

At the Forefront of China Property

1H20 Results Preview: Size Matters?

Looking ahead into 1H20 results season, we believe short term performance in the sector may diverge, with larger developers to potentially benefit from project diversification amid COVID-19. We believe the key downside risks to the results season will be the potential balance sheet deterioration amid COVID-19 and weaker-than-expected profit margins outlook.

1H20 Results Preview: Large Developers will benefit from diversification
Developers will be reporting their interim results over the next few weeks, and we believe that the larger scale developers will outperform in terms of 1H20 results. A weak 1H20 revenue recognition should be expected by investors amid COVID-19, in our view. We believe market's focus will be on the 1H20 cash collection rate, and the 2H20 contracted sales and margins outlook. In general, we expect 1H20 GP Margins to be under pressure, due to the high land costs on projects acquired and sold during 2017-2018. Developers with a larger operational scale (in terms of GFA and no. of projects), will have the advantage of diversification and hence may outperform, in our view. Balance sheets will be under pressure amid the COVID-19 impact in 1H20, which we believe may result in downside risk to developers' existing credit ratings.

Property Price Expectations underpinning Sales Growth (June: +9% YoY)
Based on our recent channel checks, we believe that the strong property sales we are seeing across the industry recently are driven by homebuyers' improving sentiment on the ASP outlook amid the monetary easing environment (M2 +11.1% YoY). Top 70 cities' property prices have risen further by 0.6% MoM in June (Figure 8), and have already risen by ~2% during 1H20 despite the COVID-19 outbreak. Secondary Market Property Prices in Tier-1 cities have been the shining beacon, having already risen ~3.8% during 1H20. We believe such rising momentum, gives homebuyers optimism on the outlook, underpinning the solid national residential sales value (June: +9% YoY). Nonetheless, we also noted that refundable deposits are increasingly become a norm in the sales process during 1H20 and may become a drag on developers' cash collection ratios, in our view.

Contracted Sales: 1H20 list co. run-rate reached 40.5% (1H19: 44.7%)
Most listed developers have reported solid contracted sales in June, bringing the industry's average run-rate up to 40% at the half-year mark. This puts them on track to meet their sales targets and are better than our expectations. Our top picks Aoyuan and Powerlong both reported record high monthly contracted sales of RMB17.6bn and RMB10.3bn in June, respectively. Central China also recorded RMB8bn in heavy assets contracted sales. Yuzhou has also maintained its solid sales momentum with RMB12bn of contracted sales achieved in June 2020, while Redsun also sold RMB11bn in June 2020.

Value emerging in mid-small cap stocks

We believe valuations of the sector remain attractive despite the recent rally. Property Developers have rallied by 14% since 1 July 2020, but it was led by the large-cap developers. As a result, while the market-cap weighted P/E has reverted to historical average valuations of 6.3x 2020E P/E, valuations are still relatively attractive at 5.3x 2020E P/E on a simple-average basis.

China Property

Coverage Summary

Ticker	Name	Rating
0832.HK	Central China	Buy
3883.HK	China Aoyuan	Buy
1238.HK	Powerlong	Buy
3662.HK	Aoyuan Healthy Life	Buy
0035.HK	Far East	Buy
0017.HK	New World Dev	Buy
1996.HK	Redsun	Buy
1628.HK	Yuzhou	Buy
0230.HK	Minmetals	Hold
0095.HK	LVGEM	Hold
6111.HK	Dafa	Hold

Source: Company data, AMTD Research

July daily sales retreated to May levels



Source: MOHURD, Wind, AMTD Research

Run-rate is still behind 2019 levels



Source: Bloomberg, Company Data, AMTD Research

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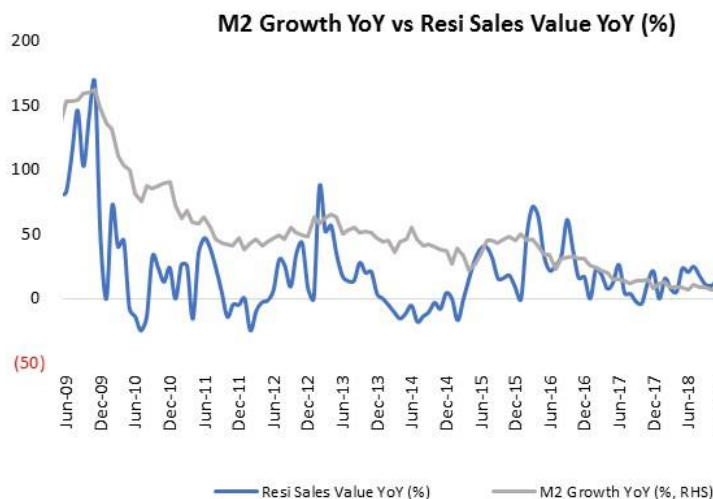
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National Sales Volume and Value

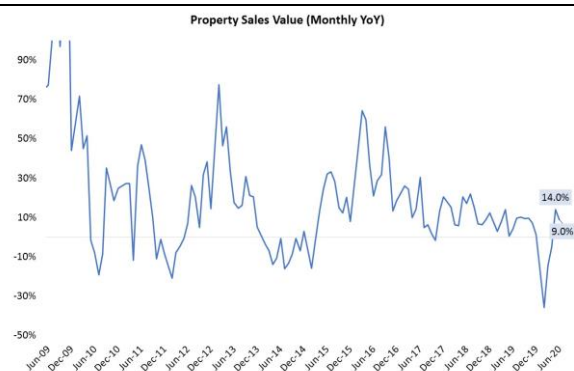
Residential property sales value remains on track to recovery in June to ~RMB1.8tn with a monthly YoY growth of 12.6% underpinned by the monetary easing environment (M2+11.1% YoY). 1H20 YTD total residential sales value recorded ~RMB6.0tn, down just 2.8% YoY.

Figure 1: In June, M2 remain the momentum with a YoY of 11.1% (May: 11.1%) and residential property sales value increase by 12.6% YoY



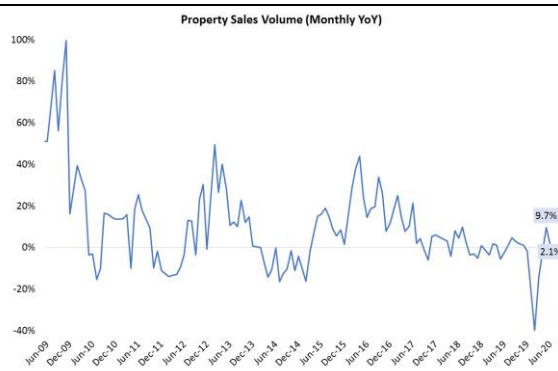
Source: PBoC, NBS, Wind, AMTD Research

Figure 2: Commodity property sales value in June increased by 9.0% YoY and 1H20 value YoY growth narrowed to -5.4%



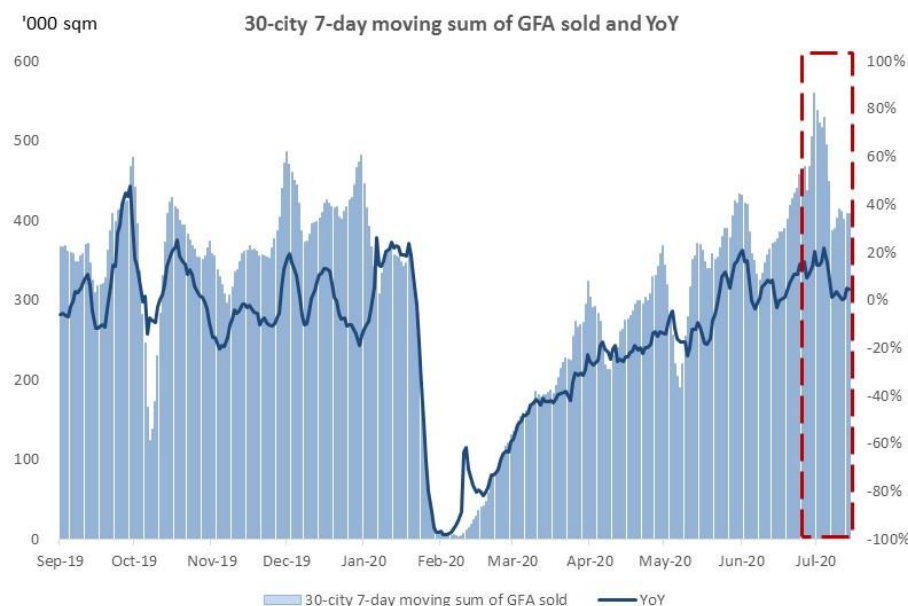
Source: NBS, Wind, AMTD Research

Figure 3: Commodity Property sales volume in June increased by 2.1% YoY and 1H20 volume YoY growth narrowed to -8.4%



