



## This Week in China

### Landbank growth slowed down: what's the story?

#### Comments:

In recent years, the growth rate of landbank of listed developers has slowed down. The weighted average landbank growth rates of listed housing companies in 2017-2019 were 38.4%, 16.3% and 10.1%, respectively, and some developers' landbank decreased.

Pressure on overall profit space has led to a slowdown in the growth of landbank. The slowdown of land supplement is the reason for the slow down of landbank growth, and the decline in developers' willingness to acquire land has led to a slowdown in land supplement growth. In terms of total volume, the demand brought by urbanization and population growth may slowdown. Considering the sell-through, developers slowed down the speed of land supplement. Meanwhile, regions with faster economic development and more successful industry introduction still have continued population inflows, which has led to regional differentiation in demand and structural opportunities remain. In terms of profit margin, in recent years, housing prices have remained stable, while land prices have continued to rise and premium rates have continued to fluctuate. Also, the additional conditions for the sale of some land have reduced the saleable area, so the actual land cost is higher, and the profit margin of the project is further under pressure, resulting in developers' unwillingness to acquire land. Due to higher land prices and relatively stable housing prices after 2016-2017, GPM of listed developers has declined in 2019 with average GPM fell by 2.2 pct from 32.5% in 2018 to 30.3% in 2019. When the profit margin of the project tends to go down, developers that can obtain land at low prices through special channels may outperform.

The growth of landbank may continue to slow down, and developers may show differentiation. In the case of insufficient growth momentum of overall profit space, the growth of developers' overall landbank may continue to slow down, and the number of developers whose landbank decreases may increase. Grasping structural needs is more important. In terms of region, developers with coverage in regions with population inflow, such as the Yangtze River Delta and the Pearl River Delta, are expected to benefit. In terms of profit, diversified land acquisition channels and strong operational control capabilities will support profit margins. Developers with advantages in M&A, urban renewal, etc. and the ability to strictly control various expenses may stand out.

#### Data points:

As of Apr 17<sup>th</sup>, new house transaction area in 42 major cities this week rose 30% WoW, and cumulative transaction area in 2020 fell by 29% YoY.

As of Apr 17<sup>th</sup>, saleable area (inventory) in 13 major cities this week rose 0.3%; average inventory period was 16.5months, decreasing 4% WoW.

As of Apr 17<sup>th</sup>, second-hand housing transactions in 15 major cities this week increased 45% WoW, and cumulative transaction area in 2020 fell 26% YoY.

#### Suggestion:

This week, MLF bid interest rate reduced by 20 bp, and central bank proposed that it will continue to guide credit funds to support the real economy through targeted policy reductions, re-loans and other policy measures, reflecting that overall social liquidity is expected to continue to improve. In terms of policies, after Hukou policy relaxation by NDRC last week, Nanchang, Chongqing, Dalian, etc. responded actively and relaxed the Hukou requirements. The increase in urban registered population will provide support to the demand for housing purchases. Shenzhen introduced policies to relax pre-sale requirements and increase urban renewal support to speed up the supply of commercial housing and stabilize market expectations. With continued improvement in liquidity and a stable overall tone, both demand and supply side of the industry are boosted, and the fundamentals of the industry may continue to pick up. Maintain "Overweight" rating.

Overweight

(Maintain)

Public WeChat account



Sicong Shen

Analyst

+852 3958 4699

shensicong@cwghl.com

SFC CE Ref: BNF 348

Hongfei Cai

Analyst

+852 3958 4629

caihongfei@cwghl.com

SFC CE Ref: BPK 909

Lianxin Zhuge

Analyst

+852 3700 7094

zhugelianxin@cwghl.com

SFC CE Ref: BPK 789

# 1. Landbank growth slowed down: what's the story?

## 1.1 Growth rate of listed developers' landbank has slowed down in recent years

**In recent years, the growth rate of land reserves of listed developers has slowed down.** In recent years, the overall growth rate of the landbank developers has slowed down, from 2017 to 2019, the weighted average landbank growth rate of listed developers were 38.4%, 16.3% and 10.1%, respectively.

