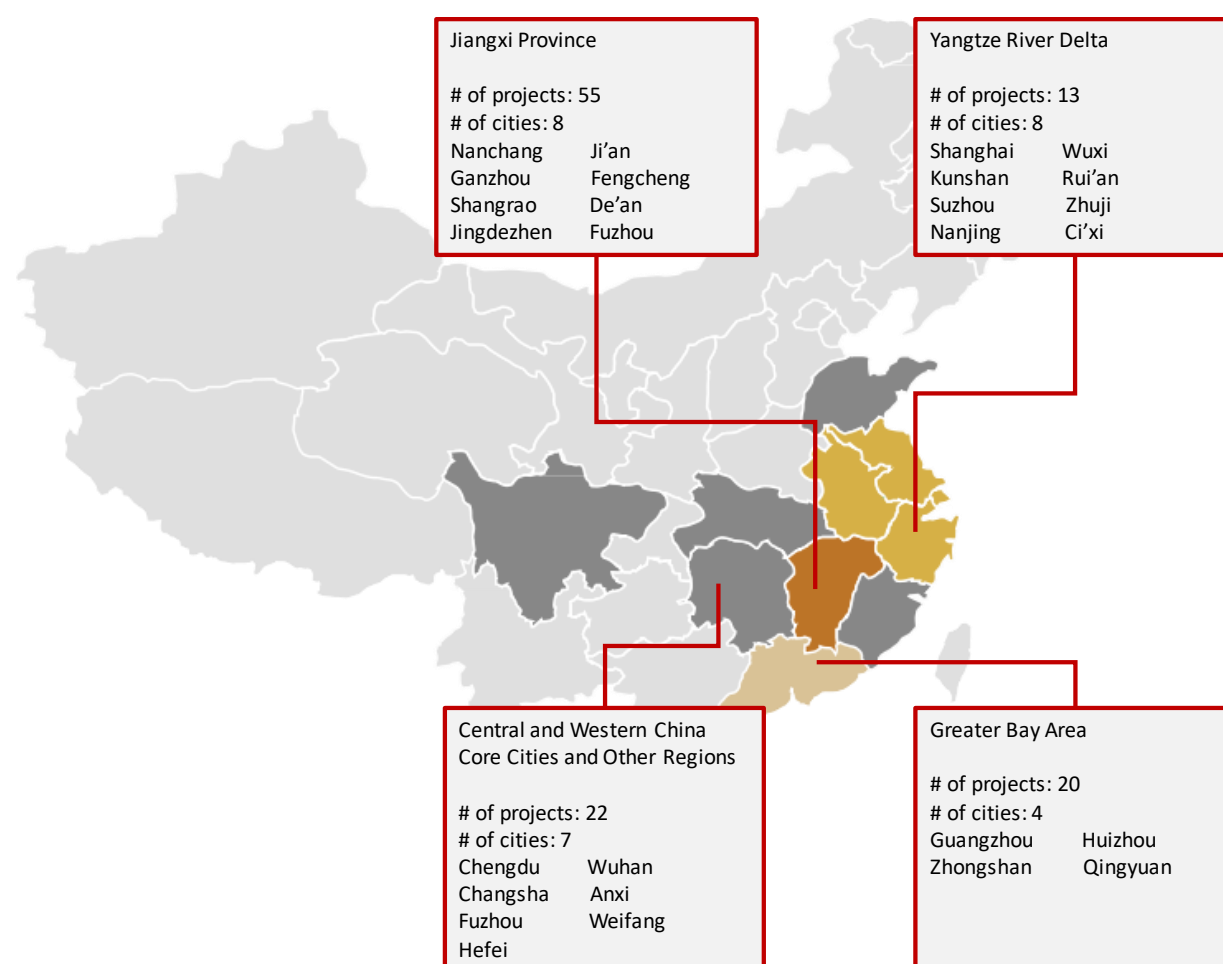
Company Background

Overview

Sinic Holdings (Group) Company Limited (“Sinic”) is a large-scale and comprehensive property developer in the PRC, focusing on the development of residential and commercial properties. Headquartered in Shanghai, Sinic commenced its first project in Nanchang, Jiangxi in 2010. Through almost 10 years of operations, Sinic has established a leading position among residential property developers in (i) Jiangxi Province, and expanded into the (ii) Yangtze River Delta Region, (iii) the Greater Bay Region and (iv) the Central and Western China Core Cities and Other Regions with High-Growth Potential.

According to CREIS, Sinic was ranked 31st among property developers in the PRC in terms of comprehensive property development ability in 2019. Sinic was recognized as one of the China’s Top 50 Real Estate Development Enterprises jointly by the China Real Estate Industry Association, Shanghai Yiju Real Estate Research Institution and China Real Estate Appraisal in 2018 and 2019, and one of the China’s Top 100 Real Estate Developers – Growth Top 10 by the China Real Estate Top 10 Research Committee in 2018 and 2019.

Figure 7: Geographic presence

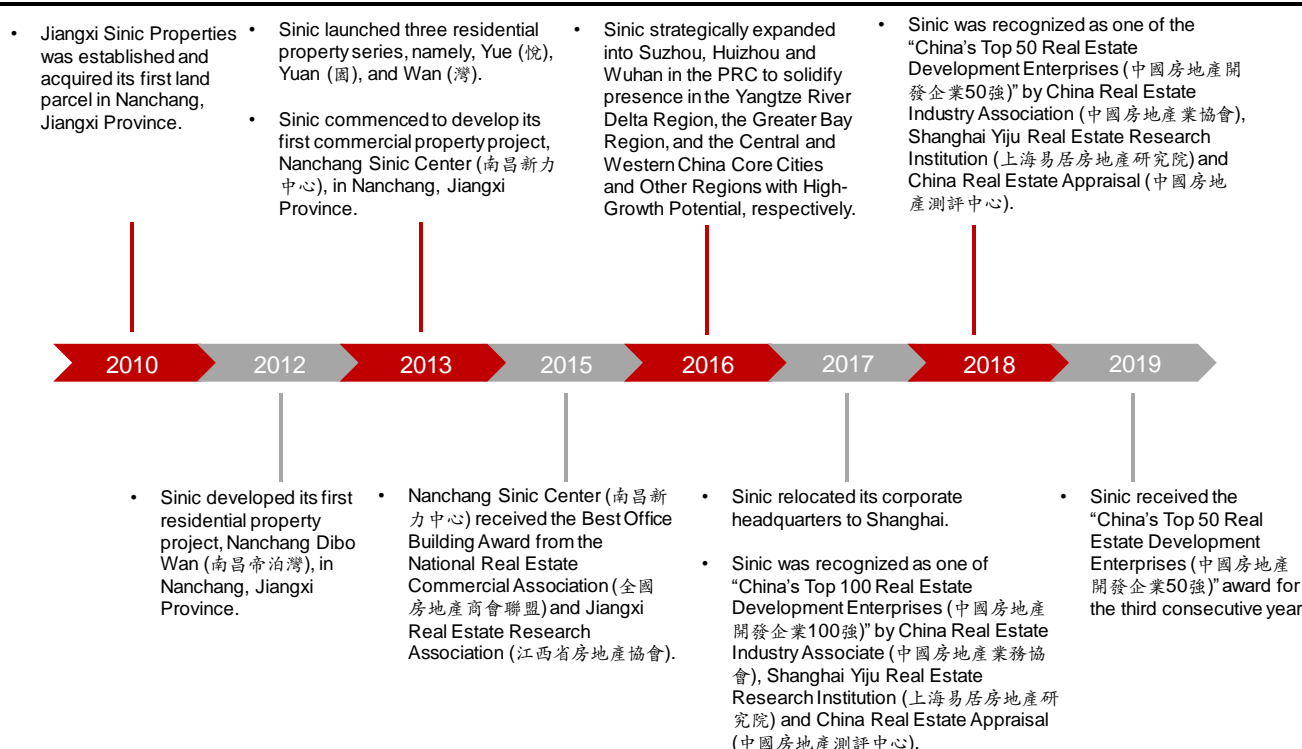


Source: Company data

History

The origins of Sinic can be traced back to the establishment of Jiangxi Sinic Properties in Mar 2010, when the Company acquired its first land parcel in Nanchang, Jiangxi Province and subsequently developed it into its first residential property project, Nanchang Dibo Wan (南昌帝泊灣). Since then, Sinic has expanded its residential property development business into different cities across the PRC and further established “Sinic” brand of properties. In addition to residential properties development, the Company commenced to engage in the development, operation and management of commercial properties in 2013 and holds a portion of such commercial properties for further investment purpose. Mr. Zhang, the Controlling Shareholder, was one of the three beneficial owners of the equity interest of Jiangxi Sinic Properties at its inception and became the only beneficial owner of the equity interest of Jiangxi Sinic Properties in Mar 2014.

Figure 8: Key business milestones



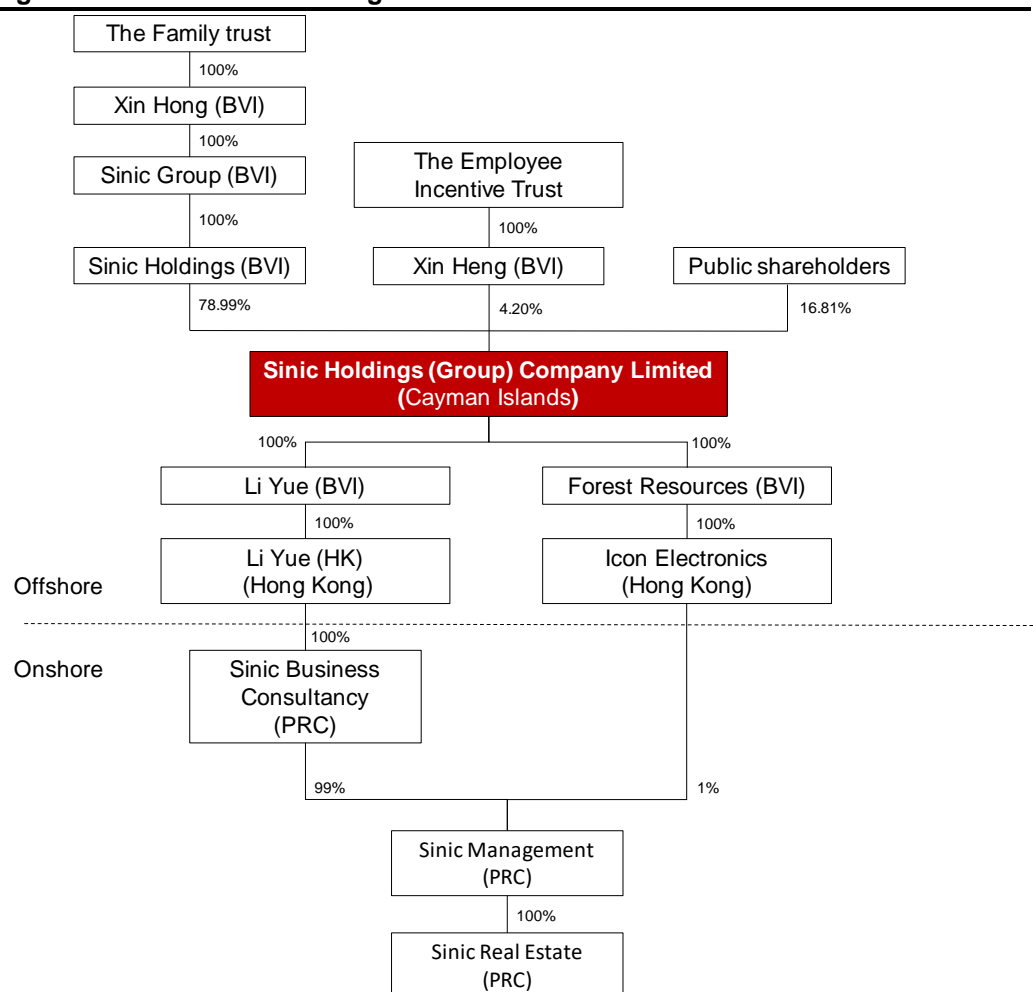
Source: Company data

Shareholding structure

Sinic Holdings directly holds 94% of the issued share capital of the Company. Sinic Holdings is wholly owned by Sinic Group, which in turn is wholly owned by Xin Hong. All the issued shares and interest in Xin Hong is held by TMF (Cayman) Ltd.. TMF (Cayman) Ltd. is the trustee of the Family Trust, which is a discretionary trust established by Mr. Zhang Yuanlin (Mr. Zhang) as settlor with Mr. Zhang and Mr. Zhang’s family members as beneficiaries. Accordingly, Mr. Zhang is deemed to be interested in the Shares held by Sinic Holdings.

Xin Heng directly holds 5% of the issued share capital of the Company. On 3 Apr 2019, Mr. Zhang transferred all the issued shares in Xin Heng by way of gift to Glory Victory Holdings Limited. Glory Victory Holdings Limited is the nominee of TMF Trust (HK) Limited. And TMF Trust (HK) Limited is the trustee of the Employee Incentive Trust, a discretionary trust set up by Mr. Zhang. The beneficiaries of the Employee Incentive Trust are employees of the Company to be named from time to time pursuant to a share incentive scheme adopted by Mr. Zhang. Mr. Zhang Yuanlin is the settlor of TMF Trust (HK) Limited. Accordingly, Mr. Zhang is deemed to be interested in the Shares held by Xin Heng.

