



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED



China Property Sector:
Policy easing underway;
Sector consolidation ahead





Contents

China Property Sector	3
Policy easing on the way; contracted sales to resume positive growth in 2H22	4
Bond maturity in 2Q22: A double whammy for some	8
Increased social housing supply would reduce commodity housing supply	10
The SOEs will dominate	11
Risk factors	13
COLI (688 HK)	14
Financial statements	16
Yuxiu Property (123 HK)	19
Financial statements	21
Disclosures	24



China Property Sector Policy easing underway; sector consolidation ahead

- Various favorable policies from the government will support leading SOEs to acquire quality projects from smaller developers with cash-flow issues
- Expect positive growth in 2H22 contracted on further policy easing
- Significant increase in social housing supply to reduce supply of commodity housing
- SOE players **COLI (688 HK)** and **Yuexiu (123 HK)** are our top large and small-cap picks due to their lower costs of debt, healthy balance sheets, and promising M&A prospects

Various measures in place to facilitate M&A. Signs of policy easing have emerged since the start of 2022. We have seen various easing on bank borrowings. In particular, CR Land (1109 HK) has recently announced a RMB 23bn financing agreement with the China Merchant Bank (3968 HK) for acquisition purpose. Under the agreement, CR Land will receive a financing facility of RMB 20bn, while its property management (PM) unit CR MIXC (1209 HK) will receive RMB 3bn. Banks have turned proactive in M&A borrowings for the leading SOE players.

Expect positive contracted sales growth in 2H22 on further policy easing. We expect home purchase restrictions and price controls would be relaxed to boost new home sales to avoid hard landing in the property market. Easier mortgage will be the key driver. Net new home loans increased by 20% QoQ to RMB 950bn in 4Q21. As banks normally are less inclined to approve mortgage towards the end of the year, such increases indicate banks may have adopted a more proactive stance. We believe positive growth would resume in 2H22 as effects of relaxation take place, in addition to the lower base in 2021.

Significant increase in social housing supply may reduce supply for commodity housing. According to the "14th Five-Year Plan for Public Service" (《十四五公共服务规划》) released by the State Council, 40 key cities in China plans to add 6.5mn housing units in 2021-25 to resolve the shortage of affordable housing for young people. This translates to ~1.3mn units per year, a marked increase of 39% from 2021's actual figure of 0.936mn units. In particular, during the 14th FYP period, Beijing, Shanghai, Guangzhou, and Shenzhen will add 400,000, 470,000, 600,000, and 400,000 units of affordable rental housing, accounting for about 45% of the total supply of new housing in the tier-1 cities. The increase in affordable rental housing would take up a significant proportion of new land supply, meaning that the land supply for commodity housing would shrink. With a tighter commodity housing supply, developers may enjoy a better pricing power in the future.

The SOEs will dominate; COLI (688 HK) and Yuexiu (123 HK) are our top large-cap and small-cap picks. Our sector rating is **OVERWEIGHT** given the sector is trading at deep discount to NAV of 73%, which should narrow on policy easing and sales recovery in 2H22. We expect the government to launch more favorable policies to support the property sector, and such measures will likely benefit the large-cap SOE players. For instance, Shimao (813 HK) announced to dispose each of their 26.7% stake in Guangzhou Asian Games City (GAGC) for RMB 1.8bn to COLI. SOE players are in good position to acquire quality projects from developers in tight financial straits at a discounted cost given their strong balance sheets and effective financing channels. Our top large and small-cap picks for the sector are COLI and Yuexiu based on their lower costs of debt, healthy balance sheets, and promising M&A prospects.

Our top picks (data as of Feb 15, 2022)

Company	Ticker	Current Rating	TP (HK\$)	Share price (HK\$)	Upside (%)	FY21E P/E (x)	FY22E P/E (x)	FY21E P/B (x)	FY22E P/B (x)	FY21E Yield(%)	FY22E Yield(%)
COLI	688	BUY	32.90	23.95	37.4%	5.9	5.7	0.64	0.59	5.1	5.3
Yuexiu	123	BUY	12.00	8.17	46.9%	4.7	4.2	0.43	0.41	8.1	9.2

Source(s): Bloomberg, ABCI Securities estimates

Sector Report

Feb 16, 2022

OVERWEIGHT

Analyst : Kenneth Tung

Tel: (852) 2147 8311

Email: kennethtung@abci.com.hk

Key Data

Avg. 22E P/E (x)	3.53
Avg. 22E P/B (x)	0.48
Avg. 22E Dividend Yield (%)	14.56

Source(s): Bloomberg, ABCI Securities estimates

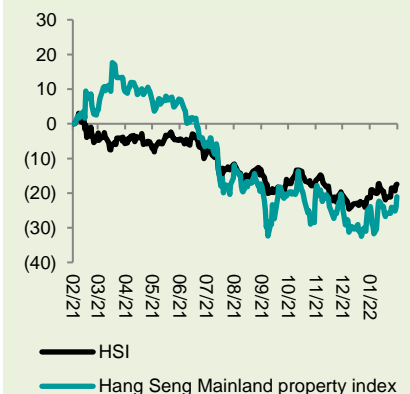
Sector Performance (%)

	Absolute	Relative*
1-mth	3.82	(0.49)
3-mth	(4.27)	(2.38)
6-mth	(11.68)	(4.59)

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year sector performance (HK\$)



Source(s): Bloomberg, ABCI Securities



Policy easing on the way; contracted sales to resume positive growth in 2H22

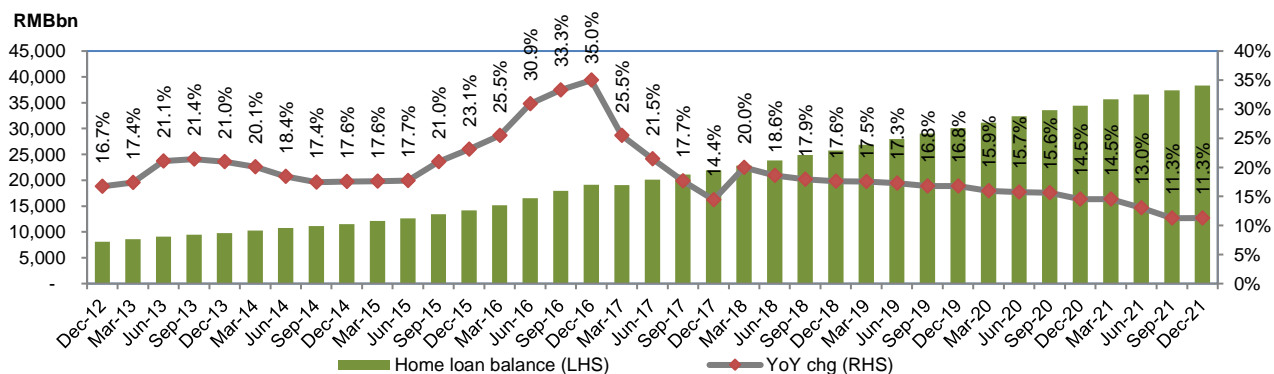
Various measures to facilitate M&A

Since the beginning of 2022, various signs of policy easing have emerged. We have seen various easing on bank borrowings to leading developers. In particular, CR Land (1209 HK) has recently announced a RMB 23bn financing agreement with the China Merchant Bank (3968 HK) for acquisition purpose. Under the agreement, CR Land will receive a financing facility of RMB 20bn, while its property management (PM) unit CR MIXC (1209 HK) will receive RMB 3bn. We believe this is mutually beneficial for the smaller, private developers and larger SOE developers. For the former, they could cash out their projects instead of selling in a down market; for the latter, they can acquire quality projects at discounted prices.

New home loans rose in 4Q21

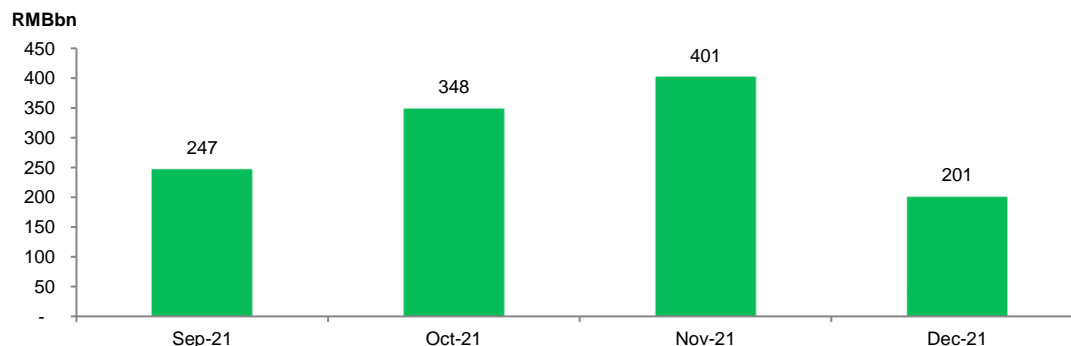
PBOC has been boosting mortgage loans to homebuyers since Oct 2021. In Nov, the authority started to release its net new home loans figures on a monthly basis. Net new home loan increased by 41% MoM to RMB 348.1bn in Oct 2021, and rose 15% MoM to RMB 401.3bn in Nov 2021. For 4Q21, net new home loans increased by RMB 950bn, up 20% QoQ. As banks are more reserved in mortgage borrowings towards the end of the year, the QoQ increase in new home loans indicates a more proactive stance by the banks to support the property market.