**Table 1: The growth rate of landbank of developers of all sizes has slowed down in recent years**

	Company	RIC	Data Scale	Landbank			
				2019(mn sqm)	2019YoY	2018YoY	2017YoY
Landbank > 100mn sqm	EverGrande	3333.HK	Total Planned GFA	293.0	-3.3%	-2.9%	36.2%
	Country Garden	2007.HK	Attributable GFA in Mainland China	258.6	7.4%	27.6%	50.7%
	Sunac	1918.HK	Secured landbank	234.0	41.0%	16.9%	94.8%
	Vanke	000002.SZ	Planned & Under Development GFA	156.5	4.7%	13.5%	22.7%
	Future Land	601155.SH	Total GFA	124.0	13.2%	62.5%	90.9%
<b>Weighted Average Growth Rate</b>					<b>9.9%</b>	<b>14.7%</b>	<b>46.1%</b>
Landbank 30-100mn sqm	CR Land	1109.HK	Total GFA	68.7	15.3%	21.6%	9.2%
	Longfor	0960.HK	Total GFA	68.1	2.7%	21.6%	31.6%
	COLI	0688.HK	Total GFA(exclude COGO)	65.2	-7.0%	10.0%	12.3%
	CIFI	0884.HK	Total GFA	50.7	23.1%	32.9%	77.1%
	Aoyuan	3883.HK	Total GFA	45.0	32.1%	37.1%	69.8%
	GreenTown	3900.HK	Total GFA	38.7	19.3%	7.1%	4.1%
	Sino-Ocean	3377.HK	Total GFA	37.2	-7.9%	18.6%	57.1%
	Logan	3380.HK	Total GFA	36.7	1.1%	32.2%	94.7%
	Risesun	002146.SZ	Total GFA	36.3	2.7%	3.9%	36.0%
	China SCE	1966.HK	Total Planned GFA	32.1	33.4%	54.5%	71.1%
	Hopsen	0754.HK	Saleable Area	31.1	6.5%	-0.4%	-2.7%
	<b>Weighted Average Growth Rate</b>				<b>8.7%</b>	<b>19.0%</b>	<b>29.4%</b>
Landbank <30mn sqm	PowerLong	1238.HK	Total GFA	29.7	40.2%	50.4%	6.8%
	Ronshine	3301.HK	Total GFA	27.0	6.1%	10.0%	117.9%
	Kaisa	1638.HK	Total GFA	26.8	11.7%	9.1%	3.3%
	COGO	0081.HK	Total GFA	24.0	12.5%	12.2%	7.2%
	YueXiu	0123.HK	Total GFA	23.9	23.0%	19.3%	11.3%
	Times	1233.HK	Total GFA	23.0	24.7%	9.5%	28.5%
	Yuzhou	1628.HK	Saleable GFA	20.1	15.8%	46.7%	24.2%
	Fantasia	1777.HK	Secured landbank	16.6	10.1%	14.8%	64.9%
	SZI	0604.HK	Total Planned GFA	4.4	-30.3%	-0.2%	-20.0%
<b>Weighted Average Growth Rate</b>					<b>16.0%</b>	<b>18.2%</b>	<b>23.0%</b>
<b>Overall Weighted Average Growth Rate</b>					<b>10.1%</b>	<b>16.3%</b>	<b>38.4%</b>

Source: Company announcements, CWSI Research; note: we divided developers into three echelons based on landbank as of end-2019, and the weighted average growth rate of the echelon is defined as the change in total landbank of each echelon

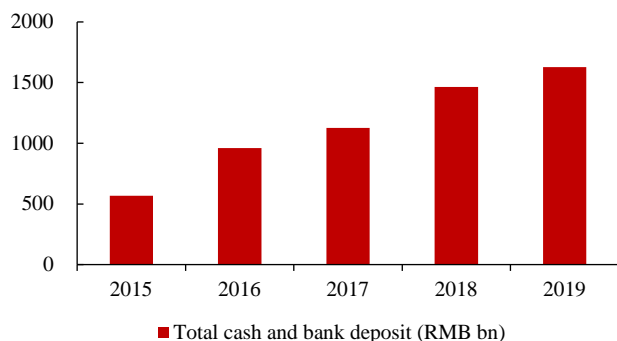
**The growth rate of landbank of developers of all sizes has slowed down.** We divide the listed developers into three echelons by the scale of landbank as of end-2019: the first echelon with a landbank of more than 100 mn square meters, the second echelon with 30 mn to 100 mn sqm, and the third echelon with less than 30 mn sqm. For each echelon, the weighted average growth rate of the echelon's landbank is defined as the change in total landbank of the echelon developers. In recent years, the weighted average growth rate of the first echelon's land storage area has decreased from 46.1% in 2017 to 9.9% in 2019, the second echelon has decreased from 29.4% in 2017 to 8.7% in 2019, and the third echelon has decreased from 23.0% in 2017 to 16.0% in 2019. Due to the existence of the base effect, the growth rate of the first echelon's landbank declined the fastest; at the same time, the growth rates of the landbank of all echelons have slowed down, and the landbank of some developers has regressed.