Figure 9: Current shareholding structure



Source: Company data

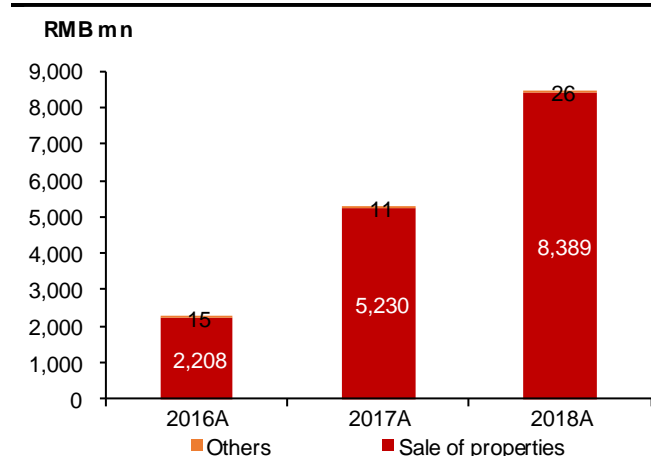
Business

Overview

Sinic is a large-scale and comprehensive property developer in the PRC, focusing on the development of residential and commercial properties. Through nearly 10 years of operations, the Company has successfully established a leading position among residential property developers in Jiangxi Province and, by leveraging the success and experience in Jiangxi Province, expanded property development business into the Yangtze River Delta Region, the Greater Bay Region and the Central and Western China Core Cities and Other Regions with High-Growth Potential.

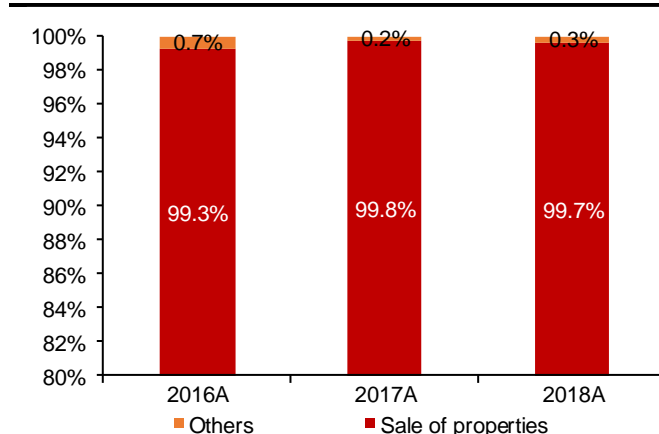
Total revenue consists of revenue derived from (i) sale of properties, and (ii) other business, including consulting services and investment properties. Sales of properties is the core business, accounting 99.3%, 99.8% and 99.7% of total revenue in 2016-18.

Figure 10: Revenue



Source: Company data

Figure 11: Revenue mix



Source: Company data

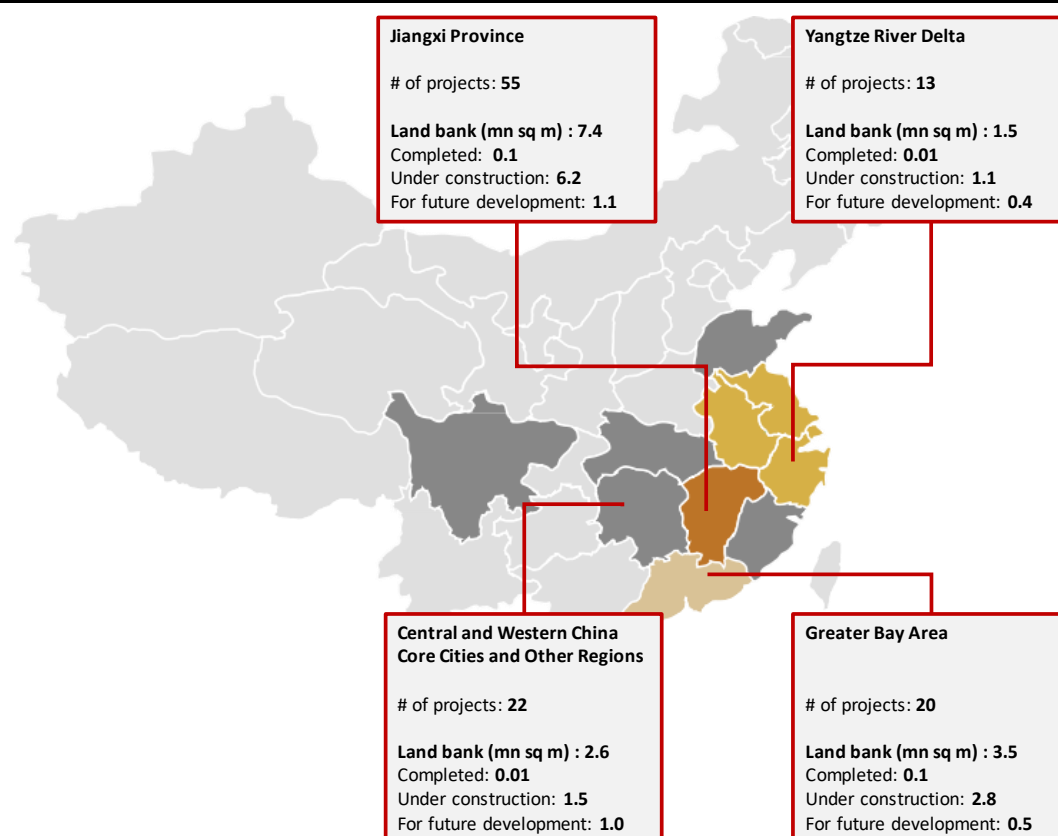
Property development and sales

Since inception in 2010, Sinic has grown rapidly into a comprehensive real estate developer. As of 31 Jul 2019, Sinic had 110 property projects in 27 cities and 11 provinces across four business regions in China, including (i) Jiangxi Province, (ii) Greater Bay Region, (iii) Yangtze River Delta, and (iv) Central and Western China Core Cities and other Regions with High-Growth Potential.

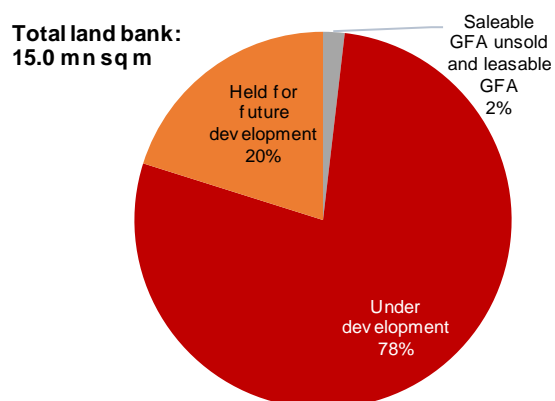
Land bank

As of 31 Jul 2019, Sinic had an aggregate attributable GFA of approx. 15.0mn sq m, including (i) the total GFA available for sale and total leasable GFA for completed properties of approx. 0.3mn sq m, (ii) the total GFA for properties under development of approx. 11.7mn sq m and (iii) the total GFA for properties held for future development of approx. 3.0mn sq m.

Furthermore, out of the 110 property projects, 84 projects were developed by the Company's subsidiaries (12.9mn sq m), and 26 projects were developed by joint ventures and associates (2.1mn sq m).

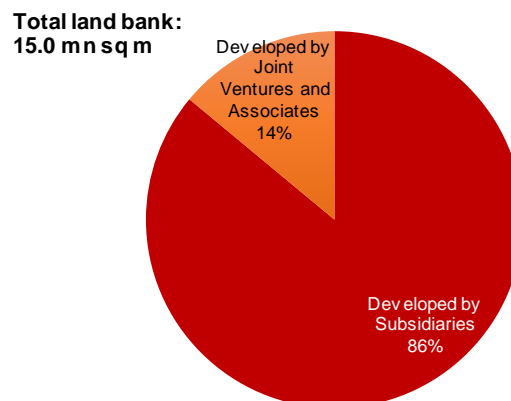
Figure 12: Business regions

Source: Company data

Figure 13: Land bank by development stages

Source: Company data

Note: As of 31 Jul 2019; including Joint Ventures and Associates projects

Figure 14: Land bank development types

Source: Company data

Note: As of 31 Jul 2019

Figure 15: Land bank

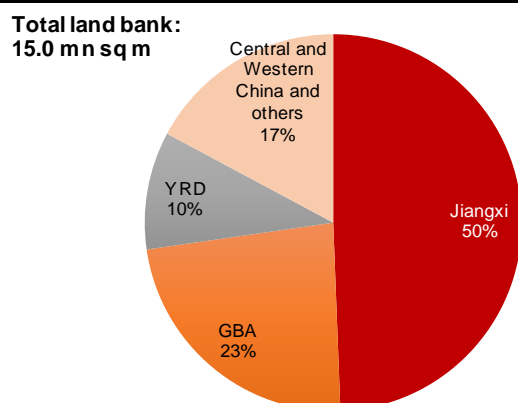
Region	Cities	# of Projects	Completed GFA Available for Sale/ Leasable GFA (1) (sq m mn)	GFA Under Development (sq m mn)	Planned GFA for Future Development (sq mn)	Total Land Bank Attributable (2) (sq mn)	% of Total Land Bank
Property Projects Developed by Subsidiaries							
Jiangxi	Nanchang	32	0.13	4.12	0.84	5.09	34.0%
	Ganzhou	4	0.00	0.69	0.10	0.80	5.3%
	Ji'an	1	-	0.15	-	0.15	1.0%
	Jingdezhen	1	-	0.12	-	0.12	0.8%
	Fengcheng	1	0.00	0.06	-	0.06	0.4%
	Sub-total	39	0.13	5.14	0.94	6.21	41.5%
YRD	Wuxi	3	0.01	0.24	0.21	0.46	3.1%
	Kunshan	2	-	0.21	-	0.21	1.4%
	Suzhou	1	-	0.12	-	0.12	0.8%
	Zhuji	1	-	0.24	-	0.24	1.6%
	Cixi	1	-	0.06	-	0.06	0.4%
	Rui'an	1	-	0.09	-	0.09	0.6%
	Sub-total	9	0.01	0.96	0.21	1.18	7.9%
GBA	Huizhou	15	0.12	2.45	0.45	3.02	20.2%
	Qingyuan	1	-	0.10	-	0.10	0.6%
	Guangzhou	1	-	0.12	0.07	0.20	1.3%
	Zhongshan	1	-	0.13	-	0.13	0.8%
	Sub-total	18	0.12	2.79	0.52	3.44	23.0%
Central and Western China and Others	Changsha	7	-	0.58	0.32	0.90	6.0%
	Wuhan	3	0.01	0.37	-	0.38	2.5%
	Chengdu	3	-	0.19	0.18	0.38	2.5%
	Weifang	1	-	-	0.06	0.06	0.4%
	Fuzhou	2	-	-	0.12	0.12	0.8%
	Hefei	2	-	-	0.21	0.21	1.4%
	Sub-total	18	0.01	1.14	0.90	2.05	13.7%
Attributable — Total		84	0.27	10.04	2.57	12.88	86.0%
Property Projects Developed by Joint Ventures and Associates							
Jiangxi	Nanchang	13	0.01	0.80	0.13	0.94	6.3%
	De'an	1	-	0.09	-	0.09	0.6%
	Fuzhou	1	-	0.08	-	0.08	0.6%
	Shangrao	1	-	0.07	-	0.07	0.4%
	Subtotal	16	0.01	1.04	0.13	1.18	7.9%
YRD	Wuxi	1	-	0.03	0.08	0.12	0.8%
	Suzhou	1	-	0.04	0.03	0.07	0.5%
	Nanjing	1	-	0.02	0.05	0.07	0.5%
	Shanghai	1	-	0.08	-	0.08	0.5%
	Subtotal	4	-	0.17	0.17	0.34	2.2%
GBA	Qingyuan	1	-	0.04	-	0.04	0.2%
	Zhongshan	1	-	-	0.02	0.02	0.1%
	Sub-total	2	-	0.04	0.02	0.06	0.4%
Central and Western China and Others	Wuhan	2	-	0.36	0.11	0.47	3.2%
	Anxi	1	-	0.03	-	0.03	0.2%
	Chengdu	1	-	-	0.02	0.02	0.1%
	Sub-total	4	-	0.40	0.12	0.52	3.5%
Attributable — Total.		26	0.01	1.64	0.44	2.09	14.0%
Total Land Bank		110	0.28	11.68	3.01	14.97	100.0%

Source: Company data; as of 31 Jul 2019

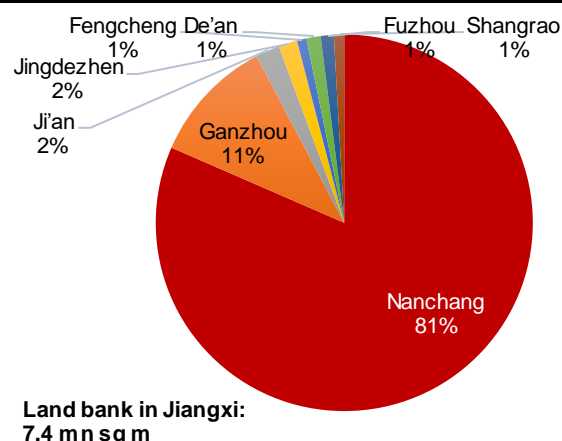
Note: (1) Includes saleable GFA remaining unsold, which includes properties for which the Company has not executed any sales and purchase agreement, and leasable GFA.

