

China

Overweight (no change)

Highlighted Companies
CIFI Holdings
ADD, TP HK\$6.00, HK\$3.41 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\$2.47 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\$39.15 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	3.56	3.41	3.14
KWG Group	1.54	1.45	1.36
Longfor Group	8.21	7.46	6.66
P/BV (x)	Dec-22F	Dec-23F	Dec-24F
CIFI Holdings	0.52	0.45	0.39
KWG Group	0.14	0.13	0.12
Longfor Group	1.46	1.32	1.32
Dividend Yield	Dec-22F	Dec-23F	Dec-24F
CIFI Holdings	7.16%	8.88%	11.17%
KWG Group	6.51%	6.88%	7.37%
Longfor Group	5.44%	5.99%	6.70%

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Property Development

To see strong sales recovery from June onwards

- CRIC says that developers' May 22 sales likely fell by 58% yoy due to lockdown measures in China but rose 11% mom on a low base from April.
- We expect developers' sales to recover from June onwards on improved market sentiment and much lower mortgage rates and downpayments.
- Meanwhile, the central government is clearly supporting the property market, which should bode well for developers' share prices ahead.
- We reiterate our Overweight call on strong policies and attractive valuations. Top Adds include Longfor, CG, CIFI, KWG and Times.

May 22 sales likely fell 58% yoy on weak sentiment and lockdowns

According to real estate agency China Real Estate Information Corporation (CRIC), one of the largest real estate brokers in China, contracted sales of the 17 Chinese developers we cover likely fell by 58% yoy in May 22, dragged by weak market sentiment and strict measures imposed by cities due to the outbreak of Covid-19 in China. May 22 sales however rebounded 11% mom from Apr, thanks to the gradual containment of Covid-19 and the low base in Apr. Sales for problem developers, such as Sunac, Aoyuan, Shimao and Yuzhou, were particularly weak, likely falling 79-89% yoy in May 22, while state-owned developers (SOEs) COLI and CR Land fared relatively better, albeit still expected to see a 20% yoy decline. Overall, we think the weak numbers should be expected by the market.

Developers' FY22 sales could drop 30-40% yoy

Dragged by weaker-than-expected contracted sales for 5M22, developers on average achieved a run rate of 23%, well below the average level of about 30-40%. Despite a sales recovery from June onwards, we believe developers' FY22 sales could plummet 30-40% yoy, which is worse than our expectation of a decline of some 20% yoy.

Contracted sales to see strong rebound from Jun onwards

We believe that developers' contracted sales will see a strong recovery from June onwards on 1) Improving market sentiment on the back of a series of supportive measures announced in the past few weeks, 2) Much lower mortgage rates by about 1% compared to a month ago and reduced downpayments for first-time home buyers and upgrade demand by 10-20% pts compared with a month ago, and 3) a lower sales base in 2H21, which only accounted for about 40% of full-year sales vs. c.55% normally.

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

Overall, we stay sector Overweight on very strong supportive policies ahead, which could lead to sales recovery and attractive valuations for the sector. 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 unexpected further outbreaks of Covid-19, which could lead to weaker-than-expected sales recovery in 2H22 and more developers unexpectedly unable to repay debts. A re-rating catalyst is a faster-than-expected sales recovery ahead.

Figure 1: Chinese developers' 5M22 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	2,200	May-22	(78)	(44)	27,250	(55)	83,466	(40)	33
Aoyuan	2,390	May-22	(79)	53	11,910	(77)	48,412	(60)	25
China Vanke*	30,000	May-22	(48)	(3)	167,340	(42)	564,432	(10)	30
CIFI	10,800	May-22	(60)	7	49,640	(55)	229,017	(7)	22
COLI	27,868	May-22	(19)	37	96,510	(38)	381,189	3	25
Country Garden*	28,210	May-22	(51)	25	150,080	(40)	502,778	(10)	30
CR Land	20,292	May-22	(19)	35	81,320	(36)	332,876	5	24
Greentown n	11,050	May-22	(54)	13	59,050	(43)	266,947	0	22
GZ R&F	3,200	May-22	(74)	(25)	17,310	(67)	72,120	(40)	24
KWG	4,124	May-22	(64)	(5)	21,550	(53)	94,987	(9)	23
Logan	2,500	May-22	(78)	(22)	25,560	(60)	112,588	(20)	23
Longfor	13,510	May-22	(54)	17	62,120	(44)	297,193	2	21
Shimao	6,110	May-22	(79)	1	34,260	(72)	161,466	(40)	21
Sunac	12,680	May-22	(82)	(7)	98,610	(59)	418,152	(30)	24
Times	4,533	May-22	(50)	27	22,280	(40)	66,901	(30)	33
Yuzhou	1,174	May-22	(89)	(55)	15,180	(64)	73,513	(30)	21
Zhongliang	6,010	May-22	(56)	47	31,710	(58)	128,850	(25)	25
Average	--	--	(58)	11	--	(50)	--	(20)	23

