



Nationwide breakthrough with better life

— Jinke Initial Coverage

We initiate Jinke with a Buy rating and a price target of RMB 9.18. We expect the company's core EPS in 2019-2021 to be RMB 0.99 (+30.9% YoY), RMB 1.29 (+31.0% YoY) and RMB 1.63(+26.1% YoY), respectively. Given the vast growth space for the company after nationalization, we expect GPM to maintain c.30% and see great potential of the company. We give a target NAV discount of 35% and a price target of RMB 9.18, corresponding to 9.3x PE in 2019, implying 21.9% upside potential.

Outstanding results from deep cultivation in Chongqing and nationwide coverage with the strategy of Better Life: The market is concerned about the company's ability to maintain its growth after nationalization. At present, we believe Jinke will achieve a solid growth, the reasons for which include: 1) With strong outsourcing capabilities, Jinke has basically completed its nationwide coverage of 8 major urban agglomerations. In 2018, Chongqing contributed c.62.6% of the revenue and 39.1% of contracted sales, while only 21.5% of newly acquired GFA during 2018-2019Q3 was located in Chongqing; 2) Jinke takes "Better Your Life" as core mission and innovates its product series constantly. The market share of Jinke Service has been No.1 in the Midwest for 3 consecutive years, and the satisfaction of projects under management over 5 years has reached 95%. With the gradual release of high-quality resources in Chongqing and the rapid expansion driven by outsourcing capabilities and product power, Jinke is expected to maintain steady growth.

Solid leading position in Chongqing and nationwide breakthrough: In 2019 and 2018, Jinke achieved contracted sales of RMB 50.2bn and RMB 47.2bn in Chongqing, respectively, both ranking first in Chongqing. In 2018, Jinke's market share in Chongqing reached 8.79% with a solid leading position. Chongqing market has been active in recent years, with an annual transaction volume of over 50mn sqm of commercial housing; ASP of commercial housing has increased from c.RMB 7,000/sqm at end-2015 to c.RMB 13,000/sqm at end-2019, providing support for Jinke's GPM; the land cost and premium rate of the land has also risen rapidly, and the company's land bank in Chongqing is expected to usher in a revaluation. The positive performance of Chongqing market will continue to improve the company's results.

Multi-channel land acquisition and active nationwide expansion: Since 2017, the proportion of non-bidding, auctioning and listing projects has increased significantly. In July 2019, Jinke acquired 8 real estate projects with total GFA of 1.2mn sqm from Seazen, with a total turnover of RMB 2.7bn; meanwhile, the company acquired the project teams that possessed in-depth understanding of the local market and outstanding acquisition capabilities to realize rapid expansion.

Sufficient incentives with improved management: Jinke implemented an RMB 2.5bn share-based incentive plan in Dec 2019, with underlying stocks accounting for c.6.77% of the company's total outstanding shares and no more than 2,500 participants, up to now the plan has bought 0.96% of the company's stock at an average price of RMB 6.58 / share. We believe smooth financing channels and sufficient incentives will boost the company's growth and lead to its sustainable and healthy development.

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Buy

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Financial highlights (RMB mn)	2016A	2017A	2018A	2019E	2020E	2021E
Revenue	32,235	34,758	41,234	56,206	73,686	92,254
(+/-)%	66%	8%	19%	36%	31%	25%
Gross Profit	6,686	7,409	11,781	17,036	22,393	28,128
Net Profit	1,362	1,695	4,019	5,261	6,894	8,693
(+/-)%	10%	25%	137%	31%	31%	26%
PE	28.82	20.06	10.35	7.64	5.83	4.63
PB	2.01	2.03	1.73	1.59	1.25	0.98



Content

1. Investment logic	3
2. Jinke focuses on residential housing and sets off from Chengdu-Chongqing to the whole country	6
3. Sales growth continues to rise, and land bank grows steadily	8
3.1 Contracted sales exceeded RMB 100bn for the first time and the scale expanded rapidly	8
3.2 Jinke sets off from Chengdu and Chongqing and covers across the country, with high-quality land bank and stable development	8
3.2 Innovative products and high-quality properties create a better life service provider	14
4. Jinke remains a solid leading position while regional development accelerates	16
4.1 Chengdu-Chongqing regional position has been promoted, with economic growth and population inflow	16
4.2 Jinke maintains solid leadership while market enthusiasm continues	18
5. Jinke obtains dramatically increased results and enjoys smooth financing channels	21
5.1 Jinke sees significant growth in operating results and smooth progress in diversified business	21
5.2 Jinke enjoys smooth financing channels and healthy financial status	23
6. With sufficient incentives, Jinke effectively improves management to unlock future growth potential	26
7. Valuation	27
8. Note	28

1. Investment logic

Chart 1: As a leading company in Chongqing, the company benefits from regional development dividend. Excellent product power and rich and efficient land acquisition channels help the company achieve mid-to-long term growth



Source: CWSI Research

Jinke maintains leadership in Chongqing market and rapidly realizes nationwide coverage. At the current time, we believe the results of Jinke will achieve a solid growth for the following reasons: 1) With strong outsourcing capabilities, Jinke has basically completed its nationwide coverage of 8 major urban agglomerations. In 2018, Chongqing contributed c.62.6% of the revenue and 39.1% of contracted sales, while only 21.5% of newly acquired GFA during 2018-2019Q3 was located in Chongqing; 2) Jinke takes "Better Your Life" as core mission and innovates its product series constantly. The market share of Jinke Service has been No.1 in the Midwest for 3 consecutive years, and the satisfaction of projects managed over 5 years has reached 95%. With the gradual release of high-quality resources in Chongqing and the rapid expansion driven by outsourcing capabilities and product power, Jinke is expected to maintain steady growth.

The Chongqing market continues to be hot, and release of high-quality resources brooks no delay. In 2019 and 2018, Jinke achieved contracted sales of RMB 50.2bn and RMB 47.2bn in Chongqing, respectively, both ranking first in Chongqing. According to the company announcement. In 2018, the company's market share in Chongqing reached 8.79% (+31.0% YoY) with a solid leading position. In recent years,



Chongqing market is considerably large with an annual transaction volume of over 50mn sqm, and the blooming market has led to a rapid rise in land prices and premium rates. The company has rich land reserves of high quality in Chongqing, and the positive performance of Chongqing market will continually boost the company's sales and results growth.

Rooted in Chengdu and Chongqing, Jinke expands nationwide and has basically completed the coverage of urban agglomerations. The company's market share in key cities such as Hefei, Zhengzhou, Nanning, and Wuxi increased by over 100% YoY. The sales of nationalized high-quality resources will enlarge the company's growth space and ensure the stable growth of the company's performance.

Upgraded product quality and remarkable property management service bring value premium. The company puts high emphasis on product development and has numerous utility model patents and design patents. Meanwhile, Jinke Service persists in providing customers with high-quality services. For several consecutive years, the customers' satisfaction has exceeded 90%, Jinke Service ranks first in terms of market share in the Midwest for three consecutive years, and the satisfaction of project under management for over five years has reached up to 95%, top-ranked nationwide. Excellent property management service brings a premium to the company's residential projects and equally enriches the company's business landscape.

Jinke actively expands land bank and keeps acquisition intensity high. In recent years, the company has acquired multiple lands and expanded rapidly. In 2018 and the first three quarters of 2019, the newly acquired GFA was c.20.5mn sqm (+65% YoY) and 24.5mn sqm (+38% YoY), respectively. In the past five years, the ratios of the company's newly acquired GFA to contracted area are all greater than 100%, and the ratio has continued to increase since 2015, reaching 148% and 153% in 2017 and 2018, respectively. As of mid-2019, the company's total saleable GFA reached 56mn sqm. The high intensity of land acquisition has enabled the company's land bank to expand rapidly, laying a solid foundation for increasing sales and results.

Jinke acquires land actively through multiple channels. Since 2017, the company's land expansion method has changed from bidding, auctioning and listing to mergers and acquisitions, urban village reconstruction, urban renewal, and cooperative development. The proportion of non-bidding, auctioning and listing projects has increased significantly. In July 2019, the company acquired the equity of 8 real estate project companies controlled by Seazen, as well as project teams with in-depth understanding of the local market and outstanding acquisition capabilities to help realize rapid expansion.

Jinke enjoys significant growth in operating results and smooth financing channels. In the first three quarters of 2019, the company realized contracted sales of RMB 125.5bn (+45% YoY), revenue of RMB 43.2bn (+61% YoY), and net profit attributable to equity owners of RMB 4.0bn (+82% YoY). In terms of financing, the



Securities Regulatory Commission recently approved the company to issue corporate bonds with a face value of no more than RMB 5bn, effectively ensuring the smooth flow of corporate financing.