## 1.2 Why is the growth of landbank slowing down?

### 1.2.1 The pressure on the overall profit space has led to a slowdown in the growth of landbank

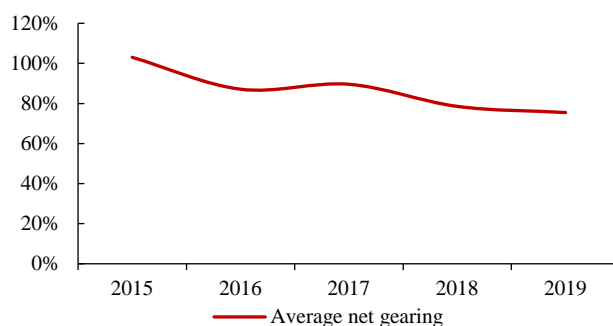
**The lack of land acquisition capacity is not the main reason for the slowdown in landbank growth.** The slowdown in the growth of landbank is due to the fact that the sales growth rate of developers is faster than the growth rate of land supplements. The current growth rate of sales of housing companies has slowed down compared with the previous period, so the slowdown of land supplement is the reason for the slow down of landbank growth. Possible reasons for the slowdown in the growth of land supplementation include: 1) Developers have insufficient capacity to acquire land; 2) Developers have the ability to acquire land, but the growth of land that meets their requirement has slowed down. The ability to acquire land is mainly reflected in developers' cash and leverage levels. Taking the 32 listed developers we selected (29 Hong Kong stocks and 3 A shares) as reference, in recent years, cash and bank deposits of listed developers have maintained continued growth due to sales increase, and the overall net gearing has declined in the context of deleveraging, so lack of land acquisition capacity is not the main reason for the reduction in land acquisition.

**Chart 1: Cash and bank deposits of listed developers maintained growth**



Source: Wind, CWSI Research

**Chart 2: The average net gearing of listed developers has declined**



Source: Wind, CWSI Research

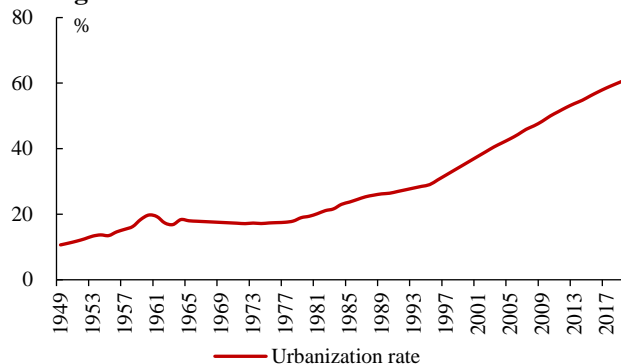
**The scarcity of high-quality land has led to a decline in developers' willingness to acquire land, which in turn has led to a slowdown in land supplement growth.**

Developers invest funds to obtain land resources, intending to obtain profits through property sales or operations. When the growth of total profits is expected to be under pressure, developers will be more cautious in land investment, which is manifested as a strategic slowdown in land acquisition. Therefore, the slowdown in the growth of the area of high-quality land is the main reason for the slowdown in the growth rate of the landbank of developers. The conditions to be met for high-quality land include: 1) There is sufficient demand for the property project, so that it can achieve a good sell-through to ensure cash collection; 2) The project can achieve a sufficient profit margin. If the land does not meet the above conditions, blind land acquisition may cause the project IRR to be lower than the capital cost. At this time, the willingness of developers to acquire land will decrease.

