

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.

KWG Group
ADD, TP HK\$7.10, HK\$2.86 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\$39.00 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	3.95	3.79	3.48
KWG Group	1.76	1.66	1.55
Longfor Group	8.09	7.35	6.56
P/BV (x)	Dec-22F	Dec-23F	Dec-24F
CIFI Holdings	0.57	0.50	0.44
KWG Group	0.16	0.14	0.13
Longfor Group	1.44	1.30	1.30
Dividend Yield	Dec-22F	Dec-23F	Dec-24F
CIFI Holdings	6.44%	7.99%	10.05%
KWG Group	5.68%	6.01%	6.43%
Longfor Group	5.52%	6.08%	6.80%

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Property Development

Apr sales further dragged by Covid

- CRIC states that Chinese developers' Apr 22 sales likely fell by 60% yoy, the worst ever for the sector, due to Covid-19 spreading in China.
- We assess that weak sales and activity levels in the property market could prompt regulators to take more aggressive loosening measures.
- The Covid-19 cases in China recently appear contained. City lockdowns could be removed after May 22. This suggests that sales could recover then.
- We reiterate our sector Overweight call on strong supportive policies and attractive valuation. Top Adds included Longfor, CG, CIFI, KWG and Times.

Apr 22 sales likely fell 60% yoy according to CRIC

According to real estate agency China Real Estate Information Corporation (CRIC), contracted sales of the 17 Chinese developers we cover likely fell by 60% yoy in Apr 22 – the worst performance for China property history, dragged by strict measures imposed by cities due to the unexpected spread of Covid in China. Sales for Agile, Aoyuan, RF and Yuzhou were particularly weak, likely falling 81-94% yoy in Apr 22 while COLI, Vanke and Longfor fared relatively better, though still expected to register a 25-48% yoy decline.

Developers' sales could see a strong rebound from May 22 onwards

Developers' contracted sales have been significantly affected by "Zero-Covid" policy adopted by the Chinese government as developers' sales rooms are forced to shut down. Though developers tried to promote sales via online channels, the impact is not meaningful. Since mid-Mar 22, we have seen an increasing number of areas and cities including Yangtze River Delta (e.g. Shanghai), Jilin and Xi'an lockdown. Sales for developers such as CIFI and Shimao with higher exposure in the areas also faced high pressure with sales falling 62% and 76%, respectively in Apr 22. As the number of Covid-19 cases in Shanghai, Jilin and some other cities have trended lower from mid-Apr 22, we expect the government to relax lockdown measures from May onwards. In our view, this suggests that sales should recover.

Weak property market leads to more policy relaxations

Given the importance of China property, we assess that the central government has to relax more measures, as long as it does not violate the "housing for living and not for speculation" directive. We estimate property accounts for about a third of China GDP and is a key job contributor. The Politburo meeting led by President Xi last Friday (29 Apr 2022) emphasised maintaining a stable property market. We expect more policies which were previously announced to be implemented soon, especially loosening of escrow account funds.

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

We stay sector Overweight on strong supportive policies ahead, which could lead to sales recovery and sector's attractive valuation. Overall, we prefer non state-owned enterprise (SOE) developers over SOEs. We like Longfor, CIFI and Country Garden (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 outbreak of Covid and weaker-than-expected sales recovery. A re-rating catalyst is faster-than-expected sales recovery ahead.

Figure 1: Chinese developers' 4M22 sales (estimated by CRIC)