Sufficient incentives lead to healthy development. The company implemented an RMB 2.5bn share-based incentive plan in Dec 2019 with underlying stocks accounting for c.6.77% of the company's total outstanding shares and participants of fewer than 2,500. Up to now the plan has bought 0.96% of the company's stock at an average price of RMB 6.58 / share. The incentive plan will further mobilize the enthusiasm and creativity of employees to achieve sustainable and healthy development of the company.

We initiate Jinke with a Buy rating and a price target of RMB 9.18. We expect the company's core EPS in 2019-2021 to be RMB 0.99 (+30.9% YoY), RMB 1.29 (+31.0% YoY) and RMB 1.63(+26.1% YoY), respectively. Given the vast growth space for the company after nationalization, we expect GPM to maintain c.30% and see great development potential of the company. We give a target NAV discount of 35% and a price target of RMB 9.18, corresponding to 9.3x PE in 2019, implying 21.9% upside potential.

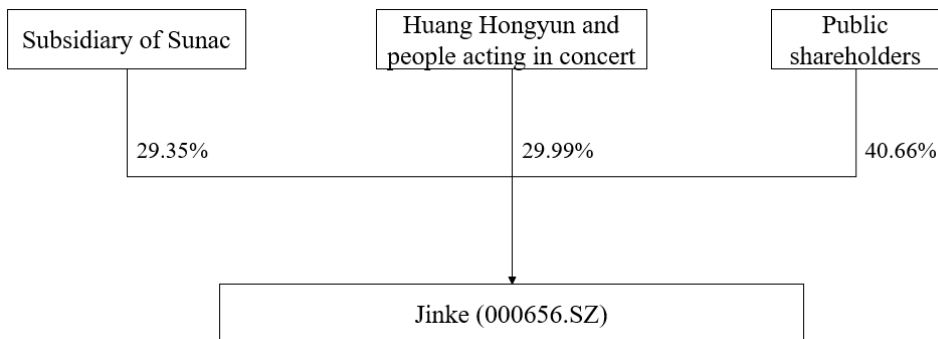
Note: The supply and demand of Chongqing's real estate market may fluctuate; Tighter financing may affect the company's financial position.

2. Jinke focuses on residential housing and sets off from Chengdu-Chongqing to the whole country

Founded in 1998, Jinke has formed a large-scale enterprise group that develops in a coordinated manner with the development of four related industries, including real estate development, technology industry investment and operation, property services, and cultural tourism. As of 2019Q3, the company's total asset reached RMB 291.3bn (+26.2% than end-2018). In 2018, the company realized contracted sales of RMB 118.8bn (+81% YoY) and the sales scale exceeded RMB 100bn for the first time; in the first 9 months in 2019, the company realized contracted sales of 125.5bn (+45%), continuing its rapid growth.

As of 2019Q3, Huang Hongyun was the actual controller of the company, and the parties acting in concert held a total of c.29.9925% of the company's shares. The subsidiaries of Sunac held c.29.35% of the company's shares, while the remaining public shareholders held 40.66%.

Chart 2: Company equity structure: Huang Hongyun is the actual controller



Source: Company announcement, CWSI Research; note: till 2019Q3

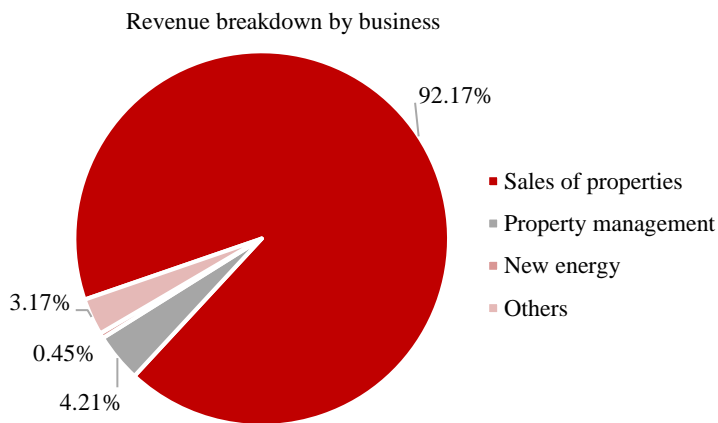
Jinke deepens the cultivation of key urban agglomerations to achieve a nationwide coverage. The company takes root in Chongqing and has increased investment in other regions in recent years to achieve a balanced nationwide coverage. The company's real estate development business focuses on "three circles and one belt" and "eight major urban agglomerations" for in-depth development. At present, urban agglomerations including the Yangtze River Delta, Beijing-Tianjin-Hebei, Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing, Central Plains, the middle reaches of



the Yangtze River, Beibu Gulf, and Shandong Peninsula have been stationed, covering 23 provinces, municipalities and autonomous regions. Projects are mainly distributed in Chongqing, Beijing, Guangzhou, Chengdu, Suzhou, Nanjing, Hefei, Zhengzhou, Wuhan, Tianjin, Jinan, Nanning and other tier 1 and tier 2 cities. The constant optimization of the investment structure is expected to boost company results to a new level.

With diversified business, Jinke focuses on residential housing. Sales of properties is the company's main source of revenue. In 2018, revenue from sales of properties reached RMB 41.2bn, accounting for 92.17% of the total revenue. Community life service is also an important business of the company, providing diversified professional services, including property management services, park management services, consulting services, and technology services, covering 24 provinces, municipalities, and autonomous regions. The service format contains residential housing, government public construction, commercial office buildings, urban complexes, etc. The company's business scope is relatively rich.

Chart 3: Sales of properties is the company's main business



Source: Company announcement, CWSI Research; note: till end-2018

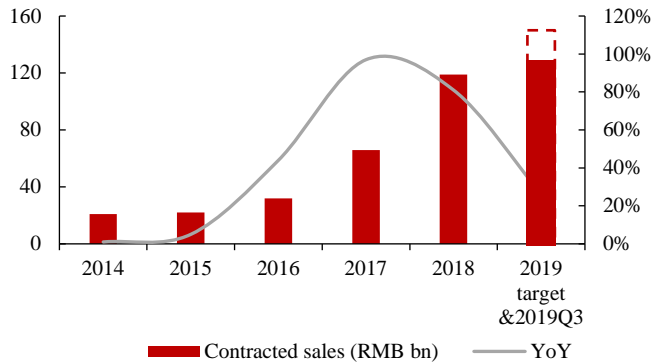


3. Sales growth continues to rise, and land bank grows steadily

3.1 Contracted sales exceeded RMB 100bn for the first time and the scale expanded rapidly

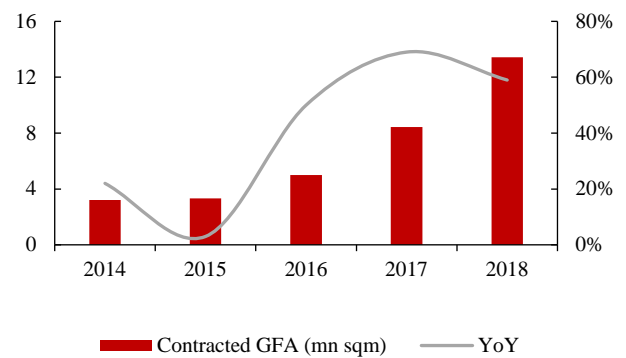
The contracted sales increased and the scale expanded rapidly. In 2018, the company achieved contracted sales of RMB 118.8bn (+81% YoY) and the sales scale exceeded RMB 100bn for the first time. The contracted GFA was 13.4mn sqm (+59% YoY). The company's sales target for 2019 is RMB 150bn. The contracted sales in the first three quarters of 2019 has reached c.RMB 125.5bn (+45% YoY), and the contracted GFA is 12.5mn sqm (+29% YoY). The company's sales scale is expanding rapidly.

Chart 4: The company's contracted sales in 2018 exceeded RMB 100bn for the first time



Source: Company announcement, CWSI Research

Chart 5: The company's contracted GFA continues to grow



Source: Company announcement, CWSI Research

3.2 Jinke sets off from Chengdu and Chongqing and covers across the country, with high-quality land bank and stable development

Rooted in Chengdu and Chongqing region, Jinke expands nationwide and basically completed the coverage of urban agglomerations. The company strives to penetratingly develop business in "three circles and one belt, eight major urban agglomerations, and core 25 cities". While endeavoring to consolidate the dominant market position in Chengdu and Chongqing, the company has gradually increased investment in other regions to achieve a balanced nationwide coverage. As of mid-2019, the company has covered urban agglomerations including the Yangtze River Delta,



Beijing-Tianjin-Hebei, Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing, Central Plains, the middle reaches of the Yangtze River, Beibu Gulf and Shandong Peninsula, with its projects mainly distributed in tier 1 and tier 2 cities such as Chongqing, Beijing, Guangzhou, Chengdu, Suzhou, Nanjing, Hefei, Zhengzhou, Wuhan, Tianjin, Jinan and Nanning. It has recently entered Shanghai, Guangzhou, Ningbo and other cities, and has basically completed the "core 25 cities" strategic coverage.

