

China

**Overweight** (no change)

## Highlighted Companies

**CIFI Holdings****ADD, TP HK\$6.00, HK\$3.83 close**

We believe that 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, in our view.

**KWG Group****ADD, TP HK\$7.10, HK\$2.92 close**

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

**Longfor Group****ADD, TP HK\$49.50, HK\$39.95 close**

We think Longfor is one of the main beneficiaries 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 over FY22-24F.

## Summary Valuation Metrics

P/E (x)	Dec-22F	Dec-23F	Dec-24F
CIFI Holdings	3.95	3.79	3.48
KWG Group	1.80	1.70	1.59
Longfor Group	8.29	7.53	6.72
P/BV (x)	Dec-22F	Dec-23F	Dec-24F
CIFI Holdings	0.57	0.50	0.44
KWG Group	0.16	0.15	0.14
Longfor Group	1.47	1.33	1.33
Dividend Yield	Dec-22F	Dec-23F	Dec-24F
CIFI Holdings	6.44%	7.99%	10.05%
KWG Group	5.56%	5.89%	6.30%
Longfor Group	5.39%	5.93%	6.64%

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# Property Development

## Takeaways from global marketing

- Feedback from our recent global marketing suggests that most investors are cautious on China property despite central government's supportive policies.
- Investors appear hesitant because: 1) measures have yet to prove helpful, and 2) developers' sales are still tepid.
- However, we think that the strong policy stance from the recent Politburo meeting should lead to greater implementation of measures announced.
- We remain sector Overweight on supportive policy and attractive valuation. Our top picks are Longfor, CG, CIFI, Times and KWG.

### Only 10% of investors that we met are positive on China property

We hosted a virtual global marketing campaign in the past two weeks on our double upgrade on China property. We met a total of about 60 investors from the US, Europe, ASEAN, Hong Kong, China and Taiwan. Overall, we estimate that about 70% of investors are underweight the sector, 20% are neutral and the remaining 10% are overweight. Most investors agree that the valuation for the sector is low but they are not in a rush to get in until they see fundamentals improving.

### Investors: Policies have not made an impact thus far

Despite a series of supportive measures announced since Dec 2021, investors said that those measures look ineffective in helping solve developers' liquidity issues. Developers such as Logan, Zhenro, Shima, Sunac, Zhongliang, etc. have been facing liquidity problems in the past 1-2 months. Overall, banks appear very selective and have only lent to state-owned developers (SOEs) or quality developers but not to the developers which need refinancing. We observe the same situation in the onshore debt market, developers with liquidity problems are unable to raise funds due to lack of investors' demand. Meanwhile, some investors indicated that they will be hesitant to invest in the sector until they see a meaningful recovery in sales.

### Expect a correction in property market sales in the near term

Investors are disappointed in developers' tepid sales YTD despite supportive measures. The sector's sales are down 48% yoy in 4M22 based on China Real Estate Information Corp (CRIC) estimates, given more city lockdowns due to Covid-19 and weak market sentiment. Given the gradual containment of Covid-19 recently, we expect developers' sales to recover from Jun 22 onwards. From a long term perspective, we think that sales for China property peaked in FY21 and expect some 20-30% correction in sales value over 2022-2024F. We however think that it is unlikely to drop too much from this level due to the high proportion of first time buyers and upgrade demand.

### Mainland investors more cautious than offshore investors

In our view, mainland investors are generally more cautious nowadays than overseas investors on the sector due to 1) weak on-the-ground sentiment, 2) negative newsflow about developers and property markets, and 3) overall weak economy.

### Developers which investors have exposure to or have interests in

Investors with exposure to China property mostly own CR Land, Longfor, COLI or Vanke for their defensive nature. For high beta names, CIFI, KWG, Country Garden (CG), Times, Powerlong and SCE are some names that investors have interest in.

### Reiterate Overweight; Top Adds: Longfor, CG, CIFI, KWG and Times

We stay sector Overweight on strong supportive policies which could prompt a sales recovery and the sector's attractive valuation. We like Longfor, CIFI and CG among mid-and large-cap plays. For small caps, we like Times and KWG. Among SOEs, we like CR Land. Key downside risks are continuous Covid-19 outbreak and weaker-than-expected sales recovery. A re-rating catalyst is faster-than-expected sales recovery ahead.

### Our virtual property conference will be held during 14-17 Jun 2022

We will host our 7th HK/China Property & Property Management Virtual Conference during 14-17 Jun 2022 and expect more than 35 companies to participate. Do let our sales team know if you are interested or [\(Click here to register\)](#).