### 1.2.2 Demand: Total growth slows, structural opportunities remain

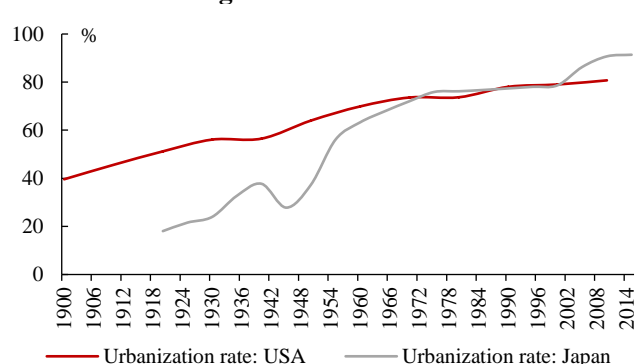
**In terms of total volume, the overall growth rate of demand caused by urbanization and population growth may slow down. In terms of urbanization,** China's urbanization rate has increased rapidly, reaching 60.6% in 2019. In the development of China's commercial housing, the increase in urbanization rate has brought about a rapid increase in the demand for commercial housing. However, according to the experience of the United States and Japan, the growth rate will slow down after the urbanization rate reaches 60%. Therefore, the increase in demand brought by the urbanization may also lose the momentum of rapid growth in the short term. **In terms of population,** since the baby boom in the 1980s, China's population birth rate and natural growth rate have continued to decline. The population born in the 1980s corresponds to the current age of about 32-40 years old. If 20-35 years old is taken as the peak age of rigid housing purchase, most of the rigid housing demand brought by this population growth has been released in the past few years. The decline in population growth and the increase in the proportion of the elderly population have slowed the growth of China's commercial housing demand. The slowdown in urbanization and population growth may slow down the growth in total demand for home purchases.

**Chart 3: China's urbanization rate continues to rise, reaching 60.6% in 2019**



Source: NBS, CWSI Research

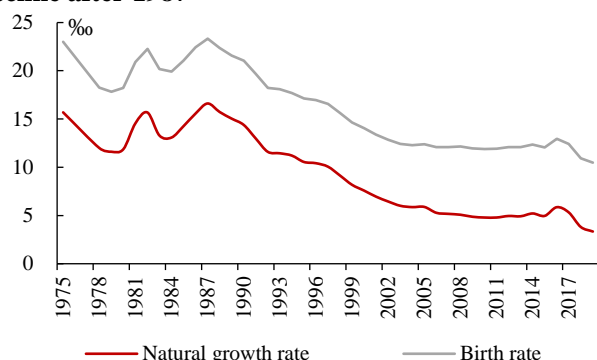
**Chart 4: Urbanization rate of USA and Japan slow down after reaching 60%**



Source: Wind, CWSI Research

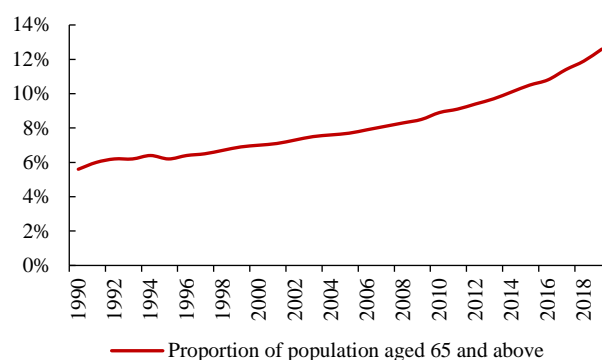


**Chart 5: China's population growth rate continued to decline after 1987**



Source: NBS, CWSI Research

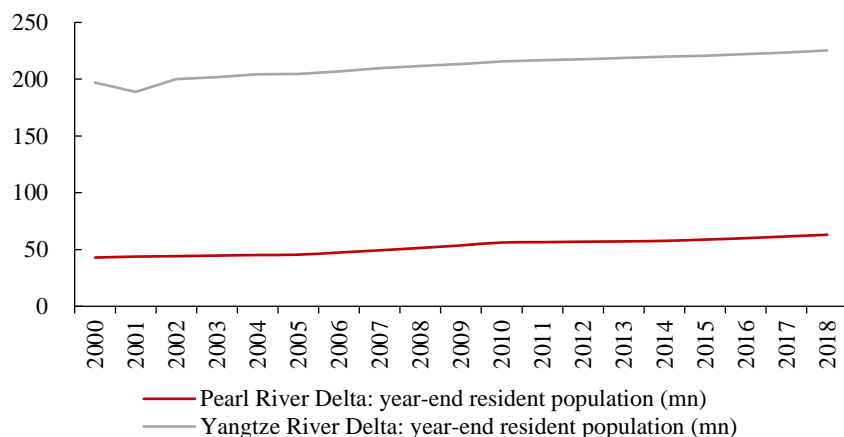
**Chart 6: The proportion of China's population aged 65 and above continues to increase**



Source: NBS, CWSI Research

**Regional population movements are differentiated, and structural opportunities remain.** Although China's overall urbanization rate and overall population growth have slowed, areas with relatively rapid economic development and successful industry introduction still have continued population inflows, such as Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, and key cities in the Midwest, etc. As the industry develops and population inflows, the demand for commercial housing in these areas is expected to continue to be supported.