(2) For projects held by joint ventures or the Company's associates, total GFA will be adjusted by the Company's equity interest in the respective project.

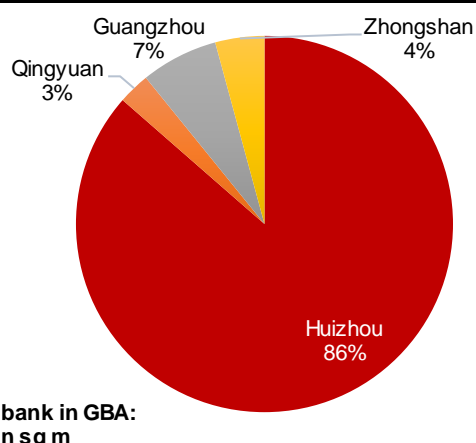
Sinic holds a strong pipeline in Jiangxi and GBA. As of 31 Jul 2019, land bank in Jiangxi and GBA amounted to 7.4mn sq m and 3.5mn sq m, accounting for 50% and 23% of total land bank, respectively. Specifically, Nanchang and Huizhou are two key cities of Sinic. 40% of total land bank was in Nanchang and 20% in Huizhou.

Figure 16: Land bank by region


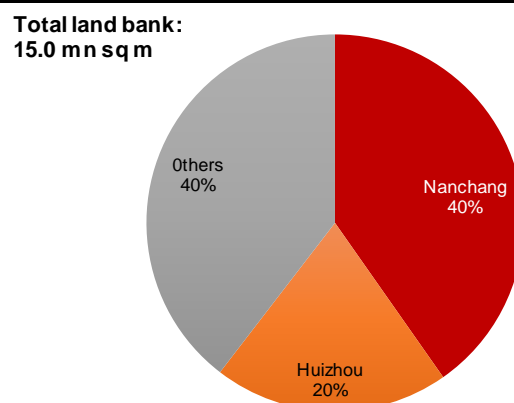
Source: Company data
 Note: As of 31 Jul 2019; including Joint Ventures and Associates projects

Figure 17: Land bank in Jiangxi


Source: Company data
 Note: As of 31 Jul 2019; including Joint Ventures and Associates projects

Figure 18: Land bank in GBA


Source: Company data
 Note: As of 31 Jul 2019; including Joint Ventures and Associates projects

Figure 19: Land bank by core markets


Source: Company data
 Note: As of 31 Jul 2019; including Joint Ventures and Associates projects

Product line

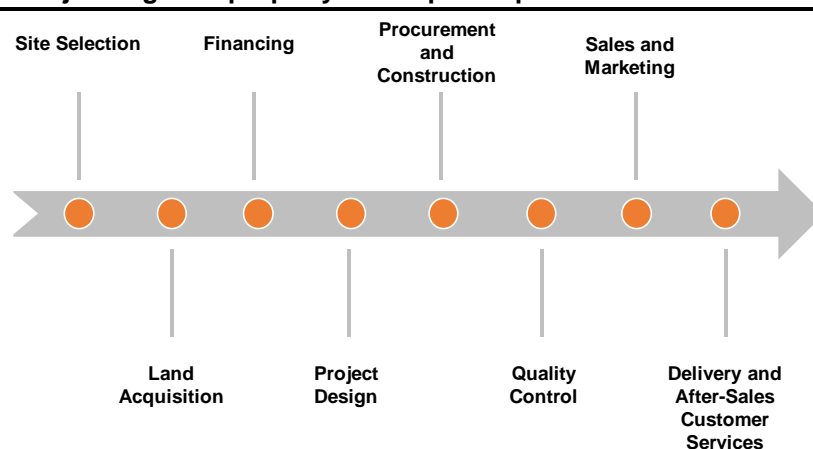
Sinic primarily develops quality residential properties under three main product series, namely, “Wan” Series (灣系), “Yuan” Series (園系) and “Yue” Series (悅系).

- **“Wan” Series (灣系):** Wan properties generally target first-time home buyers. Wan properties usually aim to offer a comfortable living environment through, among others, appealing landscaping, comprehensive ancillary facilities and quality product designs. Examples of such properties include Huizhou Dibo Wan, Wuhan Jinsha Wan and Nanchang Dibo Wan.
- **“Yuan” Series (園系):** Yuan properties generally target customers who are seeking to upgrade their homes. Yuan properties usually offer upgraded residential units or houses, with tasteful decorations and designs, well-rounded and upgraded ancillary facilities and community gardens or landscaping. Examples of such properties include Huizhou Sinic City and Nanchang Dong Yuan.
- **“Yue” Series (悅系):** Yue properties generally target customers seeking a luxury living experience. Yue properties usually offer large living spaces, with first-class decorations and ancillary facilities and property management services. An example of such property is Nanchang Ya Yuan Zhou Yue.

Property Development Process

Success in property development is attributable to the Company’ standardized operating procedures, which enable the Company to plan and execute preparation work within required time frame for each development stage after acquiring the land and improve overall operating efficiency. Through the utilization of standardized operating procedures, Sinic has been able to complete property projects within approx. 21 to 29 months on average from obtaining the construction works commencement permits to obtaining the completion certificates. The Company formulates and modifies the procedures based on operational experience and needs and sometimes on a case-by-case basis. Such procedures set out the guidelines for the Company’s employees in managing and developing property projects, and provide detailed timing and evaluation targets and checklists for different types of projects developed in different cities.

Figure 20: Major stages of property development process



Source: Company data

Note: The required time for each property development stage may vary among projects depending on the geographical location and the size of the projects. The sequence of specific planning and execution activities may also vary among projects due to the requirement of local laws and regulations.

Site Selection

In terms of site selection for property projects, Sinic focuses on suitable locations in Jiangxi Province, the Yangtze River Delta Region, the Greater Bay Region, the Central and Western China Core Cities and Other Regions with High-Growth Potential. In terms of site selection for the property projects, Sinic focuses on suitable locations in Jiangxi Province, the Yangtze River Delta Region, the Greater Bay Region, the Central and Western China Core Cities and Other Regions with High-Growth Potential.

Land Acquisition

During the Track Record Period, Sinic obtained land reserves primarily through:

- 1) participation in public tender and listing-for-sale process;
- 2) acquisition of equity interests in, or land parcels from, third parties which possess land parcels; and
- 3) joint ventures with other property developers.

Sinic selects land acquisition method based on prevailing market conditions and with the goal to control land cost and manage related risks. A breakdown of land reserves obtained as of 31 Jul 2019 by acquisition methods is set forth below:

Figure 21: Land acquisition

	2016		2017		2018		7M19	
	Number of land parcels	Site area (sq m)	Number of land parcels	Site area (sq m)	Number of land parcels	Site area (sq m)	Number of land parcels	Site area (sq m)
Participation in public tender and listing-for-sale process	1	180,170	6	415,325	7	494,963	14	726,425
Acquisition of equity interest in, and land parcels from, third parties	13	1,269,544	22	2,055,392	8	316,049	7	312,552
Joint ventures with other property developers	0	0	1	90,420	4	326,947	5	387,113
Total	14	1,449,714	29	2,561,136	19	1,137,959	26	1,426,090

Source: Company data

Financing

Based on Sinic's internal record and current plan and subject to changes resulting from changes of market condition and adjustment of the development plan of the projects, the Company estimates the aggregate amount the future development cost of property projects as of 30 Apr, 2019 will be approx. RMB83.4bn. Sinic finances property development projects primarily through internal cash flows including proceeds from the pre-sale of properties, retained revenues, bank loans, trust financing, other borrowings and corporate bonds.

1) Pre-sales

Pre-sales and sales of properties form an integral source of the Company's operating cash inflows. The Company generally uses the proceeds from sales of properties to fund part of its development costs, make interest payments and repay debt obligations.

2) Bank loans

Bank loans are a primary source of the Company's external financing. As of 31 Dec 2016, 2017, 2018 and 30 Apr 2019, bank loans balance amounted to approx. RMB 1,445.0mn, RMB 6,073.6mn, RMB 9,072.2mn and RMB 11,022.5mn, respectively.

3) Other loans

In addition to bank loans, the Company has also entered into financing arrangements with trust companies, asset management companies and other financial institutions and factoring arrangements in ordinary course of business to finance project property development. Compared with bank loans, these financing arrangements may offer greater flexibility in certain cases in terms of cash availability and repayment requirements. As of 31 Dec 2016, 2017, 2018 and 30 Apr 2019, the Company has such financings in the amount of approx. RMB 4,992.5mn, RMB 10,602.1mn, RMB 12,438.5mn and RMB 14,423.1mn, respectively.

4) Corporate Bonds

- i) Sinic issued the private corporate bonds due 2021 at a coupon rate of 7.9% and in the aggregate principal amount of RMB 313.0mn in Oct 2018.
- ii) Sinic issued the private corporate bonds due 2021 at coupon rate of 7.5% and in the aggregate principal amount of RMB 276.0mn in Oct 2018.
- iii) Sinic issued private corporate bonds due 2022 at a coupon rate of 7.5% in the aggregate principle amount of RMB 417.0mn in Apr 2019.

As of 31 Jul 2019, the Company's balance of bank loans and other borrowings and corporate bonds amounted to RMB 30,741mn. As of the same date, the Company had approx. RMB 5,499.3mn unutilized banking facilities.

Figure 22: Bank loans and other borrowings

(RMB mn)	2016	2017	2018	7M19
Non-current				
Bank loans — secured	750	3,649	5,914	9,475
Other loans — secured(1)	2,691	3,778	6,371	8,533
Corporate bonds	-	-	592	1,043
Subtotal	3,441	7,427	12,878	19,051
Current				
Bank loans — secured	20	-	50	48
Other loans — secured(1)	98	596	2,714	5,741
Other loans — unsecured	-	-	-	311
Current portion of long term bank loans — secured	675	2,425	3,108	2,738
Current portion of other loans — secured(1)	2,204	6,228	3,353	2,852
Subtotal	2,997	9,249	9,225	11,690
Total	6,438	16,676	22,103	30,741

Source: Company data

(1)Note: Other loans include financing arrangements with trust companies, asset management companies and other financial institutions during the Track Record Period and a loan from a non-controlling shareholder of one of the subsidiaries to Sinic in 2019.

5) Private Debt Financing

On 26 Aug 2019, the Company issued the Private Debt Financing which consisted of the Private Loan and the Private Notes in an aggregate principal amount of US \$87.0mn with an interest rate of 12.5% per annum. The Private Debt Financing has a term of six months, which can be extended by an additional 180 days if requested by the Company. The interests of the Private Debt Financing are payable on a quarterly basis. The Private Debt Financing are jointly and severally guaranteed by certain offshore subsidiaries of the Group (the "Subsidiary Guarantors") and the Controlling Shareholder, Mr. Zhang.

Figure 23: Total guarantees of the Company

(RMB mn)	2016	2017	2018	4M19
Guarantees given to banks in connection with facilities granted to purchasers of properties	3,561	9,059	27,466	28,527
Guarantees given to banks in connection with facilities granted to related parties and third parties	280	2,607	4,855	4,894

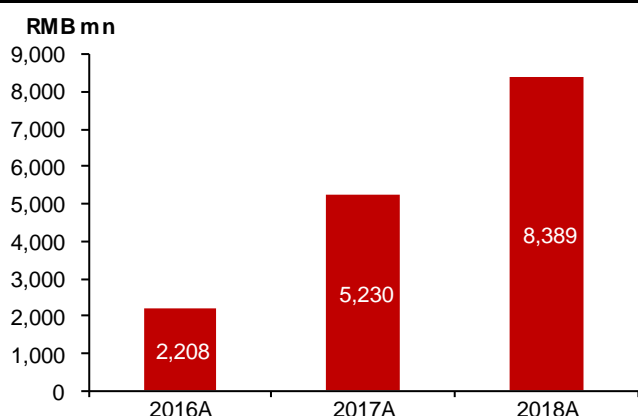
Source: Company data

Revenue from sales of properties

Revenue from sales of properties generally increased during the Track Record Period, primarily attributable to the general increase in the total GFA delivered during the relevant periods, which was resulted from the increase in the number of property projects delivered during the relevant periods and the Company's continuous efforts on strengthening market positions in Nanchang as well as expansion into new markets, such as Huizhou and Ganzhou in 2017, and Changsha and Wuxi in 2018.