Exhibit 1: Home loan balance



Source(s): PBOC, ABCI Securities

Exhibit 2: Net new home loans



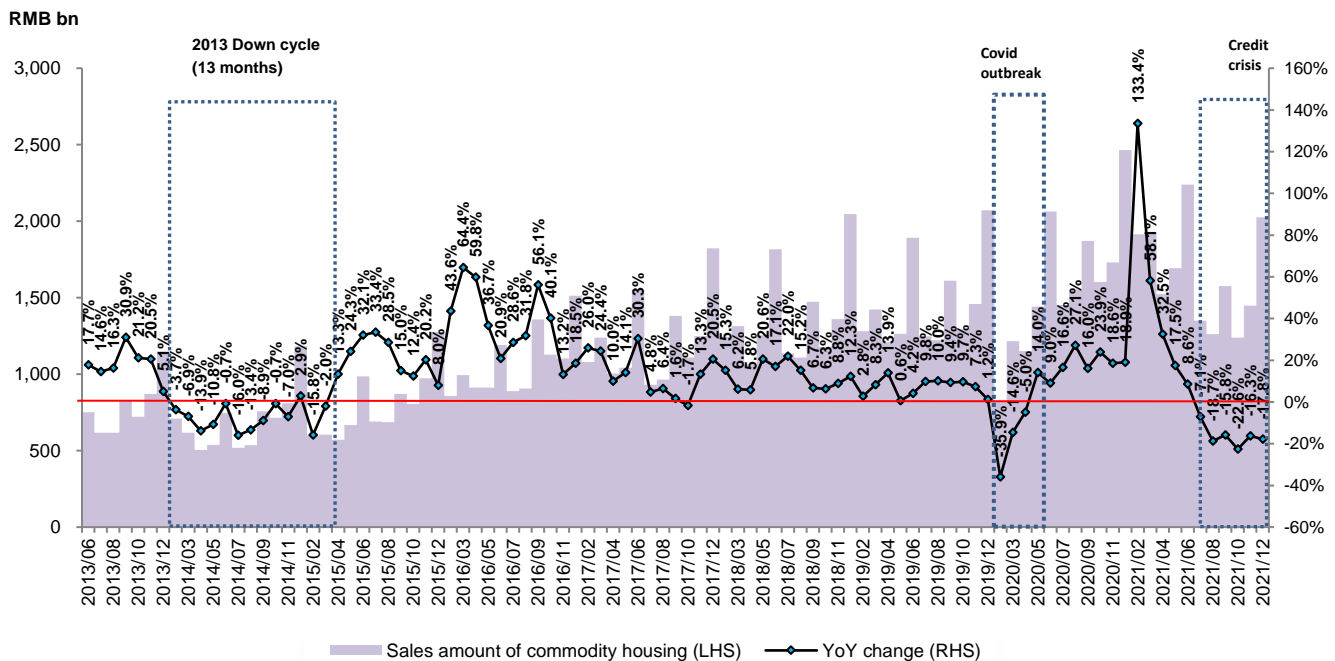
Source(s): PBOC, ABCI Securities



▪ Expect positive growth in 2H22 on further policy easing

To avoid hard landing in the property market, further relaxation on home purchases restrictions and price controls can be expected to boost new home sales. In the down cycle in 2013, sales of commodity housing (see Exhibit 3) registered a YoY decline for about 13 months as a result of oversupply and piled-up inventories, which roughly coincided with the downtrend seen in the developer's fund from mortgage loans (see Exhibit 4). Mortgage relaxation came much sooner this time, as evidenced by funds from mortgage turning from -8%/-7% YoY in Aug/Sep 2021 to 1%/11%YoY in Oct/Nov 2021. The turnaround could reflect banks' increased willingness in mortgage borrowings with a higher loan-to-value ratio, or become less conservative in property valuation of mortgage application. New home sales in Dec 2021 were down 8% YoY, but this could be attributed to low presales activities during the month due to the resurgence of COVID-19 in local regions and concerns over construction delays for developers facing credit crisis. We believe new home sales would resume positive growth in 2H22 as effects of relaxation measures take place, in addition to the lower comparison base in 2021.

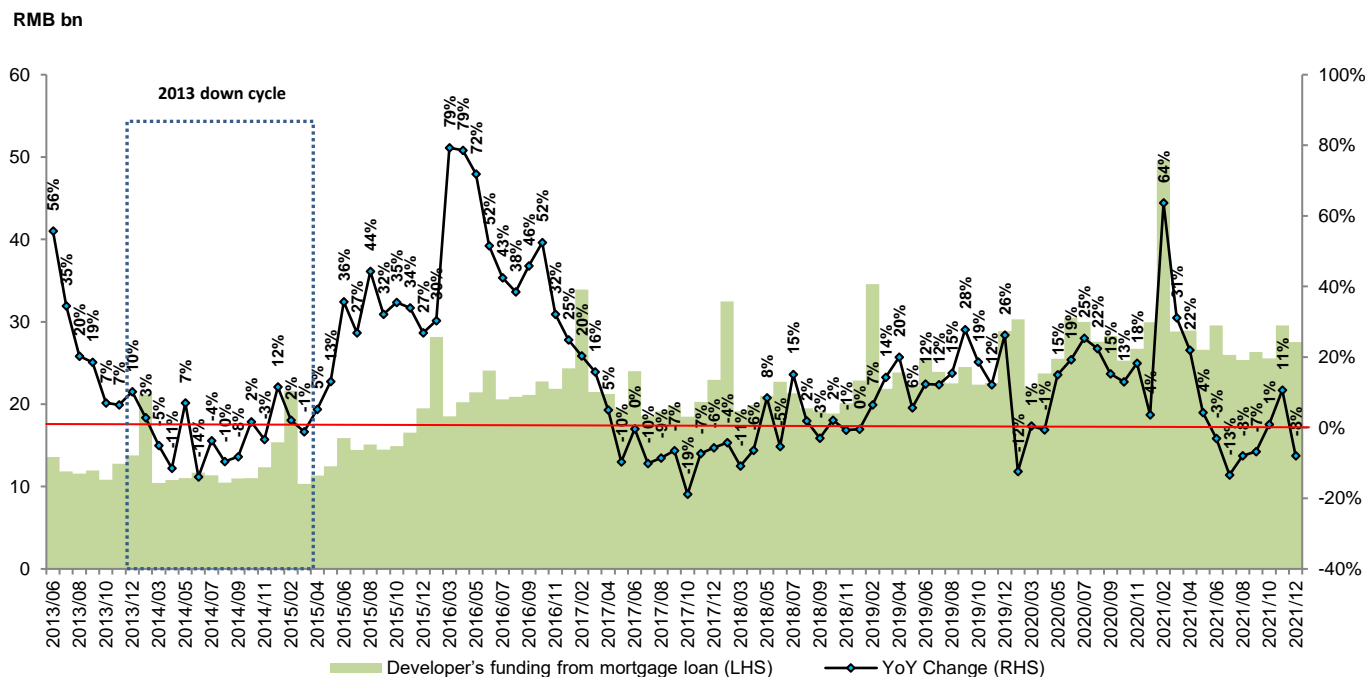
Exhibit 3: Sales of new commodity housing (mid-2013-end 2021)



Source(s): NBS, ABCI Securities



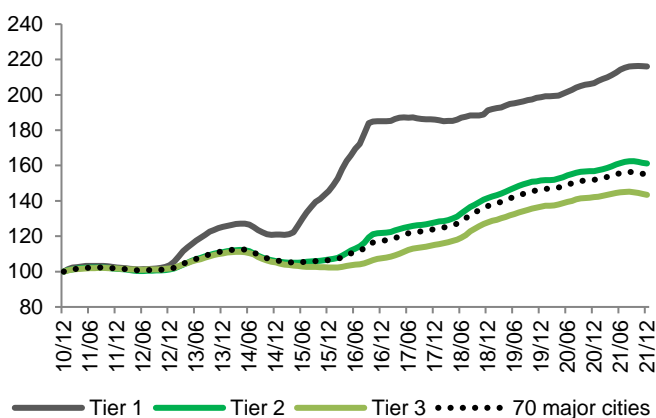
Exhibit 4: Developers' funds from mortgage loans