**Chart 7: The population in the Pearl River Delta and Yangtze River Delta has continued to increase in recent years**



Source: NBS, CWSI Research

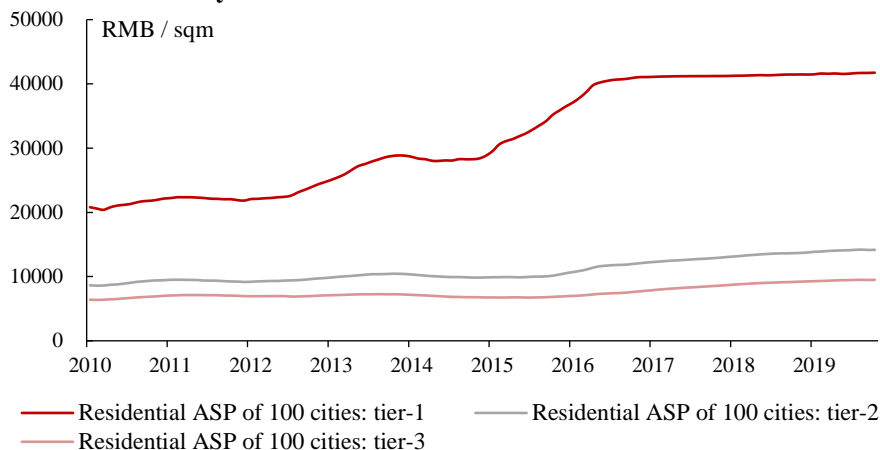
**Grasping the current structural needs is the core of achieving desirable sell-through.** Due to the slowdown in the growth of the total demand for housing purchases, the growth of commercial housing transactions has also slowed in recent years. If developers continue to maintain fast pace in land acquisition when demand growth slows, they may face some de-stocking pressure. As a result, developers have slowed down in land investment as the growth rate of total demand has slowed. However, demand for house purchases in some areas is still supported by population inflows, and regional opportunities still exist. On the whole, although the overall demand for commercial

housing has slowed down, the demand performance in different regions has been differentiated, and structural opportunities still exist.

### 1.2.3 Profit margin: house prices maintained stable while land prices rose, making project profit margins under pressure

**Financial attributes are weakening, and house prices are relatively stable.** The financial attributes of real estate bring it a certain investment demand, which is an important driving force of rising house prices. China's real estate prices have experienced several substantial increases since 2000, and housing prices in hot cities have been high in recent years. Simultaneously, the government remains resolute to curb the rise of house prices and strictly restrict real estate speculation. Therefore, it is less likely for house prices to continue to rise sharply. The financial attributes of real estate have weakened in recent years, the investment demand has decreased, and overall house prices have been relatively stable.

**Chart 8: Investment demand has decreased in recent years, and housing prices have been relatively stable**



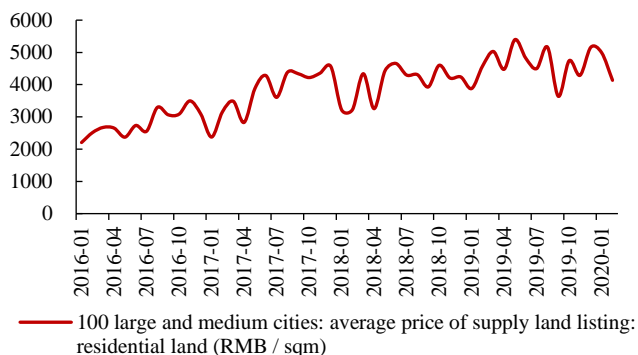
Source: Wind, CWSI Research

**High land prices and the price limit of commercial houses put pressure on the profitability of developers.** Because of the slowdown in total demand growth and regional differentiation, regions and product types with large demand have converged. Therefore, when developers decide on urban layout and product types, a higher degree of homogeneity results in fiercer competition. As for land costs, the average listing price of residential land has continued to rise in recent years; On the other hand, the scarcity of high-quality land has led to fiercer competition in land acquisition. The premium rate does not decline along with the rising listing price but maintains certain fluctuations, further pushing up the land transaction price and putting pressure on the profit margin of the project. In 2019, the overall profitability of listed developers has declined, and the average gross profit margin fell by 2.2 pct from 32.5% in 2018 to 30.3%, and the net profit margin attributed to shareholders fell by 0.4 pct to 14.2%.