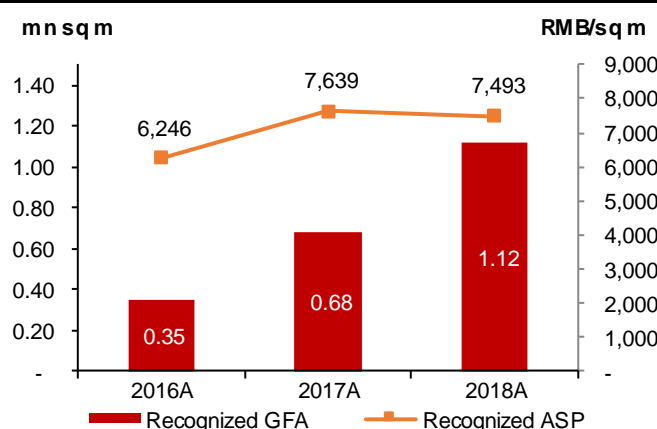
In 2016, 2017 and 2018, the Company delivered 12, 18, and 26 property projects, or 0.35mn sq m, 0.68mn sq m and 1.12mn sq m GFA, respectively.

Figure 24: Revenue from sales of properties



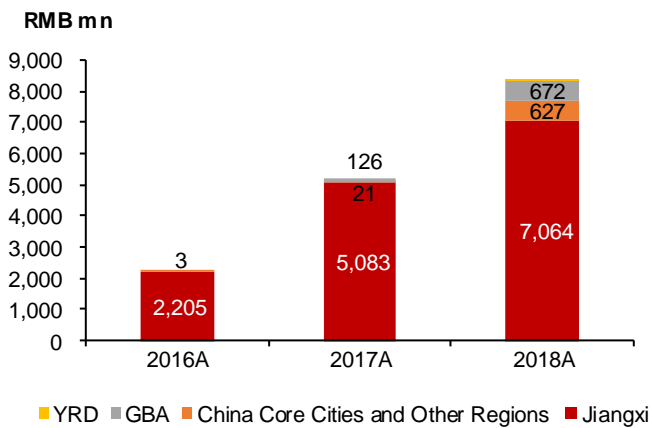
Source: Company data

Figure 25: Recognized ASP and GFA



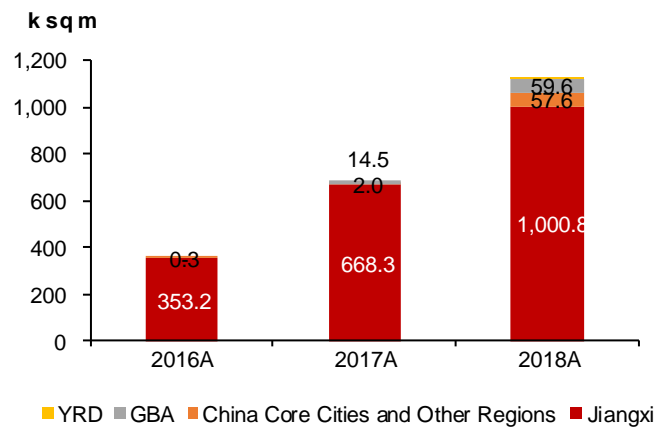
Source: Company data

Figure 26: Revenue by region



Source: Company data

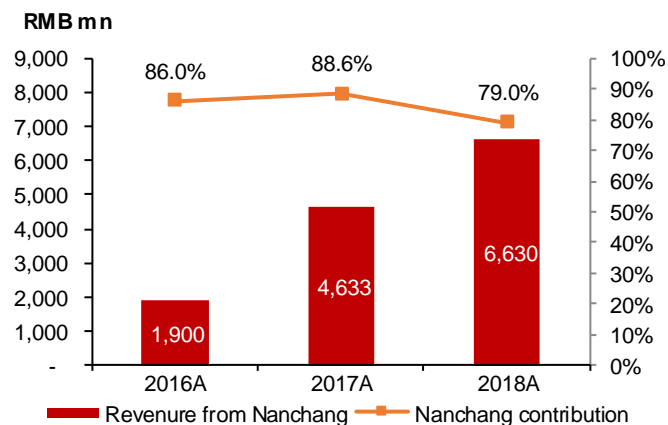
Figure 27: Recognized GFA by region



Source: Company data

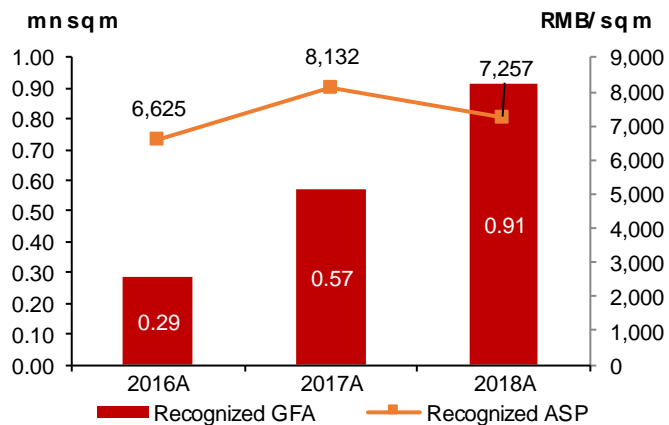
From 2016 to 2018, sales of properties in Nanchang contributed 86%, 88.6% and 79.0% of segment revenue, respectively. Business in Huizhou, the other core market of Sinic, has started to recognize revenue since 2017. In 2018, sales of properties in Huizhou contributed 8.0% of segment revenue.

Figure 28: Revenue from Nanchang



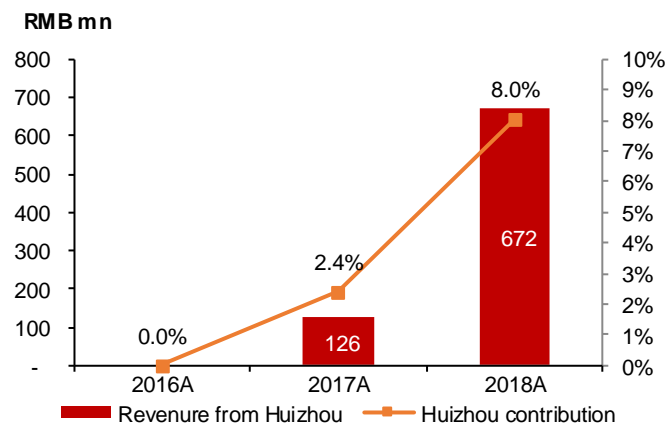
Source: Company data

Figure 29: Recognized ASP and GFA in Nanchang



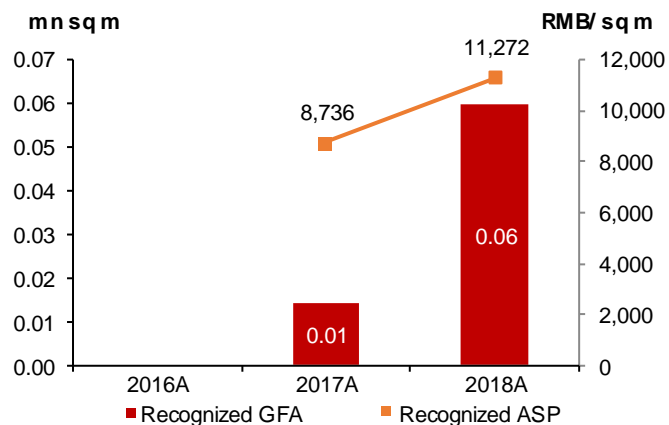
Source: Company data

Figure 30: Revenue from Huizhou



Source: Company data

Figure 31: Recognized ASP and GFA in Huizhou



Source: Company data

Investment properties and others businesses

In line with business expansion strategy, the Company also holds and operates a portion of investment properties for long-term investment. The Company holds such investment properties for capital appreciation and rental income. Sinic develops investment properties to increase brand recognition and enhance the value of the residential properties to which they are connected.

During the Track Record Period, the Company leased a small portion of the investment properties developed near or within its residential property developments which had not been sold. As of 31 Jul 2019, Sinic had seven investment property projects with an aggregate GFA attributable to the Company of approx. 268,266.7 sq m.

Figure 32: Investment properties portfolio

City	Project Name	Actual/Estimated Construction Completion Date	Actual/Planned Total GFA Held for Investment (sq.m.)
Nanchang	Nanchang Park No.1 Phase II (南昌公園壹號二期)	Aug-20	55,065
Nanchang	Nanchang Times Square Phase II (南昌時代廣場二期)	Dec-22	170,000
Nanchang	Nanchang Jinsha Wan (南昌金沙灣)	Apr-16	225
Nanchang	Nanchang Yinhu Wan (南昌銀湖灣)	Apr-16	659
Nanchang	Nanchang Dibo Wan (南昌帝泊灣)	Jun-21	121
Nanchang	Nanchang Yujing Wan, Duhui Phase IV (南昌愉景灣、都荟四期)	Nov-15	42,102
Nanchang	Nanchang Yulong Wan (南昌鈺瓏灣)	Jan-15	95
Total			268,267

Source: Company data as of 31 Jul 2019

In 2016, 2017 and 2018 and the four months ended 30 Apr 2018 and 2019, the Company recognized rental income from investment properties in the amount of nil, RMB 1.2mn, RMB 2.8mn, RMB 0.9mn and RMB 2.6mn, respectively.

For the same periods, Sinic also derived a small portion of revenue from other business, which primarily include revenue from provisions of consulting services to Independent Third Parties in connection with the development of certain property projects. In 2016, 2017 and 2018 and the four months ended 30 Apr 2018 and 2019, revenue from provision of consulting services amounted to approx. RMB 15.2mn, RMB 9.4mn, RMB 23.6mn, nil and RMB 22.6mn, respectively.

Competitive Strengths

Large-Scale and Comprehensive Property Developer in Jiangxi Province with a Strategic and National Expansion Plan

Sinic is a large-scale and comprehensive property developer in the PRC, focusing on the development of residential and commercial properties. Since the inception in Nanchang, Jiangxi Province in 2010, the Company has expanded property development business to the Yangtze River Delta Region, the Greater Bay Region and the Central and Western Core China Cities and Other Regions with High-Growth Potential.

In Jun 2017, Sinic moved its headquarters from Shenzhen to Shanghai in furtherance of its national expansion plan and to attract more talents. The Company has established a leading market position in Jiangxi Province and is growing into a national property developer.

According to C&W Report, based on the contracted sales amount of properties in 2017, 2018, and the first quarter of 2019, Sinic was ranked first among all property developers in Jiangxi Province. In 2018 and 2019, Sinic was recognized as one of the China's Top 100 Real Estate Enterprises — Growth Top 10 (中国房地产百强企业—成长性 Top 10) based on sales growth. In 2019, in terms of comprehensive property development ability, Sinic was ranked 31st among the top 100 property developers in the PRC according to CREIS, and ranked 39th among the top 500 property developers according to the Chinese Real Estate Association. Sinic was also recognized as one of the China's Top 10 Real Estate Development Enterprises in Regional Operation jointly by the China Real Estate Industry Association, Shanghai Yiju Real Estate Research Institution and China Real Estate Appraisal in 2018.

The Company believes its strong market position in Jiangxi Province and strategic expansion into other targeted cities and regions in China will help the Company to grow into a major national property developer in the PRC real estate market.

Quality Products and Services Maximizing Customer Satisfaction and Enhancing Brand Name

The Company believes that it has established a strong brand name in the PRC market by bringing quality residential property projects to market, and providing well-rounded services to customers.

Cooperation with architecture and design firms

In order to offer distinctive and quality designs, the Company's product research and development team work closely with domestic architecture and design firms, such as Shanghai Xinwaijian Construction Design and Consultancy Company Limited (上海新外建工程设计与顾问有限公司), Yijing (Shanghai) Construction Design Company Limited (意境(上海)建筑设计有限公司), and Daiwen Construction Design (Shanghai) Company Limited (戴文工程设计(上海)有限公司).

“Zero tolerance” principle to ensure the high quality

The Company adheres to a “zero tolerance” principle with respect to quality issues on materials, design work, brand name and management of properties and strictly implement quality control measures, requirements and procedures.

As of 30 Apr 2019, the Company had over 190 team members who are responsible for product designs and implementation. Quality control team conducts detailed and routine checks on construction contractors by themselves or through third-party inspectors to ensure consistent quality of property projects. Construction management team oversees the implementation of quality control standards, and strictly follows the Company's standard procedures to follow up on and solve any quality issues that may arise during the construction process. The Company also utilizes a centralized information system on suppliers, which helps the Company to keep track of the latest information and feedbacks on the suppliers. In addition, the Company conducts regular and random checks on suppliers to control quality. Before delivering properties, the Company's property maintenance and sales team members conduct walk-throughs to help ensure the quality.

The high quality of the Company's properties has been recognized in the property market in the PRC. In 2018, Sinic was awarded the China Real Estate Gold Brick Award — 2018 Quality Property Comprehensive Award on Bo'ao • 21st Century Real Estate Forum held by 1st Century Business Herald for the overall quality control management.

“360 Happiness (360悦)” to provide well-rounded and customer-oriented experience

Sinic believes quality service is essential to enhancing the Company's brand image. The Company has developed and implemented “360 Happiness” customer service that centers on delivering a well-rounded and customer-oriented experience from pre-purchase to after-sales services. The “360 Happiness” customer services include “Happy Purchase” (悦买房), “Happy Delivery” (悦交房) and “Happy Living” (悦居家) services:

- “Happy Purchase” service provides professional consulting services to potential customers;
- “Happy Delivery” service is a one-on-one service provided to customers at the time of delivery, which includes a walk-through with the Company's delivery manager, who helps to record and follows up on issues that may be identified by customers; and
- “Happy Living” service mainly includes property management services provided to residents of properties by property management companies arranged by the Company. Such services include various community activities, maintenance work, other value-added services and 12-hour hotline to monitor such services and solve relevant issues.