Source: NBS, Wind, AMTD Research

Figure 4: Daily Data – 30-city GFA sold has cooled off in the first two weeks in July after a strong spike towards end-June

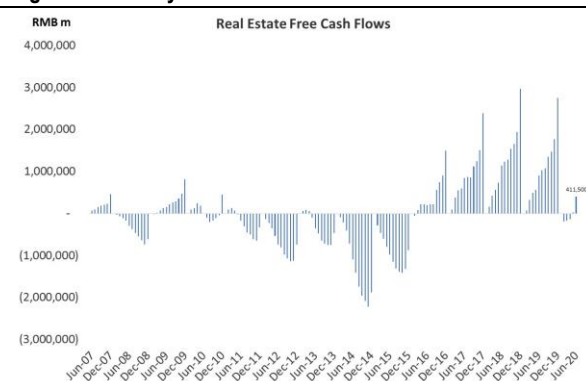


Source: MOHURD, Wind, AMTD Research

Industry Free Cash Flow

Industry FCF has expanded to RMB412bn, as of June, from ~RMB35bn as of May, thus cash flow has been improving following the pickup in contracted sales. It is still tighter than the same period last year, as 1H20 FCF still declined 55% YoY.

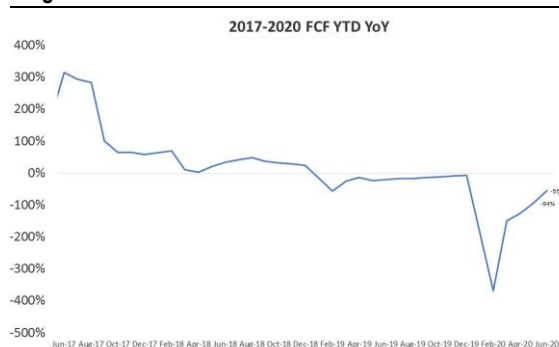
Figure 5: Industry FCF has reached ~RMB412bn as of June



Source: NBS, Wind, AMTD Research

Note: Real Estate FCF = National Commodity Property Sales Value – National Real Estate Investment

Figure 6: June YTD FCF YoY stood at -55%



Source: NBS, Wind, AMTD Research

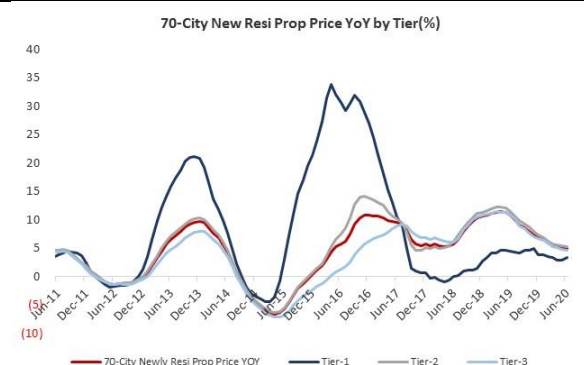
Property Prices

New Residential Property Prices

In June, 70-city new residential property prices YoY growth was 4.9% among which Tier-2 cities had the strongest growth of 5.3%. New residential property price increased in 60 cities on a YoY basis, fewest since May 2018. YoY growth was declining in positive territory from Jan to May but remained stable in June.

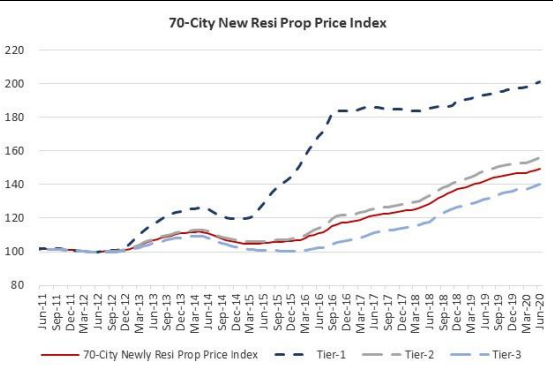
In June, 70-city new residential property price MoM growth was 0.6%, higher than 0.5% in May. On an MoM basis, new residential property price increased in 61 cities, higher than 57 in May and 50 in April. MoM growth has been accelerating since Jan and 70-city new residential property prices has increased by 1.9% compared with end-Dec 2019.

Figure 7: In June, 70-city new residential property price YoY growth was 4.9% and Tier-2 cities had the strongest growth of 5.3%



Source: NBS, Wind, AMTD Research

Figure 8: In June, 70-city new residential property price MoM growth was 0.6%, higher than 0.5% in May



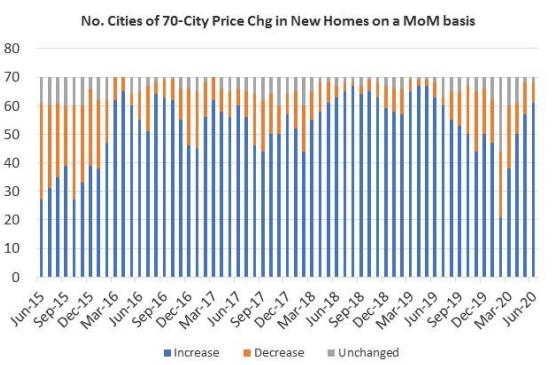
Source: NBS, Wind, AMTD Research

Figure 9: In June, newly-built residential property price increased in 60 out of 70 cities on a YoY basis, fewest since May 2018



Source: NBS, Wind, AMTD Research

Figure 10: In June, newly-built residential property price increased in 61 out of 70 cities on a MoM basis, higher than 57 in May and 50 in April



Source: NBS, Wind, AMTD Research

Secondary Residential Property Prices

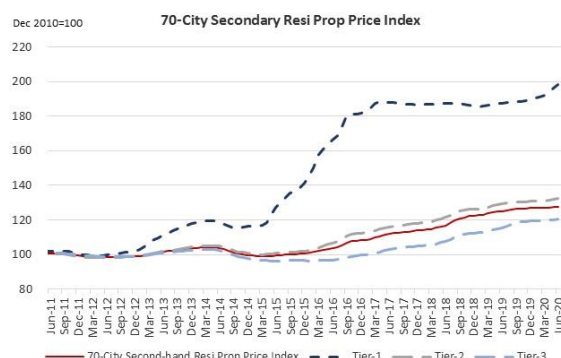
For secondary residential property, 70-city prices YoY growth was 2.2% in June, stable from 2.2% in May, and Tier-1 cities had the strongest growth of 5.2%, among which Shenzhen was up by 14%, just lower than 15% in Tangshan. On an MoM basis, 70-city secondary residential property price MoM growth in June was 0.3%, up from 0.2% in May.

Figure 11: In June, 70-city secondary residential property price YoY growth was 2.2% and Tier-1 cities had the strongest growth of 5.2%



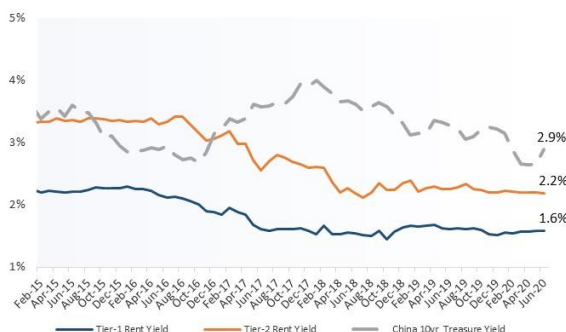
Source: NBS, Wind, AMTD Research

Figure 12: In June, 70-city secondary residential property price MoM growth was 0.3%, up from 0.2% in May.



Source: NBS, Wind, AMTD Research

Figure 13: Tier-1 and Tier-2 City Secondary Resi Rent Yield



Source: Wind, AMTD Research

Contracted Sales of Listed Companies

As of June, average run rate based on 2020 contracted sales target stood at ~40.5% (1H19: ~44.7%).