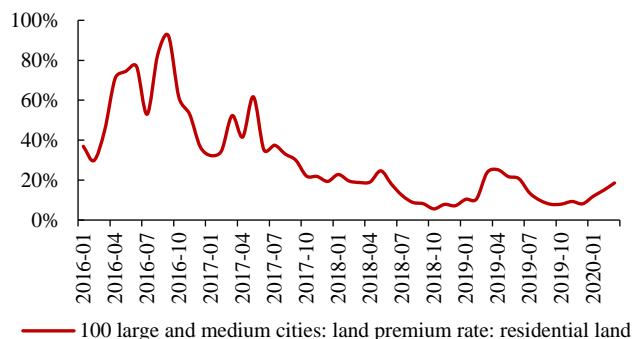
That is because after 2016-2017, land prices have risen rapidly, and the land costs of developers is relatively high. However, affected by the price restriction, subsequent sales price does not increase significantly along with the increase in land costs, resulting in pressure on the settlement gross margin in 2019.

**Chart 9: The average price of residential land listing continues to rise**



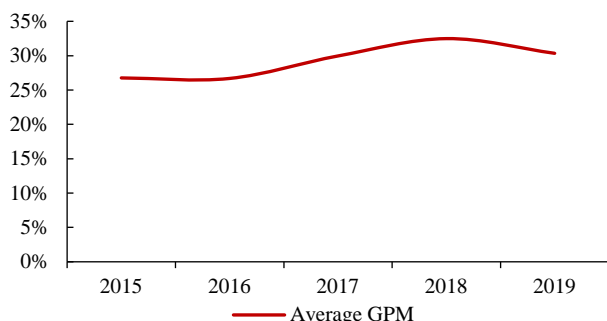
Source: Wind, CWSI Research

**Chart 10: In recent years, the premium rate has not continued to decline, but maintained a certain fluctuation**



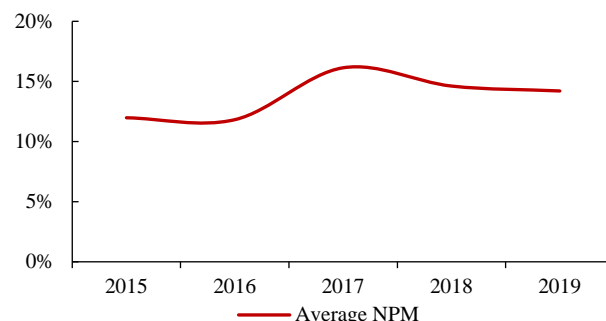
Source: Wind, CWSI Research

**Chart 11: GPM of listed developers fell slightly**



Source: Wind, CWSI Research

**Chart 12: NPM decreased slightly due to the decline in GPM**



Source: Wind, CWSI Research

**Some transfer criteria of land result in higher actual land costs.** In addition to the high floor prices of land transaction, in view of infrastructure and supporting facilities improvement and industry introduction, etc., land transfer criteria such as tie-in construction of the public-rent house, and bidding according to holding after the bidding price reaches the reasonable upper-limit price of the land are common. As a result, the actual saleable area is compressed. Thus, in terms of saleable caliber, the land cost of developers will be higher, and the profit space will be further narrowed. When the project profit rate cannot reach the level required by the company, the company may slow down the land replenishment.