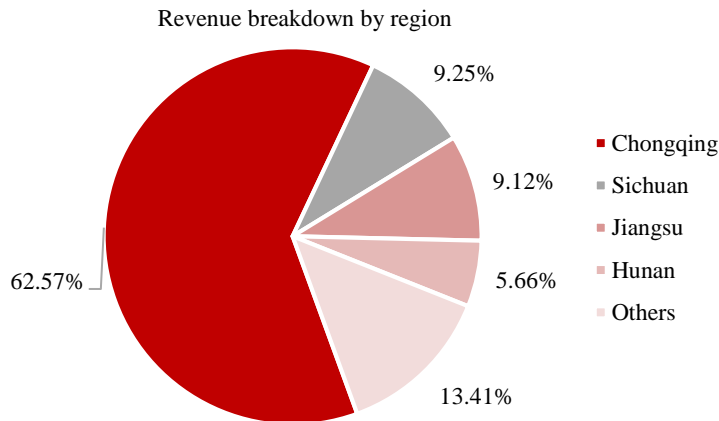
The company's deep cultivation strategy yields significant effects. Jinke's market share in Chongqing reached 8.79% (+31% YoY) in 2018, and its market share in key cities such as Hefei, Zhengzhou, Nanning, and Wuxi increased by over 100% YoY. The sales of nationalized high-quality resources will enlarge the company's growth space and ensure the stable growth of the company's results.

Table 1: Chongqing contributed c.39.1% of the contracted sales in 2018, and the nationwide coverage has gradually been balanced

City	Contracted sales (RMBbn)			Contracted GFA (mn sqm)			Market Share		
	2018	2017	YoY	2018	2017	YoY	2018	2017	YoY
Chongqing	46.4	30.4	52%	6.3	4.5	40%	8.8%	6.7%	31%
Wuhan	4.4	-	-	0.2	-	-	0.9%	-	-
Hefei	4.3	2.3	91%	0.3	0.2	78%	2.6%	1.2%	109%
Zhengzhou	5.0	1.8	184%	0.6	0.1	372%	1.6%	0.7%	142%
Nanning	3.6	1.0	276%	0.5	0.1	431%	2.7%	0.8%	233%
Wuxi	3.4	1.3	162%	0.3	0.2	47%	2.2%	1.1%	107%

Source: Company announcement, CWSI Research; note: till end-2018

Chart 6: Chongqing contributes c.60% of the revenue, and the effectiveness of the nationwide coverage has begun to unveil



Source: Company announcement, CWSI Research; note: till end-2018



The constant optimization of the investment structure aims at a balanced nationwide coverage. In the past, the company had more land bank in tier 3 and tier 4 cities in western China and counties outside the nine major districts under the jurisdiction of Chongqing. In 2017H1, the company formulated the "Outline of Development Strategic Planning (2017-2020)", which clarified the core urban strategy of deeply cultivating urban agglomerations and extensively carrying out outreach development, and "one fast, two low and three high" business development model. In 2018, the company further put forward the strategic development direction of "Four in One, Coordinated Development", and set a new starting point of RMB 100bn. In terms of investment coverage, the company consistently focuses on deep cultivation and the "three circles and one area, eight major urban agglomerations, and core 25 cities" to significantly enhance investment capacity, increase investment in other regions, and achieve a balanced nationwide coverage.



Table 2: Jinke adjusted development strategies according to market conditions and steadily realized national distribution

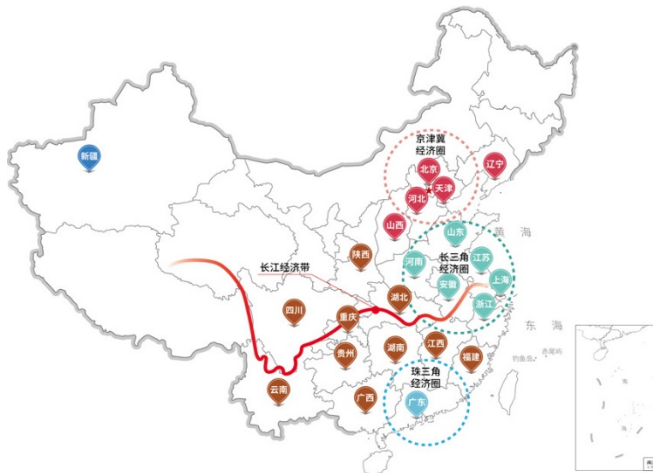
Year	Coverage strategy
2013	The company implemented the "622" national development strategy, adhered to the in-depth cultivation of the urban agglomerations, and strived to promote the "1060" coverage strategy which refers to entering 60 cities in the central and western regions in 10 years. The project acquisition is mainly in tier 2 and tier 3 cities, supplemented by tier 1 and tier 4 cities. Projects with good cash flow are preferred. Joint ventures and cooperation are to be strengthened.
2014	Under the principle of "622" development strategy, the company adhered to the strategic thinking of "primary coverage of tier 2 cities, supplemented by tier 1 and tier 3 cities" and "primary coverage of central and western regions, supplemented by other regions", and gradually returned to provincial capitals and tier 2 and tier 3 regional centers, as well as profitable projects with stable cash flow .
2015	The coverage is mainly based on "primary coverage of strong tier 2 cities, supplemented by tier 1 and central tier 3 cities, and gradual withdrawal from tier 4 cities". The company strived to enter the core cities such as Shanghai, Tianjin, Zhengzhou, Nanjing and Wuhan. Guided by the national urban agglomeration development strategy, the "three-circle and one-belt" urban agglomeration regional strategic coverage was established. In 2015, the company has entered 12 provinces (municipalities).
2016	The company adhered to the development strategy of the national urban agglomeration, focused on the coverage of the "three circles and one belt" (the Yangtze River Delta economic circle, the Beijing-Tianjin-Hebei economic circle, the Chengdu-Chongqing economic circle, and the Yangtze River economic belt), covered core ten cities including Shanghai, Tianjin, Hefei, Zhengzhou, and Wuhan to implement the regional development strategy of "strengthening Chongqing, expanding East China, increasing North China, and stabilizing the Midwest", and gradually adjust the company's coverage. In 2016, the company has entered 14 provinces (municipalities).
2017	In 2017H1, the company formulated the Outline of Development Strategic Planning (2017-2020), which clarified the strategic goals for each year from 2017 to 2020. In the future, the company would vigorously develop the Chengdu-Chongqing urban agglomeration centered on Chongqing, the Central Plains urban agglomeration centered on Zhengzhou, and the middle reaches of the Yangtze River centered on Wuhan; focus on the Yangtze River Delta city cluster centered on Shanghai, the Pearl River Delta urban agglomeration centered on Guangzhou-Shenzhen and Beijing-Tianjin-Hebei urban agglomeration centered on Beijing; the company actively developed the Shandong Peninsula urban agglomeration and Beibu Gulf urban agglomeration. The implementation strategy is mainly based on the central cities in the urban agglomeration, supplemented by regional sub-central cities and node cities. Under the guidance of strategic planning, the company has basically completed the strategic coverage of 8 major urban agglomerations. In 2017, the company has entered 22 provinces (municipalities).
2018	The company adheres to the coverage strategy of "three circles and one area, eight major urban agglomerations, and core 25 cities", and continues to optimize the investment structure. New cities such as Shanghai, Guangzhou, and Ningbo have now been deployed. In total, Jinke has entered 23 provinces, which are distributed in the Yangtze River Delta, Beijing-Tianjin-Hebei, Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing, Central Plains, the middle reaches of the Yangtze River, Beibu Gulf and Shandong Peninsula. Main projects are distributed in Beijing, Guangzhou, Chengdu, Suzhou, Nanjing, Hefei, Zhengzhou, Wuhan, Tianjin, Jinan, Qingdao and other major tier 1 and tier 2 cities. The strategy of the "Core 25 Cities" in 2018 was basically completed.