Figure 1: China property peers comparison

Company	Bloomberg Ticker	Share price (HK\$)	TP (HK\$)	Rating	Mkt cap (US\$ m)	NAV/sh (HK\$)	Disc. to		P/E (x)				P/BV(x)			Yield (%)			Net Gearing (%)		
							NAV (%)	Upside (%)	2020	2021F	2022F	2023F	2020	2021F	2022F	2020	2021F	2022F	2020	2021F	2022F
COLI	688 HK	25.60	28.20	ADD	35,494	31.3	18	10	6.2	6.5	6.1	5.6	0.8	0.7	0.6	5.5	5.6	5.9	31	31	25
CR Land	1109 HK	36.45	48.20	ADD	33,257	52.3	30	32	9.1	8.2	7.5	6.9	1.1	1.0	0.9	4.1	4.5	5.0	29	24	18
China Vanke - H	2202 HK	18.60	24.10	ADD	33,183	40.2	54	30	4.3	7.3	6.4	5.9	0.8	0.8	0.7	8.0	6.2	5.5	18	30	37
China Vanke - A	000002 CH	19.38	22.50	ADD	33,045	34.2	43	16	5.3	9.0	7.9	7.3	1.0	1.0	0.9	6.4	5.0	4.5	18	30	37
CIFI	884 HK	3.83	6.00	ADD	4,469	12.1	68	57	3.2	3.7	4.0	3.8	0.7	0.6	0.6	10.5	4.9	6.4	64	63	57
Country Garden	2007 HK	5.45	7.90	ADD	16,341	14.4	62	45	3.1	3.7	4.1	4.1	0.6	0.5	0.5	9.7	6.7	3.9	56	45	44
Greentown China	3900 HK	13.84	16.20	ADD	4,536	23.7	42	17	17.6	9.9	8.0	7.3	0.9	0.8	0.8	3.0	4.0	4.2	64	52	52
Guangzhou R&F	2777 HK	2.89	3.60	HOLD	1,387	12.0	76	25	2.0	NA	9.3	6.3	0.1	0.1	0.1	40.1	4.1	0.0	130	123	93
Longfor	960 HK	39.95	49.50	ADD	31,123	55.0	27	24	10.5	8.8	8.3	7.5	1.9	1.6	1.5	4.3	5.1	5.4	46	47	45
Yuzhou Group	1628 HK	0.53	0.68	HOLD	467	2.3	76	28	3.8	11.8	5.7	4.0	0.1	0.1	0.1	62.7	9.5	0.0	86	94	90
Zhongliang	2772 HK	2.61	2.50	HOLD	1,159	10.0	74	(4)	2.1	2.6	2.5	2.4	0.7	0.7	0.5	19.1	7.0	0.0	65	35	44
<b>Greater Bay Area (GBA) plays</b>																					
Agile	3383 HK	3.63	4.70	HOLD	1,912	11.2	68	29	1.4	1.8	2.3	2.2	0.2	0.2	0.2	30.7	13.5	0.0	61	51	45
KWG Group	1813 HK	2.92	7.10	ADD	1,201	14.1	79	143	1.2	2.0	1.8	1.7	0.2	0.2	0.2	37.9	15.1	5.6	62	79	62
Logan Group	3380 HK	2.46	3.50	ADD	1,856	11.8	79	42	0.9	1.2	1.3	1.2	0.3	0.3	0.2	42.3	21.1	0.0	61	82	71
Times China	1233 HK	2.76	4.40	ADD	763	14.5	81	59	0.9	1.4	1.3	1.3	0.2	0.2	0.2	33.0	3.6	3.9	68	79	56
<b>Small and mid-cap average</b>							<b>73</b>	<b>39</b>	<b>3.2</b>	<b>3.8</b>	<b>3.7</b>	<b>3.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>36.7</b>	<b>9.0</b>	<b>2.2</b>	<b>72</b>	<b>70</b>	<b>59</b>
<b>Overall average</b>							<b>63</b>	<b>41</b>	<b>4.1</b>	<b>4.8</b>	<b>4.6</b>	<b>4.1</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>26.9</b>	<b>7.3</b>	<b>3.0</b>	<b>61</b>	<b>58</b>	<b>48</b>

Share price data as of 4 May 2022; \* A-share data stated in Rmb

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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.

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

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
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%

**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 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, **CENTEL** – 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.