

China Overweight

(previously Underweight)

Highlighted Companies

CIFI Holdings

ADD, TP HK\$6.00, HK\$4.87 close

We believe CIFI's liquidity risk is quite low as it recently completed refinancing both onshore and offshore. Meanwhile, its strong balance sheet and new M&A loans should allow it to sustain its growth momentum.

KWG Group

ADD, TP HK\$7.10, HK\$3.59 close

We believe KWG should be able to repay its US\$900m bonds due in Sep 2022 by additional refinancing from its HK projects. Overall, we think its liquidity risk is still manageable.

Longfor Group

ADD, TP HK\$49.50, HK\$43.15 close

We think Longfor is one of the winners emerging from the property market's rapid consolidation given its strong balance sheet. Its rapid rental income growth and stable property development should allow it to deliver EPS growth of 10% p.a.

Summary Valuation Metrics

P/E (x)	Dec-22F	Dec-23F	Dec-24F
CIFI Holdings	4.85	4.65	4.28
KWG Group	2.13	2.01	1.88
Longfor Group	8.64	7.85	7.01

P/BV (x)	Dec-22F	Dec-23F	Dec-24F
CIFI Holdings	0.71	0.61	0.54
KWG Group	0.19	0.18	0.16
Longfor Group	1.54	1.39	1.39

Dividend Yield	Dec-22F	Dec-23F	Dec-24F
CIFI Holdings	5.25%	6.51%	8.19%
KWG Group	7.05%	7.46%	7.97%
Longfor Group	5.17%	5.69%	6.37%

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Property - Overall

Upgrade to OW on policy and low valuations

- We believe the sector bottomed out in mid-Mar and see supportive policies boosting share prices further. We upgrade the sector to OW from UW.
- Despite recent strong rallies, the sector still trades at attractive valuations of 0.5x P/BV, 1.5 s.d. below its 5-year average, and 5x FY22F P/E.
- Our P/BV analysis implies potential share price upside of 76% on average for developers, with 96% upside for non-SOE developers.
- We expect non-SOE share prices to outperform SOEs' when more investors turn risk-on. Top picks: Longfor, CIFI, CG, KWG and Times.

Upgrading to Overweight (OW) from Underweight (UW)

We upgrade the China property sector to Overweight from Underweight – we downgraded in Sep and Dec 2021 - on supportive policies ahead and attractive valuations. The State Council and four regulators issued strong statements in support of the property sector on 16 March and stressed the importance of maintaining a stable property market and reducing developers' liquidity issues with timely, powerful and effective measures. We believe the sector's valuation bottomed out (0.35x FY21 P/BV) in mid-March and factors in developers' default risk and most of the negatives (poor FY21 results, delayed announcement of audited reports, auditor change and trading suspension).

Strong policies should lead to lower default risk for developers

Given the likely strong supportive measures ahead, we may see fewer developers defaulting than expected, despite some still being unable to repay their debts. Faster approval of mortgage and project loans, lower downpayment and mortgage rates, less strict rules for escrow accounts and government subsidies for home purchases could be some key measures implemented by regulators in the near future, in our view. Policies could be stronger than expected in light of the unexpected spread of Omicron in China.

Sensitivity analysis suggests a 76% potential share price upside

Despite the recent robust share price rallies, the sector still trades at an attractive 0.5x FY21 P/BV, 1.5 s.d. below its 5-year average. Our sensitivity analysis shows potential upside of 76% on average for developers' share prices if a more reasonable P/BV benchmark is assumed, with 19%/96% upside for state-owned developers (SOE)/non-SOE.

Non-SOE developers could outperform when investors go risk-on

SOEs significantly outperformed non-SOEs in the past year, with share prices rising 18% on average vs. a 63% decline for non-SOEs'. Driven by strong policies and the sector's attractive valuation, we believe the trend could reverse when investors' risk appetite increases. We saw the share price performance gap between SOE and non-SOE narrow significantly to 13% in the past month from 81% 12 months ago.

Top picks: Longfor, CIFI, CG, KWG and Times

Based on the above analysis and from a risk/reward perspective, we prefer non-SOE developers with lower-than-peer default risk. Longfor, Country Garden (CG) and CIFI are the quality non-SOEs we like. For high beta names, we like KWG and Time, for which we assess liquidity risk as manageable. For SOEs, CR Land is our preferred name. Please refer to page 9 for key risks related to our upgrade.