Source: Company announcement, CWSI Research



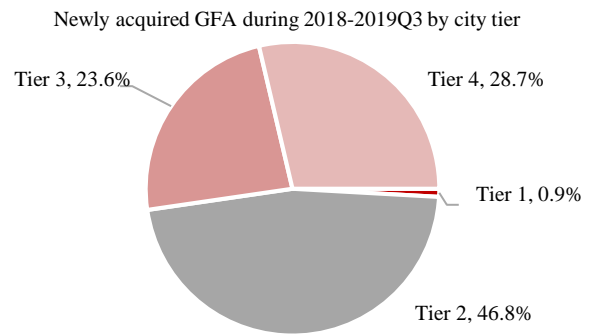
Foothold in core metropolitan areas benefits from the development law of urban agglomerations. China's urbanization is at a stage when population is immigrating from small and medium cities to large cities while satellite cities around tier 1 cities gradually develop. As the National Development and Reform Commission gradually relaxed hukou policies, the population will continue to gather in core tier 2 cities and satellite cities around tier 1 cities, and the investment value of these cities will become increasingly prominent. In 2018 and the first three quarters of 2019, the company obtained 45mn sqm land bank, 0.9% in tier 1 cities and 46.8% in core tier 2 cities (Chongqing, Wuhan, Zhengzhou, Chengdu, Suzhou, Hefei, etc.), and owned adequate high-quality land bank. The company will continuously benefit from the development of urban agglomerations by taking into account the strong tier 3 cities and some tier 4 cities and fully implementing the strategy of "three-circle, one-belt, eight major urban agglomerations, and core 25 cities", which is mainly based on tier 2 and strong tier 3 cities and supplemented by tier 1 and tier 4 cities.

Chart 7: The company's coverage fits the development strategy of China's urban agglomerations



Source: Company website, CWSI Research

Chart 8: 47.7% of the company's GFA acquired during 2018 and first three quarters of 2019 are in tier 1 and tier 2 cities



Source: Company announcement, CWSI Research



Table 3: The company acquired a large amount of land bank in core cities to achieve the "Core 25 City" strategy

City	Newly acquired GFA (mn sqm)	%
Chongqing	9.65	21.45%
Chengdu	1.86	4.14%
Hefei	0.89	1.97%
Suzhou	0.68	1.51%
Nanning	0.55	1.22%
Tianjin	0.55	1.21%
Wuhan	0.42	0.94%
Zhengzhou	0.21	0.47%
Guangzhou	0.19	0.43%
Jinan	0.15	0.34%
Beijing	0.12	0.27%
Shanghai	0.08	0.18%
Total	15.37	34.15%

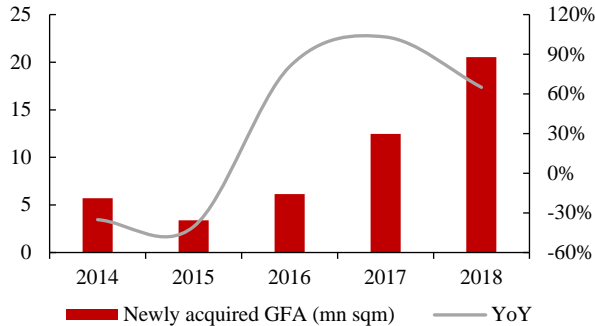
Source: Company announcement, CWSI Research; note: newly acquired GFA during 2018 - 2019Q3

Jinke made efforts in many areas to acquire land and expanded land storage more efficiently at a low cost. Since 2017, the company's land expansion method has changed from bidding, auctioning and listing to mergers and acquisitions, urban village reconstruction, urban renewal, and cooperative development. The proportion of non-bidding, auctioning and listing projects has increased significantly. In July 2019, the company acquired the equity of 8 real estate project companies with total GFA of c.1.2mn sqm controlled by Seazen, which are located in Jiaxing, Qingdao, Rizhao, Shangrao, Suzhou, Zhengzhou, Shangqiu, and Yixing, with a total turnover of about RMB 2.7bn; meanwhile, the company acquired the project teams with in-depth understanding of the local market and outstanding acquisition capabilities to help the company realize rapid expansion. The land cost of newly acquired land in 2017 was c.RMB 3,695/sqm, and the land cost in 2018 was c.RMB 3,408/sqm, which, in the first three quarters of 2019, was further reduced to RMB 2,510/sqm. The coverage continues to optimize, and the land cost continues to decline.

Jinke actively expands land bank and maintains high acquisition intensity. In recent years, the company has obtained multiple lands and expanded rapidly. In 2018 and the first three quarters of 2019, the newly acquired GFA was c.20.5mn sqm (+65% YoY) and 24.5mn sqm (+38% YoY), respectively. In the past five years, the ratios of the company's newly acquired GFA to contracted area are all greater than 100%, and the ratio has continued to increase since 2015, reaching 148% and 153% in 2017 and 2018, respectively. As of mid-2019, the company's total saleable area reached 56mn sqm. The high intensity of land acquisition enables the company's land bank to expand rapidly, laying a solid foundation for increasing sales and results.

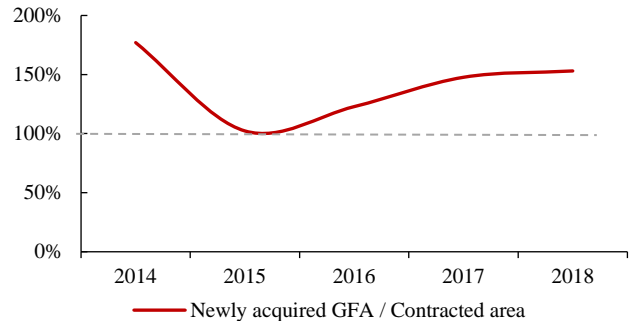


Chart 9: The company's newly acquired GFA has grown rapidly



Source: Company announcement, CWSI Research

Chart 10: Acquisition intensity remains high, laying the foundation for sales



Source: Company announcement, CWSI Research

3.2 Innovative products and high-quality properties create a better life service provider

Jinke aims to build a better life and a better community. The company takes "Better Your Life" as its mission, takes products and services as the ties, and takes Jinke Service as the carrier to become a firm "Better Life Service Provider". In 2018, the company launched China's first Beautiful Life book "Joy of Life", and returned to the paper platform to advocate and spread the original beauty of life. The company is committed to serving customers better, realizing life-long services around the "five better", that is, better growth, better living, better health, better convenience and better neighbors, improving customer satisfaction and stickiness, and creating a beautiful community.

Jinke attaches great importance to product capabilities and persists in innovating and upgrading. The company has a number of utility model patents and design patents such as "original Chinese house", "sky court", "X+1 mezzanine house", "villa-level house". Its products have been iterated to the third generation of "five product claims". Jinke constructed its product strategy of "Three Systems and One Core" centered on "Oriental Habitats" and based on three series "Qionghua", "Bocui", and "Jimei". On this basis, in 2019, the company released a new product core, Life Building, which gives Jinke's products three attributes of "intelligence", "organism" and "gene". Excellent and continuously innovative products will provide strong support for the company's sales and remote expansion.



Chart 11: Jinke · Jiuquhe Project, the company's product power continues to improve



Source: Company website, CWSI Research

Property management service with high satisfaction has brought premium to real estate brands. Jinke Service continues to provide customers with high-quality services and has established a high brand reputation throughout the country. Jinke Service has won great honors such as "Top 10 Chinese Property Service Enterprises in 2018" and "2018 China's Leading Characteristic Property Service Company——Smart Technology Property". Customers' satisfaction has been more than 90% for several consecutive years, the market share of Jinke Service ranks first in the Midwest for three consecutive years, and the satisfaction of project under management for over five years has reached 95%, top-ranked nationwide. Excellent property management service brings a premium to the company's residential projects and meanwhile enriches the company's business landscape.



4. Jinke remains a solid leading position while regional development accelerates

4.1 Chengdu-Chongqing regional position has been promoted, with economic growth and population inflow

The positioning of Chengdu-Chongqing Metropolitan Area has been improved while regional development accelerates. In June 2011, the State Council issued the "National Major Functional Zoning Plan". The document is a strategic, basic, and binding plan for China's core territorial space development, in which the positioning of Chengdu-Chongqing Metropolitan Area and Chongqing Economic Zone is clearly defined.

