

China Property Sector

Mildly positive for CSRC's pilot private investment scheme in real estate

We expect property + sector to react positively on CSRC's pilot scheme since it may accelerate home delivery and social housing with the help of private investment. Also, despite limited scope, it may leave some space for hot money into new residential projects and M&A deals especially when the sales are recovering now and trust loans are back. This is in line with our previous report that [the policy will remain supportive](#). We think it further supports our investment themes on **completion-related stocks** together with a big year of **existing home sales**. For stocks picks,

- **Strong 2nd-home sales:** BEKE (BEKE US) and 5i5j (000560 CH)
- **Completion:** Yuexiu Service (6626 HK), CPH (2669 HK), Beijing New Building Materials (000786 CH), Oriental Yuhong (002271 CH), Robam Appliance (002508 CH)

■ **What is new:** After market close on 20 Feb, CSRC announced the new pilot scheme to boost private investment into real estate space.

- **Who can participate:** Domestic investors in the scheme, predominantly institutional (non-developers), should offer no less than 10 million yuan each to participate in the fund raising. Foreign investors through Qualified Foreign Limited Partnership (QFLP) can also participate.
- **Scope of the real estate types:** Existing residential projects, social housing, commercial building and infrastructure
- **Purpose:** We think the program itself is to encourage and attract private investment to help on home delivery, social housing target and infrastructure. If the return is attractive, this may accelerate the resolution of non-performing assets in real estate and also reduce the burden for local government on social housing and infrastructure.
- **Our read:** We think this is mildly positive for the property sector. On the plus side, it is officially encouraging more private funds (incl. foreign investors) to help property sector so it may boost the progress especially when sales are recovering now. Also the scope is limited for now but there may leave some space for money inflow into new residential projects or M&A deals. However, the impact may not be seen in ST as there are already many real estate funds in the space and the key is lack of attractive projects.

■ **Post-CNY sales continued to improve with secondary sales growth further accelerated.** Based on daily data, new home and secondary sales improved to -15%/+53% YoY post-CNY (28 Jan to 20 Feb) compared to the similar period in 2022. (vs. -25%/+15% pre-CNY). Both continued to boost market confidence towards more positive outlook towards overall sales. Looking forward, we still expect sales in Feb to continue to see ST recovery supported by 1) low base; and 2) pent-up demand after pandemic and CNY. Our sales leading indicator GAIN also pointed to a quick rebound in Feb with genuine search up 27% YoY YTD. 3) Continuing policy relaxation with Wuhan/Changsha/Yangzhou eased purchase restrictions. As such, we reiterate that policy relaxation in tier 1 cities would be the key to determine March sales and beyond.