Figure 1: Sensitivity analysis on P/BV suggests c.76% potential upside on average

Current P/B*	COLI	CR Land	Vanke-H	CIFI	CG	GT	RF	KWG	Longfor	Shimao	Sunac	Yuzhou	ZL	Agile	Aoyuan	Logan	Times	
0.69	1.01	0.86	0.83	0.63	0.95	0.13	0.21	1.70	0.14	0.14	0.14	0.15	0.55	0.26	0.16	0.30	0.29	
Potential share price upside/(downside) if # of s.d. below 5-year avg P/B (x) applied																		
0.00x	22%	21%	84%	44%	169%	-34%	311%	209%	4%	524%	1248%	413%	186%	198%	635%	469%	213%	Low, very low
0.25x	14%	16%	71%	37%	138%	-37%	264%	189%	-1%	471%	1074%	355%	165%	176%	555%	422%	188%	Low, very low
0.50x	6%	11%	58%	29%	108%	-41%	216%	169%	-6%	417%	901%	296%	144%	153%	474%	376%	164%	Medium low, low
0.75x	-2%	6%	45%	22%	77%	-44%	169%	148%	-11%	364%	727%	238%	124%	131%	394%	329%	140%	Medium low, low
1.00x	-10%	1%	31%	14%	47%	-48%	121%	128%	-17%	311%	553%	180%	103%	109%	314%	282%	115%	Medium, medium high
1.25x	-18%	-4%	18%	7%	16%	-51%	74%	108%	-22%	258%	379%	121%	82%	87%	234%	236%	91%	Medium, medium high
1.50x	-28%	-9%	5%	-1%	-15%	-55%	27%	88%	-27%	205%	206%	63%	62%	65%	154%	189%	66%	Medium high, high
1.75x	-34%	-14%	-8%	-8%	-45%	-58%	-21%	68%	-32%	152%	32%	5%	41%	43%	74%	142%	42%	Medium high, high
2.00x	-42%	-19%	-21%	-16%	-76%	-62%	-68%	47%	-37%	99%	-142%	-54%	20%	21%	-6%	96%	18%	High
				Avg	SOE	Non-SOE												
Potential share price ups				76%	19%	96%												

*Price as of 8 April and based on FY21 book value

SOURCES: BLOOMBERG, CGS-CIMB RESEARCH, COMPANYS

Figure 2: China property valuation summary

Company	Bloomberg Ticker	Share price (HK\$)	TP (HK\$)	Rating	Mkt cap (US\$ m)	NAV/sh (HK\$)	Disc. to NAV		P/E (x)				P/BV(x)			Yield (%)			Net Gearing (%)		
							(%)	Upside (%)	2020	2021F	2022F	2023F	2020	2021F	2022F	2020	2021F	2022F	2020	2021F	2022F
COLI	688 HK	26.75	28.20	ADD	37,349	31.3	15	5	6.3	6.5	6.2	5.7	0.8	0.7	0.6	5.4	5.6	5.9	31	31	25
CR Land	1109 HK	39.40	48.20	ADD	35,842	52.3	25	22	9.4	8.6	7.8	7.2	1.1	1.0	0.9	3.9	4.3	4.7	29	24	18
China Vanke - H	2202 HK	21.25	24.10	ADD	37,986	40.2	47	13	4.7	8.0	7.0	6.5	0.9	0.9	0.8	7.2	5.6	5.0	18	30	37
China Vanke - A	000002 CH	21.49	22.50	ADD	37,951	34.2	37	5	5.9	10.0	8.7	8.1	1.1	1.1	1.0	5.8	4.5	4.0	18	30	37
CIFI	884 HK	4.87	6.00	ADD	5,461	12.1	60	23	4.0	4.5	4.9	4.7	0.8	0.8	0.7	8.6	4.0	5.2	64	63	57
Country Garden	2007 HK	6.63	7.90	ADD	19,579	14.4	54	19	3.6	4.4	4.9	4.9	0.7	0.6	0.6	8.3	5.7	3.3	56	45	44
Greentown China	3900 HK	16.20	16.20	ADD	5,170	23.7	32	0	19.9	11.2	9.1	8.3	1.0	0.9	0.9	2.7	3.5	3.7	64	52	52
Guangzhou R&F	2777 HK	3.37	3.60	HOLD	1,613	12.0	72	7	2.2	NA	10.5	7.1	0.1	0.1	0.1	35.6	3.7	0.0	130	123	93
Longfor	960 HK	43.15	49.50	ADD	33,443	55.0	22	15	11.0	9.2	8.6	7.9	2.0	1.7	1.5	4.1	4.9	5.2	46	47	45
Zhongliang	2772 HK	2.28	2.50	HOLD	1,042	10.0	77	10	1.8	2.2	2.1	2.0	0.6	0.6	0.4	22.6	8.3	0.0	65	35	44
Greater Bay Area (GBA) plays																					
Agile	3383 HK	4.39	4.70	HOLD	2,194	11.2	61	7	1.7	2.1	2.7	2.6	0.2	0.2	0.2	26.3	11.6	0.0	61	51	45
KWG Group	1813 HK	3.59	7.10	ADD	1,457	14.1	75	98	1.4	2.3	2.1	2.0	0.2	0.2	0.2	31.9	16.1	7.1	62	77	66
Logan Group	3380 HK	2.92	3.50	ADD	2,119	11.8	75	20	1.1	1.3	1.5	1.4	0.3	0.3	0.2	36.9	18.4	0.0	61	82	71
Times China	1233 HK	3.45	4.40	ADD	925	14.5	76	28	1.1	1.7	1.6	1.6	0.3	0.3	0.2	27.4	2.9	3.2	68	79	56
GBA average							73	29	1.2	1.9	2.1	2.1	0.2	0.2	0.2	41.7	9.8	2.0	67	74	63
Small and mid-cap average							70	21	3.6	3.1	3.7	3.3	0.4	0.3	0.3	33.8	8.4	2.6	72	70	60
Overall average							59	26	4.5	4.6	4.7	4.3	0.6	0.6	0.5	25.1	6.9	3.1	61	59	52
Share price data as of 8 April 2022; * A-share data stated in Rmb																					
SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS																					