Table 4: "National Major Functional Zoning Plan" specifies the important positioning of Chengdu-Chongqing Metropolitan Area and Chongqing Economic Zone

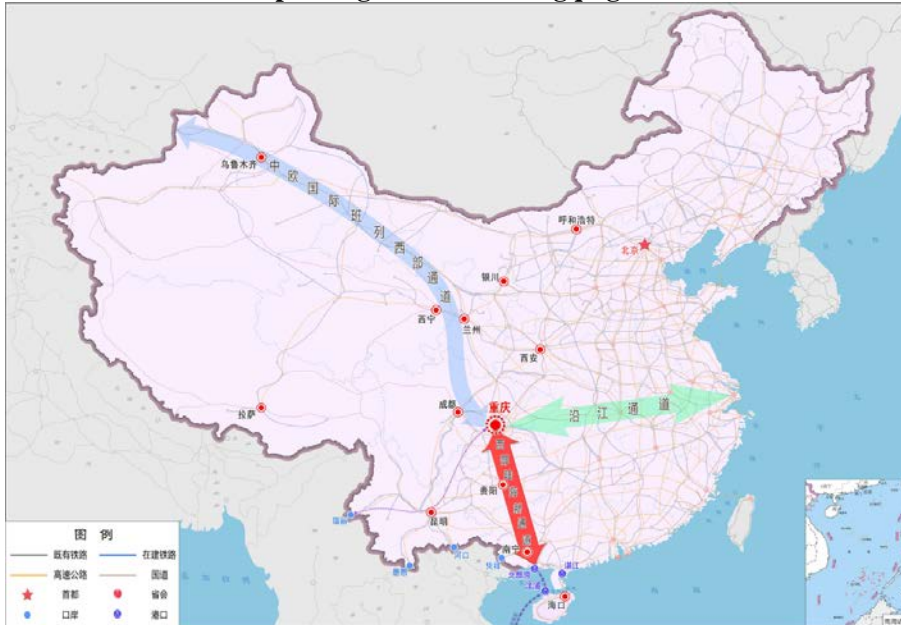
Region	Positioning
Chengdu-Chongqing Metropolitan Area	National demonstration zone for overall urban and rural development, national industry bases for important high-tech industries, advanced manufacturing and modern service, center for science and technology education, commerce and logistics and finance, and integrated transportation hub; science and technology innovation bases in the southwest, important population and economies in the western China
Chongqing Economic Zone	Important economic center in the western region, important financial center, commerce and logistics center, and integrated transportation hub in the country, as well as manufacturing bases for high-tech industry, automobile and motorcycle, petroleum and natural gas chemical and equipment, inland open highland and export commodity processing base

Source: "National Plan for Main Function Areas", CWSI Research

The geographical advantages of Chongqing should be exploited to lead a new pattern of opening up. In August 2019, the National Development and Reform Commission issued the "the Framework Plan for New Land and Marine Routes for Western Regions". The new land and marine routes for western regions are located in the hinterland of western China, and play a strategic role in the coordinated regional development. The plan proposes that Chengdu, Chongqing and Beibu Gulf will form three main corridors, which will create high-capacity land-sea railway transport corridors for Chongqing and Chengdu, to support the development of modern manufacturing logistics in Chongqing, focus on the construction of the Chongqing High-tech Zone and the Airport Economic Demonstration Zone and facilitate the establishment of inter-provincial consultation and cooperation mechanism, etc. led by Chongqing. By 2020, the Chongqing Inland International Logistics Distribution Center will be built. By 2025, the Chongqing Inland Port Highlands will be basically completed. At that time, the customs clearance facilitation and logistics efficiency will

be significantly improved, and Chongqing would usher in a new phase of coordinated regional development and opening up.

Chart 12: The new land and marine routes for western regions support the construction of inland port highlands in Chongqing

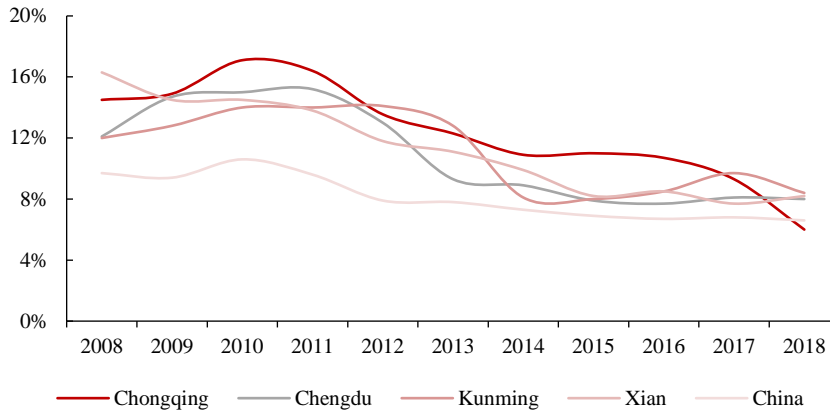


Source: National Development and Reform Commission, CWSI Research

The economy is growing rapidly and population keeps pouring in. Chongqing’s average GDP growth rate in the past four years has reached 9.25%, faster than that of the country and some western provincial capitals. In terms of population, Chongqing’s resident population and urban population have continued to grow in the past ten years, increasing from 28.4mn and 14.2mn in 2008 to 31.0mn and 20.3mn in 2018, respectively. According to the “Chinese City Research Report for 2019Q1” published by Baidu Map, Chongqing ranks fifth in terms of population attractiveness in China. Economic development and population inflow are expected to stimulate real estate demand in Chongqing.

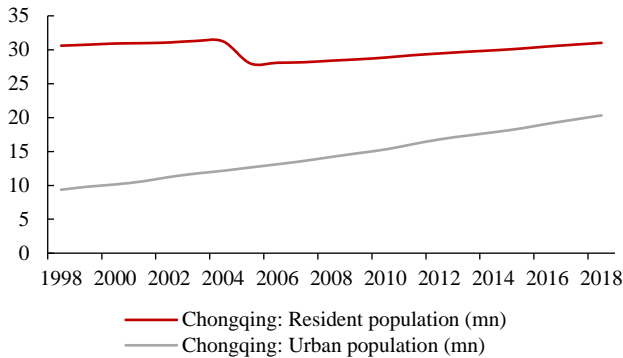


Chart 13: Chongqing's GDP growth has been among the top cities in western capitals in recent years



Source: NBS, CWSI Research

Chart 14: The urban population of Chongqing has increased rapidly in recent years



Source: Wind, CWSI Research

Chart 15: Chongqing ranks fifth in terms of population attractiveness in China



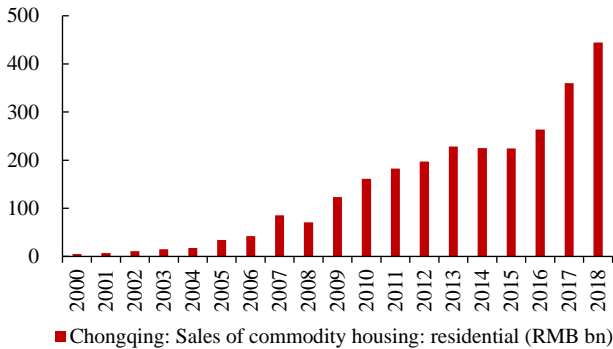
Source: Baidu Map, CWSI Research

4.2 Jinke maintains solid leadership while market enthusiasm continues

Chongqing market continues to be hot, and the release of high-quality resources brooks no delay. Benefiting from good industry and population introduction, Chongqing market has been relatively active in recent years with an annual transaction volume of more than 50mn sqm; ASP of commodity housing in Chongqing has continued rising from c.RMB 7000/sqm at end-2015 to c.RMB 13000/sqm at end-2019, providing support for the company's GPM; the land cost and premium rate of the land has also risen rapidly, and the company's land bank in Chongqing is expected to usher in a revaluation. The positive performance of Chongqing market will continue to boost the company's performance.

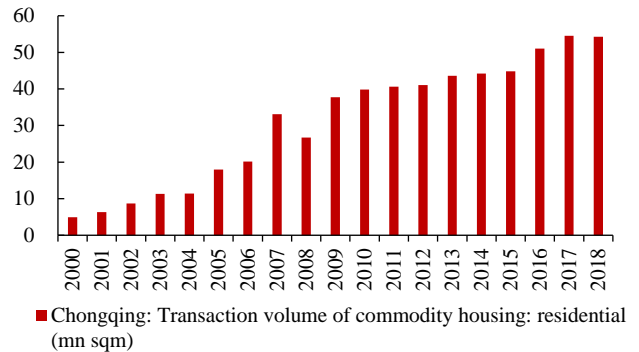


Chart 16: Chongqing market has been active in recent years



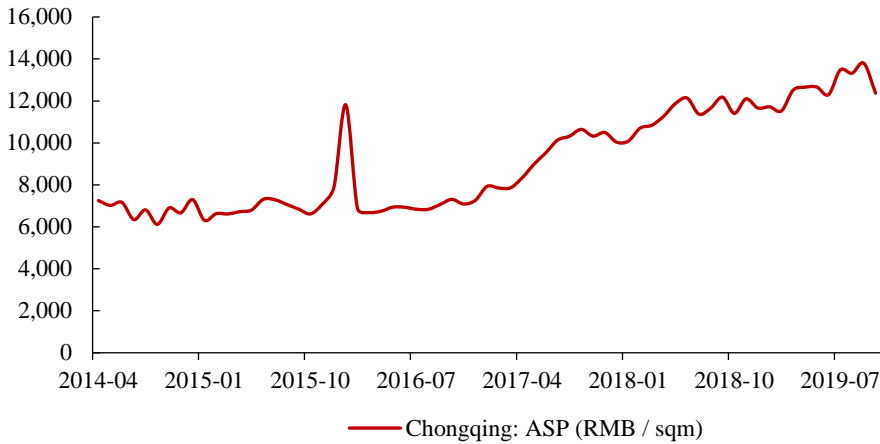
Source: Wind, NBS, CWSI Research

Chart 17: Chongqing market transaction continues to be hot



Source: Wind, NBS, CWSI Research

Chart 18: ASP of commodity housing in Chongqing has increased rapidly in recent years