Rely on customers value center and relevant property management companies to provide after-sales services

Sinic relies on its customers value center and relevant property management companies the Company engages to provide after-sales services. The Company's customers value center is responsible for collecting and analyzing customer data through customer satisfaction surveys in order to improve service quality, identify customer preferences and provide such feedback to other departments to improve the Company's operations, including product design and marketing strategies. The after-sales services are also evaluated by third-party surveyors, such as Beijing FG Consulting Co., Ltd. According to a

survey conducted by FG Consulting (赛惟咨询), Sinic was ranked 9th in overall customer satisfaction among 80 PRC property developers in 2018. Among these 80 property developers surveyed, approx. 48 of them were among the top 100 Chinese property developers ranked by CRIC in 2018.

Sinic believes that its quality products and services will continue to help the Company maximize customer satisfaction, enhance brand name and achieve sustainable long-term growth.

Standardized Operating Procedures to Achieve Operating Efficiency While Maintaining High Quality

Sinic believes a key contributor to its growth is the focus on developing quality properties using the Company's standardized operating procedures, which cover the entire cycle of the property development process from site selection, land acquisition, product planning and design to sales and marketing. The Company believes that its standardized operating procedures enable itself to achieve consistent quality and replicate its operating success into new markets in a cost-effective manner.

Land acquisitions

With respect to land acquisitions, Sinic sets detailed timetables, goals and requirements for different land acquisition methods in order to evaluate land acquisition opportunities and complete such acquisition in a timely manner.

Product designs

With respect to product designs, Sinic has developed three major series of residential products to cater to different needs of customers. "Wan" Series mainly targets first-time home purchasers; "Yuan" Series mainly targets second-home purchasers seeking to upgrade their homes; and "Yue" Series mainly targets extended families or high-income households. These products offer comfortable living experiences through, among others, appealing landscaping, comprehensive ancillary facilities and tasteful interior design. The product model of these products are fine-tuned by the Company's product design teams to fit specific customer preferences in different markets through standardized review and amendment process.

Procurement

With respect to procurement, Sinic has established a centralized information system that regularly collects relevant information and feedbacks on suppliers, helping the Company to better assess their suitability for procurement needs.

Construction management

With respect to construction management, Sinic conducts checks at different stages of the construction process according to different sets of standardized quality requirements. The results of such checks are collected through a centralized system to allow different departments to closely follow up on the progress and solve any issues.

Operations management

With respect to operations management, Sinic has formulated different guidelines and goals for different cities or projects based on, among others, the specific market conditions and internal requirements. The Company applies standardized procedures to sales activities across different property projects to ensure effective implementation of sales and marketing messages in the PRC market.

Employ a centralized information platform

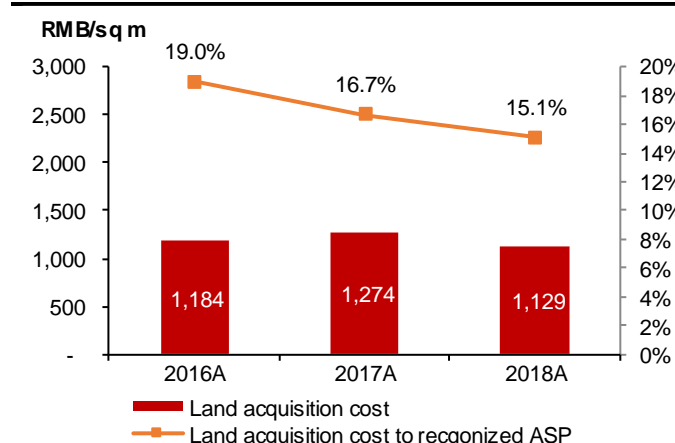
In addition, Sinic employs a centralized information platform to manage its property projects. The platform helps the team members at the Group, city and project levels to seamlessly exchange information on various aspects of property development and better identify and control operational risks.

Flexible Land Acquisition Methods and Sizeable and Quality Land Bank

Sinic adopts a flexible approach toward the selection and acquisition of land for future development to sustain continued growth. The Company adopts diversified land acquisition methods depending on the prevailing market conditions to control land cost including land tenders, acquisition of project companies which possess land parcels, and the establishment of joint ventures with other property developers.

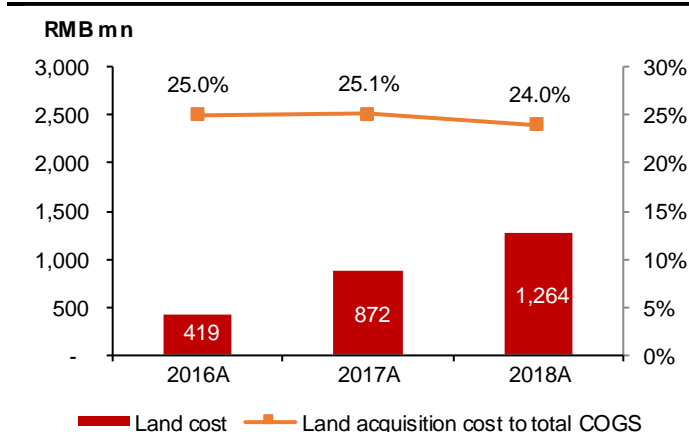
In 2016, 2017 and 2018 and the four months ended 30 Apr 2019, land acquisition cost were approx. RMB 418.5mn, RMB 872.3mn, RMB 1,263.6mn and RMB 945.2mn, respectively, accounting for 25.0%, 25.1%, 24.0% and 25.2%, respectively, of total cost of sales in the same periods. For the same periods, average land acquisition cost per sq m was approx. RMB 1,184 per sq m, RMB 1,274 per sq m, RMB 1,129 per sq m, and RMB 1,618 per sq m, respectively.

Figure 33: Average land cost recognized



Source: Company data

Figure 34: Total Land cost recognized



Source: Company data

Prudent Financial Policy and Proactive Management of Capital Structure

Sinic adopts a prudent and systematic approach to financial management and grow the business in a prudent manner. The Company focuses on managing two aspects of financial activities, namely, cash flow management and cost control.

Cash flow management

On cash flow management, the Company closely monitors its capital and cash positions through regular liquidity assessment and monthly cash balance assessment on subsidiaries in accordance with business development plan.

Through effective implementation of standardized operating procedures covering various phases of property development process, the Company strives to shorten the property development cycle from project planning and construction, pre-sale and delivery of property projects.

In addition, the Company has diversified financing channels to optimize capital structure and liquidity, including bank and other borrowings and corporate bonds. The Company has cultivated stable relationships with reputable PRC banks and large financial institutions, such as Minsheng Bank and Pingan Bank.

Furthermore, Sinic issued the 7.90% private corporate bonds due 2021 in the aggregate principal amount of RMB 313.0mn in the PRC in Oct 2018 and the 7.50% private corporate bonds due 2021 in the aggregate principal amount of RMB 276.0mn in the PRC in Dec 2018. In Apr 2019, the Company issued the 7.50% private corporate bonds due 2022 in the aggregate principal amount of RMB 417.0mn in the PRC.

Cost control

Sinic believes that by adhering to prudent cost management, the Company will be able to utilize its working capital more efficiently and maintain healthy profit margins. The Company employs standardized cost control procedures and requirements to manage land acquisition, construction and operational costs.

The Company has designed and implemented a series of construction and procurement guidelines and procedures that are designed to strategically manage and control costs in a number of ways, including but not limited to, the use of invite-only bids from suppliers for certain procurement activities. In 2018, Sinic was able to achieve centralized procurement for over 80% of materials required by the Company for the development of residential property projects.

Business Strategy

Continued Strategic Expansion into the Selected Cities and Regions and Further Solidify the Position in the PRC Market

The Company holds property development projects in 11 provinces and 27 cities across China, and establishes itself as the market leader in Jiangxi Province in terms of contracted sales in 2017, 2018 and 1Q19. The Company has mainly expanded into three regions in the PRC, namely the Yangtze River Delta Region, the Greater Bay Region and the Central and Western China Core Cities, and plans to expand its business to other regions with high growth potential.

The Company seeks to further solidify its existing market position in Jiangxi province while continuing to extend its geographical reach. With experience and success particularly in Jiangxi Province, the Company is well positioned to advance into new regions and obtain greater market share in current ones. The Company considers the following when selecting potential targets of expansion: (i) local economic indicators, population, GDP growth rate and average disposable income and macroeconomic trends; (ii) local laws and regulations on property development sector; (iii) supply and demand conditions of the local property market, pricing trends, sell-through rates and other related factors; (iv) sales record of comparable projects in the same local market, assessment of future market performance and the size of its potential customer base. The Company plans to continue identifying opportunities for high-return projects in quality sites in high-growth regions.

Further Elevate Customer-Oriented Products and Services to Increase Brand Recognition

In addition to developing properties for residential use, the Company has developed and implemented value-added property services named “360 Happiness” (360 悦) that centers on delivering a well-rounded and customer-oriented experience from pre-purchase to after-sales services. Such services include “Happy Purchase” (悦购房), professional consulting provided to potential customers; “Happy Delivery” (悦收房), a one-on-one manager-customer walk-through of the purchased property at the time of delivery; and “Happy Living” (悦居家), a full range of property management and troubleshooting services provided to residents. According to a survey conducted in 2018 by FG Consulting on 80 property developers, 48 of which were among the Top 100 Chinese Property Developers ranked by CRIC in the same period, and the Company was ranked 9th in overall customer satisfaction.

While the Company intends to remain focused primarily on the development of residential properties, it seeks to create additional value through the value-added property services mentioned above. The Company plans to further develop and enhance its “360 Happiness” services through continued studies and feedbacks on existing services in order to elevate customer experience. The Company intends to maintain a customer-oriented approach to its product offerings and services with the aim of attracting new customers and elevating the living experience of existing ones, maximize customer satisfaction, enhance brand name and achieve sustainable long-term growth.

Continue to Implement Standardized Operating Procedures to Increase Operating Efficiency

The Company highlights its standardized operating procedures as a key contributor to its growth, allowing for consistent quality and cost-effective replication of existing models in new markets. Such procedures cover the entire cycle of the property development process from site selection, land acquisition, product planning and design to sales and marketing. Standardized operating procedures enable the Company to plan and execute preparation work within required timeframe for each development stage and improve overall operating efficiency. Furthermore, extensive experience and proven record in the property development business have allowed the Company to formulate detailed operating manuals that set out specified requirements and execution processes for activities at every stage of property development, ensuring high standardization, reliable execution, and effective monitoring of services.

The Company looks to continue to utilize standardized operating procedures to enhance operating efficiency and ensure consistent quality of its products and services. Employees are expected to follow the guidelines in managing and developing property projects, and provide detailed timing and evaluation targets and checklists for different types of projects developed in different cities. In addition, the Company seeks to further the process of formulating and modifying existing procedures based on operational experience, strategic requirements, and sometimes on a case-by-case basis. In particular, the Company intends to conduct in-depth studies of target customers in new markets, increase feedback collection from customers at current properties, as well as evaluate new cost control measures in order to further improve existing procedures in terms of quality and cost management. This, in turn, may help the Company to gain greater customer satisfaction and loyalty and capture market shares in its existing and new markets.

Continue to Employ Prudent Financial Policies and Optimize Capital Structure

Through closely monitoring its capital and cash positions and employing standardized cost control procedures for land acquisition, construction and operational costs, the Company adopts a systematic approach to financial management. The Company plans to maintain prudent financial policies and continue to optimize its capital structure through close monitor and control of cash flows and implementation of new cost control measures. For example, the Company plans to further strengthen its cost management through more detailed assessments on property development costs, in order to formulate additional procedures that lower costs while increasing operating efficiency. The Company strives to, through the use of prudent financial management and cost control measures, effectively utilize capital, sustain long-term growth, and be less susceptible to market fluctuations.

Financial Analysis

Project delivery to support the growth of property sales revenue

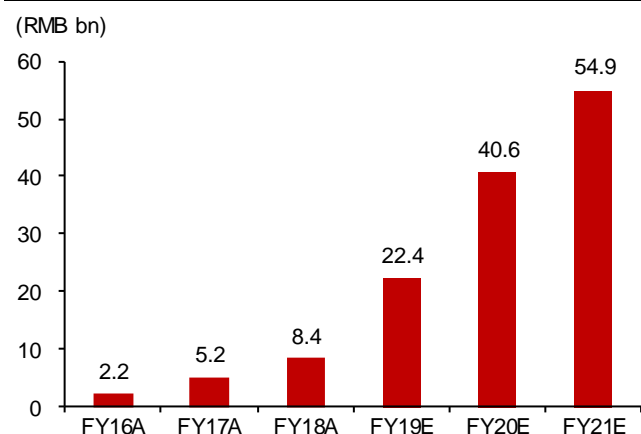
Total revenue consists of revenue derived from (i) sale of properties, and (ii) other business, including consulting services and investment properties. Total revenue grew from RMB 2.2bn in 2016 to RMB 8.4bn in 2018, representing a CAGR of 95% during the period.

