

| China

Overweight (no change)**Highlighted Companies****CIFI Holdings****ADD, TP HK\$6.00, HK\$3.83 close**

We believe CIFI's liquidity risk is quite low as it recently completed the refinancing of both its onshore and offshore debts. 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\$2.86 close**

We believe KWG should be able to repay its US\$900m bonds due in Sep 2022 by refinancing its HK projects. Overall, we think 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., in our view.

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

Implementation of more supportive measures in the near future

- The central Politburo last Friday vowed to further increase the efforts to maintain the stability of China's economy.
- The property sector was one of key sectors mentioned in the post-meeting statement; the central government aims to ensure stable sector growth.
- As such, we expect a ramp-up in implementation of the supportive measures already announced.
- We like Longfor, CG and CIFI in the mid- and large-cap space and prefer Times and KWG among the small caps. For SOEs, we like CR Land.

Central Politburo meeting to discuss latest economic headwinds

The Central Politburo of the Communist Party of China in a meeting led by President Xi last Friday (29 Apr) deliberated on the latest economic situation of China. The politburo concluded ([click here](#)) that given the current Covid-19 situation in China and the crisis in Ukraine, China is facing increasing risks, challenges and uncertainty related to its goals of "stable growth, stable job market and stable prices". The politburo emphasised the importance of containing Covid-19 and stabilising China's economy, and called for an increase in measures to ensure the nation achieves its economic target and maintains its economic operation at a reasonable pace. It vowed to speed up the implementation of measures already announced, including tax refunds/reductions. It also sees the need to expand internal demand, increase infrastructure construction, etc.

Supportive measures related to property sector

For the property sector, the politburo stressed the need for effective management of key risks, and avoidance of systematic risks. It pointed out that measures to: 1) support local cities based on their respective property market situation, 2) support genuine housing demand, 3) optimise the supervision of pre-sale funds, and 4) facilitate the healthy development of property market should be implemented as long as they do not violate the "housing is for living and not for speculation" directive.

Ramp-up in implementation of policies in the near term

Despite a series of supportive measures announced in the past 1-2 months, the market is still concerned over developers' default risk, as many of the supportive measures such as loosening of presales cash, reopening of the debt market, faster loans approval, and lower down payment and mortgage rates, have not been fully implemented. Given the deterioration of China's economy since Apr, we expect a ramp-up in implementation of measures supportive of the property markets, which could lead to the recovery of property sales, construction activities and land purchases.

Reiterate Overweight; top Adds: Longfor, CIFI, CG, KWG & Times

We reiterate our Overweight call on the sector in view of the strong policy support and the sector's attractive valuation, currently at a low c.0.45x 2021 P/BV, about 1.5x s.d below its 5-year average. Overall, we prefer non state-owned enterprise (SOE) developers over the SOEs as the latter have substantially outperformed in the past 12 months due to investors' risk aversion. As investors' appetite return on the back of policy support for the sector, we expect non-SOEs to outperform. We like Longfor, CIFI and Country Garden (CG) among mid- and large-cap plays. For small caps, we like Times and KWG. For SOEs, we like CR Land. Key risks to our positive call include weaker-than-expected sales recovery and higher-than-expected number of developers facing liquidity problems.

Figure 1: 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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Corporate Governance Report:

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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)

- 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.