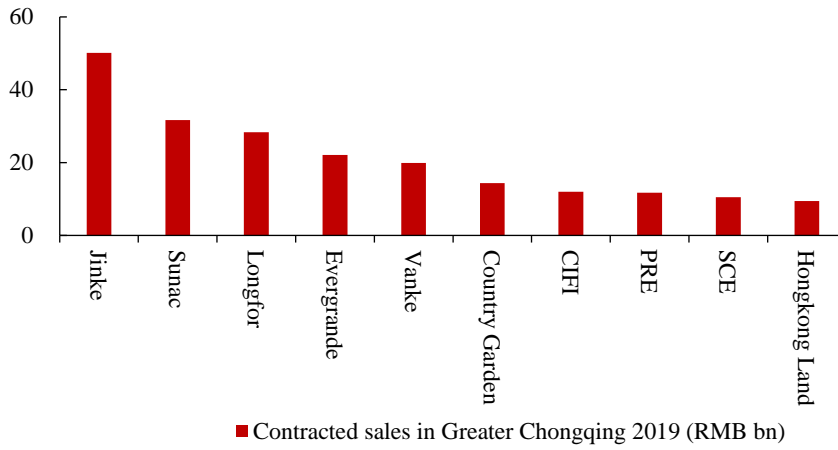


Source: Wind, Centaline, CWSI Research

The company's market share in Chongqing remains high. According to CRIC, in 2019 and 2018, Jinke achieved contracted sales of RMB 50.2bn and RMB 47.2bn in Chongqing, respectively, both ranking first in Chongqing. According to the company announcement, in 2018, the company's market share in Chongqing reached 8.79% (+31.0%), and its leading position is strengthened.



Chart 19: The company's contracted sales ranks first in Greater Chongqing in 2019



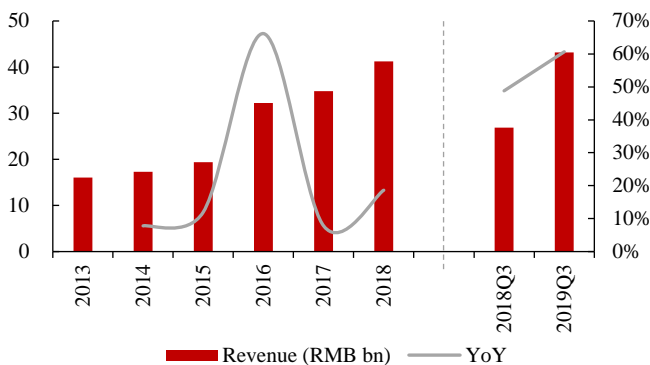
Source: CRIC, CWSI Research

5. Jinke obtains dramatically increased results and enjoys smooth financing channels

5.1 Jinke sees significant growth in operating results and smooth progress in diversified business

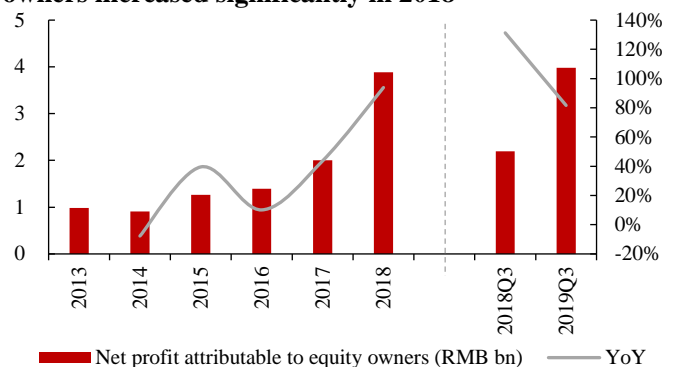
Jinke's revenue and profit grow significantly. The company achieved revenue of RMB 41.2bn (+18.6% YoY) in 2018, and a CAGR of 20.7% since 2013. Net profit attributable to equity owners reached RMB 3.9bn (+93.9% YoY), and a CAGR of 31.6% since 2013. In the first three quarters of 2019, the company achieved contracted sales of RMB 125.5bn (+45% YoY), revenue of RMB 43.2bn (+60.7% YoY), and net profit attributable to equity owners of RMB 4.0bn (+81.7% YoY), growing rapidly. The company has abundant unsettled resources. In the first three quarters of 2019, Jinke's advance received from customers reached RMB 104.3bn (+49.5% YoY), indicating an enormous potential in subsequent performance growth. The company has implemented cash dividends for 8 times since its listing in 2011, and since 2016, the dividend payment rate has increased significantly, consolidating the shareholder base. The company's GPM has raised from 20.7% in 2016 to 30.1% in 2019Q3, and core margin have raised from 3.7% in 2016 to 9.4% in 2019Q3, reflecting increasing profitability.

Chart 20: The company's revenue has grown fast



Source: Wind, CWSI Research

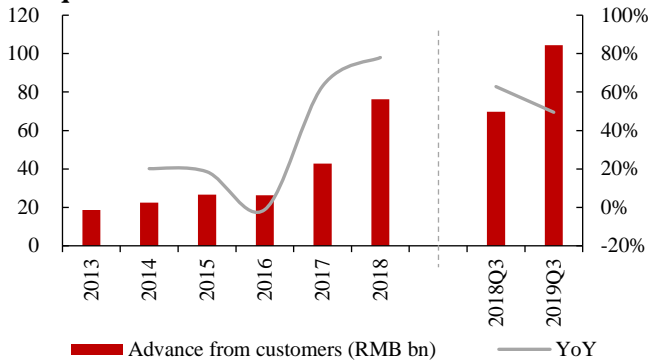
Chart 21: The company's net profit attributable to equity owners increased significantly in 2018



Source: Wind, CWSI Research

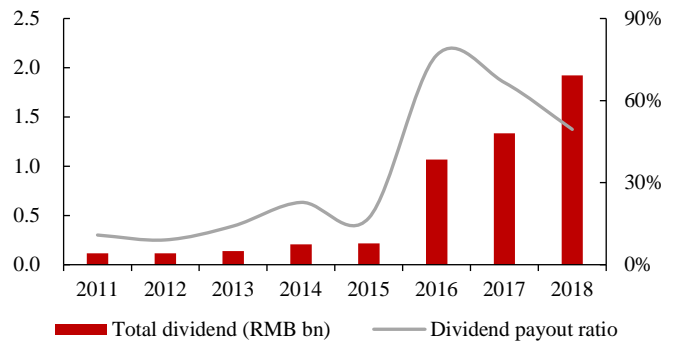


Chart 22: Rapid advance from customers to ensure subsequent result



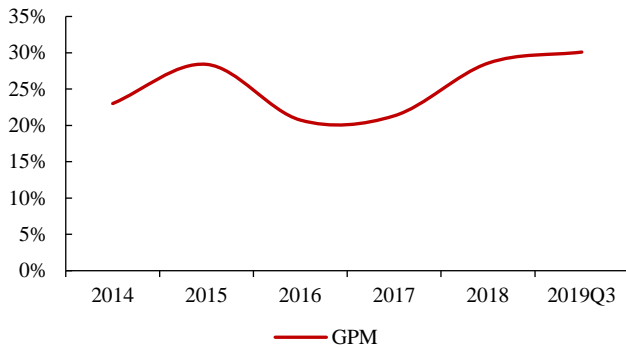
Source: Wind, CWSI Research

Chart 23: Jinke values shareholder returns and raises the dividend payout ratio significantly in recent years