Revenue from sale of properties amounted to RMB 2.2bn, RMB 5.2bn and RMB 8.4bn in 2016-18, accounting for 99.3%, 99.8% and 99.7% of total revenue, respectively. Growth of revenue mainly attributable to the general increase in the total GFA delivered during the relevant periods, which was resulted from the increase in the number of property projects delivered during the relevant periods and the Company's continuous efforts on strengthening market positions in Nanchang as well as expansion into new markets, such as Huizhou and Ganzhou in 2017, and Changsha and Wuxi in 2018.

In 2016, 2017 and 2018 the Company delivered 12, 18, and 26 property projects, or 0.35mn, 0.68mn and 1.12mn sq m GFA with recognized ASP of RMB 6,246/sq m, RMB 7,639/sq m and RMB 7,493/sq m, respectively.

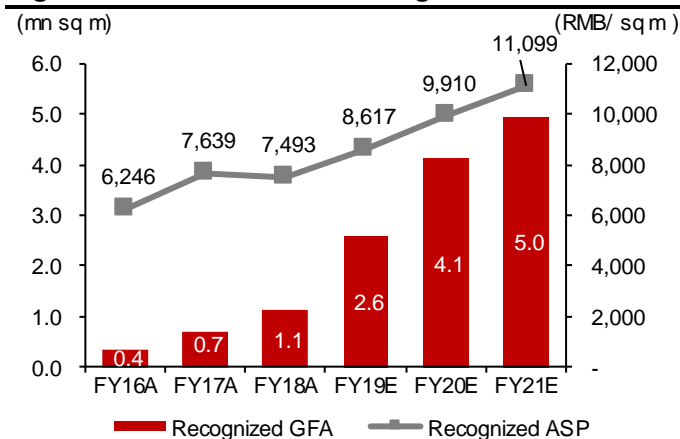
We forecast GFA delivered to be 2.60mn sq m, 4.10mn sq m and 4.95mn sq m with recognized ASP to be RMB 8,617/sq m, RMB 9,910/sq m and RMB 11,099/sq m in 2019-21, respectively. Thus, we forecast revenue from sale of properties to be RMB 22.4bn, RMB 40.6bn and RMB 54.9bn in 2019-21, respectively.

Figure 35: Revenue from sales of properties



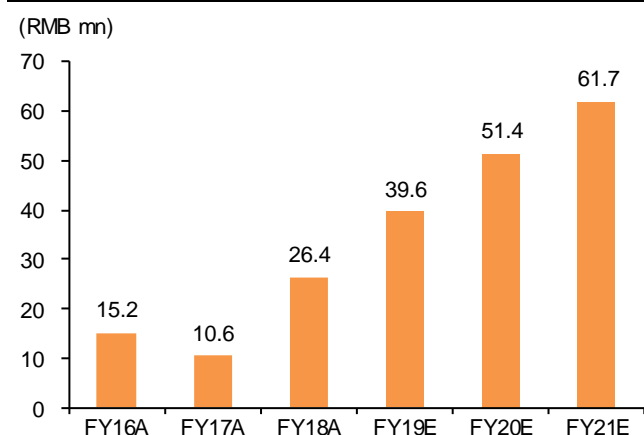
Source: Company data, CMBIS estimates

Figure 36: GFA delivered & recognized ASP

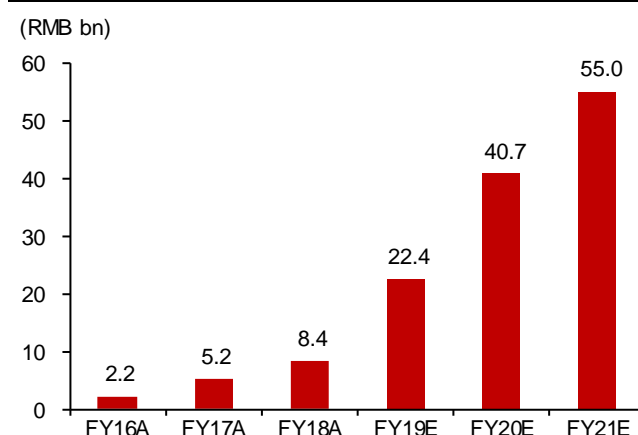


Source: Company data, CMBIS estimates

We also forecast revenue from other business to be RMB 40mn, RMB 51mn and RMB 61mn in 2019-21, respectively. Then, we forecast total revenue to grow from RMB 8.4bn in 2018 to RMB 22.4bn in 2019, and further to RMB 40.7bn in 2020 and RMB 55.0bn in 2021, representing a CAGR of 87.0% in the corresponding period.

Figure 37: Revenue from other business

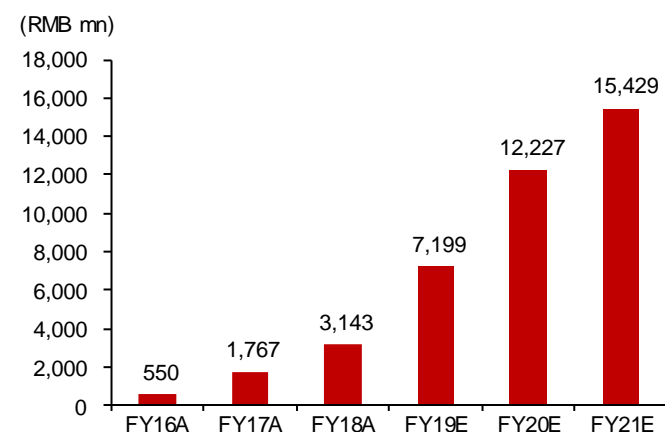
Source: Company data, CMBIS estimates

Figure 38: Total revenue

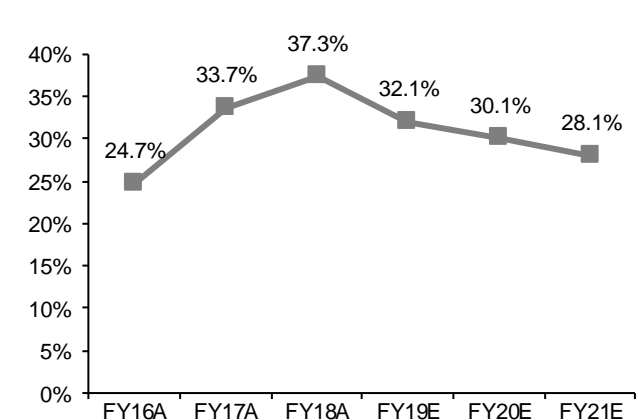
Source: Company data, CMBIS estimates

Gross margin to return to industry average level

Business from sale of properties represents the largest portion of revenue. Gross profit margin improved from 24.7% in 2016 to 37.3% in 2018. With the Company's growing business scale and national expansion strategy, we expect gross profit margin will gradually return to industry average level with 32.1%, 30.1% and 28.1% in 2019-21, respectively. We project gross profit to be RMB 7.2bn, RMB 12.2bn and RMB 15.4bn in 2019-21, respectively, representing a CAGR of 70.0% during the period.

Figure 39: Gross profit

Source: Company data, CMBIS estimates

Figure 40: Gross margin

Source: Company data, CMBIS estimates

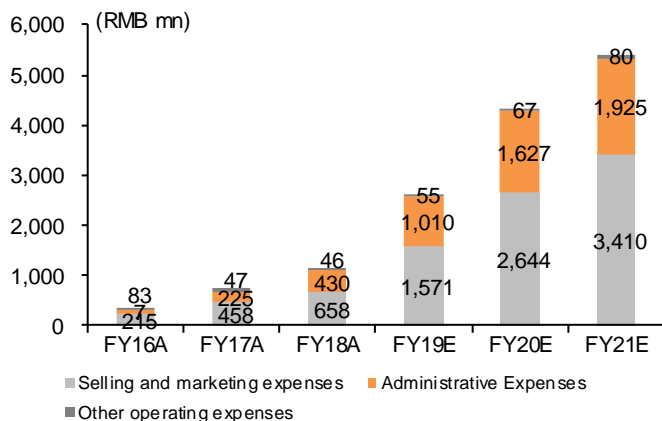
Selling & Administrative expenses improve but EBIT margin is dragged by gross margin

Selling expenses amounted to RMB 215mn, RMB 458mn and RMB 658mn in 2016-18, respectively and administrative expenses amounted to RMB 83mn, RMB 225mn and RMB 430mn, respectively, during the same period. Thus, SG&A to revenue was 13.4%, 13.0% and 12.9% in 2016-18. We expect SG&A to revenue ratio will continue to improve to 11.5%, 10.5% and 9.7% in 2019-21 respectively, because of the economies of scale.

EBIT, which defined as gross profit deducted from other incomes and gains, SG&A and other expenses, increased from RMB 248mn in 2016 to RMB 2,121mn in 2018. And corresponding EBIT margin was 11.1%, 20.4% and 25.2%, respectively.

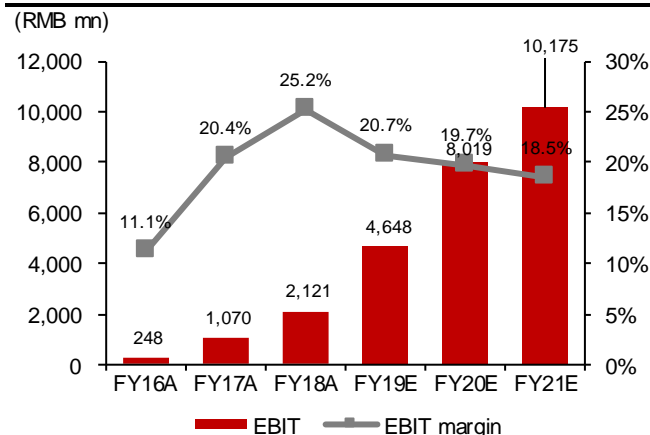
Improvement of SG&A expense partially offsets the decline of gross margin. Thus, we forecast EBIT margin to be 20.7%, 19.7% and 18.5% in 2019-21, respectively. As a result, we forecast EBIT to grow by a CAGR of 68.7% from RMB 2,121mn in 2018 to RMB 10,175mn in 2021.

Figure 41: SG&A expenses



Source: Company data, CMBIS estimates

Figure 42: EBIT and EBIT margin

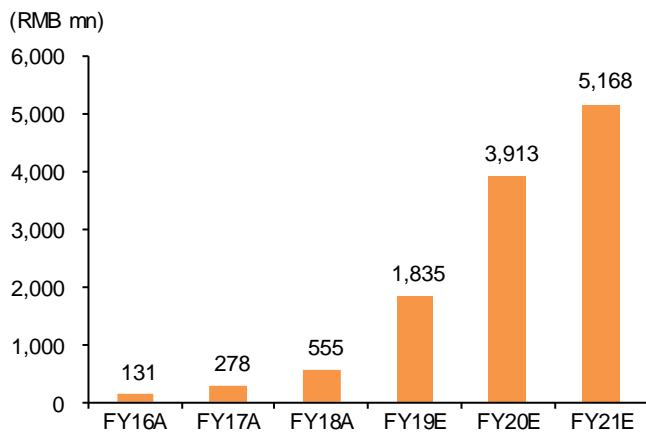


Source: Company data, CMBIS estimates

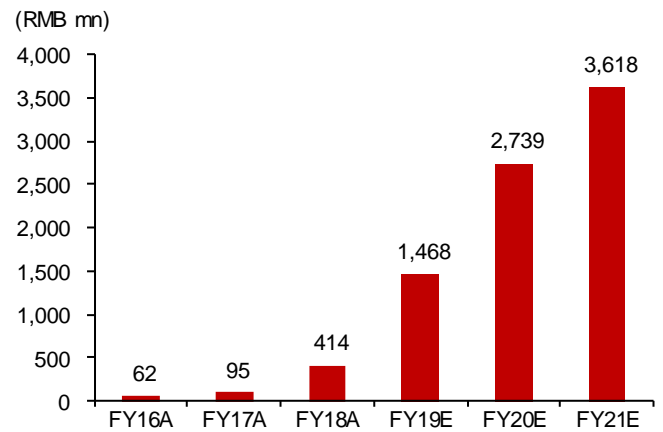
Forecasted net profit attributable to shareholders to grow by a CAGR of 106.0% next three years

Effective tax rate, being the income tax divided by profit before taxation, was 39.6%, 67.0%, and 70.2%, respectively, in 2016-18. We expect the effective tax rate to be 54.8%, 45.4% and 43.2% in 2019-21.

Net profit attributable to shareholders was RMB62mn, RMB95mn and RMB414mn in 2016-18, respectively. Corresponding net profit margin attributable to shareholders was 2.8%, 1.8% and 4.9% 2016-18. Driven by strong project delivery in the forecast period, we forecast net profit attributable to shareholders to be RMB 1,468mn, RMB 2,739mn and RMB 3,618mn in 2019-21, respectively, representing a CAGR of 106.0% next three years.