Source(s): NBS, ABCI Securities

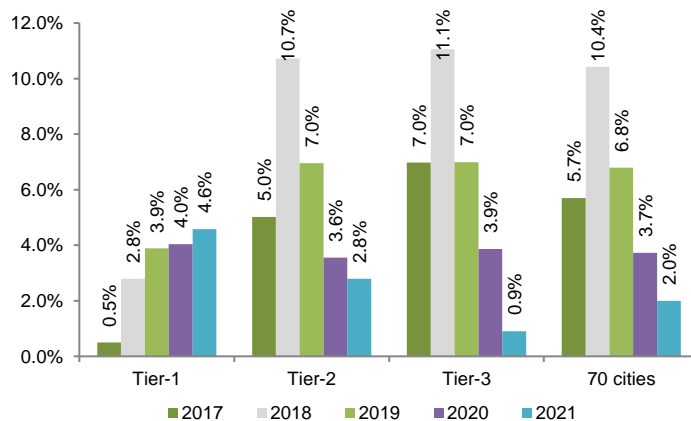
We believe the extent of policy relaxation will be greater in lower-tier cities, where these measures are much needed due to the weaker economy and population flow. Based on the NBS figures, new home prices in tier-3 cities only increased 0.9% in 2021, much lower than the tier-1/2 counterparts. Slowing property price growth since 2018 suggests property demand in lower-tier cities has weakened structurally.

Exhibit 5: Property price index by city tier



Source(s): PBOC, ABCI Securities

Exhibit 6: Property price change by city tier



Source(s): NBS, ABCI Securities



■ Homebuyers may have lost faith in some private developers amid credit crisis

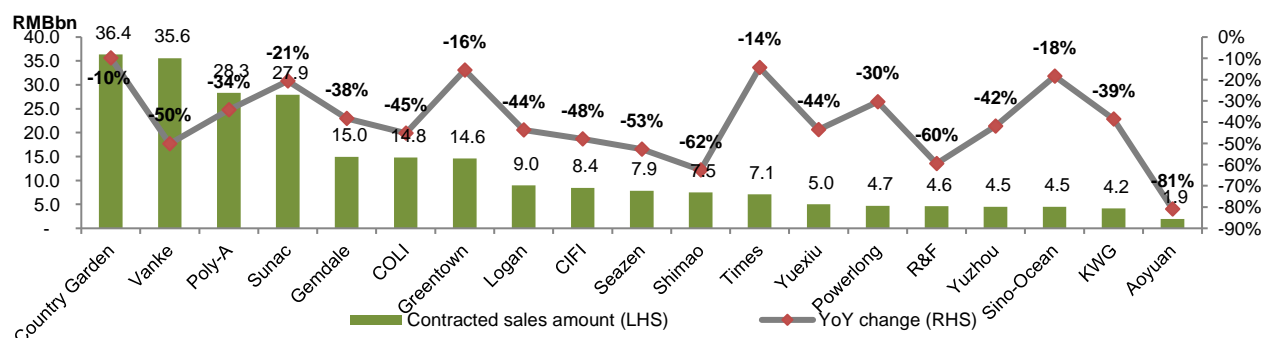
In 2021, contracted sales of the 20 major listed developers dropped 2.5% YoY; GFA sold declined 1.9% YoY but ASP increased 4.4%YoY. The listed developers achieved 94% of their 2021 sales targets on average. No sign of improvement was seen so far in 2022, as leading developers such as Country Garden (2007), Vanke (2202) and Poly-A (600048 CH) registered a YoY decline of 10-50% in January. Sales performance of certain private developers, such as Aoyuan (3883 HK) and Shimao (813 HK) dropped sharply in Dec 2021 and Jan 2022 because of doubts concerning their ability to complete presold projects on time amid the credit crisis. Contracted sales of Aoyuan dropped 29% MoM in Nov, 27% MoM in Dec and 63% MoM in Jan, while that of Shimao declined 21% MoM in Nov, 30% MoM in Dec and 33% MoM in Jan.

Exhibit 7: 2021 contracted sales of listed major PRC developers (ranked by sales growth)

2021									2021	Sales target
		Amount	YoY	GFA	YoY	ASP	YoY		Target	Achievement
		RMBbn	%	000 sqm	%	RMB/sqm	%	RMBbn		ratio
1	Powerlong	1238 HK	101.2	24%	6,410	20%	15,791	3%	105	96.4%
2	Greentown	3900 HK	350.9	21%	15,570	12%	22,537	8%	310	113.2%
3	Yuexiu	123 HK	115.2	20%	4,177	10%	27,569	9%	112	102.6%
4	Logan	3380 HK	140.2	16%	7,971	7%	17,586	9%	145	96.8%
5	CR Land	1109 HK	315.8	11%	16,649	17%	18,966	(6%)	315	100.2%
6	Longfor	960 HK	290.1	7%	17,089	6%	16,975	1%	310	93.6%
7	CIFI	884 HK	247.3	7%	14,488	(6%)	17,066	14%	265	93.3%
8	Poly-A	600048 CH	534.9	6%	33,330	(2%)	16,049	9%	na	na
9	Sino-Ocean	3377 HK	136.3	4%	7,674	9%	17,757	(4%)	150	90.8%
10	Sunac	1918 HK	597.4	4%	41,418	1%	14,423	3%	640	93.3%
11	COLI	688 HK	369.5	2%	18,904	(1%)	19,543	4%	na	na
12	R&F	2777 HK	140.6	2%	10,968	(5%)	12,820	7%	150	93.7%
13	KWG	1813 HK	103.8	0%	5,440	(11%)	19,088	12%	126	82.4%
14	Yuzhou	1628 HK	105.0	0%	5,295	(15%)	19,834	18%	110	95.5%
15	Country	2007 HK	558.0	(2%)	66,420	(1%)	8,401	(1%)	628	88.9%
16	Times	1233 HK	95.6	(5%)	5,142	(24%)	18,590	25%	110	86.9%
17	Seazen	1030 HK	233.8	(7%)	23,547	0%	9,928	(7%)	na	na
18	Aoyuan	3883 HK	121.0	(9%)	10,961	(15%)	11,042	7%	150	80.7%
19	Shimao	813 HK	269.1	(10%)	15,286	(11%)	17,604	0%	330	81.5%
20	Vanke	2202 HK	627.8	(11%)	38,078	(18%)	16,486	9%	na	na

Source(s): Company, CRIC, ABCI Securities

Exhibit 8: Contracted sales performance for major developers in Jan 2022



Source(s): Company, ABCI Securities

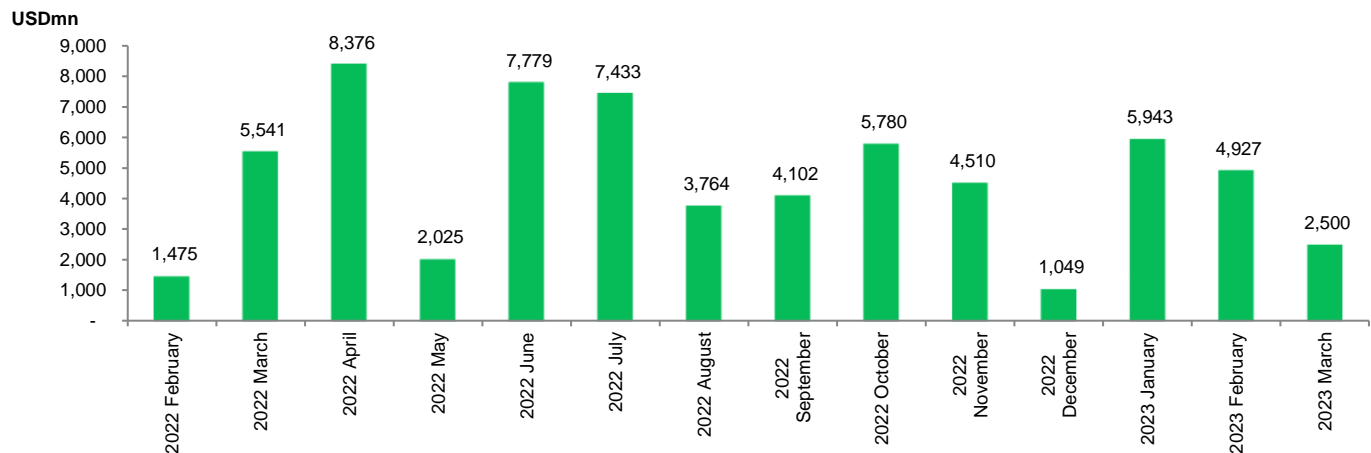


Bond maturity in 2Q22: A double whammy for some

Since it would take time for policy easing to take effect on the property market, we expect home sales to only recover in 2H22, meaning that refinancing problems will persist in 1H22. In particular, bond maturity will be highly concentrated in Apr and June. Depressed bond prices mean refinancing maturing bonds with new issuances will be difficult due to concerns of possible default (see Exhibit 10). Some developers chose to tap into the equity market instead. For instance, Sunac placed 452mn new shares (8.30% of enlarged capital) at HK\$ 10.0/share (15.3% discount) to raise HK\$ 4,520mn in Jan 2022. In contrast, SOE bonds are still well received in the market. Bonds of COLI (688 HK) and CR Land (1109 HK) are priced at around the par level.