In June, contracted sales of Top30 HK-listed developers rose by 17.3% YoY (May: 15.3%) and 23 names recorded positive YoY growth. 1H20 contracted sales of Top30 HK-listed developers returned to positive 0.8% YoY growth, recovering from -4.1% during 1-5M. 1H20 contracted GFA grew by 5.8% (1-5M: 2.4%), implying ASP decreased by 4.7% to RMB13,236/sq.m.

Figure 14: Contracted sales of top 30 HK-listed China property developers rose by 17.3% in June and 1H20 contracted sales growth returned to positive 0.8% from -4.1% during 1-5M (RMB mn).

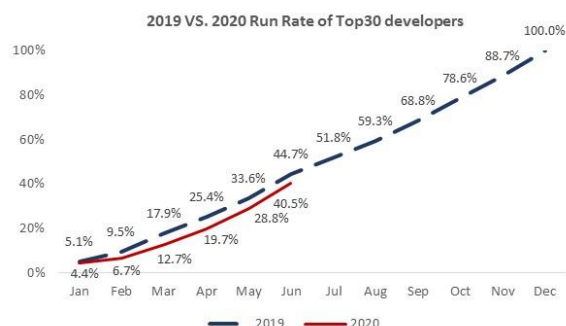
Ticker	Name	06/2020	YoY	1-6M 2020	YoY	2020 Target	YoY	Run Rate
3333 HK	Evergrande	76,050	51%	348,840	24%	650,000	8%	54%
2202 HK	Vanke	73,370	11%	320,480	-4%	630,840	0%	51%
2007 HK	COGARD*	60,960	1%	266,950	-5%	607,422	10%	44%
1918 HK	Sunac	54,570	7%	195,270	-9%	600,000	8%	33%
688 HK	China Overseas	57,561	28%	172,013	0%	400,000	6%	43%
1030 HK	Future Land	26,066	-12%	97,521	-20%	250,000	-8%	39%
813 HK	Shimao	30,209	6%	110,475	10%	300,000	15%	37%
1109 HK	CR Land	31,790	12%	110,822	-7%	262,000	8%	42%
960 HK	Longfor	28,780	34%	111,100	5%	260,000	7%	43%
884 HK	CIFI	25,130	12%	80,730	-9%	230,690	15%	35%
817 HK	Jinmao	37,635	57%	102,870	31%	200,000	24%	51%
3301 HK	Ronshine	19,629	96%	60,358	6%	158,275	12%	38%
2777 HK	R&F*	14,510	-9%	51,060	-15%	152,000	10%	34%
3377 HK	Sino-Ocean	10,080	-40%	41,840	-30%	130,000	0%	32%
3900 HK	Greentown	23,800	107%	66,100	34%	155,710	15%	42%
3383 HK	Agile	14,890	20%	55,100	-5%	117,970	0%	47%
3883 HK	Aoyuan	17,590	15%	50,870	-5%	132,227	12%	38%
3380 HK	Logan*	9,100	-16%	46,350	2%	115,406	20%	40%
1813 HK	KWG*	8,061	7%	36,764	2%	103,300	20%	36%
1638 HK	Kaisa	8,971	30%	36,032	4%	100,000	13%	36%
1966 HK	SCE	11,927	17%	40,076	8%	93,000	16%	43%
2868 HK	BCL	14,050	-14%	33,700	-17%	80,000	-1%	42%
1233 HK	Times	7,960	31%	32,566	4%	82,300	5%	40%
1628 HK	Yuzhou	12,110	69%	42,850	50%	100,000	33%	43%
123 HK	Yuexiu	11,725	46%	37,561	2%	80,200	11%	47%
1996 HK	Redsun	10,931	10%	31,573	4%	75,000	15%	42%
832 HK	CCRE**	8,085	-31%	30,016	9%	80,000	11%	38%
1238 HK	Powerlong	10,323	54%	31,529	8%	75,000	24%	42%
337 HK	Greenland	3,016	-24%	13,272	-48%	55,000	14%	24%
1777 HK	Fantasia	6,000	64%	17,506	33%	45,000	24%	39%
Total		724,879	17.3%	2,672,194	0.8%	6,321,340	8.7%	40.5%

Source: Bloomberg, Company Data, AMTD Research

Note: June and 1H20 YoY average are weighted and run rate average is simple

* denotes attributable contracted sales; **denotes heavy-asset contracted sales; Blue font denotes AMTD coverage

Figure 15: Run rate of Top30 developers on average was 40.5% in June



Source: Bloomberg, Company Data, AMTD Research

Figure 16: Top 30 HK-listed developers' market share of national property sales stood at 40% in 1H20



Source: NBS, Bloomberg, Company Data, AMTD Research

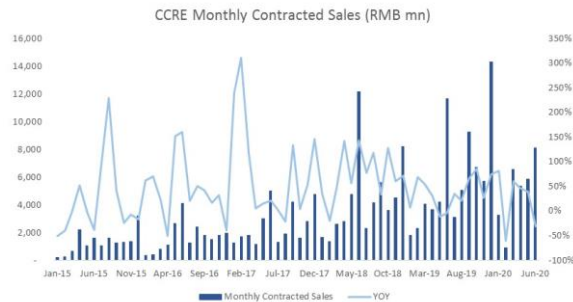
Monthly Contracted Sales of AMTD Coverage

Contracted sales in June

- CCRE achieved heavy-asset property contracted sales of RMB8,085 mn (YoY -31%);
- Aoyuan achieved property contracted sales of RMB17,590 mn (YoY 15%);
- Powerlong achieved property contracted sales of RMB10,323 mn (YoY 54%);
- Yuzhou achieved property contracted sales of RMB12,110 mn (YoY 69%);
- Redsun achieved property contracted sales of RMB10,931 mn (YoY 10%);
- Lvgem, Minmetals and Dafa do not disclose monthly contracted sales.

1H20 contracted sales

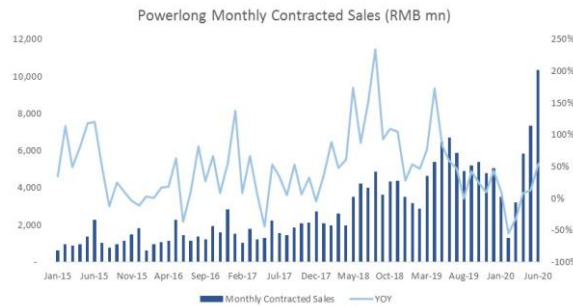
- CCRE achieved heavy-asset property contracted sales of RMB30,016 mn (YoY 9%) and the run rate was 37.5% (2019: 38.5%);
- Aoyuan achieved property contracted sales of RMB50,870 mn (YoY -5%) and the run rate was 38.5% (2019: 45.4%);
- Powerlong achieved property contracted sales of RMB31,529 mn (YoY 8%) and the run rate was 42.0% (2019: 48.4%);
- Yuzhou achieved property contracted sales of RMB42,850 mn (YoY 50%) and the run rate was 42.9% (2019: 37.9%);
- Redsun achieved property contracted sales of RMB31,573 mn (YoY 4%) and the run rate was 42.1% (2019: 46.4%);
- Lvgem has not announced 1H20 contracted sales;
- Minmetals achieved property contracted sales of RMB5,590 mn (YoY 36%) and Minmetals has not disclosed the 2020 contracted sales target;
- Dafa achieved property contracted sales of RMB11,208 mn (YoY 58%) and the run rate was 46.4% (2019: 29.4%).