**Table 2: The additional conditions of recent land transactions have reduced the saleable area and the actual land cost should be higher**

Location	Land cost (RMB/sqm)	Land premium rate	Additional requirement
Chengdu Tianfu New District	9685	50.00%	16% GFA should be allocated for free transfer.
Xi'an High-tech Zone	7169	64.16%	Build public rental housing at a rate not less than 15% of the residential GFA. Among them, 5% will be handed over to the government for free after completion, and 10% will be repurchased by the government at cost.
Fuzhou Cangshan District	12931	9.86%	Build 30,000 sqm of social rental housing which will be repurchased by Fuzhou State-owned Real Estate Center at RMB 6490/sqm. Provide commercial building area of 8500 sqm, which will be repurchased by the unit designated by the Fuzhou Municipal People's Government at RMB 10500/sqm.
Hangzhou Linan	12342	29.91%	Reached the ceiling price of RMB 1.954 bn, and won the bid by 5% self-holding.
Zhejiang Jiaxing	7084	5.29%	Reached the maximum land price of RMB 928 mn, and won the bid by 12200 sqm of affordable housing.

Source: Local Public Resources Trading Center, CWSI Research

### 1.3 Landbank growth may continue to slow down, and internal differentiation appears in developers

**Overall land bank growth may continue to slow down.** As mentioned earlier, for the insufficient momentum of urbanization in the short term, the demographic dividend is gradually fading, and the growth of housing demand in China will slow down. On the other hand, the current land competition in core cities is still fierce, sales prices of new houses are relatively stable, and the industry's gross profit margin would continue to be exposed to downward pressure in the future. Under the circumstance of the slowdown in total demand growth and pressure on profitability, developers will be more cautious in land acquisition. On the other hand, as the scale of developers continues to expand, the base effect may also appear. Overall, the growth of overall landbank may continue to slow down, and the number of developers with reduced landbank may increase in the future.

**Under the trend of slowing demand growth, housing demand in various regions diverges.** The growth of overall housing demand in China may slow down, but along with the development and transfer of industries, key cities in developed urban agglomerations and provincial capital in the central and western regions still see continued population inflows. Therefore, the housing demand in the areas mentioned before would still be supported by urbanization and demographic dividends to a certain extent, and the developers who develop in these areas will benefit. As of the end of 2019, Dexin China, RiseSun, Jingrui, and Seazen own high proportion of landbank in





the Yangtze River Delta, which reach 83.3%, 75.3%, 55.9%, and 44.9%, respectively; Times China, Kaisa, and KWG own high proportion of land bank in the Greater Bay Area, which reach 65.6%, 50.8%, and 38.7% respectively.

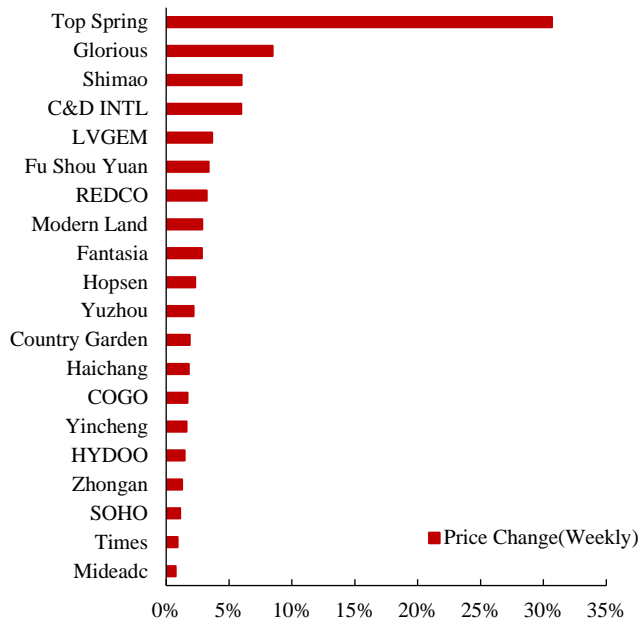
**Diverse land acquisition patterns and strong operational capabilities of management and control will support profit margins.** In the current environment, obtaining high-quality land at a low price is still the most important way to boost the profits of developers. Land Acquisition through mergers and acquisitions, industrial cooperation, and old area renovation can reduce land costs and thus guarantee the profit margin of the project. At present, most developers obtain land through various channels, among which Sunac, Yango, Aoyuan, etc. are more prominent in terms of M&A; CFLD, China OCT, and Seazen are more prominent in the area of industrial cooperation; Kaisa, Logan, and Times China, etc. own abundant land bank related to renovation. On the other hand, operational management and control and cost control of construction and fitting would provide support for the profit. In 2019, the SG&A expenses accounted for the relatively low proportion of revenue in companies such as COLI, Logan and Ronshine, at 3.3%, 4.9%, and 5.2%, respectively. Developers with the advantages of land acquisition and cost control may stand out.