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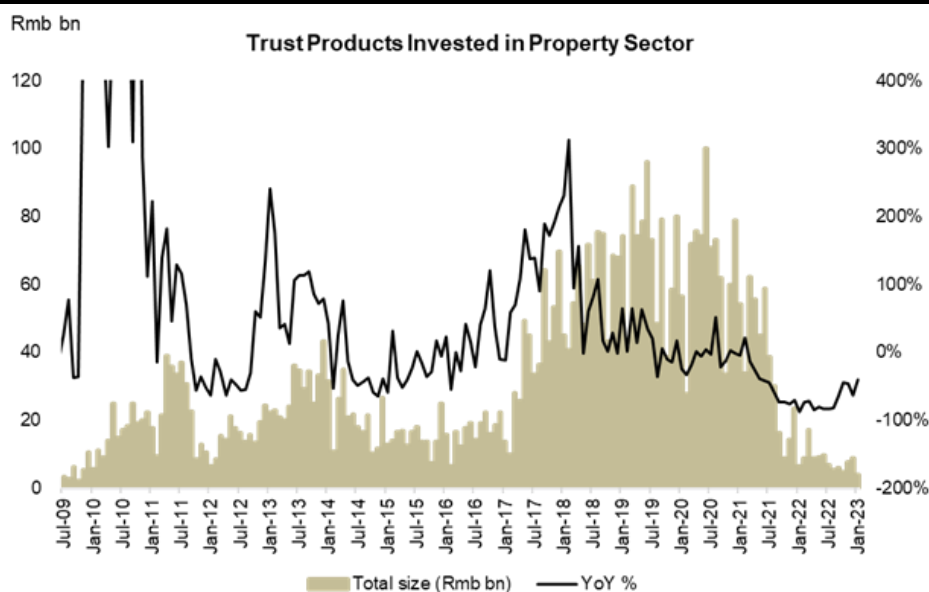
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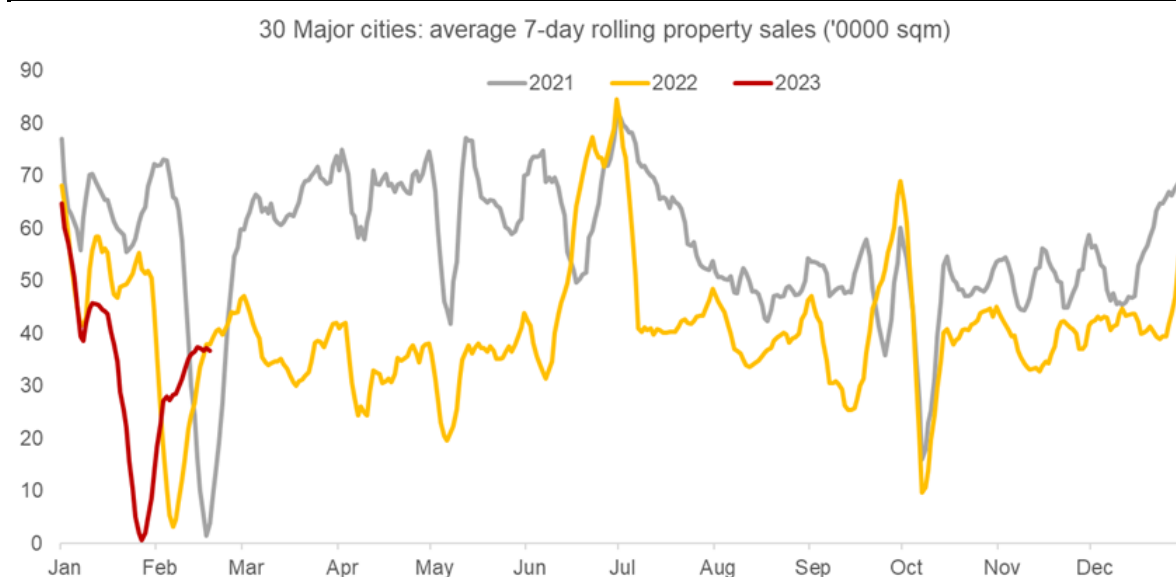
1. [China Property Service Sector – 2023 a year for market leaders and survivors](#)
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Figures 1: Real estate trust loan is back

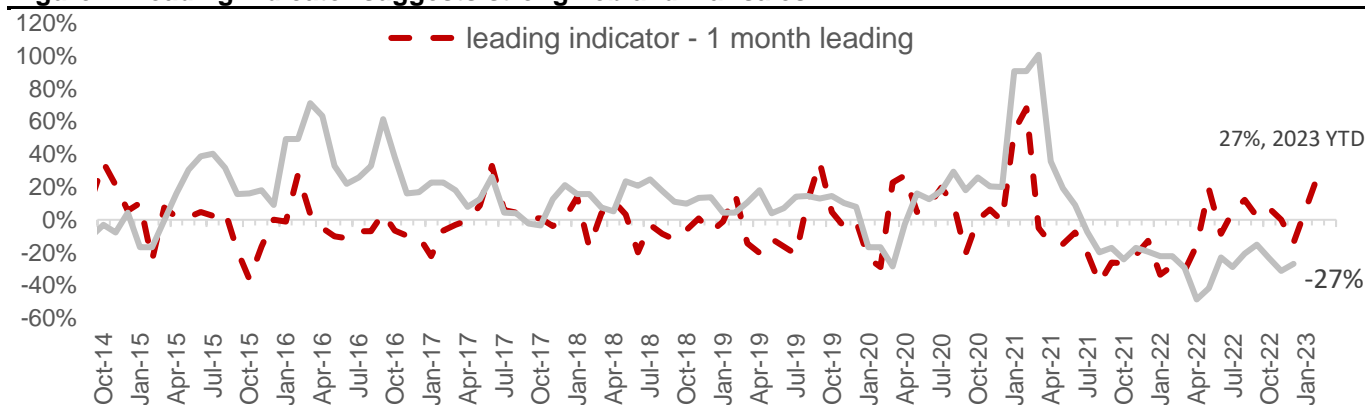
Source: Yongyi, CMBIGM

Figures 2: Secondary home sales continue to accelerate at 15% WoW or 53% YoY post-CNY