Going forward, offshore funding cost is likely to increase along with the US interest rate hike. The market expects the US to raise rate by 25bps in Mar 2022 to curb inflation. We expect developers will increase its reliance on onshore borrowings as LPR begins to fall.

Exhibit 9: Offshore bonds maturing in 2022 and early 2023



Source(s): Bloomberg, ABCI Securities

Exhibit 10: Mid-prices of major developers' USD bonds are significantly below par (maturing in 1H22)

Developer	BBG	Maturity	Principle amount	Mid-price
			USDmn	% of Par
Ronshine	3301 HK	3/1/2022	500	57.9
Jingrui	1862 HK	3/11/2022	190	62.4
Yida	3639 HK	3/27/2022	225	65.8
Redsun	1996 HK	4/11/2022	450	66.8

Source(s): Bloomberg, ABCI Securities

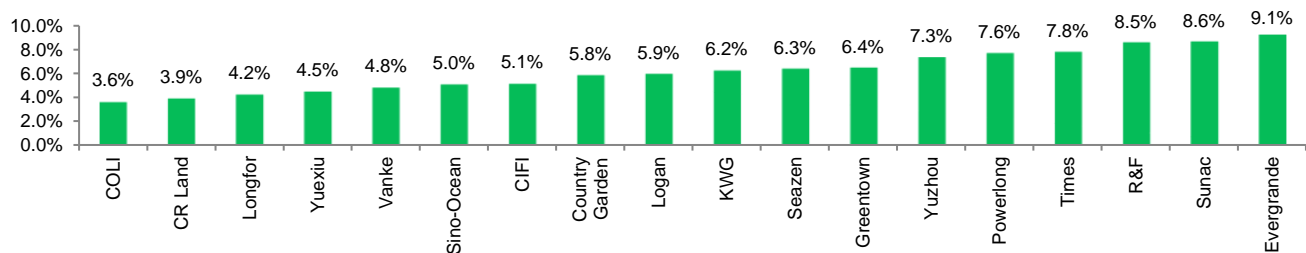


Exhibit 11: Mid-prices of major developers' USD bonds are close to par (maturing in 1H22)

Developer	BBG	Maturity	Principle amount USDmn	Mid-price % of Par
Sino Ocean	3377 HK	4/30/2022	500	99.8
Gemdale	600383 CH	6/14/2022	250	100.6

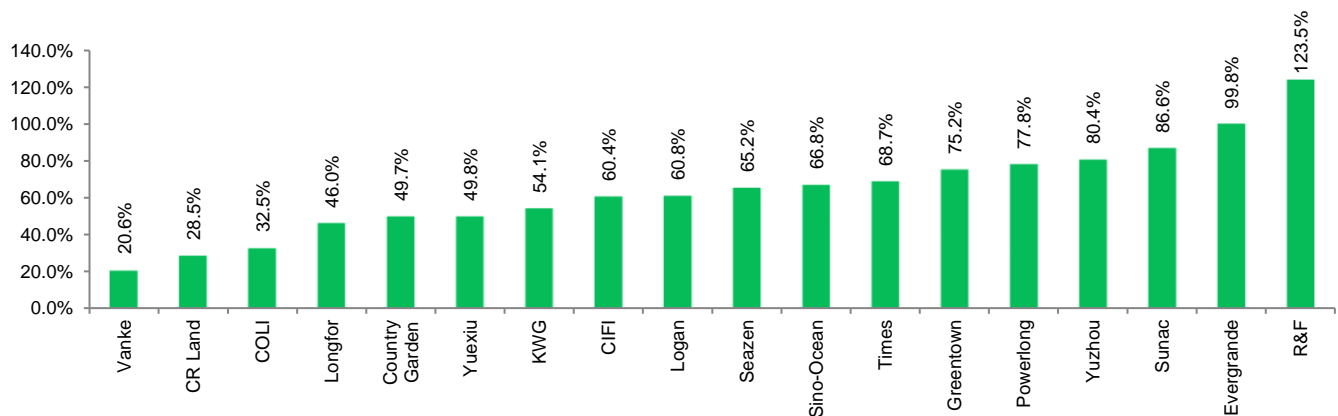
Source(s): Company, ABCI Securities

Exhibit 12: Average cost of debt (1H21)



Source(s): Companies, ABCI Securities

Exhibit 13: Net gearing (Jun 2021)



Source(s): Companies, ABCI Securities

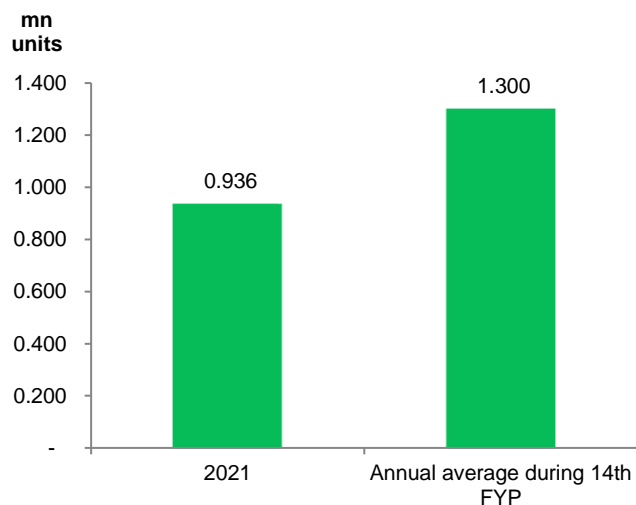


Increased social housing supply would reduce commodity housing supply

According to the "14th Five-Year Plan for Public Service " (《十四五公共服务规划》) released by the State Council, 6.5mn housing units will be added in 40 key cities to resolve the shortage of affordable housing for young people. This translates to ~1.3mn units per year, a 39% increase from 2021's 0.936mn units. In particular, during the 14th FYP period, Beijing, Shanghai, Guangzhou, and Shenzhen will add 400,000, 470,000, 600,000 and 400,000 units of affordable rental housing, accounting for about 45% of the total supply of new housing units in tier-1 cities, whereas affordable rental housing accounts for 26% of the total new housing supply in 40 key cities in China.

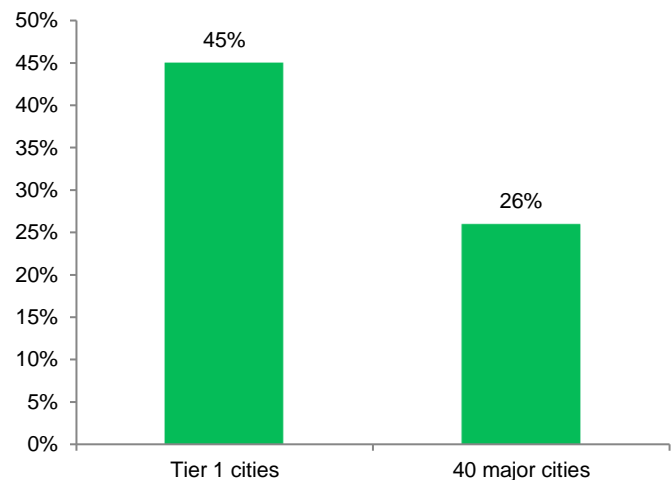
The impact of affordable rental housing will take up a large proportion of new land supply, meaning that land supply for commodity housing may reduce. Commodity housing aims at homebuyers rather than the renters, hence rising rental housing supply would not fully satisfy property demand. With a tighter commodity housing supply, developers could enjoy a better ASP ; nonetheless, higher land cost due to fierce competition induced by tighter land supply may erode margin at the same time. Land competition in tier-1 cities will be stiff since land resources are already tight. Amid the current credit crisis, SOE players have the alternative to acquire quality projects in higher-tier cities from smaller developers instead of bidding in the land market, whose prices are almost certainly will rally based on our reasoning.

Exhibit 14: New supply of affordable rental housing



Source(s): State Council, ABCI Securities

Exhibit 15: Affordable rental housing as % of total new housing supply



Source(s): State Council, ABCI Securities



The SOEs will dominate; COLI (688 HK) and Yuexiu (123 HK) as top picks

We expect more favorable policies to be rolled out to support the property sector, and large-cap SOE players will benefit the most. According to a notice on the municipal government's website, Yantai city in Shandong province has recently allowed the developers with the highest ratings to withdraw a larger portion of funds from its supervised escrow accounts. Developers with a credit rating of AAA or AA can lower their regulatory presales deposits in their Yantai projects by 5ppt and 3ppt, respectively. Also, CR Land (1209 HK) has recently announced that it signed a RMB23bn financing agreement with China Merchant Bank (3968 HK) for acquisition purpose. Under the agreement, CR Land will receive a financing facility of RMB 20bn, while its PM unit CR MIXC (1209) will receive RMB 3 bn. Banks have already become more proactive in M&A borrowings to leading SOE players.