Upgrade to OW on policy and low valuations

Figure 3: China property trading at attractive valuation of 0.5x P/B, 1.5x s.d. below its 5 years

P/B (x)	CR Vanke-																	SOE/Non-			
	COLI	Land	H	CIF	CG	GT	RF	KWG	Longfor	Shimao	Sunac	Yuzhou	ZL	Agile	Aoyuan	Logan	Times	Avg	SOE	Non-SOE	SOE (x)
5-yr avg	0.8	1.2	1.6	1.2	1.7	0.6	0.5	0.6	1.8	0.9	1.8	0.8	1.6	0.8	1.1	1.7	0.9	1.2	1.1	1.2	
Current P/B [^]	0.7	1.0	0.9	0.8	0.6	0.9	0.1	0.2	1.7	0.1	0.1	0.1	0.6	0.3	0.2	0.3	0.3	0.53	0.9	0.4	2.1
s.d. below avg	(0.7)	(1.1)	(1.6)	(1.5)	(1.4)	2.4	(1.6)	(2.6)	(0.2)	(2.5)	(1.8)	(1.8)	(2.2)	(2.2)	(2.0)	(2.5)	(2.2)	(1.5)	(0.2)	(1.9)	
Trough P/B*	0.5	0.8	0.6	0.4	0.3	0.5	0.1	0.1	1.2	0.1	0.1	0.1	0.5	0.2	0.1	0.1	0.1	0.35	0.6	0.3	2.3
s.d. below avg	(1.5)	(1.8)	(2.3)	(3.1)	(1.8)	(0.8)	(1.8)	(3.1)	(1.5)	(2.6)	(1.8)	(2.0)	(2.3)	(2.6)	(2.1)	(2.8)	(2.7)	(2.2)	(1.6)	(2.3)	
Share price performance																			SOE minus Non-SOE		
1-month	9%	2%	20%	-10%	7%	39%	4%	10%	7%	-1%	-28%	4%	-5%	18%	-8%	30%	35%	8%	17%	5%	13%
3-month	29%	16%	11%	2%	-5%	29%	6%	-20%	10%	-11%	-56%	-13%	-40%	11%	-20%	-49%	-5%	-6%	21%	-15%	36%
6-month	51%	23%	1%	-2%	-16%	46%	-37%	-49%	21%	-66%	-69%	-49%	-40%	-36%	-68%	-64%	-45%	-23%	30%	-40%	70%
1-year	30%	5%	-28%	-36%	-35%	66%	-68%	-72%	-15%	-82%	-86%	-74%	-54%	-65%	-86%	-78%	-68%	-44%	18%	-63%	81%

SOE developers include COLI, CR Land, Greentown and Vanke
[^]Share prices as of 8 April 2022
*Lowest share prices as of 16 March 2022
CG-Country Garden, ZL-Zhongliang, GT-Greentown
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

We believe sector's share prices have bottomed out

China property share prices fell to a historic low on 16 March 2022 primarily due to concerns over developers defaulting and partly due to overall market weakness and traded at 0.35x FY21 P/BV, the lowest in its trading history and 2.2 s.d. below its 5-year average P/BV of 1.2x.