Figure 17: CCRE Monthly Contracted Sales (Value vs YoY)

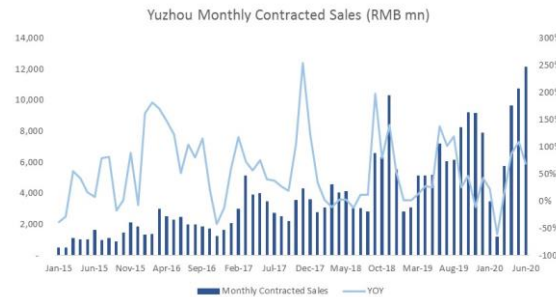
Source: Company Data, AMTD Research

Figure 18: Aoyuan Monthly Contracted Sales (Value vs YoY)

Source: Company Data, AMTD Research

Figure 19: Powerlong Monthly Contracted Sales (Value vs YoY)

Source: Company Data, AMTD Research

Figure 20: Yuzhou Monthly Contracted Sales (Value vs YoY)

Source: Company Data, AMTD Research

Figure 21: Redsun Monthly Contracted Sales (Value vs YoY)

Source: Company Data, AMTD Research

Contracted Sales of Major China Property Developers

Figure 22: In June, more names recorded positive YTD contracted sales growth

Company	Ticker	1-6M 2020	2020 Target	2019	2018	2017	2016	2015
Evergrande	3333 HK Equity	23.8%	8.1%	9.0%	10.1%	34.2%	85.4%	53.1%
Vanke	2202 HK Equity	-4.0%	0.0%	3.9%	14.5%	45.3%	39.5%	21.5%
COGARD	2007 HK Equity	-5.3%	10.0%	10.0%	-8.9%	78.3%	120.3%	8.8%
Sunac	1918 HK Equity	-8.8%	7.9%	20.7%	27.3%	133.1%	127.7%	3.6%
Poly RE	600048 CH Equity	-11.1%	N/A	14.1%	30.9%	47.2%	36.3%	12.8%
China Overseas	688 HK Equity	0.5%	6.1%	42.2%	35.6%	4.1%	25.0%	33.7%
CSCEC	601668 CH Equity	N/A	N/A	26.8%	31.8%	17.1%	26.2%	21.7%
Future Land	1030 HK Equity	-20.3%	-7.7%	22.5%	74.8%	94.4%	103.8%	30.3%
Shimao	813 HK Equity	10.1%	15.4%	47.6%	74.8%	47.9%	1.6%	-4.5%
CR Land	1109 HK Equity	-6.7%	8.0%	15.1%	64.3%	33.1%	36.0%	28.2%
Longfor	960 HK Equity	5.2%	7.2%	20.9%	28.5%	77.1%	61.6%	11.2%
CIFI	884 HK Equity	-8.7%	15.0%	32.0%	46.2%	96.2%	75.4%	42.4%
Gemdale	600383 CH Equity	18.8%	N/A	29.7%	15.3%	113.9%	6.7%	25.8%
Jinmao	817 HK Equity	31.1%	24.4%	28.7%	115.4%	54.8%	34.7%	49.9%
Ronshine	3301 HK Equity	6.5%	12.0%	15.9%	142.6%	103.9%	106.8%	N/A
R&F	2777 HK Equity	-15.2%	10.0%	5.4%	60.1%	34.5%	11.9%	0.0%
Sino-Ocean	3377 HK Equity	-30.4%	0.0%	18.7%	55.2%	40.1%	24.3%	1.0%
Greentown	3900 HK Equity	33.8%	15.0%	33.8%	-2.0%	7.8%	33.2%	-9.4%
Agile	3383 HK Equity	-5.3%	0.0%	14.9%	14.4%	69.8%	19.4%	0.2%
Aoyuan	3883 HK Equity	-5.1%	12.0%	29.3%	100.2%	78.1%	68.8%	24.1%
Midea	3990 HK Equity	2.1%	N/A	28.1%	55.8%	146.1%	85.6%	N/A
Logan	3380 HK Equity	2.3%	20.2%	33.7%	65.4%	51.2%	40.0%	53.6%
KWG	1813 HK Equity	2.0%	20.0%	31.5%	128.3%	28.6%	10.4%	-1.5%
Kaisa	1638 HK Equity	3.9%	13.5%	25.8%	56.7%	49.8%	222.5%	-60.0%
SCE	1966 HK Equity	8.2%	15.5%	56.7%	54.5%	41.3%	62.1%	21.9%
BCL	2868 HK Equity	-16.9%	-1.0%	14.4%	26.5%	22.7%	40.0%	30.8%
Times	1233 HK Equity	4.3%	5.0%	29.3%	45.6%	41.9%	50.3%	28.3%
Yuzhou	1628 HK Equity	50.5%	33.1%	34.1%	38.9%	73.7%	65.5%	16.8%
Yuexiu	123 HK Equity	1.8%	11.2%	24.8%	41.4%	35.1%	21.7%	12.9%
Redsun	1996 HK Equity	4.4%	15.1%	37.7%	N/A	N/A	N/A	N/A
CCRE	832 HK Equity	8.5%	11.4%	33.8%	76.5%	51.0%	28.0%	1.2%
Powerlong	1238 HK Equity	8.0%	24.3%	47.1%	96.5%	18.4%	23.3%	36.7%
Greenland	337 HK Equity	-48.2%	13.5%	27.8%	26.0%	65.3%	4.8%	34.5%
Poly Prop	119 HK Equity	11.7%	N/A	20.2%	12.5%	2.6%	24.7%	29.7%
Modern	1107 HK Equity	-16.5%	16.0%	14.2%	42.9%	33.9%	46.8%	57.2%
Fantasia	1777 HK Equity	32.9%	24.3%	20.0%	49.6%	65.2%	8.3%	10.3%
Jiayuan	2768 HK Equity	33.8%	24.7%	43.1%	94.6%	N/A	N/A	N/A
Jingrui	1862 HK Equity	-24.3%	0.0%	-0.3%	37.4%	9.5%	93.0%	-4.5%
Hopson	754 HK Equity	20.8%	N/A	42.0%	62.3%	13.9%	-18.8%	86.6%
Sunshine 100	2608 HK Equity	-36.4%	N/A	-14.5%	14.0%	1.8%	39.0%	12.4%
SOL	272 HK Equity	81.8%	12.0%	-14.0%	-32.0%	-7.0%	6.8%	120.6%
Yida China	3639 HK Equity	N/A	N/A	-15.2%	17.5%	N/A	N/A	N/A
Minmetals	230 HK Equity	36.0%	N/A	44.0%	-11.5%	-35.0%	43.7%	21.2%
Dafa	6111 HK Equity	57.6%	15.0%	67.8%	204.1%	N/A	N/A	N/A
Lvgem	95 HK Equity	N/A	N/A	48.1%	17.1%	337.8%	162.8%	N/A
Top 30 Developers YoY		0.8%	8.7%	20.1%	31.5%	52.9%	54.8%	18.3%

Source: Company Data, AMTD Research

Notes: 1) Company name highlighted in light yellow denotes AMTD coverage; 2) Top 30 developers are those names in Figure 14

Real Estate Investment

In June, real estate investment extended the momentum to achieve ~RMB1.7tn with a YoY growth of 8.5% and the 1H20 YoY growth of property under construction stood at 2.6%. 1H20 real estate investment has reached RMB6.3tn, implying a YoY growth of positive 1.9%. The monthly real estate investment growth has normalized back to 2019 levels.

Figure 23: In June, real estate investment and property under construction increased by 8.5% and 2.6% respectively. In 1H20, real estate investment increased by 0.9% to RMB6.3tn



Source: NBS, Wind, AMTD Research

Figure 24: New construction starts in June/YTD increased by 8.9% and -7.6%



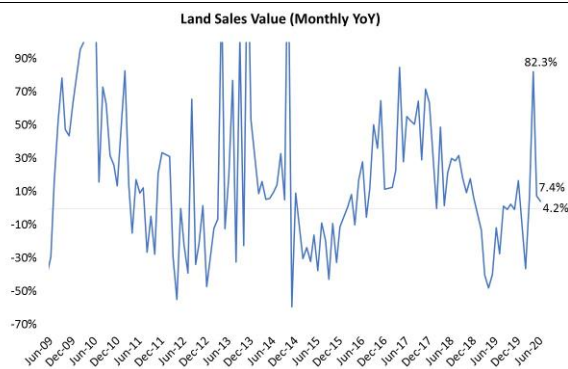
Source: NBS, Wind, AMTD Research

Land Market

In June, national land sales value recorded ~RMB161bn, implying 1H20 value reached ~RMB404bn. Land market remained stable with a monthly YoY growth of 4.2% in land sales value and 12.1% in land sales volume. Land sales volume was close to the level last year with a 1H20 YoY growth of -0.9% and land sales value recorded a YTD YoY growth of +5.9% in 1H20.