Source: Wind, CMBIGM

Figure 3: New home sales also improved 4% WoW or -15% YoY post-CNY

Source: Wind, CMBIGM

Figure 4: Leading indicator suggests strong Feb and Mar sales

Source: NBS, CMBIGM

Figure 5: Comp sheet of developers

Company	Ticker	Last price (LC)	Mkt Cap (LC mn)	TP (LC)	P/E				PB	Dividend Yield	
					20A	21A	22E	23E		21A	22E
Vanke - H	2202 HK	14.36	220,955	33.92	3.5	6.1	6.3	6.1	0.6	8%	6%
COLI	688 HK	19.12	209,266	27.90	4.9	4.8	5.5	5.3	0.5	8%	5%
Country Garden	2007 HK	2.53	69,924	13.36	1.5	1.7	3.7	3.8	0.3	15%	4%
CR Land	1109 HK	35.95	256,357	45.10	9.5	8.0	7.9	7.3	0.9	5%	4%
Longfor	960 HK	24.70	156,640	52.59	6.9	5.4	5.5	5.3	0.9	8%	6%
Shimao	813 HK	4.42	16,786	NA	1.1	1.1	1.3	1.3	0.1	26%	29%
Agile	3383 HK	2.25	10,575	NA	0.8	2.8	1.9	2.1	0.1	27%	0%
KWG	1813 HK	1.74	5,948	NA	0.8	1.2	1.9	1.9	0.1	26%	0%
Times China	1233 HK	1.20	2,522	NA	0.4	0.6	1.3	0.9	0.1	8%	0%
China SCE	1966 HK	0.91	3,843	NA	1.0	1.0	1.4	1.3	0.1	22%	0%
CIFI	884 HK	1.02	10,621	NA	0.9	1.0	1.6	1.6	0.2	18%	6%
Seazen	1030 HK	2.82	19,925	NA	1.8	1.6	3.3	3.0	0.3	0%	0%
Midea	3990 HK	9.88	13,391	NA	2.5	2.6	3.9	3.9	0.4	20%	11%
Vanke - A	000002 CH	17.34	192,465	NA	4.8	8.9	8.6	8.2	0.8	6%	5%
Poly Development	600048 CH	15.12	180,993	NA	6.2	6.6	7.7	7.2	0.9	4%	4%
Binjiang Real Estate	002244 CH	10.16	31,612	NA	13.5	10.5	8.4	7.2	1.3	2%	2%
Average					3.8	4.0	4.4	4.2	0.5	12.5%	5.1%

Source: BBG, CMBIGM

Figure 6: Comp sheet of PM companies

Company	Ticker	CMBI rating	TP (HK\$)	Last price (HK\$)	Mkt Cap (HK\$ mn)	P/E			Net profit growth (%)		Dividend Yield		Payout ratio
						21A	22E	23E	22E	23E	21A	22E	21A
Onewo	2602 HK	BUY	60.7	45.4	53,502	-	22.4	17.5	15.3	33.8	-	1.1%	-
Country Garden Services	6098 HK	BUY	47.6	16.2	54,780	10.8	9.2	7.4	19.3	23.5	2.2%	2.7%	24%
CR MixC Lifestyle	1209 HK	BUY	56.0	42.5	96,892	48.1	37.8	28.9	24.6	31.0	0.8%	1.1%	38%
A-Living	3319 HK	HOLD	34.2	8.5	11,999	3.9	4.6	4.0	-7.5	14.2	0.1	4.9%	22.8%
Greentown Services	2869 HK	HOLD	7.9	5.3	17,132	18.2	17.2	13.6	-6.5	26.7	3.8%	2.9%	69%
Ever Sunshine	1995 HK	HOLD	12.7	3.5	6,175	8.0	6.8	5.3	21.7	27.2	3.7%	4.5%	29.5%
Poly Services	6049 HK	HOLD	53.4	50.5	27,943	27.6	22.5	17.8	22.3	26.1	0.7%	0.9%	20%
S-Enjoy	1755 HK	SELL	8.5	7.2	6,247	8.1	7.9	5.7	23.8	30.1	2.6%	4.1%	21%
Powerlong Commercial	9909 HK	BUY	33.2	5.7	3,639	6.6	5.6	4.6	11.0	16.2	5.3%	7.1%	35%
Excellence CM	6989 HK	BUY	14.9	4.0	4,857	7.8	5.4	4.1	33.5	33.8	9.0%	9.1%	71%
Central China New Life	9983 HK	BUY	12.9	3.3	4,181	5.0	5.3	4.7	-0.5	11.6	10.3%	12.8%	0.5
Sino-Ocean Services	6677 HK	BUY	7.1	2.9	3,481	6.4	5.6	4.4	8.6	19.5	3.8%	5.1%	0.2
New Hope Services	3658 HK	BUY	4.4	1.4	1,140	9.8	5.9	NA	83.5	NA	2.9%	4.2%	29%
Redsun Services	1971 HK	BUY	9.4	2.3	967	3.7	2.6	2.0	41.2	32.2	NA	NA	NA
Evergrande Services	6666 HK	BUY	10.4	2.3	24,865	7.9	4.9	3.7	21.9	32.8	NA	NA	NA
Sunac Services	1516 HK	BUY	7.0	3.4	10,240	5.5	108.1	6.4	-151.1	NA	4.5%	-1.0%	24%
Jinmao Services	816 HK	BUY	5.5	4.6	4,159	15.7	9.0	6.7	102.0	45.7	NA	NA	NA
COPH	2669 HK	NR	NA	9.8	32,047	32.5	25.3	19.4	28.5	29.0	0.9%	1.2%	30%
Times Neighborhood	9928 HK	NR	NA	1.0	986	2.6	7.1	4.1	-62.7	74.6	5.7%	1.6%	15%
Aoyuan Healthy Life	3662 HK	NR	NA	1.9	1,351	4.8	2.0	1.6	41.3	31.2	NA	NA	NA
Shimao Services	873 HK	NR	NA	2.4	5,973	4.4	14.4	5.9	-70.7	100.2	NA	NA	NA
KWG Living	3913 HK	NR	NA	1.6	3,241	4.0	4.7	4.1	-15.3	15.0	9.0%	6.1%	0.4
Jinke Smart Services	9666 HK	NR	NA	12.6	8,200	6.4	8.7	7.0	-33.4	20.4	6.2%	4.2%	40%
Average						21.3	23.2	15.8	13.8	28.9	1.7%	1.9%	25.3%