We downgraded the sector to Neutral in Sep 2021 and further to Underweight in Dec 2021 due to developers' liquidity and default concerns. The sector's share prices on average have fallen about 40-50% year-to-16 March 2022.

Overall, we believe that the sector has bottomed out due to:

- 1- Supportive policy stance announced following the central government's meeting led by Vice Premier Mr. Liu He on 16 March 2022.
- 2- We anticipate more supportive measures in the near future that will help developers resolve their liquidity problems, in turn reducing the risk of default.
- 3- We believe most of the negative news surrounding developers, including poor results, delayed announcement of audited reports, auditor change, trading suspension, etc., is known by the market and hence already priced in.

We upgrade the sector to Overweight from Underweight

- 1- Despite recent rallies, developers' share prices are still down 15-20% YTD, with trading at a low of 0.5x FY21 P/BV, 1.5 s.d. below their 5-year average.
- 2- Supported by strong policies, we expect to see investors' risk appetite for China property return, which should boost developers' share prices further.
- 3- Our sensitivity analysis suggests that developers' share prices could offer almost 80% upside on average if their valuation discounts narrow to more reasonable levels.

16 March meeting: a turning point for property market

We believe that the meeting of the Financial Stability and Development Committee of the State Council led by Vice Premier Mr. Liu He on 16 March 2022 was the turning point for the sector. Key regulators, including PBOC (People's Bank of China), CBIRC (China Banking and Insurance Regulatory Commission), SAFE (State Administration of Foreign Exchange) and MOF (Ministry of Finance), issued similar statements on the same day, which is a rare occurrence.

The meeting concluded that timely, powerful and effective measures were necessary to address risks related to the property sector. The measures, if implemented, should help to lower developers' overall default risk, in our view.

In Fig 4, we summarise the positive measures announced by local governments and regulators since March 2022. We note that a greater number of supportive measures were announced post the mid-March meeting.

Below are the potential measures we expect to see in the next few months

- Nationwide interest rate cuts from PBOC.
- Loosening of strict rules governing use of escrow accounts for presales cash.
- More cities reducing downpayment requirements for first and second home purchases.
- More M&A loans granted and realisation of some M&As by stated-owned or good quality private developers.
- Fast tracking from SAFE for developers remitting funds out of China to repay offshore debts.
- Lower transaction tax for property purchases and subsidies from local governments for home purchases.

Figure 4: Summary of supportive housing policies from local governments and regulators since March 2022