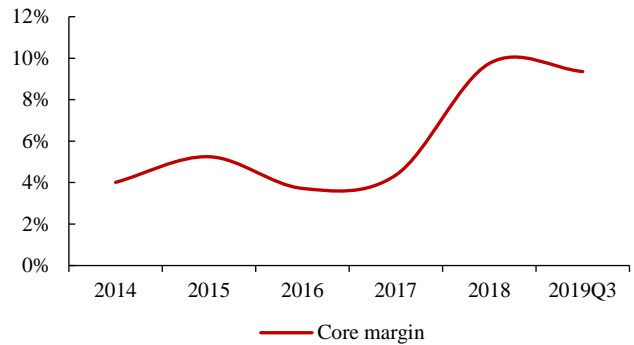
Source: Wind, CWSI Research

Chart 24: GPM is rising steadily, showing good profitability



Source: Wind, CWSI Research

Chart 25: Core margin has increased significantly in recent years

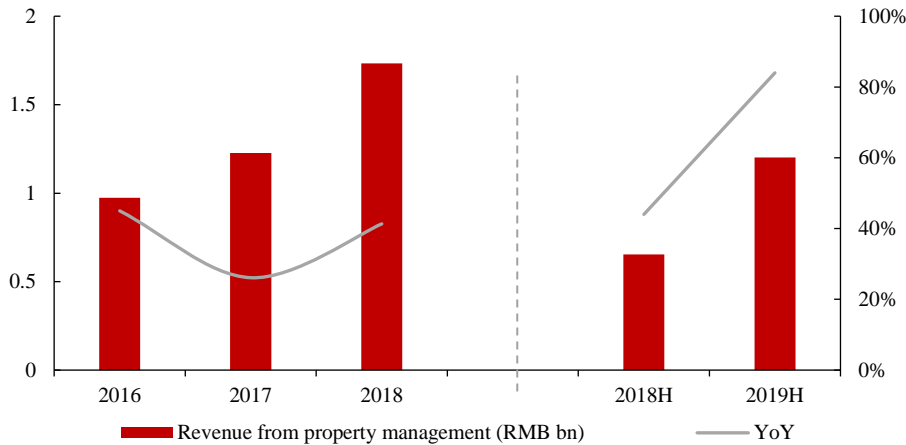


Source: Wind, CWSI Research

The business landscape has gradually enhanced, and property management service have grown steadily. The company upgraded its traditional property management to a "better life service provider" based on the needs of the owners, and provided a variety of professional services, including property management services, park management services, consulting services, and technology services. The business covers 24 provinces, municipalities and autonomous regions. In 2019H, the company's property management service realized operating income of RMB 1.2bn (+84% YoY) and net profit of RMB 159mn (+260% YoY). The newly acquired contracted GFA was 35mn sqm, and the cumulative contracted GFA reached 239mn sqm. The service format covers residential buildings, government public construction, commercial office buildings, and urban complexes.



Chart 26: Revenue from property management service has grown steadily



Source: Wind, CWSI Research

5.2 Jinke enjoys smooth financing channels and healthy financial status

Jinke possesses diversified financing channels and smooth funding. The company continuously improves its financing ability and actively employs various financial instruments, well equipped with considerable experience and competent capacity. In Dec 2019, the company was approved by the China Securities Regulatory Commission to issue corporate bonds with a total face value of no more than RMB 5bn, and the financing channels were smooth. Rich and diversified financing channels can ensure the safety of the company's funds and enhance its ability to hedge risks.

Table 5: Actively expand diversified financing channels to ensure safe and controllable funding

Value Date	Type	Issue size (mn)	Currency	Duration	Coupon rate
2019-01-08	Commercial Papers	1,200	CNY	1 year	6.50%
2019-01-15	Medium Term Notes	1,000	CNY	2 years	7.00%
2019-01-22	Super & Short-term Commercial Papers	700	CNY	180 days	5.87%
2019-03-11	General corporate bond	2,000	CNY	4 years	6.90%
2019-04-16	Medium Term Notes	1,300	CNY	2 years	6.58%
2019-04-26	Super & Short-term Commercial Papers	800	CNY	270 days	5.86%
2019-06-20	Enterprise Bonds	300	USD	2 years	8.38%
2019-07-08	General corporate bond	1,580	CNY	3 years	6.50%
2019-12-18	Super & Short-term Commercial Papers	1,200	CNY	270 days	5.89%
2020-02-20	General corporate bond	400	CNY	5 years	6.30%
2020-02-20	General corporate bond	1,900	CNY	3 years	6.00%

Source: Wind, CWSI Research



Table 6: The company's financing costs remain within a reasonable range

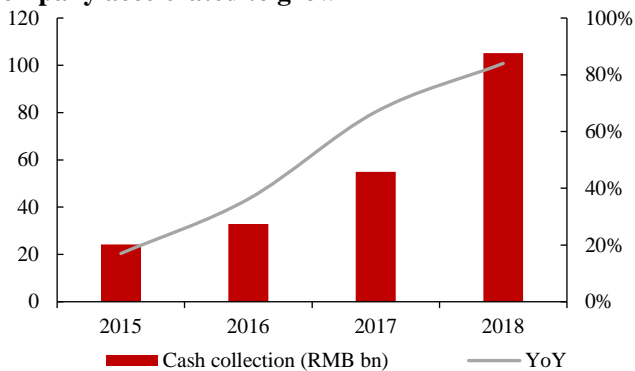
Type	Ending Balance (RMBbn)	Proportion	coupon rate	Duration
Borrowing-Banks	60.13	62.27%	4.285-10.00%	1-14 years
Borrowing-Other financial institutions	16.48	17.06%	7.50%-11.5%	1-2 years
Bonds	19.95	20.66%	4.70%-8.38%	0.5-6 years
Total	96.55	100.00%	-	-

Source: Company announcement, CWSI Research; note: till 2019H

Cash collection is in good condition and financial status is increasingly healthy.

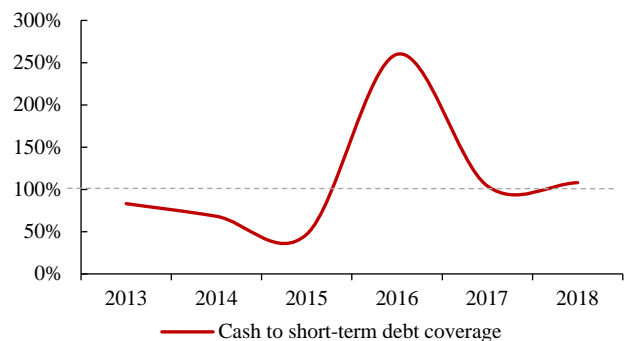
The company thoroughly implements the management philosophy with financial indicators as its core and continuously improves financial management level. In 2018, the company realized cash collection of RMB 105.1bn (+84% YoY), and a cash collection ratio of 88%, ensuring the company's healthy cash situation. At the end of 2018, the company's cash was nearly RMB 30bn (+60.3% YoY), effectively covering short-term liabilities. The total amount of credit granted by financial institutions is about RMB 155bn, and the financial position is sound and steady. After deducting advance from customers, the asset-liability ratio will be 50.6%, a decrease of 7.99pct compared with the ratio of 2017, and the net debt ratio also decreases. In general, the company's financial situation is increasingly steady, supporting the company's stable development.

Chart 27: Cash collection achieved high-level sustained growth while maintaining the steady development of the company accelerated to grow



Source: Company announcement, CWSI Research

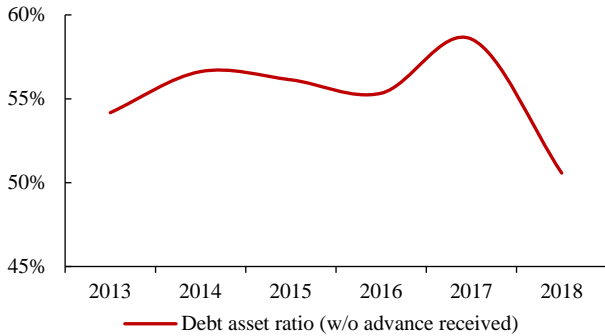
Chart 28: The company's cash have effectively covered short-term liabilities in recent years



Source: Company announcement, CWSI Research

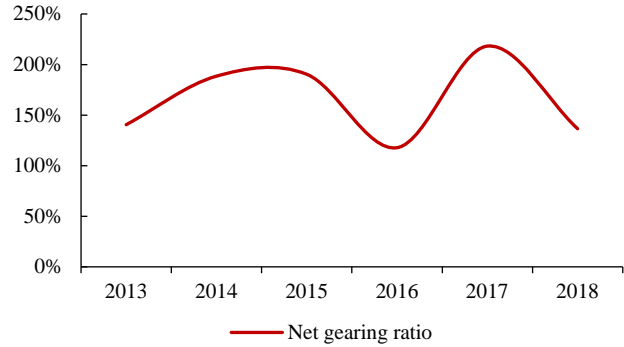


Chart 29: The asset-liability ratio after deducting advances in 2018 was 7.99 pct lower than in 2017



Source: Wind, CWSI Research

Chart 30: The company's net gearing ratio has been optimized in recent years



Source: Wind, CWSI Research

Table 7: Strong financial position and good rating performance

Agency	Rating	Outlook
Moody's	B1	Stable
S&P	B+	Stable
CCXI	AAA	Stable
Lianhe Ratings	AA+	Stable
Dagong Global	AA+	Stable

Source: Bloomberg, Wind, CWSI Research



6. With sufficient incentives, Jinke effectively improves management to unlock future growth potential

Share-based incentives mobilizes enthusiasm and creativity to realize the common growth of employees and company value. In December 2019, the company implemented a share-based incentive plan from 2019 to 2023. The total planned capital does not exceed RMB 2.5bn, and the number of underlying stocks involved is estimated to be 362mn shares, accounting for c.6.77% of the company's existing share capital. The total number of participants is expected to be no more than 2500, and the total amount of funds that the plan intends to raise from employees is no more than RMB 1.25bn. Up to now, the plan has bought 0.96% of the company's stock at an average price of RMB 6.58 / share. In view of the magnitude of the rosters and funding, this share-based incentive plan will further mobilize the enthusiasm and creativity of employees to achieve sustainable and healthy development of the company.