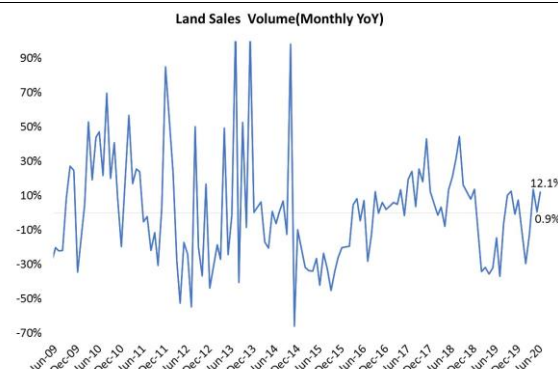
100-city residential land premium rate stood at 18% in June, stable from May and April. Tier-1 cities' premium rate decreased to 7% in June from 18% in May, while the land premium rate in Tier-2 and Tier-3 cities has increased slightly to 18%/21% in June from 16%/17% in May.

Figure 25: Land sales value in June/YTD rose by 4.2% and 5.9% YoY



Source: NBS, Wind, AMTD Research

Figure 26: Land sales volume in June/YTD increased by 12.1% and -0.9% YoY



Source: NBS, Wind, AMTD Research

Figure 27: In June, 12M rolling residential land sales value was up by 4.1% MoM; YTD, 100-city residential land sales value was up by 17.1%



Source: Wind, AMTD Research

Note: Residential land includes comprehensive commercial and residential land

Figure 28: In June, land premium rate was 18% (May: 17%); Tier-1 cities land premium rate declined to 7% from 18% in May.



Source: Wind, AMTD Research

Note: Residential land includes comprehensive commercial and residential land

Policy and Macro Backdrop

In July, four cities (Shenzhen, Dongguan, Hangzhou and Ningbo) tightened property-related policies in the area of housing purchase qualification, purchase restrictions, down payment and mortgage loan, housing price and resale.

Figure 29: Four cities in July rolled out tightening property-related policies

Date	City	Field	Detail
15-Jul-20	Shenzhen	Housing Purchase Qualification	Adjust the housing purchase conditions for registered residents, requiring to be registered residents in Shenzhen for not less than 3 years and personal income tax or social security has been paid continuously for 36 months before the date of housing purchase.
		Down Payment Ratio	1. If the family of the buyer has no house in this city and has no record of commercial housing loan or provident fund housing loan, the down payment ratio of the loan shall be at least 30%. 2. If the buyer's family does not have a house in this city but has a record of commercial housing loan or provident fund housing loan, the proportion of the down payment of the loan for the purchase of ordinary housing shall not be less than 50%, and the proportion of the down payment for the purchase of non-ordinary housing shall not be less than 60%. 3. If the family of the house buyer owns a house in this city, the proportion of the down payment of the loan for the purchase of ordinary housing shall not be less than 70%, and the proportion of the down payment for the purchase of non-ordinary housing shall not be less than 80%.
		Resale	Individual housing need to be held for at least 5 years to get a VAT exemption when reselling.
6-Jul-20	Ningbo	Land	Increase land supply, vigorously promote the development and construction of existing projects and form an effective supply as soon as possible. Strictly check and approve the sales price of commercial housing in newly sold plots, adjust the bidding rules for the sale of residential land, and strictly control the floor land price.
		Purchase Restrictions	Expand the districts that implement purchase restrictions in Ningbo.
		Mortgage Loan/Pre-sale Funds	Strictly implement the policy of differentiated personal housing mortgage loans, implement the policy of issuing housing mortgage loans after the completion of the main structure of commercial housing projects and implement the supervision policy of pre-sale funds.
		Housing Demand	Guarantee to meet the demand for self-occupied housing.
		Pre-sales	Strictly implement the commercial housing pre-sale permit policy, the pre-sale GFA of each batch is not less than 50,000 sq.m., and the interval of each batch is not less than 3 months.
3-Jul-20	Dongguan	Pre-sales	Starting from August 1, 2020, commercial housing projects that apply for pre-sale with a GFA of 30,000 sq.m. or less (including those with a GFA of more than 30,000 sq.m. but less than 30,000 square meters after excluding the basement area) must apply for pre-sale at one time. For those with a GFA of more than 30,000 sq.m. to apply for pre-sale by stages, the construction area for each phase shall be not less than 30,000 sq.m., and those with a GFA of less than 30,000 sq.m. for the final period shall apply for pre-sale at one time. The scale of commercial housing applied for on-the-spot sale shall be carried out with reference to the above-mentioned standards.
		Housing Price	Starting from July 2, 2020, if a new commercial housing project applies for pre-sale (or spot sale) at one time or by stages, the sales price shall be declared on the basis of the building, and the difference in the ASP of each house in the same building shall not exceed 20%. If the sales price is declared for the first time in the first phase, the declared average price of each building shall not be higher than 10% of the declared average price of the same type of new commercial housing in the town/street (park) during the previous three months; if the sales price is declared by stages, the declared average price of each building shall not be higher than 5% of the declared average price of the same type of commercial housing in the previous phase of this project.
2-Jul-20	Hangzhou	Resale Restrictions	New commercial houses purchased by families with high-level talents in the form of priority purchase shall not be listed for trading within 5 years from the date of online signing.
		Housing Purchase Qualification	The identification of "families without housing" is supplemented. In addition to the original requirements, it is also necessary to meet the requirement that urban social insurance or personal income tax has been paid continuously for 12 months before the date of housing purchase.
		Housing Demand	Further increase the tilt of the notarized lottery of new commercial housing to "families without housing", making it clear that the new commercial housing projects with an ASP of less than RMB35,000/sq.m. for "families without housing" is generally not less than 50%.

Source: Xinhua, People's Daily, Global Times, China Daily, AMTD Research

Recent News and Announcements of AMTD Coverage

China Aoyuan (3883 HK)

(13 July) Acquired 98% equity interests and partial debt of Chengdu Tongwei Industries with total consideration of RMB1,936,265,300. The Target Company currently holds the Project Land located at Chenghua District, Chengdu City, Sichuan Province, the PRC (中國四川省成都市成華區), which consists of three land parcels with total site area of approximately 127,408 square metres and total gross floor area of approximately 303,590 square metres. The Project Land is classified as type 2 residential land and the relevant state-owned land use right certificates have been granted.

(24 June) Issuance of USD460mn 6.35% senior notes due 2024

Powerlong (1238 HK)

(3 July) Nanjing Jinlong, an indirect subsidiary of the Company, has successfully acquired the land use right of the Land in Xuanwu District, Nanjing, the PRC at a consideration of RMB4,080mn. Pursuant to the Group's expected development plan and based on the estimated total GFA of the Land, it is indicated that approximately 147,454 square metres out of the total GFA of 401,131 square metres, representing approximately 36.8% of total GFA of the Land with the estimated land cost of approximately RMB1,501,440,000 will be held for investment and the balance of the Land will be developed for sale. For the total GFA of the Land which will be held for investment, 41.0% will be developed into office buildings and 59.0% will be developed as commercial facilities.

FEC (35 HK)

(30 June) Announced the results for the financial year ended 31 March 2020. AMTD published [FY20 results review report](#) on 3th July.

New World Development (17 HK)

(29 June) NWD announced the successful disposal of two non-core assets in Hong Kong, generating HK\$3.6 billion in cash for the Group. The Group disposed the entirety of its 45% interest in the company which owns certain properties at Shun Tak Centre, Sheung Wan, together with the Group's EIGHT KWAI FONG, a serviced apartment located in Happy Valley which was completed in 2015, at the consideration of approximately HK\$2.36 billion and HK\$1.21 billion respectively.

Offshore Fund Raising

China Jinmao (817 HK) announced equity placement on 3 July with total gross proceeds of HK\$3.433mn at a discount of 6.56%. In June, there were 22 offshore bond issuances announced by major listed China developers and funded total USD6,210mn with a simple average coupon of 8.75%. As of 17 July 2020, 14 bond issuances have already been announced by major listed China developers and funded total USD4,278mn with a simple average coupon of 7.97%.