Policy easing will not provide sufficient fundings for smaller developers, and the cash-strapped private developers have been actively disposing their projects. Shimao announced to dispose each of their 26.7 % stake in Guangzhou Asian Games City (GAGC) for RMB 1.84bn to COLI. SOE players are in good position to acquire quality projects from distressed developers given their strong balance sheets and effective financing channels.

Our sector rating is **OVERWEIGHT**, given expected contracted sales turnaround in 2H22 on policy easing and improved credit market on assets disposals of smaller names. Our top large-cap and small-cap pick for the sector are SOE players **COLI** and **Yuexiu** respectively, given their lower costs of debt, healthy balance sheets, and promising M&A prospects. We lower our TP for COLI and Yuexiu by 1.2% and 1.6% as we factor in fewer presale launches in 1H21 despite the latest land acquisitions since we expect property market to remain weak. We also lower our 2021E-22E core profit forecasts by 10.5%-12.6% for COLI and 8.1%-8.7% for Yuexiu to reflect weakened sales and margins on ASP cut. We expect a major sales recovery to occur in 2H22 and a faster growth in 2023.

Exhibit 16: TP changes in our top picks

Company	Ticker	Rating		2022E NAV (HK\$)		Discount (%)		TP (HK\$)		
		Previous	Current	Previous	Current	Previous	Current	Previous	Current	Change (%)
COLI	688 HK	BUY	BUY	66.57	65.80	50%	50%	33.30	32.90	(1.2%)
Yuexiu	123 HK	BUY	BUY	40.65	40.00	70%	70%	12.20	12.00	(1.6%)

Source(s): ABCI Securities estimates

Exhibit 17: Core profit changes in our top picks

Company	Ticker	2021E core profit (RMBmn)			2022E core profit (RMBmn)		
		Previous	Current	Variance (%)	Previous	Current	Variance (%)
COLI	688 HK	40,639	36,353	(10.5%)	43,338	37,863	(12.6%)
Yuexiu	123 HK	4,806	4,388	(8.7%)	5,395	4,955	(8.1%)

Source(s): ABCI Securities estimates



Exhibit 18: Valuation of the China property sector

China Property	Ticker	Mkt cap	Share Price	Performance			Discount to NAV	Valuation									
				3M	YTD	2021		P/E			Yield (%)			P/B			
		(HKD bn)	(local ccy)	% Chg	% Chg	% Chg	(%)	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	
1	Vanke-H	2202 HK	277.9	19.90	5	10	(28)	(59.63)	7.11	6.46	5.20	7.62	6.75	6.95	0.83	0.76	0.69
2	CR Land	1109 HK	271.4	38.60	14	17	7	(32.26)	9.24	8.32	7.39	4.03	4.42	4.85	1.11	1.01	0.92
3	Longfor	960 HK	276.4	44.60	13	21	(16)	(12.51)	11.76	9.90	8.51	3.85	4.38	4.90	2.00	1.78	1.54
4	COLI	688 HK	263.7	23.95	30	30	17	(63.80)	5.63	5.89	5.66	4.93	5.13	5.34	0.68	0.64	0.59
5	Country Garden	2007 HK	151.4	6.38	(13)	(8)	(31)	(73.99)	3.44	3.40	3.17	8.57	8.58	9.13	0.62	0.58	0.51
6	Sunac	1918 HK	52.6	9.53	(37)	(19)	(55)	(87.68)	1.39	1.26	1.22	20.95	15.06	15.39	0.28	0.26	0.23
7	CIFI	884 HK	47.7	5.60	22	18	(23)	(70.08)	4.94	4.29	3.93	7.59	7.77	8.32	1.01	0.86	0.74
8	Yuexiu	123 HK	25.6	8.17	15	18	(5)	(79.57)	5.14	4.71	4.17	7.34	8.15	9.20	0.47	0.43	0.41
9	Shimao	813 HK	23.3	5.93	(41)	16	(77)	(87.32)	1.49	1.39	1.33	29.97	21.11	24.08	0.19	0.17	0.16
10	Logan	3380 HK	24.6	3.80	(48)	(36)	(48)	(80.19)	1.46	1.31	1.23	28.73	24.45	25.45	0.39	0.35	0.29
11	Powerlong	1238 HK	17.7	4.33	(15)	5	(17)	(78.07)	4.02	3.24	2.70	10.47	11.72	13.35	0.37	0.36	0.32
12	Redsun Property	1996 HK	8.6	2.50	15	14	(14)	(79.48)	5.17	3.80	3.37	6.88	6.64	7.96	0.44	0.41	0.37
13	Times Property	1233 HK	6.6	3.05	(41)	(19)	(62)	(91.96)	1.05	0.92	0.85	29.91	26.40	26.40	0.25	0.21	0.18
14	Aoyuan	3883 HK	4.9	1.59	(33)	12	(79)	(92.52)	0.79	0.74	0.69	48.86	32.74	41.14	0.19	0.16	0.14
Average					(8)	7	(34)	(72.62)	4.66	4.10	3.53	16.83	13.25	14.56	0.70	0.54	0.48
- Large cap (mkt cap > HK\$100bn)					2	13	(23)	(56.13)	6.63	6.53	5.84	11.50	8.28	8.68	0.88	0.81	0.72
- Small-mid cap (mkt cap < HK\$100bn)					(14)	3	(41)	(82.51)	3.48	2.63	2.37	20.03	16.23	18.09	0.59	0.38	0.34

Source (s): Bloomberg, ABCI Securities estimates



Risk factors

- **Further downgrades from credit agency:** Credit agencies have recently downgraded the Chinese developers based on their weakening financial health. Low credit ratings will result in higher funding costs and future refinancing will be difficult.

Exhibit 19: Recent credit rating downgrades by rating agencies

Developers	SEHK	Rating agency	Date	Current	Previous
Guorui Properties	2329	Fitch	24-Jan-22	CCC+	B-
Jingrui Holdings	1862	Moody's	25-Jan-22	B3	B2
Zhongliang Holdings	2772	S&P	28-Jan-22	B	B+

Source(s): Company, ABCI Securities

- **Falling new home sales may continue:** According to NBS, sales of commodity housing, which has been falling since July 2021, dropped 17.8% YoY to RMB 2,026bn in Dec 2021, as GFA sold declined 15.6% YoY to 213mn sqm and ASP fell 2.5% YoY to RMB 9,512/sqm. With the expectation of a falling ASP, homebuyers may postpone their purchases until prices stabilize.
- **Equity placements at deep discount to raise fund:** In Jan 2022, Sunac (1918 HK) and Times (1233 HK) raised HK\$ 4.5bn and HK\$ 400mn via new shares placement. Share price declined 22.9%/26.8% the day after the placement on concerns over share dilution impact. If offshore financing remains difficult, developers will need to raise funds through equity issuance at discounted prices.

Exhibit 20: Recent share placements

Developer	stock code	Issuance date	Number of shares		Price		Proceeds	Share price performance the day after placement
			<u>mn</u>	<u>% of enlarged share capital</u>	<u>HK\$</u>	<u>Discount</u>	<u>HK\$ mn</u>	
Sunac	1918HK	12-Jan-22	452	8.30%	10.00	15.30%	4,520	(22.9%)
Times	1233HK	26-Jan-22	117.7	5.60%	3.40	17.07%	400	(26.8%)

Source(s): Company, ABCI Securities

- **Fewer land acquisitions may lead to less saleable resources when market rebounds.** According to NBS, national land purchases declined 15.5% YoY to 215.9mn sqm in 2021. Declining landbank could result in shortage of saleable resources for developers later on.



COLI (688 HK) Revving up the M&A engine

- Acquired stakes totaling 53.33% in the Guangzhou Asian Games City (广州亚运城) project from its two JV partners at RMB 3.7bn.
- The transaction will increase the Group's saleable resources by RMB 35.5bn based on our estimates
- Policy will continue to favor leading SOE players in M&A expansion
- Maintain **BUY** with revised TP of HK\$ 32.9 (from HK\$ 33.3), based on a 50% discount to NAV

Acquired a 53.33% stake in Guangzhou Asian Games City (广州亚运城) project from its JV partners. In Jan 2022, COLI announced to acquire stakes of 26.66%/26.67% in Guangzhou Asian Games City (GAGC) for RMB 1,843.9mn/RMB1,844.5mn from its two JV partners. Situated in Panyu district, the project has a total construction floor area of ~5.85mn sqm, of which ~4.016mn sqm of construction floor area have been developed into residential and commercial units and carpark spaces. The remaining area (~1.834mn sqm) is still under construction and is expected to be completed by end-2025. About 3.473mn sqm of the complex have been sold. According to fang.com, the ASP of the secondary transactions in GAGC is ~RMB20-28k/sqm. Based on our estimates, COLI's attributable saleable resources would increase by 1.267mn sqm or RMB 35.5bn (assuming ASP of RMB28k/sqm) through this acquisition. After the transaction, COLI's stake in the GAGC project will increase from 20% to 73.33%. COLI may acquire additional stakes from the remaining JV partners. While it is hard to determine the overall land cost since the project-level debt has not been disclosed, we believe GAGC would entail a decent gross margin (no less than 30%) as it should be sold at discounts by developers with urgent liquidity need.