Source: BBG, CMBIGM

Figure 7: Comp sheet of property supply chain

Company	Ticker	Last price (LC)	Mkt Cap (LC mn)	P/E				PB	Dividend Yield	
				20A	21A	22E	23E		22E	21A
Xinyi Glass	868 HK	15.36	63,200	9.7	5.4	9.9	8.6	1.7	9%	5%
CNBM	3323 HK	7.06	59,549	3.4	3.0	5.2	4.1	0.6	12%	7%
China Res Cement	1313 HK	4.34	30,306	3.4	3.9	12.2	9.0	0.6	13%	4%
China Lesso	2128 HK	8.72	27,053	6.5	7.5	6.9	5.9	1.0	4%	4%
Anhui Conch Cement	600585 CH	29.99	152,553	4.5	4.8	9.2	8.1	0.8	8%	4%
Tangshan Jidun Cement	000401 CH	8.96	23,818	4.6	5.1	8.8	7.5	0.7	7%	4%
Baoshan Iron & Steel	600019 CH	6.21	138,285	10.9	5.8	8.9	7.6	0.7	5%	4%
Oriental Yuhong	002271 CH	35.28	88,851	23.4	20.3	31.9	21.4	3.2	0%	NA
Inner Mongolia Iron & Steel	600010 CH	2.03	92,538	225.6	32.2	-67.7	45.1	1.7	2%	1%
Aluminum Corp of China	601600 CH	5.49	86,822	196.1	19.2	16.6	17.0	1.5	12%	11%
Beijing New Building Materials	000786 CH	29.21	49,351	NA	14.1	15.5	12.8	2.3	0%	0%
Yunnan Aluminum	000807 CH	13.57	47,060	46.8	12.8	10.4	9.1	2.2	1%	2%
Shandong Nanshan Aluminium	600219 CH	3.63	42,502	21.4	12.5	11.1	10.4	1.0	17%	17%
Weixi New Building Materials	002372 CH	24.69	39,309	32.5	32.1	29.8	24.8	7.3	NA	NA
Kinlong Hardware	002791 CH	96.17	30,923	37.9	34.7	88.1	42.0	6.4	1%	0%
Zhuzhou Kibing	601636 CH	11.34	30,431	16.5	7.3	21.0	12.9	2.3	7%	5%
Maanshan Iron & Steel	600808 CH	2.96	20,709	11.5	4.3	16.9	10.3	0.7	12%	3%
Keshun Waterproof	300737 CH	13.64	16,107	16.6	23.1	34.1	19.7	2.9	NA	NA
Era Co Ltd	002641 CH	5.25	6,485	7.7	11.2	NA	NA	NA	1%	NA
Canlon Building Materials	300715 CH	14.82	5,704	16.3	74.1	54.5	24.8	2.1	4%	NA
Average				36.6	16.7	17.0	15.8	2.1	6.3%	4.7%

Source: BBG, CMBIGM

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