Date	Entity	Subject	Details
01-Mar-2022	Zhengzhou	Policy guidance	The Zhengzhou government announces a couple of policies to promote the healthy development of the property market, including: -Lowering the land auction deposit to 20% of the listed land premium, with developers allowed to pay the land premium instalment within 1 year -Strictly monitoring the property pre-sales system - Encouraging banks to support developers facing financial difficulties by lifting the loan size or extending the repayment period -Lowering the mortgage rate for homebuyers to boost sales
05-Mar-2022	State Council	2021 work report	Premier of the State Council, Mr. Li Keqiang, presents a progress report of the government's initiatives for 2021 and 2022's focus areas, which include: -keeping land and housing prices stable, supporting the healthy development of the property market to satisfy reasonable demand -intensifying urban redevelopment efforts and enhancing the quality of urbanisation
16-Mar-2022	State Council, PBoC, CBIRC, SAFE, CSRC	policy loosening	The Financial Stability and Development Committee of the State Council holds a meeting led by Vice Premier Mr. Liuhe on 16 March to discuss China's latest economic situation and some issues facing the capital market. Subsequently, PBoC, CBIRC, SAFE and CRSC make announcements following guidance from the meeting. Key takeaways related to property market are as below: -China should adopt a more proactive monetary policy to boost its economy in the first quarter -The meeting concluded that it needs timely, powerful and effective measures to solve risks related to the property sector
16-Mar-2022	MoF	policy loosening	According to an announcement from the Ministry of Finance (MOF), after considering various factors, China does not plan to extend the property tax pilot programme to more cities this year.
17-Mar-2022	NDRC	Policy guidance	NDRC announces that it will fully abolish restrictions on settlement in cities with a settled population of less than 3 million and promote equalisation of basic public services in cities and towns, including equal access to compulsory education for children of migrant workers
19-Mar-2022	Local government	policy loosening	After policy guidance from the State Council, more cities start to reduce mortgage rates and the downpayment ratio, including Nanning, Beihai, Fangchenggang in Guangxi, Xiangyang and Shiyan in Wubai. In addition, banks accelerate the approval process for mortgage loans.
23-Mar-2022	Harbin	policy loosening	Harbin, a northern City in China, announces that the tightening policies (including home purchase restrictions) on the property market issued in 2018 have achieved the set goals and that it plans to abolish them. The tightening policies issued in Harbin include: -New home buyers in 6 districts in Harbin can only sell their houses after 3 years from the date the contracts are signed -Raising the financial requirements of Housing Provident Fund Loans to reduce home buyers' default risk -Strict controls on the downpayment ratio and mortgage rates for second house buyers
26-Mar-2022	Wuhan	Lower mortgage rate	Major banks in Wuhan lower mortgage rates by around 0.5%
30-Mar-2022	Shenzhen	policy loosening	Shenzhen, a tier-one city in China, says that it will adjust the price guidance for properties in the secondary market; local media reports that the city may relax price restrictions for properties by 3-5%
30-Mar-2022	Fuzhou	policy loosening	Fuzhou allows non-local residents to buy houses
01-Apr-2022	PBoC	Policy guidance	PBoC says it will employ measures to support the development of the property market in Shanghai
02-Apr-2022	Fujian Province	policy loosening	Fujian province allows home buyers to use the Housing Provident Fund to make downpayments
02-Apr-2022	Sichuan Mianyang	policy loosening	The Sichuan Mianyang government suggests 8 measures to support the property market, including: -Raising the upper limit for applying for Housing Provident Fund loans to buy houses -Subsidising home purchases for two- or three-children families -Relaxing the requirements for pre-sale permissions for developers
02-Apr-2022	Qinhuangdao	policy loosening	Qinhuangdao announces it will abolish purchase restrictions issued in 2017, which prohibited non-household/household families who already owned 1/2 houses from purchasing other homes.
02-Apr-2022	Quzhou	policy loosening	More than 60 cities have eased property market policies YTD. Also, Quzhou is the first city to cancel purchase restrictions for non-household families and ease selling restrictions simultaneously
06-Apr-2022	Lanzhou	policy loosening	Lanzhou issues 20 measures to support the property market, including reducing the downpayment ratio and relaxing the pre-sale requirement
06-Apr-2022	Gansu	policy loosening	Gansu province announces it will raise the maximum limit for Housing Provident Fund loans for home buyers

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Most negative news for developers likely priced in

We believe that most of the negative news related to developers is known by the market and priced in post the FY21 results season, which ended in March. Below we list some of the issues faced by the developers.

- Developers' FY21 results were mostly disappointing, with core profit falling by 20% yoy. This set of results was some of the worst since 2008 during the Asian Financial Crisis. More than half of the developers missed our net profit estimates.

- Shimao, Sunac and Aoyuan were unable to issue their FY21 results by March as required by listing rules and their shares were suspended from trading from 1 April onwards.
- RF, Yuzhou, Zhongliang, KWG and Logan failed to publish their audited reports by end-March.
- Other than SOE developers and a few large-cap private developers, most developers, primarily non-SOE ones, did not pay final dividends or substantially slashed dividend payouts.

Moreover, we understand that some developers, such as RF, Aoyuan, Yuzhou, Shimao, Logan and Sunac, faced liquidity issues in the past few months and were unable to repay their debts on time. They are currently in negotiations with their creditors on debt restructuring based on companies' announcements.