A key beneficiary of policy easing. We believe policy easing will continue to favor leading SOE players. In Yantai city of the Shandong province, according to a notice on the municipal government's website, the highest-rated developers are allowed to withdraw a bigger portion of funds from supervised escrow accounts. Developers with a credit rating of AAA or AA can lower their regulatory presales deposits in their Yantai projects by 5ppt or 3ppt. The media reported that when leading developers acquire distressed assets from developers with substantial liquidity issue, the project-level debt would not be included in the three-red-line calculation.

Maintain BUY with revised TP of HK\$ 32.90. We lower our 2021E/22E core profit forecasts by 11%/13% to factor in the weaker contracted sales and possible margin erosion in a down market. As a result, our NAV/share forecast drops to HK\$ 65.8 (from HK\$ 66.6). We lower our TP to HK\$ 32.90 (from HK\$ 33.30) based on a 50% discount to NAV (unchanged). Maintain **BUY**.

Company Report

Feb 16, 2022

Rating: **BUY**

TP: HK\$ 32.9

Analyst : Kenneth Tung

Tel: (852) 2147 8311

kennethtung@abci.com.hk

Share price (HK\$)	23.95
Est. share price return	37.4%
Est. dividend yield	5.1%
Est. total return	42.5%
Previous Rating & TP	BUY, HK\$33.3
Previous Report Date	Mar 27, 2020

Source(s): Bloomberg, ABCI Securities estimates

Key Data

52Wk H/L(HK\$)	24.50/15.42
Issued shares (mn)	10,953
Market cap (HK\$ mn)	262,324
3-mth avg daily turnover(HK\$ mn)	485.4
Major shareholder(s) (%):	
China State Construction Engineering Corporation	56.00%

Source(s): Bloomberg, ABCI Securities

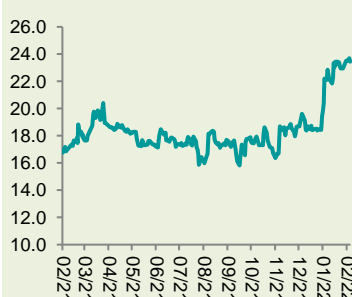
Share Performance (%)

	Absolute	Relative*
1-mth	7.0	2.2
3-mth	31.7	34.3
6-mth	35.2	44.3

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year share performance(HK\$)



Source(s): Bloomberg, ABCI Securities

Results and Valuation

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Revenue (RMB mn)	163,651	185,790	221,790	239,327	281,573
Chg (% YoY)	13.6	13.5	19.4	7.9	17.7
Core net profit* (RMB mn)	34,300	38,030	36,353	37,863	44,950
Chg (% YoY)	10.1	10.9	(4.4)	4.2	18.7
Core EPS (RMB)	3.13	3.47	3.32	3.46	4.10
Chg (% YoY)	10.1	10.9	(4.4)	4.2	18.7
BVPS (RMB)	25.61	28.67	30.76	32.94	35.52
Chg (% YoY)	13.3	12.0	7.3	7.1	7.8
Core P/E (x)	6.2	5.6	5.9	5.7	4.8
P/B (x)	0.76	0.68	0.64	0.59	0.55
ROE (%)	12.2	12.1	10.8	10.5	11.5
ROA (%)	4.7	4.6	3.4	2.7	3.6
DPS(HK\$)	1.02	1.18	1.23	1.28	1.52
Yield (%)	4.3	4.9	5.1	5.3	6.3
Net gearing (%)	32.7	31.2	32.1	Net cash	Net cash

Note: RMB to HK\$= 1.23

* Core net profit = profit attributable to owners of the company – (fair value changes of investment properties) x0.75

Source(s): Bloomberg, ABCI Securities estimates



Risk factors: 1) Declining margin trend; 2) Currency risks associated with FX debt exposure; 3) Uncertain development of COVID-19.

Exhibit 1: COLI's 2022E NAV

	Attr. GFA (mn sqm)	Net assets value (HK\$ mn)	% of total	Valuation Method	Implied value per sqm (HK\$)
Property development	95.4	665,643	94%	DCF with WACC of 16.1%	6,979
Investment Properties	5.4	40,521	6%	6% cap rate on 2022E net rental income	7,574
Total 2022E GAV		706,164	100%		
2022E Net cash/ (debt)		14,751	2%		
Total 2020E NAV		720,915	102%		
No. of share outstanding		10,956			
NAV per share (HKD)		65.8			
Target discount (%)		50%			
Target Price (HKD)		32.90			
WACC	16.1%				
Cost of debt	4.8%				
Cost of equity	25.0%				
Debt/ (Debt + Equity)	41%				

Source(s): Company, ABCI Securities estimates

Exhibit 2: Changes in TP and profit forecasts

	OLD	NEW	Chg	Reasons
NAV	66.57	65.80	(1.2%)	Factor in the latest land acquisition in FY21
Discount	50%	50%		
TP (HK\$)	33.3	32.90	(1.2%)	
Core profit (RMBmn)				
-2021E	40,639	36,353	(10.5%)	Weaker margin on inventory clearance
-2022E	43,338	37,863	(12.6%)	Weaker-than-expected sales performance in 2H21; expect 1H22 sales to remain weak

Source(s): Company, ABCI Securities estimates



Financial statements

Consolidated income statement (2019A-2023E)

FY Ended Dec 31 (RMB mn)	2019A	2020E	2021E	2022E	2023E
Revenue	163,651	185,790	221,790	239,327	281,573
Cost of sales	(108,571)	(129,969)	(153,599)	(168,051)	(197,883)
Gross Profit	55,080	55,821	68,191	71,276	83,690
SG&A expenses	(5,376)	(6,144)	(6,563)	(7,434)	(7,786)
EBIT	49,704	49,677	61,628	63,842	75,904
Finance cost	(759)	(884)	(886)	(910)	(910)
Share of profit of associates	3,367	4,856	4,299	5,355	9,554
Other income/ (expenses)	2,465	3,251	2,294	1,834	2,176
Fair value gain of investment properties	10,002	9,191	0	0	0
Disposal/one-off items	173	0	0	0	0
Profit before tax	64,952	66,091	67,336	70,120	86,724
Tax	(22,204)	(21,495)	(26,685)	(26,902)	(32,220)
Profit after tax	42,747	44,596	40,652	43,218	54,504
Minority interest	(1,129)	(3,805)	(4,299)	(5,355)	(9,554)
Reported net profit	41,618	40,792	36,353	37,863	44,950
Core net profit*	34,300	38,030	36,353	37,863	44,950
Per share					
Reported EPS (RMB)	3.80	4.01	3.32	3.46	4.10
Core EPS (RMB)	3.13	3.47	3.32	3.46	4.10
DPS (HK\$)	1.02	1.18	1.23	1.28	1.52
Payout ratio (%)	27%	29%	30%	30%	30%
BVPS (RMB)	25.61	28.67	30.76	32.94	35.52
Growth %					
Revenue	13.6%	13.5%	19.4%	7.9%	17.7%
Gross Profit	1.2%	1.3%	22.2%	4.5%	17.4%
EBIT	-0.1%	-0.1%	24.1%	3.6%	18.9%
Underlying net profit	10.1%	10.9%	-4.4%	4.2%	18.7%
Margin %					
Gross margin	33.7%	30.0%	30.7%	29.8%	29.7%
Gross margin (post-LAT)	28.8%	25.8%	24.8%	24.6%	24.7%
EBIT margin	30.4%	26.7%	27.8%	26.7%	27.0%
Core net margin	19.4%	18.1%	16.4%	15.8%	16.0%
Key assumptions					
Contracted Sales (RMB mn)	320,643	360,723	369,495	430,018	435,794
GFA sold (mn sqm)	17.94	18.72	18.90	21.67	20.08
ASP (RMB/sqm)	17,869	19,265	19,545	19,840	21,699
Booked Sales (RMB mn)	159,186	180,786	168,688	181,827	214,165
GFA delivered (mn sqm)	10.48	11.87	10.32	10.89	12.47
Booked ASP (RMB/sqm)	15,193	15,228	16,351	16,697	17,181