	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	2,140	Apr-22	(81)	(69)	23,250	(54)	89,086	(36)	26
Aoyuan	1,800	Apr-22	(84)	(60)	9,760	(76)	48,412	(60)	20
China Vanke*	31,500	Apr-22	(37)	(24)	138,000	(40)	564,432	(10)	24
CIFI	10,100	Apr-22	(62)	(16)	38,840	(53)	229,017	(7)	17
COLI	23,720	Apr-22	(25)	5	72,000	(41)	381,189	3	19
Country Garden*	22,710	Apr-22	(57)	(25)	121,940	(37)	502,778	(10)	24
CR Land	15,030	Apr-22	(55)	(28)	61,000	(40)	332,876	5	18
Greentown	10,570	Apr-22	(58)	(30)	48,070	(39)	266,947	0	18
GZ R&F	630	Apr-22	(94)	(86)	14,110	(85)	72,120	(40)	20
KWG	3,316	Apr-22	(74)	(27)	16,390	(53)	94,987	(9)	17
Logan	2,760	Apr-22	(75)	(29)	19,880	(62)	112,588	(20)	18
Longfor	11,580	Apr-22	(48)	(32)	48,610	(41)	297,193	2	16
Shimao	6,030	Apr-22	(76)	(18)	28,150	(70)	161,466	(40)	17
Sunac	13,540	Apr-22	(75)	(39)	85,900	(50)	418,152	(30)	21
Times	2,633	Apr-22	(67)	(42)	16,800	(41)	86,901	(30)	25
Yuzhou	1,386	Apr-22	(85)	(61)	12,780	(59)	73,513	(30)	17
Zhongliang	4,080	Apr-22	(71)	(40)	25,680	(59)	128,850	(25)	20
Average	--	--	(60)	(28)	--	(48)	--	(20)	19

Note: 1) CG and Logan figures are reported on attributable basis; 2) 2022 sales targets are estimated by CGS-CIMB.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: China property peers comparison table

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	24.45	28.20	ADD	33,618	31.3	22	15	5.9	6.2	5.9	5.4	0.7	0.7	0.6	5.7	5.9	6.2	31	31	25
CR Land	1109 HK	35.30	48.20	ADD	31,673	52.3	33	37	8.8	8.0	7.3	6.7	1.0	0.9	0.9	4.2	4.6	5.1	29	24	18
China Vanke - H	2202 HK	18.64	24.10	ADD	31,921	40.2	54	29	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	31,855	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	4,145	12.1	68	57	3.3	3.7	4.0	3.8	0.7	0.6	0.6	10.5	4.8	6.4	64	63	57
Country Garden	2007 HK	5.47	7.90	ADD	15,577	14.4	62	44	3.1	3.8	4.2	4.2	0.6	0.5	0.5	9.7	6.6	3.9	56	45	44
Greentown China	3900 HK	13.96	16.20	ADD	4,441	23.7	41	16	17.8	10.0	8.1	7.4	0.9	0.8	0.8	3.0	3.9	4.2	64	52	52
Guangzhou R&F	2777 HK	2.95	3.60	HOLD	1,377	12.0	75	22	2.0	NA	9.6	6.4	0.1	0.1	0.1	39.2	4.0	0.0	130	123	93
Longfor	960 HK	39.00	49.50	ADD	29,658	55.0	29	27	10.3	8.6	8.1	7.4	1.8	1.6	1.4	4.3	5.2	5.5	46	47	45
Yuzhou Group	1628 HK	0.56	0.68	HOLD	425	2.3	75	21	4.0	12.5	6.0	4.2	0.1	0.1	0.1	59.2	9.0	0.0	86	94	90
Zhongliang	2772 HK	2.51	2.50	HOLD	1,027	10.0	75	(0)	2.0	2.5	2.5	2.3	0.7	0.6	0.5	19.8	7.3	0.0	65	35	44
Greater Bay Area (GBA) plays																					
Aqile	3383 HK	3.80	4.70	HOLD	1,802	11.2	66	24	1.5	1.9	2.4	2.3	0.2	0.2	0.2	29.3	12.9	0.0	61	51	45
KWG Group	1813 HK	2.86	7.10	ADD	1,067	14.1	80	148	1.2	1.9	1.8	1.7	0.2	0.2	0.2	38.6	15.4	5.7	62	79	62
Logan Group	3380 HK	2.48	3.50	ADD	1,581	11.8	79	41	1.0	1.2	1.4	1.2	0.3	0.3	0.2	41.9	20.9	0.0	61	82	71
Times China	1233 HK	2.80	4.40	ADD	699	14.5	81	57	0.9	1.4	1.4	1.3	0.2	0.2	0.2	32.5	3.5	3.8	68	79	56
Small and mid-cap average							73	38	3.2	3.9	3.8	3.3	0.3	0.3	0.3	36.2	8.9	2.2	72	70	59
Overall average							63	41	4.1	4.8	4.6	4.1	0.5	0.5	0.5	26.6	7.3	3.1	61	58	48

Share price data as of 29 April 2022; * A-share data stated in Rmb

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

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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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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)

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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.