Figure 30: Equity and Bond Financing of China developers over the last two months

Announcement Date	Ticker	Developer	Type	Due Date	Coupon (%)	Currency	Amount (m)
3-Jun-20	1777.HK	Fantasia	Bond	2023	11.875%	USD	300
4-Jun-20	600466.SH	Languang	Bond	2022	11.000%	USD	250
4-Jun-20	2202.HK	Vanke	Equity	NA	NA	HKD	7,890
4-Jun-20	1638.HK	Kaisa	Bond	2021	7.875%	USD	300
5-Jun-20	1030.HK	Seazen	Bond	2022	6.450%	USD	400
5-Jun-20	1030.HK	Seazen	Bond	2022	6.450%	USD	400
7-Jun-20	884.HK	CIFI	Equity	NA	NA	HKD	1,162
9-Jun-20	832.HK	CORE	Bond	2023	7.650%	USD	400
10-Jun-20	3301.HK	Roshine	Bond	2023	7.350%	USD	250
11-Jun-20	2103.HK	Sinic	Bond	2022	10.500%	USD	210
11-Jun-20	1238.HK	Pow erlong	Bond	2023	6.950%	USD	250
15-Jun-20	6158.HK	Zhenro	Bond	2023	8.300%	USD	200
16-Jun-20	600340.SH	CFLD	Bond	2022	6.920%	USD	300
17-Jun-20	600606.SH	Greenland	Bond	2022	6.250%	USD	500
18-Jun-20	2772.HK	ZL	Bond	2021	8.750%	USD	250
19-Jun-20	1902.HK	Yincheng	Bond	2021	12.000%	USD	140
24-Jun-20	3301.HK	Ronshine	Bond	2023	7.350%	USD	160
24-Jun-20	3383.HK	Agile	Bond	2025	5.750%	USD	500
24-Jun-20	3883.HK	China Aoyuan	Bond	2024	6.350%	USD	460
24-Jun-20	2768.HK	Jiayuan	Bond	2021	11.750%	USD	120
26-Jun-20	1862.HK	Jingrui	Bond	2022	12.000%	USD	150
29-Jun-20	600466.SH	Languang	Bond	2022	11.000%	USD	200
30-Jun-20	3377.HK	Sino-Ocean	Bond	2021	5.625%	USD	300
30-Jun-20	1232.HK	GVV Tiandi	Bond	2023	14.250%	USD	170
3-Jul-20	Xin.NY SE	Xinyuan RE	Bond	2022	12.000%	CNH	160
3-Jul-20	817 HK	China Jinmao	Equity	NA	NA	HKD	3,433
6-Jul-20	813.HK	Shimao	Bond	2030	4.600%	USD	300
7-Jul-20	1918.HK	Sunac	Bond	2025	7.000%	USD	400
7-Jul-20	1918.HK	Sunac	Bond	2023	6.500%	USD	600
8-Jul-20	1233.HK	Times China	Bond	2025	6.750%	USD	300
8-Jul-20	3900.HK	Greentow n	Bond	2025	5.650%	USD	300
9-Jul-20	1638.HK	Kaisa	Bond	2023	9.750%	USD	400
9-Jul-20	1638.HK	Kaisa	Bond	2025	11.250%	USD	300
14-Jul-20	1107.HK	Morden Land	Bond	2022	11.500%	USD	250
14-Jul-20	884.HK	CIFI	Bond	2025	5.950%	USD	300
15-Jul-20	000671.SZ	Yango	Bond	2024	7.500%	USD	300
17-Jul-20	1996.HK	Rsun	Bond	2023	9.700%	USD	155
17-Jul-20	600606.SH	Greenland	Bond	2023	6.125%	USD	400
17-Jul-20	600606.SH	Greenland	Bond	2025	7.25%	USD	250

Source: Wind, HKEx, AMTD Research

Equity Fund Raising

Apart from China developers China Jinmao, two property management companies Times Neighborhood (9928 HK, NR) and Xinyuan PM (1895 HK, NR) also announced equity placement in July. Times Neighborhood raised HK\$787mn at a discount of 6.92% and Xinyuan PM raised HK\$130mn at a discount of 9.09%.

Figure 31: Equity Placements of major HK-listed China developers and property management since 2019

Ticker	Company	Announcement Date	Fund Raised (HK\$ mn)	Price (HK\$)	Discount*	No. of Placing Shares(mn)	As a % of enlarged shares
China Developers							
817 HK	China Jinmao	3-Jul-20	3,433	5.70	6.56%	602	4.9%
884 HK	CIFI	7-Jun-20	1,162	6.28	1.26%	185	2.3%
2202 HK	Vanke	4-Jun-20	7,890	25.00	4.76%	316	2.7%
185 HK	Zensun	8-May-20	408	0.33	1.49%	1,235	10.7%
3900 HK	Greentown	26-Apr-20	3,069	9.50	Premium 36%	323	13.0%
813 HK	Shimao	23-Apr-20	2,325	29.73	2.20%	78	2.2%
813 HK	Shimao	17-Jan-20	4,674	29.58	7.85%	158	4.6%
1030 HK	Seazen	14-Jan-20	2,731	8.78	2.98%	311	5.0%
1918 HK	Sunac	10-Jan-20	8,000	42.80	8.25%	187	4.0%
2777 HK	R&F	19-Dec-19	3,735	13.68	7.19%	273	7.8%
3990 HK	Midea RE	11-Dec-19	764	19.10	6.83%	40	2.5%
1109 HK	CR Land	22-Oct-19	6,730	33.65	6.90%	200	2.8%
1238 HK	Powerlong	15-Oct-19	792	5.40	8.63%	147	3.5%
817 HK	China Jinmao	26-Jul-19	815	4.81	0.61%	169	1.4%
6158 HK	Zhenro	21-Jul-19	1,212	4.95	1.98%	245	5.6%
1233 HK	Times China	18-Apr-19	1,570	14.54	9.00%	108	5.6%
1908 HK	C&D Intl	18-Apr-19	495	9.00	11.59%	55	7.0%
3301 HK	Ronshine	4-Apr-19	1,183	10.95	7.05%	108	6.3%
2202 HK	Vanke	28-Mar-19	7,806	29.68	5.02%	263	2.3%
123 HK	Yuexiu	27-Feb-19	6,162	2.00	Premium 22%	3,081	19.9%
Property Management							
9928 HK	Times Neighborhood	7-Jul-20	787	10.22	6.92%	77	7.8%
1895 HK	Xinyuan PM	3-Jul-20	130	2.60	9.09%	50	9.1%
6093 HK	Hevol Service	15-Jun-20	102	1.28	3.76%	80	16.7%
1538 HK	Zhong Ao Home	14-Jun-20	36	0.98	16.24%	37	4.3%
2168 HK	Kaisa Prosper	9-Jun-20	456	32.55	9.96%	14	9.1%
1995 HK	Eversunshine	4-Jun-20	1,579	11.78	6.95%	134	8.0%
2869 HK	Greentown Service	3-Jun-20	2,714	10.18	7.12%	267	8.3%
6098 HK	CG Services	11-Jan-19	1,959	11.61	10.00%	169	6.3%

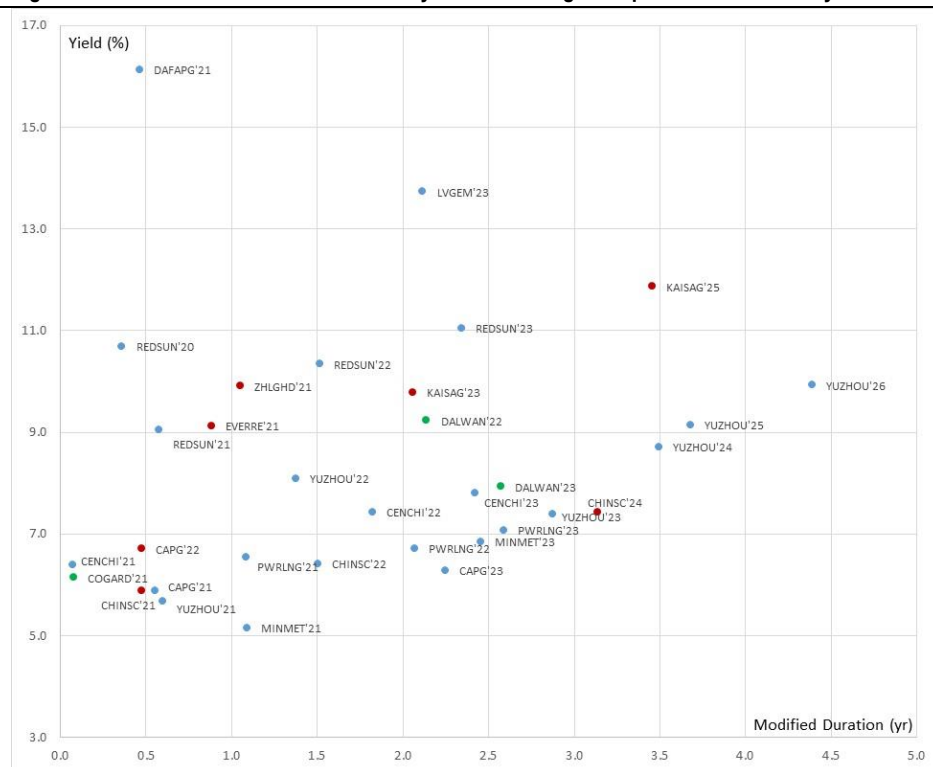
Source: HKEx, AMTD Research

Note: *Discount based on the closing price of the last trading day as of the announcement date

Relative Value of Offshore Bonds

Offshore bonds market has normalized since April amid the US dollar easing monetary environment. Average yield to maturity of 10-year US Treasury and 12-Month US Treasury was 0.72% and 0.17% in June, compared with 0.66% and 0.15% in May. For offshore HY bonds in China Property sector, the z-spread difference between B and BB rating has narrowed to ~280bps in July from the peak of ~540bps in May, implying the risk tolerance has been restoring.