* Core net profit = profit attributable to owners of the company – (fair value changes of investment properties) x0.75

Source(s): Company, ABCI Securities estimates



Consolidated balance sheet (2019A-2023E)

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Current assets	560,632	636,253	882,313	1,180,699	1,037,926
Cash	95,448	110,469	98,973	227,732	266,249
Restricted cash	-	-	-	-	-
Trade & other receivables	10,932	12,197	12,197	12,197	12,197
Property under development	409,029	471,491	729,047	898,674	717,383
Other current assets	45,224	42,097	42,097	42,097	42,097
Non-current assets	163,264	187,404	193,018	199,688	210,557
Property, plant & equipment	4,019	5,011	4,926	4,841	4,756
Investment properties	114,021	140,879	142,379	143,879	145,379
Investment in Associate and JCE	36,306	33,314	37,513	42,768	52,222
Other non-current assets	8,918	8,200	8,200	8,200	8,200
Total Assets	723,896	823,657	1,075,332	1,380,387	1,248,484
Current Liabilities	258,248	303,962	528,496	804,405	634,692
Short-term borrowings	32,078	43,805	43,805	43,805	43,805
Trade & other payables	65,812	82,808	82,808	82,808	82,808
Pre-sales deposits	97,939	121,122	345,656	621,565	451,852
Other current liabilities	62,419	56,228	56,228	56,228	56,228
Non-current liabilities	176,503	191,346	191,346	191,346	191,346
Long-term borrowings	157,886	169,175	169,175	169,175	169,175
Other payables	2,430	1,971	1,971	1,971	1,971
Other non-current liabilities	16,187	20,199	20,199	20,199	20,199
Total Liabilities	434,751	495,308	719,842	995,751	826,038
Net Assets	289,145	328,349	355,490	384,636	422,446
Shareholders' Equity	280,604	314,147	337,038	360,880	389,185
Minority Interest	8,541	14,203	18,452	23,757	33,261
Total Equity	289,145	328,349	355,490	384,636	422,446
Key ratio					
Gross debt (RMB mn)	189,964	212,980	212,980	212,980	212,980
Net debt (RMB mn)	94,517	102,512	114,008	(14,751)	(53,269)
Net gearing (%)	32.7%	31.2%	32.1%	-3.8%	-12.6%

* Our financial model does not include any unconfirmed land acquisitions in future to avoid inflating NAV without substantial grounds; therefore, our net gearing forecasts for FY20E-22E declines consistently based on the assumption of no land purchase, which may deviate from the historical practice of the Company.

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2019A-2023E)

FY ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
EBITDA	49,906	49,879	61,830	64,044	76,106
Change in Working Capital	(17,334)	(32,073)	(23,446)	116,124	21,420
Tax payment	(22,204)	(21,495)	(26,685)	(26,902)	(32,220)
Operating cash flow	10,368	(3,689)	11,699	153,265	65,306
Purchase of PP&E	(117)	(117)	(117)	(117)	(117)
Addition of Investment Properties	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Others	2,565	3,351	2,394	1,934	2,276
Investing cash flow	948	1,734	778	317	659
Debt raised	41,442	49,600	10,000	10,000	10,000
Debt repaid	(25,000)	(10,000)	(10,000)	(10,000)	(10,000)
Interest expenses	(8,970)	(9,645)	(10,462)	(10,752)	(10,752)
Equity raised	0	0	0	0	0
Dividend to shareholders	(11,175)	(12,928)	(13,461)	(14,021)	(16,645)
Others	(50)	(50)	(50)	(50)	(50)
Financing cash flow	(3,753)	16,977	(23,973)	(24,823)	(27,447)
Net cash inflow/ (outflow)	7,562	15,021	(11,496)	128,759	38,518
Cash- beginning	87,885	95,448	110,469	98,973	227,732
Cash- year-end	95,448	110,469	98,973	227,732	266,249

Source(s): Company, ABCI Securities estimates



Yuexiu Property (123 HK) Strong sales performance with multiple financing channels

- In 2021, Yuexiu's contracted sales rose 20% YoY to RMB 115.5bn, higher than the growth in national sales of newly built commodity housing at 4.8% YoY.
- With its SOE status, Yuexiu has access to multiple financing channels, including asset disposal to Yuexiu REIT and offshore bank loans
- Maintain **BUY** with TP HK\$ 12.00 based on a 70% discount to NAV

Impressive 2021 sales performance. In 2021, Yuexiu's contracted sales rose 20% YoY to RMB 115.5bn, 3% higher than its sales target while growth in national sales of newly built commodity housing was only 4.8% YoY. In particular, GFA sold rose 10% YoY to 4.176mn sqm while ASP jumped 9% YoY to RMB 27.6k/sqm in 2021, reflecting strong demand for Yuexiu TOD projects. In Dec 2021, the Group's contracted sales soared 77% YoY to RMB 20.1bn despite a lackluster property market where national sales dropped 18% YoY for the month.

Commercial asset disposal provides an extra funding channel. In 2H21, Yuexiu completed the RMB7.8bn disposal of Yuexiu Financial Tower to Yuexiu REIT (405 HK). Following the transaction, Yuexiu would register a net gain after tax of RMB 1,298mn attributable to the Group. The net cash inflow from the disposal would be ~ RMB 3.1bn after deducting the project-level borrowings and share subscription of Yuexiu REIT. With its SOE status, Yuexiu also obtained term loan facilities of HK\$ 390mn and revolving loan facilities of HK\$ 470mn in Dec 2021; term loan facilities of HK\$4,500mn/HK\$500mn/HK\$800mn for a term of 3 years/1 year/364 days were also granted earlier in Nov 2021.

Maintain BUY with revised TP at HK\$ 12.00. We lower our 2021E/22E core profit forecasts by 27%/26% since we revise down the contracted sales and margins given the less-than-sanguine property demand. As a result, our NAV/share forecast fell to HK\$ 40.00 (from HK\$ 40.65). We lower our TP to HK\$ 12.00 (from HK\$ 12.20; adjusted for 5-to-1 share consolidation since June 2021) based on a 70% discount to NAV (unchanged). Maintain **BUY**.

Risk factors: 1) Declining margin trend; 2) Cost overrun and delay due to complicated construction process involved in TOD projects; 3) Uncertain development of COVID-19

Results and Valuation

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Revenue (RMB mn)	38,339	46,234	52,836	59,733	67,262
Chg (% YoY)	45.0	20.6	14.3	13.1	12.6
Core profit (RMB mn)*	3,510	4,020	4,388	4,955	5,735
Chg (% YoY)	24.9	14.5	9.2	12.9	15.7
Core EPS (RMB)	1.13	1.30	1.42	1.60	1.85
Chg (% YoY)	0.1	14.5	9.2	12.9	15.7
BVPS (RMB)	13.2	14.1	15.4	16.4	17.6
Chg (% YoY)	(3.6)	7.4	9.3	6.4	7.0
P/E (x)	5.9	5.1	4.7	4.2	3.6
P/B (x)	0.51	0.47	0.43	0.41	0.38
ROE (%)	8.6	9.2	9.2	9.7	10.5
ROA (%)	1.5	1.5	1.5	1.5	1.5
DPS (HK\$)	0.51	0.60	0.67	0.75	0.87
Yield (%)	6.2	7.3	8.1	9.2	10.6
Net gearing (%)	74.0	47.5	35.7	3.5	Net cash

* Excluded post-tax revaluation gains on IP and exchange gain/(losses)

Source(s): The Company, ABCI Securities estimates

Company report Feb 16, 2022

Rating: **BUY**
TP: HK\$ 12.00

Analyst : Kenneth Tung
Tel: (852) 2147 8311
kennethtung@abci.com.hk

Share price (HK\$)	8.17
Est. share price return	46.9%
Est. dividend yield	8.1%
Est. total return	55.0%
Previous Rating & TP	BUY; HK\$12.2
Previous Report Date	Jan 11, 2021

Source(s): Bloomberg, ABCI Securities estimates

Key Data

52Wk H/L(HK\$)	9.9/6.4
Issued shares (mn)	3,096.5
Market cap (HK\$ mn)	25,298
Avg daily turnover since listing (HK\$ mn)	21.956
Major shareholder(s) (%):	
Guangzhou Yue Xiu Holdings Limited	39.78
GZ Metro	19.90

Source(s): Bloomberg, ABCI Securities

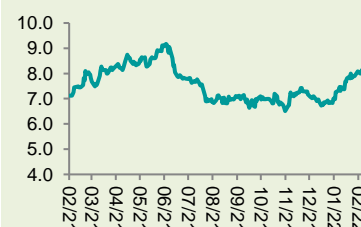
Share Performance (%)

	Absolute	Relative*
1-mth	12.0	7.3
3-mth	15.0	17.6
6-mth	15.3	23.5

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year share performance(HK\$)