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	2021	2022F	2023F	2020	2021	2022F	2020	2021	2022F	2020	2021	2022F
COLI	688 HK	22.80	28.20	ADD	31,931	31.3	27	24	5.6	5.8	5.5	5.1	0.7	0.6	0.6	6.1	6.2	6.6	31	31	25
CR Land	1109 HK	35.00	48.20	ADD	31,297	52.3	33	38	8.8	8.0	7.2	6.7	1.0	0.9	0.9	4.2	4.6	5.1	29	24	18
China Vanke - H	2202 HK	17.36	24.10	ADD	30,184	40.2	57	39	4.0	6.9	6.0	5.6	0.8	0.7	0.7	8.5	6.6	5.9	18	30	37
China Vanke - A	000002 CH	17.81	22.50	ADD	30,143	34.2	48	26	4.9	8.3	7.2	6.7	0.9	0.9	0.8	7.0	5.4	4.8	18	30	37
CIFI	884 HK	3.41	6.00	ADD	3,775	12.1	72	76	2.9	3.3	3.6	3.4	0.6	0.6	0.5	11.7	5.4	7.2	64	63	57
Country Garden	2007 HK	4.92	7.90	ADD	13,979	14.4	66	61	2.8	3.4	3.8	3.8	0.5	0.5	0.4	10.7	7.3	4.3	56	45	44
Greentown China	3900 HK	13.60	16.20	ADD	4,260	23.7	43	19	17.5	9.8	8.0	7.3	0.9	0.8	0.8	3.0	4.0	4.2	64	52	52
Guangzhou R&F	2777 HK	2.79	3.60	HOLD	1,391	12.0	77	29	1.9	NA	9.1	6.1	0.1	0.1	0.1	41.1	4.2	0.0	130	123	93
Longfor	960 HK	39.15	49.50	ADD	29,535	55.0	29	26	10.4	8.7	8.2	7.5	1.9	1.6	1.5	4.3	5.1	5.4	46	47	45
Yuzhou Group	1628 HK	0.47	0.68	HOLD	367	2.3	79	45	3.4	10.6	5.1	3.6	0.1	0.1	0.1	70.0	10.6	0.0	86	94	90
Zhongliang	2772 HK	2.03	2.50	HOLD	958	10.0	80	23	1.6	2.1	2.0	1.9	0.6	0.5	0.4	24.3	8.9	0.0	65	35	44
Agile	3383 HK	3.33	3.30	HOLD	1,637	11.2	70	(1)	1.3	1.7	2.2	2.1	0.2	0.2	0.2	33.1	14.6	0.0	61	51	46
KWG Group	1813 HK	2.47	7.10	ADD	941	14.1	82	187	1.0	1.7	1.5	1.5	0.2	0.2	0.1	44.3	17.6	6.5	62	79	62
Logan Group	3380 HK	2.18	3.50	ADD	1,580	11.8	82	61	0.8	1.0	1.2	1.1	0.3	0.2	0.2	47.3	23.5	0.0	61	82	71
Times China	1233 HK	2.27	4.40	ADD	624	14.5	84	94	0.8	1.1	1.1	1.1	0.2	0.2	0.1	39.8	4.3	4.6	68	79	56
Small and mid-cap average							74	59	3.5	3.9	3.7	3.1	0.3	0.32	0.28	35.0	10.4	2.5	73	73	63
Overall average							62	50	4.5	5.2	4.8	4.2	0.6	0.54	0.49	23.7	8.6	3.6	57	58	52
Share price data as of 31 May 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 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

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.