

## CMBI Credit Commentary

### LNGFOR: Passed through the repayment hump

#### Maintain buy on LNGFORs

Longfor has demonstrated its ability to manage debt maturities well and continues to reduce net debts with positive FCF despite the challenging operating environment. We take additional comfort with the growing contribution from investment properties and property management partly offset the impact of weak property sales and margin pressure. We maintain our view that Longfor is a survivor of the sector and the current valuation of LNGFORs offer good carry plays. Hence, we maintain buy on LNGFORs.

**Glenn Ko, CFA** 高志和  
 (852) 3657 6235  
 glennko@cmbi.com.hk

**Cyrena Ng, CPA** 吳蒨瑩  
 (852) 3900 0801  
 cyrenang@cmbi.com.hk

**Yujing Zhang** 张钰婧  
 (852) 3900 0830  
 zhangyujing@cmbi.com.hk

**Table 1: Bond profiles**

Security Name	O/S (USD mn)	Maturity	Coupon	Offer price	YTM (%)
LNGFOR 3 3/8 04/13/27	250.0	4/13/2027	3.38%	94.2	7.28%
LNGFOR 4 1/2 01/16/28	500.0	1/16/2028	4.50%	93.2	7.73%
LNGFOR 3.95 09/16/29	850.0	9/16/2029	3.95%	85.4	8.29%
LNGFOR 3.85 01/13/32	400.0	1/13/2032	3.85%	77.5	8.51%

Source: Bloomberg.

#### Property developments remains under pressure....

**Table 2: Operating performance at a glance**

RMB mn	1H24	1H25	% change
Revenue	46,855.1	58,750.3	25.4%
-Property sales	33,757.9	45,478.3	34.7%
-Non property sales	13,097.0	13,272.0	1.3%
Gross profit	9,640.4	7,422.3	-23.0%
Core attributable profit	4,750.0	1,380.0	-70.9%
Profit before tax	9,130.5	6,386.7	-30.1%
Recognized GFA (mn sqm)	3.0	3.5	16.4%
Recognized ASP/sqm (RMB)	11,145	12,894	15.7%
Gross margin	20.6%	12.6%	
-Property sales	7.4%	0.2%	
-Non property sales	54.5%	55.2%	

Source: Company filing, CMBI Research.

In 1H25, Longfor posted higher revenue, driven by higher recognized ASP and GFA of property developments, as well as higher non-property sales such as rental and property management income. However, gross and core attributable profit dropped significantly as gross margin of property developments was sharply lower. As of Jun'25, Longfor's unrecognized sales were RMB105.9bn. The margin pressure for unrecognized sales remains significant. In 8M25, Longfor's gross contract sales declined 30.1% to RMB41.0bn, due mainly to the 27.5% decrease in GFA. The operating environment for property development remains challenging. We take some comfort that Longfor has been disciplined in land acquisitions and guided the gross margin of newly acquired projects should be in mid-teen level.

### ...concerns partly mitigated by growing contribution from non-property sales

In 1H25, revenue from Longfor's non-property investments and management segments grew marginally in the course of mall renovation and optimizing the portfolio of property management. Overall occupancy rates for its investment properties and rental housing remain largely stable at 97% and 95.6%, respectively, in 1H25. Gross profit of non-property development segments grew 2.6% to RMB7.3bn with gross margin widened 0.7 pct. pt. to 55.2%. The non-property development segments contributed overwhelming majority of Longfor's gross profit in 1H25, i.e. over 95% as per our estimate vs c70% in FY24. The growing contributions from higher margin non-property segments partly tempered the impact of lower contribution and shrinking margin from property developments. As of Jun'25, Longfor had 89 malls in operation across 24 cities. It will open 10 malls in 2025 and another 30 malls in 2026. The growing contribution from non-property development operations will continue to support its recurring cash flow and gross margin.

### Positive FCF to support further debt reduction

**Table 3: Summary of financial position**

RMB bn	Dec'23	Jun'24	Dec'24	Jun'25
Cash	59,224.4	48,915.9	47,951.6	42,632.2
<i>Cash in escrow</i>	<i>22,800.0</i>	<i>19,200.0</i>	<i>16,750.0</i>	<i>13,410.0</i>
ST debts	28,507.9	30,939.8	31,785.3	27,010.9
LT debts	178,969.9	170,592.5	158,477.8	156,010.9
Net debts	148,253.4	152,616.5	142,311.5	140,389.6
Net gearing	62.7%	63.0%	58.0%	57.4%
Cash/ST debts	2.1x	1.6x	1.5x	1.6x
Adj. liab/assets	60.4%	58.6%	57.2%	56.1%

*Source: Company filing, CMBI Research.*

Longfor managed to consistently generate positive FCF in a challenging operating environment. Its net debts further reduced to RMB140.4bn as of Jun'25. Key credit ratios have been improving. Longfor guided positive FCF of RMB10bn for FY25, implying positive FCF of cRMB8bn in 2H25 as per our estimates. This supports further debt reduction and improvement in credit profile.

## Manageable debt maturity profile

Longfor passed through a hump in debt repayment in FY25. YTD, it has repaid onshore bonds due/puttable totaled RMB13.6bn. The company also early repaid syndicated loans (due Dec'25) of RMB1bn (out of the original loan size of RMB8.5bn). It will continue to partial repay the syndicated loans over the coming months with internal resources.

During 1H25, Longfor managed to extend the average debt tenor to 11.0 years from 10.3 years and lower the average funding cost to 3.6% from 4.0%. Longfor increased the uses of operating loans secured against its IPs to lengthen the debt maturity profile and lower the funding cost. Its operating loans increased to RMB93.0bn in Jun'25 from RMB77.3bn in Dec'24. We estimate that the headroom for additional operating loans to be over RMB80bn (i.e. over RMB11bn).

The positive FCF, coupled with its headroom for operating loans, should offer a strong financial flexibility for refinancing over the coming 2-3 years. The next USD bond maturity will be Apr'27, and the outstanding amount of Longfor's offshore USD bonds are USD2bn. We expect Longfor to conduct more repurchases of its USD bonds.

*CMB International Global Markets Limited*

*Fixed Income Department*

Tel: 852 3657 6235/ 852 3900 0801

[fis@cmbi.com.hk](mailto:fis@cmbi.com.hk)

## Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

### Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.