Figure 43: Profit for the year

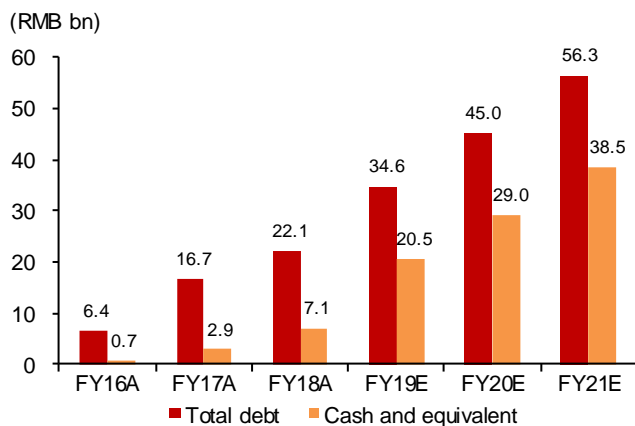
Source: Company data, CMBIS estimates

Figure 44: Net profit attributable to shareholders

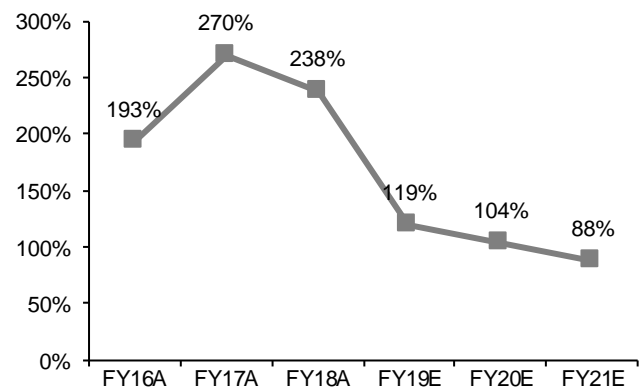
Source: Company data, CMBIS estimates

Gearing is expected to improve

Property development business is a capital intensive business. Many developers bore large amount of borrowing compared with other companies in different industries. Like other developers, Sinic has high gearing ratio. Due to the increasing business scale, net gearing ratio rose from 193% in 2016 to 238% in 2018. We believe net gearing ratio will improve during forecast period because of increased profit driven by project delivery and future capital contribution. Thus, we forecast net gearing ratio to retreat to 119% in 2019 and 104% in 2020.

Figure 45: Total debt and Cash & cash equivalent

Source: Company data, CMBIS estimates

Figure 46: Net gearing ratio

Source: Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	5,241	8,416	22,444	40,681	55,001
Sale of properties	5,230	8,389	22,404	40,629	54,939
Others	11	26	40	51	62
Cost of sales	(3,474)	(5,273)	(15,245)	(28,453)	(39,571)
Gross profit	1,767	3,143	7,199	12,227	15,429
Other income and gain	34	112	86	129	160
Selling & marketing expenses	(458)	(658)	(1,571)	(2,644)	(3,410)
Administrative expenses	(225)	(430)	(1,010)	(1,627)	(1,925)
Other operating expenses	(47)	(46)	(55)	(67)	(80)
EBIT	1,070	2,121	4,648	8,019	10,175
Share from JCE	3	39	47	57	68
Finance costs	(317)	(426)	(645)	(906)	(1,152)
Exceptional	86	129	7	-	-
PROFIT BEFORE TAX	842	1,863	4,057	7,169	9,091
Income tax	(564)	(1,309)	(2,222)	(3,257)	(3,923)
PROFIT FOR THE YEAR	278	555	1,835	3,913	5,168
Non-controlling interests	(183)	(141)	(367)	(1,174)	(1,550)
Net profit to shareholders	95	414	1,468	2,739	3,618

Balance sheet

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Current assets	40,320	67,887	93,334	108,620	123,627
Properties inventory	30,152	47,655	55,420	61,979	67,423
Amount due from	4,515	5,112	7,344	7,344	7,344
Cash and cash equivalents	2,877	7,084	20,496	29,040	38,461
Others	2,776	8,037	10,073	10,256	10,399
Non-current assets	8,480	9,720	13,713	17,929	23,156
PP&E	109	114	124	134	144
Investment properties	894	1,153	1,330	1,480	1,630
Investment in JCEs	3,574	4,574	8,185	12,242	17,310
Others	3,904	3,879	4,074	4,073	4,072
Total assets	48,801	77,608	107,047	126,549	146,784
Current liabilities	36,628	59,549	77,814	89,143	99,311
Trade and other payables	2,465	3,142	7,622	14,227	19,786
Contracted liabilities	20,064	40,196	47,107	46,484	45,848
Amount due to	2,295	1,400	2,963	2,963	2,963
ST loan	9,249	9,225	13,905	19,252	24,498
Others	2,555	5,586	6,217	6,217	6,217
Non-current liabilities	7,578	12,998	20,960	26,041	32,026
LT loan	7,427	12,878	20,696	25,778	31,762
Others	152	120	264	264	264
Total liabilities	44,206	72,547	98,774	115,185	131,337
Equity to shareholders	3,924	4,244	7,089	9,007	11,539
Non-controlling interests	671	817	1,184	2,358	3,908
Total equity	4,595	5,060	8,273	11,364	15,447

Cash flow summary

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Profit before tax	842	1,863	4,057	7,169	9,091
D&A	9	20	21	21	21
Change in working capital	(5,895)	1,673	2,104	(760)	(665)
Others	(1,504)	(1,831)	(2,297)	(3,314)	(3,991)
Operating cash flows	(6,548)	1,725	3,886	3,117	4,456
Capex & Investment, net	(84)	(220)	(180)	(180)	(180)
Associated companies	(3,688)	(961)	(3,500)	(4,000)	(5,000)
Others	(740)	(139)	-	-	-
Investing cash flows	(4,511)	(1,320)	(3,680)	(4,180)	(5,180)
Equity raised	3,000	4	1,818	-	-
Change of debts	11,981	3,821	11,829	10,429	11,230
Others	(1,793)	-	(440)	(822)	(1,085)
Financing cash flows	13,188	3,825	13,207	9,607	10,145
Net change in cash	2,129	4,230	13,413	8,544	9,421
Cash at the beginning	700	2,877	7,084	20,496	29,040
Exchange difference	48	(24)	-	-	-
Cash at the end	2,877	7,084	20,496	29,040	38,461

Key ratios

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Sales mix (%)					
Property development	99.8	99.7	99.8	99.9	99.9
Others	0.2	0.3	0.2	0.1	0.1
Total	100	100	100	100	100
Profit & loss ratios (%)					
Gross margin	33.7	37.3	32.1	30.1	28.1
EBIT margin	20.4	25.2	20.7	19.7	18.5
Net margin	1.8	4.9	6.5	6.7	6.6
Effective tax rate	67.0	70.2	54.8	45.4	43.2
Growth (%)					
Revenue	135.8	60.6	166.7	81.3	35.2
Gross profit	221.5	77.9	129.1	69.8	26.2
EBIT	332.1	98.1	119.2	72.5	26.9
Net profit	52.2	335.2	255.1	86.5	32.1
Balance sheet ratios					
Current ratio (x)	1.1	1.1	1.2	1.2	1.2
Receivable turnover days	0	0	4	4	4
Payables turnover days	259	218	183	183	183
Inventory turnover days	3,168	3,299	1,327	795	622
Net debt / total equity ratio (%)	269.7	237.9	119.5	103.5	87.9
Returns (%)					
ROE	2.4	9.7	20.7	30.4	31.4
ROA	0.6	0.7	1.7	3.1	3.5
Per share					
EPS (RMB)	n.a.	n.a.	0.41	0.77	1.01
DPS (RMB)	n.a.	n.a.	0.12	0.23	0.30
BVPS (RMB)	n.a.	n.a.	2.0	2.5	3.2

Source: Company data, CMBIS estimates

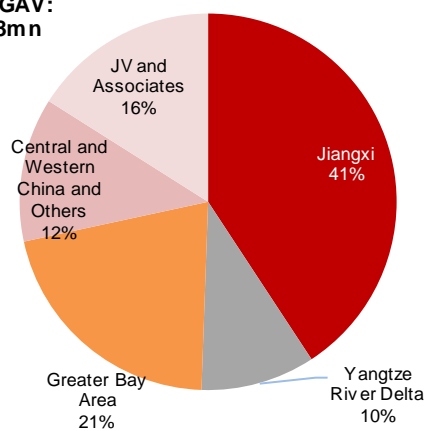
Valuation

Valuation under discount to NAV method

We believe discount to NAV method is the best way to measure the value of property developers. Generally speaking, property companies with high quality, such as good corporate governance, high earning visibility, healthy balance sheet, will have less discount to NAV. We estimate value of development projects to be RMB 42,398mn based on DCF method and investment properties to be RMB 396mn based on 10% cap rate. We also forecast net debt to be RMB 11,767mn as of 31 Dec 2020. As a result, we project end-FY20 NAV to be RMB 31,027mn, or RMB8.69 per share. Given the short listing history and high gearing, we adopt a 50% discount to NAV for our TP. So we have our TP at HK\$4.83, based on RMB 0.90=HK\$ 1.00 assumption.

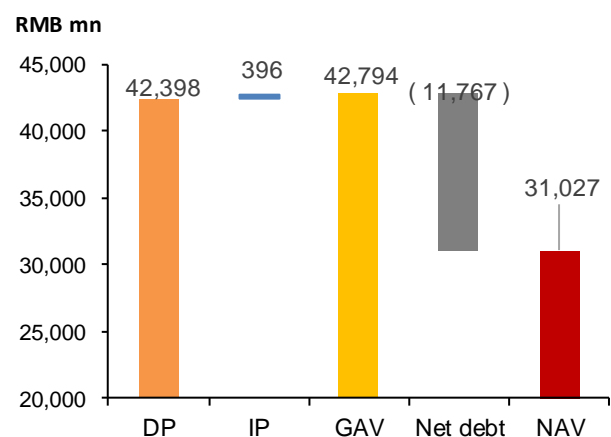
Figure 47: Estimated GAV of development projects

Estimated GAV:
RMB 42,398mn



Source: CMBIS estimates

Figure 48: NAV calculation



Source: CMBIS estimates

Figure 49: Valuation table

Company	Ticker	Last price (LC)	Mkt Cap (LC mn)	Rating	TP (LC)	P/E			NAV/share (LC)	Discount to NAV
						18A	19E	20E		
Vanke - H	2202 HK	31.70	383,135	BUY	35.90	9.3	7.9	6.7	44.87	29.4%
COLI	688 HK	28.65	313,895	HOLD	28.36	7.0	6.4	6.3	40.51	29.3%
Country Garden	2007 HK	11.02	240,836	BUY	15.20	6.2	5.2	4.7	27.64	60.1%
CR Land	1109 HK	36.20	258,140	BUY	42.15	9.3	8.0	8.4	60.21	39.9%
Longfor	960 HK	37.70	225,603	HOLD	26.06	12.2	11.3	10.3	37.23	-1.3%
Shimao	813 HK	28.70	99,287	HOLD	28.64	9.8	6.9	5.8	40.92	29.9%
Logan Property	3380 HK	13.56	74,662	BUY	13.10	8.2	6.4	5.7	26.20	48.2%
Agile	3383 HK	11.50	45,046	BUY	16.05	5.6	4.1	4.4	29.19	60.6%
KWG	1813 HK	11.70	37,168	BUY	11.40	8.3	4.0	5.8	19.00	38.4%
China Aoyuan	3883 HK	11.90	32,016	BUY	14.30	11.9	6.5	4.7	28.60	58.4%
Times China	1233 HK	15.26	29,632	BUY	16.20	5.7	5.0	4.1	27.20	43.9%
Yuzhou	1628 HK	4.13	21,565	BUY	5.28	4.8	4.2	3.6	8.80	53.1%
China SCE	1966 HK	4.54	18,987	BUY	4.83	4.7	4.5	4.3	8.05	43.6%
COGO	81 HK	5.74	19,650	BUY	5.23	7.7	5.1	4.6	10.47	45.2%
Redsun	1996 HK	2.48	8,234	BUY	3.37	3.7	5.0	4.2	5.60	55.7%
Sinic	2103 HK	4.03	14,388	BUY	4.83	n.a.	9.8	5.2	9.66	58.3%
Vanke - A	000002 CH	30.80	344,479	BUY	33.92	10.1	8.5	7.0	40.38	23.7%
Poly Development	600048 CH	15.90	189,730	BUY	20.72	10.0	7.6	6.1	24.61	35.4%
Average						7.9	6.5	5.7		41.8%

Source: CMBIS estimates

Industry Overview

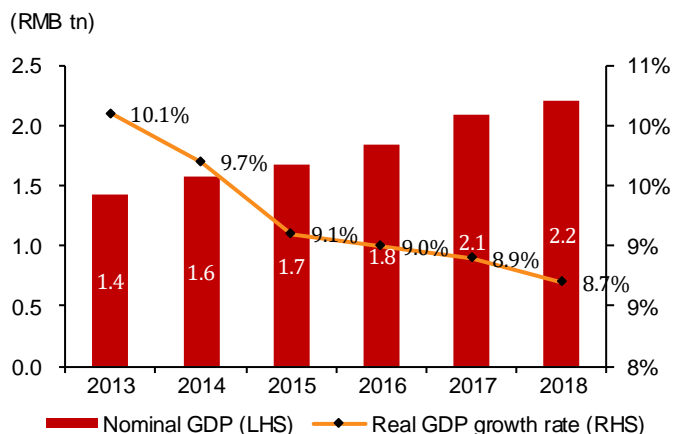
Real estate market in major regions of the Company's operation

Jiangxi province

The GDP of Jiangxi province increased steadily from 2013 to 2018 at a CAGR of approx. 8.9%, reaching approx. RMB 2,198.0bn in 2018. The residential property market in Jiangxi Province experienced stable growth in recent years. According to the Jiangxi Statistical Communique, real estate investment in Jiangxi Province increased from approx. RMB 118bn in 2013 to approx. RMB 217bn in 2018 at a CAGR of 13.0%. A total GFA of approx. 54mn sq m of primary residential properties were sold in 2018, representing growth at a CAGR of 11.0% from 2013 to 2018. In addition, the average selling price increased from approx. RMB 5,203 to RMB 6,540 from 2013 to 2018, representing a CAGR of 4.7%.