Figure 5: Developers' FY21 results wrap-up – core net profit fell 20% yoy

Rmb m	Revenue		Gross margin		Core profit		Beat, missed	Final DPS	Net gearing	Audited	Auditor
Company	FY21	yoy chg	FY21	% pts chg	FY21	yoy chg	In line?	Rmb/HK\$	FY21	Report?	changed?
COLI	242,241	30%	23.5%	-6.5%	36,397	-4%	Missed	0.70	30%	Audited	No
CR Land	212,108	18%	27.0%	-3.9%	26,600	10%	In line	1.21	24%	Audited	No
China Vanke - A	452,798	8%	17.2%	-5.6%	25,018	-40%	Missed	0.97	30%	Audited	No
China Vanke - H	452,798	8%	21.1%	-7.6%	25,018	-40%	Missed	0.97	30%	Audited	No
CIFI	107,835	50%	19.3%	-2.5%	7,284	-9%	In line	0.06	63%	Audited	No
Country Garden	523,064	13%	17.7%	-4.1%	26,915	-17%	Missed	0.10	45%	Audited	No
Greentown	100,240	52%	18.1%	-5.5%	2,937	89%	Beat	0.46	52%	Audited	No
Guangzhou R&F	76,401	-11%	6.5%	-17.2%	-8,948	NA	Missed	TBC	123%	Unaudited	No
Longfor	223,375	21%	25.3%	-4.0%	22,440	20%	Beat	1.23	47%	Audited	No
Shimao Prop	Delay announcement of FY21 results report and trading suspension since 1 April									NA	Yes
Sunac	Delay announcement of FY21 results report and trading suspension since 1 April									NA	No
Yuzhou	27,071	160%	15.0%	3.3%	215	-66%	Missed	TBC	94%	Unaudited	Yes
Zhongliang	76,114	15%	17.1%	-3.9%	2,990	-20%	Beat	0.00	35%	Audited	No
Agile	73,028	-9%	26.0%	-4.0%	6,498	-23%	In line	TBC	51%	Unaudited	No
China Aoyuan	Delay announcement of FY21 results report and trading suspension since 1 April									NA	Yes
KWG	23,845	-20%	21.2%	-10.3%	3,979	-39%	Missed	TBC	77%	Unaudited	No
Logan Property	78,293	10%	21.9%	-8.1%	9,630	-20%	Missed	TBC	82%	Unaudited	No
Times China	43,635	13%	27.6%	-1.2%	3,309	-33%	Missed	0.08	79%	Audited	No
Average		16%	20.5%	-5.4%		-20%			61%		

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Developers' 1Q22 sales likely fell 40% yoy

Dragged by the weak sentiment in the property market and China's slow economic growth YTD, developers' contracted sales performance continued its weak trend that began in 2H21. Sales improved somewhat in the first half of March but slowed again when Covid-19 infections spiked in the country.

According to CRIC, one of the key real estate brokers in China, 17 developers are expected to report a plunge of up to 41% yoy in their 3M22 contracted sales. Developers with negative news flow about their liquidity problems, namely Aoyuan, Shimao and RF, recorded greater declines in their contracted sales of 64-82% yoy. These numbers are the worst in China's property history.

Strong policies could reverse developers' weak sales trend

The property sector is very important to China and, if including upstream and downstream sectors, accounts for about one-third of the country's GDP. Without a stable property market, we believe that China will find it difficult to achieve its 5.5% GDP growth goal this year. Moreover, the segment is a major employer (e.g. construction workers). With the contraction in the property market worse than expected and the central government's proactive stance to maintain economic growth, we see more policy loosening moves from both local governments and regulators in the near future, which could help to support developers' sales growth for the rest of the year.

Figure 6: Developers' 3M22 sales fell 41% yoy, the worst in sector's history

	Latest monthly sales (Rmb m)	As of	Single month yoy (%)	Single month mom (%)	2022 YTD sales (Rmb m)	2022 YTD YoY (%)	2022 estimates* (Rmb m)	2022 estimates vs 2021A (%)	2022 target locked in (%)
Agile	3,820	Mar-22	(71)	(43)	17,920	(55)	89,086	(36)	20
Aoyuan	1,800	Mar-22	(85)	14	5,300	(82)	48,412	(60)	11
China Vanke	39,500	Mar-22	(37)	34	104,470	(42)	564,432	(10)	19
CIFI	12,000	Mar-22	(54)	45	28,740	(49)	229,017	(7)	13
COOL	22,392	Mar-22	(42)	107	48,010	(46)	381,189	3	13
Country Garden	63,770	Mar-22	21	95	132,890	(5)	502,778	(10)	26
CR Land	20,820	Mar-22	(20)	112	45,900	(32)	332,876	5	14
Greentown	16,180	Mar-22	(21)	41	37,280	(31)	266,947	0	14
GZ R&F	1,900	Mar-22	(81)	(58)	11,010	(64)	72,120	(40)	15
KWG	3,849	Mar-22	(63)	(12)	12,390	(43)	94,987	(9)	13
Logan	6,650	Mar-22	(48)	58	19,860	(52)	112,588	(20)	18
Longfor	16,970	Mar-22	(32)	82	37,030	(39)	297,193	2	12
Shimao	7,330	Mar-22	(76)	1	22,110	(67)	161,466	(40)	14
Sunac	22,020	Mar-22	(54)	(2)	72,300	(38)	418,152	(30)	17
Times	3,196	Mar-22	(62)	27	12,800	(37)	66,901	(30)	19
Yuzhou	2,606	Mar-22	(70)	(22)	10,480	(53)	73,513	(30)	14
Zhongliang	6,800	Mar-22	(60)	6	21,600	(55)	128,850	(25)	17
Average			(40)	44		(41)		(20)	15

Based on CRIC estimates

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

SOE developers' share prices significantly outperformed

Given investors' risk-off attitude toward the sector in the past year, developers' share prices were the hardest hit and underperformed significantly in the past 12 months, falling 44% on average for 17 companies under our coverage. However, the share price performance of state-owned (SOE) and private-owned developers diverged significantly, with SOE share prices rising 18% and non-SOEs' falling 63% given SOE developers' low default risk.