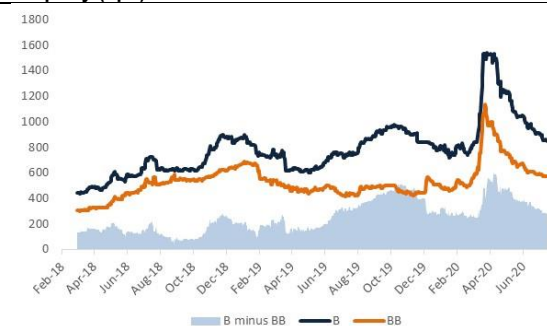
Figure 32: Relative Value of Bonds issued by AMTD coverage companies as at 15th July 2020



Source: Bloomberg, AMTD Research

Blue denotes bonds issued by AMTD Coverage; Green denotes BB rating bonds; Red denotes B rating bonds

Figure 33: Average Z-Spread of HY Offshore Bonds in China Property (bps)



Source: Bloomberg, AMTD Research

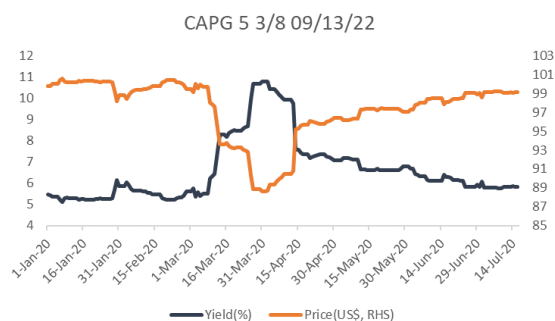
Figure 34: UST 12M/10yr Yield and Federal Funds Target Rate



Source: Bloomberg, AMTD Research

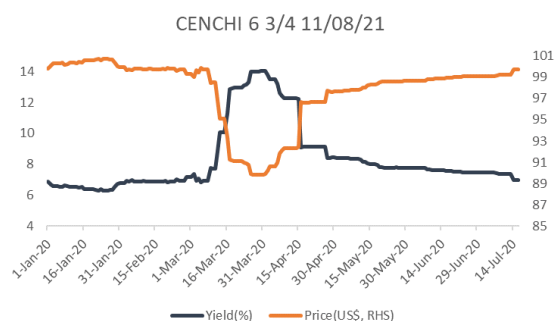
Bond Performance of AMTD Coverage

Figure 35: Aoyuan Property Bond time series (Price vs YTM)



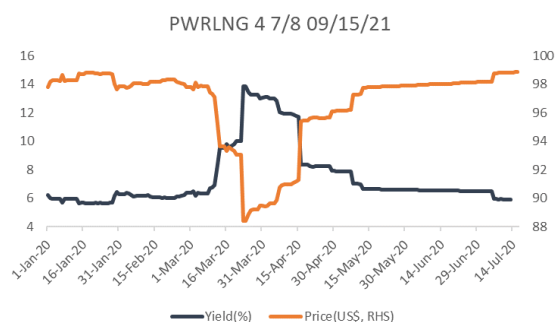
Source: Bloomberg, AMTD Research

Figure 36: CCRE Property Bond Time Series (Price vs YTM)



Source: Bloomberg, AMTD Research

Figure 37: Powerlong Property Bond Time Series (Price vs YTM)



Source: Bloomberg, AMTD Research

Figure 38: Redsun Property Bond Time Series (Price vs YTM)



Source: Bloomberg, AMTD Research

Figure 39: Dafa Property Bond time series (Price vs YTM)

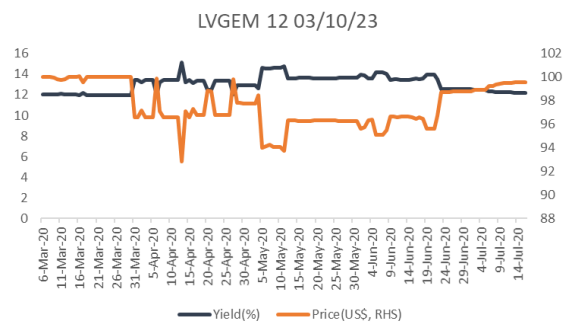


Source: Bloomberg, AMTD Research

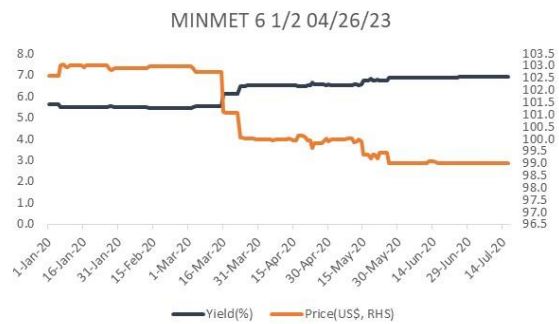
Figure 40: Yuzhou Property Bond Time Series (Price vs YTM)



Source: Bloomberg, AMTD Research

Figure 41: Lvgem Property Bond time series (Price vs YTM)

Source: Bloomberg, AMTD Research

Figure 42: Minmetals Property Bond Time Series (Price vs YTM)

Source: Bloomberg, AMTD Research

Valuation

China Property Developers

China Property Developers are trading at 5.3x 2020E P/E and 0.9x 2020E P/B on simple average. For market cap weighted average forward 12 months P/E and P/B, the sector is now trading at 6.3x P/E, ~0.14 SD below 3-year historical mean, and 1.4x P/B, ~0.56 SD below 3-year historical mean.

Our top picks CCRE (832 HK), Aoyuan (3883 HK), Powerlong (1238 HK) are at valuation of 3.8x/4.0x/4.4x 20E P/E respectively and CCRE also offered 12.1% FY19 dividend yield, far exceeding the industry average of 6.7%.