Source(s): Bloomberg, ABCI Securities



Exhibit 1: Yuexiu's 2022E NAV

	Attr. GFA (mn sqm)	Net assets value (RMB mn)	% of total	Valuation Method	Implied value per sqm (RMB)
Property development	19.3	85,641	83%	DCF with WACC of 15.3%	4,462
Investment Properties	0.7	9,293	9%	4.5% cap rate on 2022E net rental;	
Yuexiu Services (6626 HK)		3,316	3%	66.9% of Mkt value	
Yuexiu REIT (405 HK)		5,069	5%	39.7% of Mkt value	
Total 2022E GAV		103,320	100%		
2022E Net cash/ (debt)		(2,762)	-3%		
Total 2022E NAV		100,558	97%		
No. of share outstanding (diluted)		3,096			
NAV per share (RMB)		32.48			
Ex rate		1.23			
NAV per share (HKD)		40.00			
Target discount (%)		70%			
Target Price (HKD)		12.00			
WACC		15.3%			
Cost of debt		5.1%			
Cost of equity		30.0%			
Debt/ (Debt + Equity)		56%			

Source(s): Company, ABCI Securities estimates

Exhibit 2: Changes in TP and profit forecasts

	OLD	NEW	Chg	Reasons
NAV	40.65	40.00	(1.6%)	WACC assumption raised from 10.7% to 15.1%
Discount	70%	70%	0ppt	
TP (HK\$)	12.20	12.00	(1.6%)	
Core profit (RMBmn)				
- 2021E	4,806	4,388	(8.7%)	Slower completion schedule
- 2022E	5,395	4,955	(8.1%)	Expect 1H22 property market to remain weak

Source(s): Company, ABCI Securities estimates



Financial statements

Consolidated income statement (2019A-2023E)

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Revenue	38,339	46,234	52,836	59,733	67,262
Cost of sales	(25,222)	(34,608)	(36,700)	(40,406)	(44,562)
Gross Profit	13,117	11,626	16,136	19,327	22,701
SG&A expenses	(2,234)	(2,554)	(2,847)	(3,191)	(3,596)
EBIT	10,883	9,072	13,289	16,136	19,105
Finance cost	(1,161)	(935)	(887)	(855)	(841)
Share of profit of associates	498	932	510	555	593
Other income/ (expenses)	382	459	188	196	381
Fair value gain of investment	(23)	641	-	-	-
Disposal/one-off items	833	30	1,366	-	-
Profit before tax	11,413	10,200	14,465	16,032	19,238
Tax	(6,683)	(5,517)	(5,636)	(7,125)	(8,689)
Profit after tax	4,731	4,683	8,830	8,908	10,548
Minority interest	(1,247)	(435)	(3,076)	(3,952)	(4,813)
Reported net profit	3,483	4,248	5,754	4,955	5,735
Less: exceptional items	27	(228)	(1,366)	-	-
Core net profit	3,510	4,020	4,388	4,955	5,735
Per share					
Reported EPS (RMB)	1.12	1.37	1.86	1.60	1.85
Core EPS (RMB)	1.13	1.30	1.42	1.60	1.85
DPS (HK\$)	0.51	0.60	0.67	0.75	0.87
Payout ratio (%)	38%	38%	38%	38%	38%
BVPS (RMB)	13.15	14.13	15.45	16.44	17.58
Growth %					
Revenue	45.0%	20.6%	14.3%	13.1%	12.6%
Gross Profit	56.3%	-11.4%	38.8%	19.8%	17.5%
EBIT	62.5%	-16.6%	46.5%	21.4%	18.4%
Core net profit	24.9%	14.5%	9.2%	12.9%	15.7%
Margin %					
Gross margin	34.2%	25.1%	30.5%	32.4%	33.7%
EBIT margin	26.2%	23.7%	26.7%	27.5%	28.3%
Core net margin	9.2%	8.7%	8.3%	8.3%	8.5%
Key assumptions					
Contracted Sales (RMB mn)	72,110	95,763	115,150	129,751	173,964
GFA sold (mn sqm)	3.49	3.79	4.18	4.63	6.01
ASP (RMB/sqm)	20,662	25,247	27,570	28,013	28,960
Booked Sales (RMB mn)	34,454	43,465	49,469	56,211	63,300
GFA delivered (mn sqm)	1.61	1.85	1.88	2.07	2.28
Booked ASP (RMB/sqm)	21,400	23,525	26,291	27,208	27,779

Source(s): Company, ABCI Securities estimates



Consolidated balance sheet (2019A-2023E)

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Current assets	185,053	211,629	246,609	272,483	327,800
Cash	24,106	28,214	28,832	51,128	121,011
Restricted cash	6,084	9,094	9,094	9,094	9,094
Trade & other receivables	68	162	162	162	162
Property under development	141,941	155,149	189,511	193,089	178,523
Other current assets	12,854	19,010	19,010	19,010	19,010
Non-current assets	49,645	51,567	46,822	48,555	50,327
Property, plant & equipment	2,506	3,201	3,380	3,558	3,737
Investment properties	9,438	16,076	10,642	11,642	12,642
Investment in Associate and JCE	19,993	19,227	19,737	20,292	20,885
Other non-current assets	17,708	13,062	13,062	13,062	13,062
Total Assets	234,697	263,196	293,430	321,038	378,126
Current Liabilities	106,918	131,585	153,109	173,748	222,525
Short-term borrowings	7,138	16,576	12,721	11,721	10,721
Trade & other payables	2,433	2,256	2,256	2,256	2,256
Pre-sales deposits	41,943	54,201	79,579	101,219	150,996
Other current liabilities	55,404	58,552	58,552	58,552	58,552
Non-current liabilities	72,588	67,334	67,334	67,334	67,334
Long-term borrowings	63,884	51,263	51,263	51,263	51,263
Other non-current liabilities	8,704	16,071	16,071	16,071	16,071
Total Liabilities	179,505	198,920	220,443	241,082	289,859
Net Assets	55,192	64,276	72,987	79,955	88,267
Shareholders' Equity	40,724	43,748	47,828	50,895	54,443
Minority Interest	14,468	20,528	25,159	29,061	33,824
Total Equity	55,192	64,276	72,987	79,955	88,267
Key ratio					
Gross debt (RMB mn)	71,022	67,839	63,984	62,984	61,984
Net debt (RMB mn)	40,832	30,531	26,058	2,762	(68,121)
Net gearing (%)	74.0	47.5	35.7	3.5	(77%)

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2019A-2023E)

FY ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
EBITDA	11,093	9,394	13,610	16,458	19,426
Change in Working Capital	2,557	15,675	(5,641)	21,279	67,511
Tax payment	(3,701)	(5,481)	(5,636)	(7,125)	(8,689)
Operating cash flow	9,950	19,588	2,333	30,612	78,248
Purchase of PP&E	(291)	(661)	(500)	(500)	(500)
Addition of Investment Properties	-	-	(1,000)	(1,000)	(1,000)
Acquisition of subsidiaries	(12,304)	(5,494)	-	-	-
Others	(7,416)	(3,447)	7,988	196	381
Investing cash flow	(20,011)	(9,602)	6,488	(1,304)	(1,119)
Debt raised	40,834	20,563	6,000	6,000	6,000
Debt repaid	(18,230)	(19,468)	(9,855)	(7,000)	(7,000)
Interest expenses	(3,738)	(3,826)	(4,229)	(4,073)	(4,009)
Equity raised	-	-	-	-	-
Dividend to shareholders	(1,433)	(1,466)	(1,673)	(1,889)	(2,187)
Others	(5,256)	(1,680)	1,555	(50)	(50)
Financing cash flow	12,177	(5,877)	(8,202)	(7,013)	(7,246)
Net cash inflow/ (outflow)	2,115	4,108	619	22,296	69,883
Cash- beginning	21,991	24,106	28,214	28,832	51,128
Cash- year-end	24,106	28,214	28,832	51,128	121,011

Source(s): Company, ABCI Securities estimates

Disclosures

Analyst Certification

The analyst, Tung Yiu Kei Kenneth, primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company(ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

Disclosures of Interests

ABC Securities Company Limited and/or its affiliates, within the past 12 months, have investment banking relationship with Yuexiu Services, Yuexiu Property, Sino Ocean, Redsun, Guorui Properties.

Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate (~10%)
Hold	- Market return (-10%) \leq Stock return < Market return rate (~10%)
Sell	Stock return < - Market return (~-10%)

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months
Market return rate: average market return rate since 2008 (For reference: HSI total return index 2008-20 CAGR at 9.2%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report would not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABC Securities Company Limited is under no obligation to update or keep current the information contained herein. ABC Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABC Securities Company Limited, into other areas, units, groups or affiliates of ABC Securities Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABC Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients would contact their local sales representative. Neither ABC Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2022 ABC Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABC Securities Company Limited.

Office address: ABC Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.
Tel: (852) 2868 2183