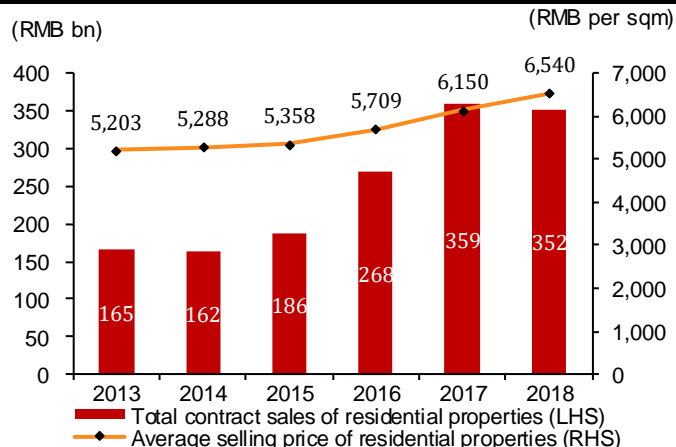
Since 2016, the government has introduced a series of policies to curb property price hikes in Jiangxi province. Such policies had a pronounced effect on business, and is a major cause for the decline in trading volume of both commercial and residential housing in 2018. It is expected that these restrictive measures will remain in place in the near term. Further stabilization efforts may present challenges to local real estate developers, including the Company itself.

Figure 50: Nominal GDP and GDP growth of Jiangxi



Source: Cushman & Wakefield

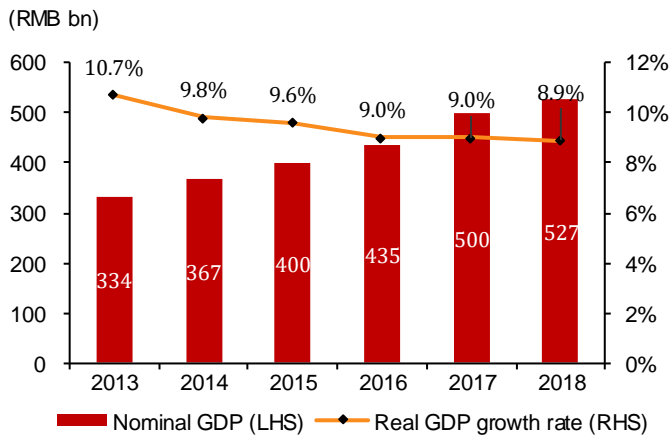
Figure 51: Sales of residential properties in Jiangxi



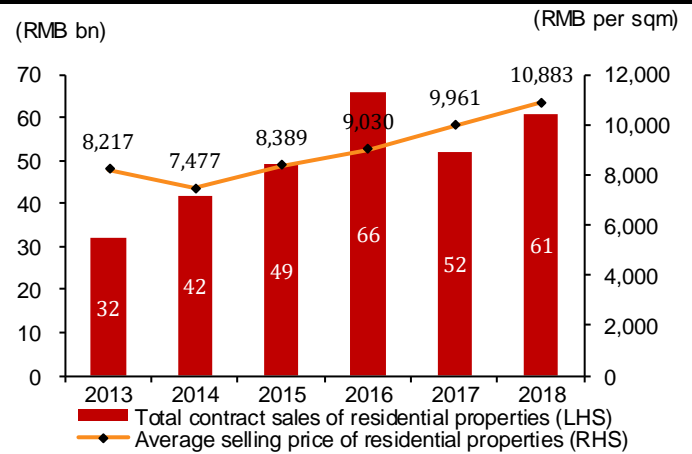
Source: Cushman & Wakefield

Nanchang

The GDP of Nanchang increased from 2013 to 2018 at a CAGR of approx. 9.6%, reaching approx. RMB 527.0bn in 2018. The residential property market in Nanchang experienced rapid growth in recent years. According to the CREIS, real estate investment in Nanchang increased from approx. RMB 41.0bn in 2013 to approx. RMB 89.0bn in 2018. The average selling price of residential properties in Nanchang has increased from approx. RMB 8,217 per sq m in 2013 to approx. RMB 10,883 per sq m in 2018 at a CAGR of 5.8%.

Figure 52: Nominal GDP and GDP growth of Nanchang


Source: Cushman & Wakefield

Figure 53: Sales of residential properties in Nanchang


Source: Cushman & Wakefield

The Company's market position in Jiangxi province

As of 2018, the Company holds a firm lead in the Jiangxi real estate market. According to the C&W Report, the Company led in terms of total contract sales from residential properties in 2018, and in the same period was ranked first among property developers, both in Nanchang and Ganzhou, based on total area of residential properties sold.

Figure 54: Top 5 developers in Jiangxi province

Rank	Name of developer	Contract sales in FY18 (RMB bn)	Contract sales in 1Q19 (RMB bn)
1	Sinic	53.9	8.89
2	Company A	23.9	5.0
3	Company B	23.6	4.3
4	Company C	23.4	4.2
5	Company D	18.8	3.6

Source: EH Consulting

Figure 55: Top 5 developers in Nanchang

Rank	Developer	Number of projects	Sales area (sqm)	% of total sales of residential properties in 2018
1	Sinic	11	733,119	14.4%
2	Company A	12	369,019	7.7%
3	Company B	1	246,261	5.4%
4	Company C	8	297,485	5.1%
5	Company D	4	245,044	4.7%

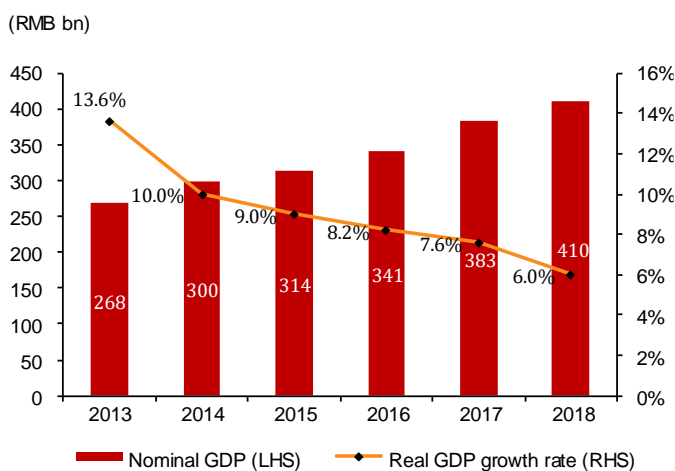
Source: CREIS

The Greater Bay Region

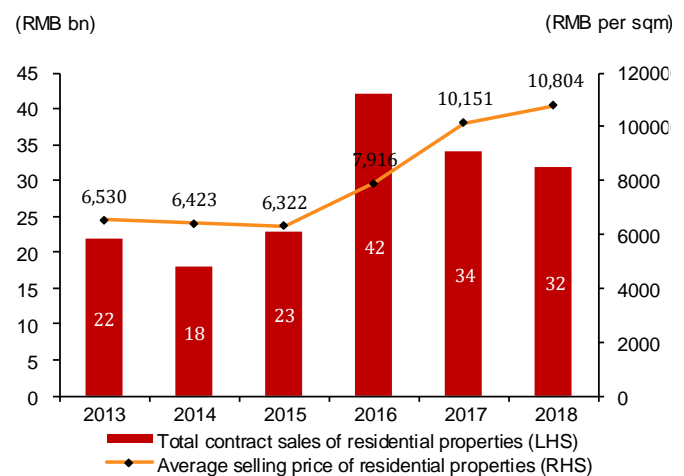
Huizhou

The GDP of Huizhou increased from 2013 to 2018 at a CAGR of approx. 8.9%, reaching approx. RMB 410.0bn in 2018.

The residential property market in Huizhou has experienced stable growth in recent years. According to the National Bureau of Statistics, real estate investment in Huizhou rose from approx. RMB 59.0bn in 2013 to approx. RMB 98.0bn in 2018 at a CAGR of 10.7%. Huizhou sold approx. RMB 32.0bn of commodity residential housing in 2018, capping an increase at 7.8% CAGR from 2013 to 2018. The average selling price of commodity residential housing has also increased from approx. RMB 6,530 per sq m in 2013 to approx. RMB 10,804 per sq m in 2018 at a CAGR of 10.6%.

Figure 56: Nominal GDP and GDP growth of Huizhou

Source: Cushman & Wakefield

Figure 57: Sales of residential properties in Huizhou

Source: Cushman & Wakefield

Appendix 1: Milestones

Year	Milestone Event
2010	Jiangxi Sinic Properties was established and acquired its first land parcel in Nanchang, Jiangxi Province.
2012	Sinic developed its first residential property project, Nanchang Dibo Wan (南昌帝泊灣), in Nanchang, Jiangxi Province.
2013	Sinic launched three residential property series, namely, Yue (悅), Yuan (園), and Wan (灣). Sinic commenced to develop its first commercial property project, Nanchang Sinic Center (南昌新力中心), in Nanchang, Jiangxi Province.
2015	Nanchang Sinic Center (南昌新力中心) received the Best Office Building Award from the National Real Estate Commercial Association (全國房地產商會聯盟) and Jiangxi Real Estate Research Association (江西省房地產協會).
2016	Sinic strategically expanded into Suzhou, Huizhou and Wuhan in the PRC to solidify the presence in the Yangtze River Delta Region, the Greater Bay Region, and the Central and Western China Core Cities and Other Regions with High-Growth Potential, respectively.
2017	Sinic relocated its corporate headquarters to Shanghai Sinic was recognized as one of “China’s Top 100 Real Estate Development Enterprises (中國房地產開發企業 100 強)” by China Real Estate Industry Associate (中國房地產業務協會), Shanghai Yiju Real Estate Research Institution (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心).
2018	Sinic was recognized as one of the “China’s Top 50 Real Estate Development Enterprises (中國房地產開發企業 50 強)” by China Real Estate Industry Association (中國房地產業協會), Shanghai Yiju Real Estate Research Institution (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心).
2019	Sinic was ranked 31st out of the “China’s Top 100 Real Estate Enterprises (中國房地產百強企業)” by China Real Estate T10 Research Committee (中國房地產前十研究組) Sinic received the “China’s Top 50 Real Estate Development Enterprises (中國房地產開發企業 50 強)” award for the third consecutive year and the “China’s Top 100 Real Estate Enterprises (中國房地產百強企業) — Growth Top 10 (成長性前 10 名)” and “China Characteristic Properties Outstanding Operation Enterprises (中國特色地產運營優秀企業) — Ecological Properties (生態房產)” awards for the second consecutive year.

Source: Company data

Appendix 2: Directors and Senior Management

Board of Directors

Name	Age	Position	Date of Joining the Company	Roles and Responsibilities
Mr. ZHANG Yuanlin (张园林)	42	Chairman of the Board, Executive Director and Chief Executive Director	Mar-2010	Responsible for the overall business direction and strategic development of the Company
Mr. SHE Runting (余润廷)	36	Executive Director and Vice President	Oct-2017	Responsible for the overall land investment of the Company and supervision of the Company's daily operations in Hangzhou, Zhejiang
Ms. TU Jing (涂菁)	30	Executive Director and Director of Operations Management	Feb-2014	Responsible for the operational management of the Company and the performance review of the senior management
Mr. TAM Chi Choi (谭志才)	55	Independent Non-Executive Director	Aug-2019	Providing independent advice on the operations and management of the Company
Mr. AU YEUNG Po Fung (欧阳宝丰)	51	Independent Non-Executive Director	Aug-2019	Providing independent advice on the operations and management of the Company
Mr. Liu Xin (乔永远)	49	Independent Non-Executive Director	Aug-2019	Providing independent advice on the operations and management of the Company

Source: Company data

Senior management

Name	Age	Position	Date of Joining the Company	Roles and Responsibilities
Mr. HU Yanfang (胡衍放)	40	General manager of business operation in Wuhan	Sep-2012	Responsible for the supervision of the Company's daily operation in Wuhan, Hubei
Mr. WANG Jingwei (王敬伟)	48	General manager of business operation in Ganyue	Jul-2014	Responsible for the supervision of the Company's daily operation in Ganyue, Jiangxi
Mr. HU Baoliang (胡宝亮)	43	General manager of the audit and supervision centre	Jan-2015	Responsible for the overall management of the audit and supervision department of the Company
Mr. ZHENG Zhiqin (郑智琴)	45	General manager of the cost control centre	May-2017	Responsible for the cost control and overall business management of the Company

Source: Company data

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