Jinke strengthens control and improves efficiency. In terms of operation management, the company strengthened operation management and optimized the authorization system in accordance with the general idea of professional centralization, and implemented dynamic management and control of real estate projects, thereby adjusting the operation rhythm of the entire group of projects and maintaining a high turnover rate. The company accelerated the development and sales pace of some marketable projects according to market situation, and provided sufficient marketable products, effectively improving the on-time completion rate of the project. On the other hand, the company's core management team is mature and stable, with strong professional ability and rich management experience.

Jinke achieves the ambitious sales goal of RMB 100bn. The company's sales target for 2018 is RMB 100bn, while the contracted sales in 2018 was RMB 118.8bn (+81% YoY), achieving the RMB 100bn goal. The company's goal of contracted sales in 2019 is RMB 150bn. From January to September 2019, the company achieved sales of c.RMB 125.5bn (+45% YoY) and has exceeded 80% of the annual target. In terms of medium-term goals, the company has set a high target of RMB 200bn contracted sales in 2020 (including all business segments). With clear strategic positioning, the company holds considerable resources of high quality and, implements a mature incentive mechanism to generate sufficient momentum. Under the guidance of sales goals, the company is expected to achieve new breakthroughs.



7. Valuation

We initiate Jinke with a Buy rating and a price target of RMB 9.18. We expect the company's core EPS in 2019-2021 to be RMB 0.99 (+30.9% YoY), RMB 1.29 (+31.0% YoY) and RMB 1.63(+26.1% YoY), respectively. Given the vast growth space for the company after nationalization, we expect GPM to maintain c.30% and see great development potential of the company. We give a target NAV discount of 35% and a price target of RMB 9.18, corresponding to 9.3x PE in 2019, implying 21.9% upside potential. (The latest share price is the closing price on 28 Feb, 2020).

Table 8: Jinke – NAV breakdown

NAV added (RMBbn)	50.40
Equity attributable to equity owners (RMBbn, mid-2019)	25.00
Attributable NAV (RMBbn)	75.40
No. of shares outstanding (RMBbn, mid-2019)	5.34
NAV per share (RMB / share)	14.12
Share price (RMB / share) at 28 Feb 20	7.53
NAV Discount	46.67%

Source: CWSI Research



8. Note

- 1) The supply and demand of Chongqing's real estate market may fluctuate;
- 2) Tighter financing may affect the company's financial position.



Income statement					
RMBmn	2017A	2018A	2019E	2020E	2021E
Revenues	34,758	41,234	56,206	73,686	92,254
COGS	-27,348	-29,453	-39,170	-51,293	-64,126
Gross Profit	7,409	11,781	17,036	22,393	28,128
Selling and marketing expenses	-1,808	-2,562	-3,260	-4,347	-5,628
Administrative expenses	-1,512	-2,340	-3,204	-3,832	-4,456
EBIT	2,960	5,469	8,493	11,340	14,355
Interest expense	-559	-543	-1,214	-1,444	-1,566
Interest income	123	537	420	430	428
Associates	258	-186	-101	107	-143
Other gains/adjustments	248	73	149	98	113
PBT	2,943	5,210	7,695	10,377	13,058
Tax	657	1,190	1,708	2,408	3,069
Minority	281	135	726	1,076	1,296
Net profit (core)	1,695	4,019	5,261	6,894	8,693
Shares outstanding (weighted)	5,340	5,340	5,340	5,340	5,340
EPS (core)	0.32	0.75	0.99	1.29	1.63

Balance sheet					
RMBmn	2017A	2018A	2019E	2020E	2021E
Investment properties	2,891	3,615	7,450	8,464	9,678
Others	5,859	6,375	7,610	7,200	7,606
Associates	4,427	7,368	10,968	14,468	17,889
Total fixed assets	13,176	17,357	26,028	30,132	35,173
Inventories	107,221	160,835	209,263	259,554	316,238
Receivables	1,504	1,589	2,387	2,725	3,159
Bank balances & cash	18,627	29,852	34,711	40,014	45,511
Others	16,835	21,065	29,675	33,237	36,675
Total assets	157,364	230,699	302,064	365,662	436,756
Current liabilities	84,294	137,626	191,241	236,597	290,997
Long term debt	37,244	47,370	55,157	61,169	65,669
Other long term liabilities	0	0	0	0	0
Deferred income tax	1,162	1,536	2,324	2,584	2,789
Long term liabilities	50,704	55,307	70,181	80,453	87,158
Minority Interests	2,597	14,586	15,311	16,387	17,683
Shareholders' funds	19,769	23,181	25,331	32,225	40,919
Total liabilities and equity	157,364	230,699	302,064	365,662	436,756

Cash flow statement					
RMBmn	2017A	2018A	2019E	2020E	2021E
PBT ex. Exceptionals	2,943	5,210	7,695	10,377	13,058
Change in working cap.	-11,174	-3,107	-5,849	-6,334	-6,683
Others	-254	-774	-265	-965	-1,221
CF from operations	-8,486	1,329	1,581	3,079	5,154
Investment properties	-5,760	-4,464	-6,962	-4,514	-4,635
Others	-4,142	-3,538	-1,583	449	-652
CF from investing	-9,902	-8,001	-8,544	-4,065	-5,287
Free cash flow	-18,388	-6,672	-6,963	-986	-133
Free cash flow per share	-3.44	-1.25	-1.30	-0.18	-0.02
Equity financing	757	9,370	0	0	0
Debt financing	25,654	15,753	16,078	7,720	7,192
Others	-7,101	-7,148	-4,255	-1,431	-1,562
CF from financing	19,310	17,975	11,823	6,289	5,630
Increase in cash and cash equivalents	922	11,303	4,859	5,303	5,497
Beginning cash	17,259	18,181	29,852	34,711	40,014
Ending cash	18,181	29,484	34,711	40,014	45,511

Ratio Analysis (%)					
	2017A	2018A	2019E	2020E	2021E
Gross Margin	21.3%	28.6%	30.3%	30.4%	30.5%
Operating margin	8.5%	13.3%	15.1%	15.4%	15.6%
Net profit margin	4.9%	9.7%	9.4%	9.4%	9.4%
Sales growth	7.8%	18.6%	36.3%	31.1%	25.2%
EBIT growth	14.1%	84.8%	55.3%	33.5%	26.6%
Net profit growth	24.5%	137.0%	30.9%	31.0%	26.1%
EPS growth	24.6%	137.0%	30.9%	31.0%	26.1%
BVPS	3.70	4.34	4.74	6.04	7.66
Interest coverage (x)	5.30	10.07	6.99	7.85	9.16
Net debt to total capital	66.8%	55.4%	56.3%	50.0%	45.4%
Net debt to equity (w/o restricted cash)	218.2%	136.5%	153.5%	132.9%	112.8%
Sales/assets	26.1%	21.3%	21.1%	22.1%	23.0%
Assets/equity	796.0%	995.2%	1192.4%	1134.7%	1067.4%
ROA	1.1%	1.9%	1.8%	2.1%	2.2%
ROE	8.5%	18.7%	21.7%	24.0%	23.8%
ROCE	2.5%	4.8%	5.2%	5.7%	6.3%



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- (2) no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report, or our Investment Banking Department;
- (3) I am not, directly or indirectly, supervised by or reporting to our Investment Banking Department;
- (4) the subject company (ies) do(es) not fall into the restriction of the quiet period as defined in paragraph 16.5(g) of SFC Code of Conduct;
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Accumulate – Describes stocks that we expect to provide a relative return of between 5% and 20%.

Hold – Describes stocks that we expect to provide a relative return of between -10% and +5%.

Sell – Describes stocks that we expect to provide a relative return of <-10%.

2) Sector Ratings:

Overweight – Describes sectors that we expect to provide a relative return of >10%.

Neutral – Describes sectors that we expect to provide a relative return of between -10% and +10%.

Underweight – Describes sectors that we expect to provide a relative return of <-10%.

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