Figure 43: China Property Developers: Peers Valuation comparison

Date	15/7/2020	Share Price	Mkt cap	P/E			P/B			Div. yield
Ticker	Name(EN)	(HK\$)	(USD mn)	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19
China Property Developers										
2202 HK	Vanke	26.95	45,930	7.1x	6.2x	5.5x	1.5x	1.2x	1.1x	4.4%
3333 HK	Evergrande	22.85	38,479	15.8x	8.1x	7.2x	1.9x	1.6x	1.4x	3.2%
688 HK	COLI	24.65	34,835	5.9x	6.1x	5.3x	0.9x	0.8x	0.7x	4.3%
1109 HK	CR Land	33.45	30,768	7.3x	8.5x	7.5x	1.3x	1.1x	1.0x	3.6%
960 HK	Longfor	37.90	29,306	12.9x	10.8x	9.1x	2.2x	1.9x	1.7x	3.6%
2007 HK	Country Garden	10.32	29,117	5.0x	4.5x	3.9x	1.3x	1.1x	0.9x	6.3%
1918 HK	Sunac	35.65	21,425	6.7x	4.8x	4.0x	1.7x	1.3x	1.1x	3.9%
813 HK	Shimao	33.65	15,355	9.1x	8.2x	6.7x	1.5x	1.3x	1.2x	4.9%
3380 HK	Logan	14.02	9,982	6.9x	5.5x	4.6x	2.2x	1.7x	1.3x	6.7%
884 HK	CIFI	6.83	7,167	8.6x	5.9x	4.9x	1.6x	1.3x	1.1x	5.1%
1813 HK	KWG	13.00	5,327	4.1x	5.8x	4.4x	1.0x	0.9x	0.8x	6.5%
3383 HK	Agile	9.77	4,936	5.1x	4.3x	3.8x	0.8x	0.7x	0.6x	10.7%
2777 HK	R&F	9.24	4,166	2.8x	2.8x	2.4x	0.4x	0.3x	0.3x	15.7%
3883 HK	Aoyuan*	10.42	3,633	6.1x	4.0x	3.5x	1.7x	1.3x	1.1x	5.9%
1233 HK	Times	14.26	3,572	4.5x	3.9x	3.3x	1.3x	1.0x	0.8x	6.7%
123 HK	Yuexiu	1.47	2,936	5.4x	4.9x	4.1x	0.5x	0.5x	0.4x	7.0%
3900 HK	Greentown	8.54	2,747	7.2x	6.8x	6.3x	0.6x	0.6x	0.5x	4.0%
1638 HK	Kaisa	3.45	2,720	7.4x	3.5x	2.9x	0.7x	0.6x	0.5x	3.3%
6158 HK	Zhenro	4.82	2,716	7.4x	6.1x	4.8x	1.1x	1.0x	0.9x	2.4%
1238 HK	Powerlong*	4.81	2,570	6.5x	4.4x	3.6x	0.5x	0.5x	0.5x	8.5%
2772 HK	Zhongliang	5.42	2,504	4.1x	3.6x	2.9x	2.0x	1.3x	0.9x	18.3%
1628 HK	Yuzhou*	3.54	2,388	4.6x	4.4x	3.1x	0.7x	0.7x	0.6x	11.6%
1966 HK	China SCE	3.80	2,050	4.7x	4.0x	3.3x	0.8x	0.7x	0.6x	6.3%
95 HK	Lvgem*	2.40	1,568	8.7x	6.5x	6.3x	0.8x	0.8x	0.7x	2.6%
3301 HK	Ronshine	7.14	1,568	3.4x	2.7x	2.3x	0.7x	0.6x	0.5x	5.1%
832 HK	CCRE*	3.89	1,394	4.9x	3.8x	2.7x	1.0x	0.9x	0.7x	12.1%
272 HK	Shui On Land	1.24	1,290	5.6x	NA	NA	0.2x	0.2x	NA	10.0%
119 HK	Poly Prop	2.55	1,204	2.7x	3.2x	2.6x	0.3x	0.3x	0.2x	8.2%
1996 HK	Redsun*	2.70	1,156	6.5x	4.6x	3.9x	0.6x	0.5x	0.5x	4.6%
2019 HK	Dexin China	3.06	1,066	4.6x	4.2x	3.5x	1.5x	NA	NA	3.0%
1098 HK	Roadking	11.02	1,065	2.8x	NA	NA	0.4x	NA	NA	10.7%
230 HK	Minmetals*	1.04	449	4.2x	5.3x	3.8x	0.4x	0.4x	0.3x	7.7%
6111 HK	Dafa*	4.00	427	6.2x	5.9x	5.6x	0.9x	0.8x	0.7x	4.0%
Total/Average			315,815	6.2x	5.3x	4.4x	1.1x	0.9x	0.8x	6.7%

Source: Bloomberg Estimates, *AMTD Research Estimates for AMTD Coverage Stocks

Note: As of 15th July 2020

Figure 44: HK SAR Developers: Peers Valuation comparison

Date	15/7/2020	Share Price	Mkt cap	P/E			P/B			Div. yield
Ticker	Name(EN)	(HK\$)	(USD mn)	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20
HK SAR Property Developers										
16 HK	SHK Properties	98.65	36,874	8.62x	8.17x	8.17x	0.47x	0.46x	0.46x	0.05x
1113 HK	CK Asset	45.85	21,843	8.39x	7.21x	7.19x	0.47x	0.45x	0.44x	0.05x
12 HK	Henderson Land	29.65	18,516	9.06x	9.71x	8.52x	0.44x	0.44x	0.43x	0.06x
17 HK	NWD*	39.05	12,840	12.23x	11.86x	9.89x	1.75x	1.73x	1.69x	0.01x
83 HK	Sino Land	9.88	8,978	6.99x	7.79x	7.79x	0.43x	0.41x	0.41x	0.06x
683 HK	Kerry Properties	20.00	3,757	6.66x	5.96x	5.44x	0.28x	0.27x	0.27x	0.07x
35 HK	Far East*	2.33	706	6.53x	4.97x	3.80x	0.49x	0.49x	0.47x	0.22x
Total/Average			103,515	8.35x	7.95x	7.26x	0.62x	0.61x	0.60x	0.07x

Source: Bloomberg Estimates, *AMTD Research Estimates for AMTD Coverage Stocks

Note: Apart from FEC, all other comparable companies' FY20E P/E, P/B and dividend yield are estimates (due to FEC adopting March year-end)

Figure 45: China developers sector is now trading at 6.3x P/E, ~0.14 SD below 3-year historical mean



Source: Bloomberg, AMTD Research

Figure 46: China developers is now trading at 1.4x P/B, ~0.56 SD below 3-year historical mean



Source: Bloomberg, AMTD Research

China Property Management

China Property Management sector is now trading at 34.4x FY20E P/E on simple average and at 36.0x forward 12 months P/E, ~2.65 SD above 3-year historical mean.

Figure 47: China Property Management Companies: Peers Valuation comparison

Date	15/7/2020	Share Price	Mkt cap	P/E			P/B			Div. yield
Ticker	Name(EN)	(HK\$)	(USD mn)	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19
China Property Management										
6098 HK	Country Garden Services	43.20	15,376	62.0x	47.1x	36.4x	19.6x	14.6x	11.2x	0.4%
3319 HK	A-Living Services	42.10	7,241	41.2x	29.2x	22.4x	8.2x	6.8x	5.9x	1.2%
6049 HK	Poly PPT Dev	88.70	6,331	65.6x	59.7x	43.4x	8.4x	7.6x	6.8x	0.4%
2869 HK	Greentown Service	9.85	4,087	52.3x	41.0x	31.5x	9.0x	6.7x	5.9x	0.9%
2669 HK	China Overseas PH	8.68	3,680	54.1x	41.1x	32.1x	19.0x	14.0x	10.6x	0.6%
1995 HK	Eversunshine	14.60	3,146	90.1x	55.4x	36.2x	17.6x	11.8x	9.6x	0.4%
1755 HK	S-Enjoy Services	25.90	2,733	68.6x	45.4x	31.1x	20.6x	15.6x	11.8x	0.8%
9909 HK	Powelong CM	19.64	1,574	40.2x	37.9x	26.1x	6.7x	5.7x	5.0x	0.0%
9983 HK	CC New Life	9.38	1,506	NA	28.1x	18.2x	NA	3.8x	3.3x	NA
9928 HK	Times Neighbor	12.20	1,430	67.0x	44.8x	25.8x	11.1x	7.9x	6.4x	0.3%
2606 HK	Languang Justbon	51.55	1,184	15.0x	13.9x	10.5x	3.8x	3.2x	2.6x	2.7%
3662 HK	Aoyuan Healthy Life*	8.19	767	28.2x	19.7x	14.6x	6.0x	5.1x	4.4x	1.3%
2168 HK	Kaisa Prosperity	33.95	674	25.8x	18.6x	13.5x	6.4x	3.9x	3.3x	1.6%
1778 HK	Colour Life	3.64	668	9.0x	8.5x	7.8x	1.2x	1.1x	1.0x	2.8%
3316 HK	Binjiang Services	16.22	578	30.0x	25.2x	19.2x	5.6x	NA	NA	1.6%
1922 HK	Yincheng Life Service	7.70	265	44.1x	NA	NA	15.1x	NA	NA	2.4%
Total/Average			51,242	46.2x	34.4x	24.6x	10.6x	7.7x	6.3x	1.2%

Source: Bloomberg Estimates, *AMTD Research Estimates for AMTD Coverage Stocks

Note: As of 15th July 2020

Figure 48: China property management sector is now trading at 36x P/E, ~2.65 SD above 3-year historical mean



Source: Bloomberg, AMTD Research

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