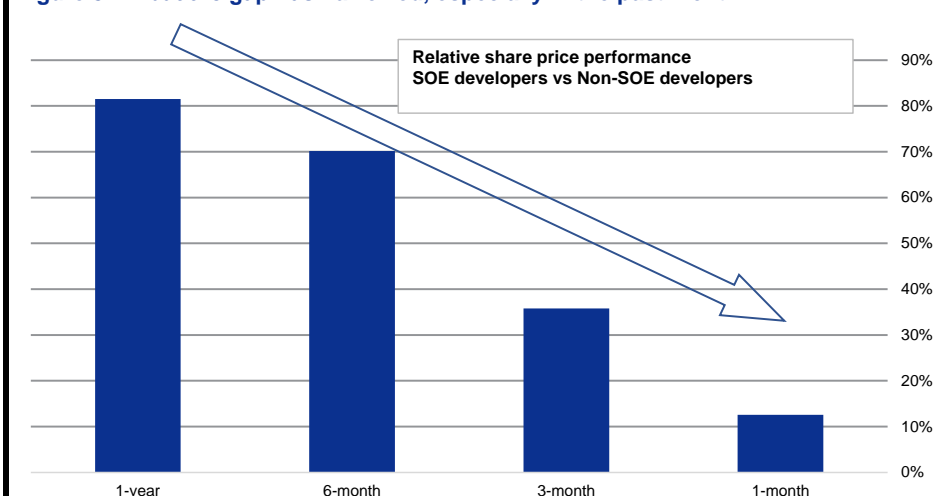
Figure 7: SOE developers' share prices significantly outperformed non-SOEs' in the past 12 months...

Share price performance	Average	SOE	Non-SOE
1-month	8%	17%	5%
3-month	-6%	21%	-15%
6-month	-23%	30%	-40%
1-year	-44%	18%	-63%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

We however observed that the outperformance of SOE developers slowed markedly in the past month after the central government's vow to resolve developers' liquidity problems. In anticipation of more supportive policies ahead, we expect investors to be less risk averse and non-SOE developers could likely outpace their SOE counterparts.

Figure 8: ... but the gap has narrowed, especially in the past month



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

P/BV sensitivity analysis suggests potential upside of 76% on average for developers' share prices

Figure 9: Sensitivity analysis of developers' P/BV (x) with their share prices – potential upside of 76% on avg if our fair P/BV is applied

	COLI	CR Land	Vanke-H	CIFI	CG	GT	RF	KWG	Longfor	Shimao	Sunac	Yuzhou	ZL	Agile	Aoyuan	Logan	Times		
Current P/B	0.69	1.01	0.86	0.83	0.63	0.95	0.13	0.21	1.70	0.14	0.14	0.15	0.55	0.26	0.16	0.30	0.29		
s.d. below 5-year avg P/B																		Liquidity risk levels	
0.0x	0.85	1.22	1.58	1.19	1.69	0.63	0.54	0.64	1.77	0.87	1.83	0.75	1.58	0.77	1.15	1.68	0.90	Low, very low	
0.25x	0.79	1.17	1.47	1.13	1.49	0.59	0.48	0.60	1.68	0.80	1.59	0.67	1.47	0.71	1.02	1.55	0.83	Low, very low	
0.50x	0.74	1.12	1.36	1.07	1.30	0.56	0.42	0.55	1.60	0.73	1.36	0.58	1.35	0.65	0.90	1.41	0.76	Medium low, low	
0.75x	0.68	1.07	1.24	1.01	1.11	0.53	0.35	0.51	1.51	0.65	1.12	0.50	1.24	0.60	0.77	1.27	0.69	Medium low, low	
1.00x	0.62	1.02	1.13	0.94	0.92	0.50	0.29	0.47	1.42	0.58	0.88	0.41	1.13	0.54	0.65	1.13	0.62	Medium, medium high	
1.25x	0.57	0.97	1.02	0.88	0.73	0.46	0.23	0.43	1.34	0.50	0.65	0.33	1.01	0.48	0.52	0.99	0.55	Medium, medium high	
1.50x	0.51	0.92	0.90	0.82	0.54	0.43	0.17	0.39	1.25	0.43	0.41	0.24	0.90	0.43	0.40	0.86	0.48	Medium high, high	
1.75x	0.46	0.87	0.79	0.76	0.34	0.40	0.10	0.35	1.16	0.35	0.18	0.15	0.78	0.37	0.27	0.72	0.41	Medium high, high	
2.00x	0.40	0.82	0.68	0.70	0.15	0.36	0.04	0.30	1.08	0.28	(0.06)	0.07	0.67	0.31	0.15	0.58	0.34	High	
Implied share price upside/(downside)																			
0.00x	22%	21%	84%	44%	169%	-34%	311%	209%	4%	524%	1248%	413%	186%	198%	635%	469%	213%		
0.25x	14%	16%	71%	37%	138%	-37%	264%	189%	-1%	471%	1074%	355%	165%	176%	555%	422%	188%		
0.50x	6%	11%	58%	29%	108%	-41%	216%	169%	-6%	417%	901%	296%	144%	153%	474%	376%	164%		
0.75x	-2%	6%	45%	22%	77%	-44%	169%	148%	-11%	364%	727%	238%	124%	131%	394%	329%	140%		
1.00x	-10%	1%	31%	14%	47%	-48%	121%	128%	-17%	311%	553%	180%	103%	109%	314%	282%	115%		
1.25x	-18%	-4%	18%	7%	16%	-51%	74%	108%	-22%	258%	379%	121%	82%	87%	234%	236%	91%		
1.50x	-26%	-9%	5%	-1%	-15%	-55%	27%	88%	-27%	205%	206%	63%	62%	65%	154%	189%	66%		
1.75x	-34%	-14%	-8%	-8%	-45%	-58%	-21%	68%	-32%	152%	32%	5%	41%	43%	74%	142%	42%		
2.00x	-42%	-19%	-21%	-16%	-76%	-62%	-68%	47%	-37%	99%	-142%	-54%	20%	21%	-6%	96%	18%		
	Avg	SOE	Non-SOE	Non-SOE/SOE															
Potential share price upside	76%	19%	96%	5.0x															

**Yellow highlight – the fair P/B we assess for developers
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

We conduct a sensitivity analysis on developers' price-to-book multiple (P/BV (x)). We use developers' 5-year average P/BV (x) as a benchmark and apply a discount (# s.d. below 5-year average P/BV) based on their liquidity risk and see what the potential upside or downside for developers. While we use an NAV-based approach as our primary valuation method to set our TPs (Key assumptions: price and volume down 5-10% for FY22F) for Chinese developers, P/BV is in general considered as a more conservative and prudent way for valuing developers during the downturn of property market.

We assign parity to 0.25 s.d. below 5 year average P/B to SOE developers' valuations for quality large-cap developers, such as CR Land COLI, Vanke, Greentown and Longfor, on the back of their low to very low liquidity risk. They will likely benefit the most from a rapid consolidation in the property market.

Meanwhile, we assign 0.5 to 1.2 s.d. below their 5-year average P/BV for developers with liquidity risks that we believe are largely manageable. These include CIFI, Country Garden (CG), KWG and Times.

Finally, we apply a deep discount of 1.5 to 2 s.d. below their average for developers with liquidity risks that we believe are medium-high to high. These include RF, Shimao, Sunac, Yuzhou, Zhongliang (ZL), Agile, Aoyuan and Logan.

Overall, we believe the discount we apply, especially for developers with medium to high liquidity risk, is conservative enough – 1 to 2 s.d. below the 5-year average – and factors in the bearish outlook for the property market in the years ahead. Based on this, there is potential share price upside of 76% on average for the 17 developers we cover. Interestingly, the non-SOE developers (13 out of 17 in our universe) offer greater upside of an average 96% versus 19% for SOE developers. We are not surprised as investors stayed away from non-SOE developers when they turned more cautious on the property market last year.

Given the government's strong policy stance and its proactive move to reduce developers' default risks, we believe that current valuations of non-SOE developers are abnormally low and should be higher. Overall, we recommend investors to add those private developers with manageable risks whose share prices were hardest hit.

Key risks

Below are some key risks related to our upgrade:

- Slower-than-expected implementation of supportive measures announced by regulators and local governments.
- Weaker-than-expected China economy, which could further weigh down home buyers' confidence and affect developers' contracted sales for the rest of the year.
- Higher-than-expected number of developers with difficulty repaying their bonds due in the next few months on account of their current weak sales.
- Developers' net profit growth could be much slower than our estimates due to weak prices and transaction volume.

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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