## 2. Sector Performance

### 2.1 Performance of developer sector

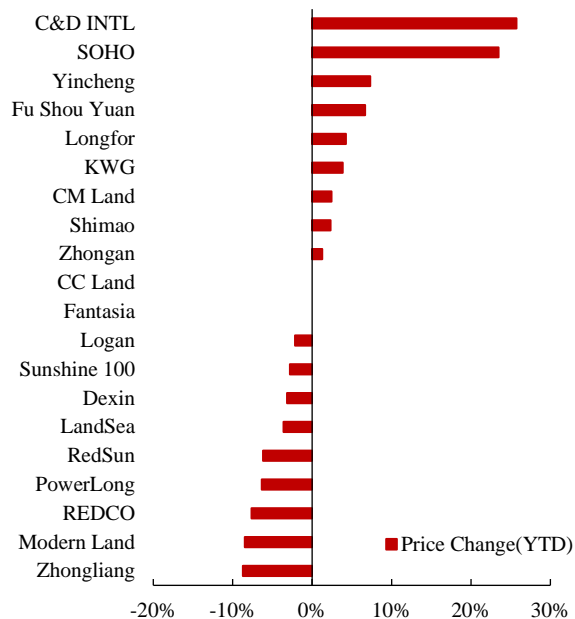
This week, Top Spring, Glorious and Shimao had larger price increase than peers. C&D INTL, SOHO, and Yincheng had better share price performance, YTD.

**Chart 13: This week, Top Spring, Glorious and Shimao had larger price increase than peers**



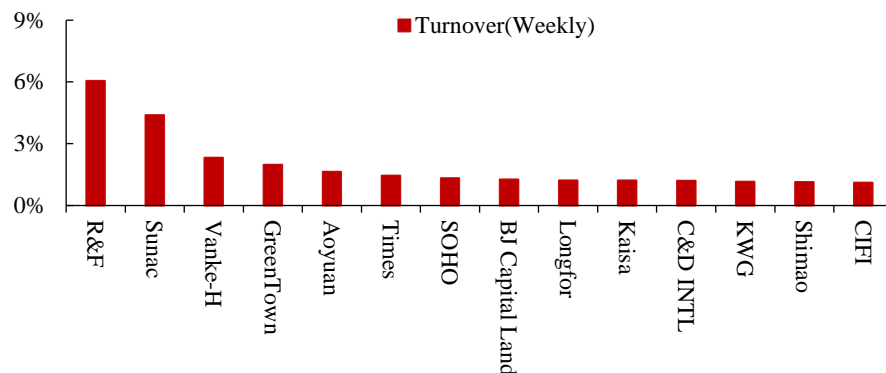
Source: Wind, CWSI Research

**Chart 14: C&D INTL, SOHO, and Yincheng had better share price performance, YTD**



Source: Wind, CWSI Research

**Chart 15: R&F, Sunac and Vanke-H were most actively traded this week**

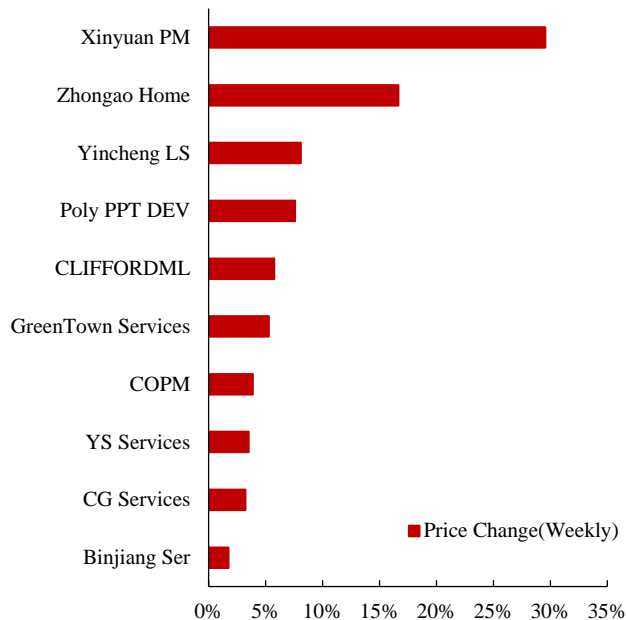


Source: Wind, CWSI Research

## 2.2 Performance of property service sector

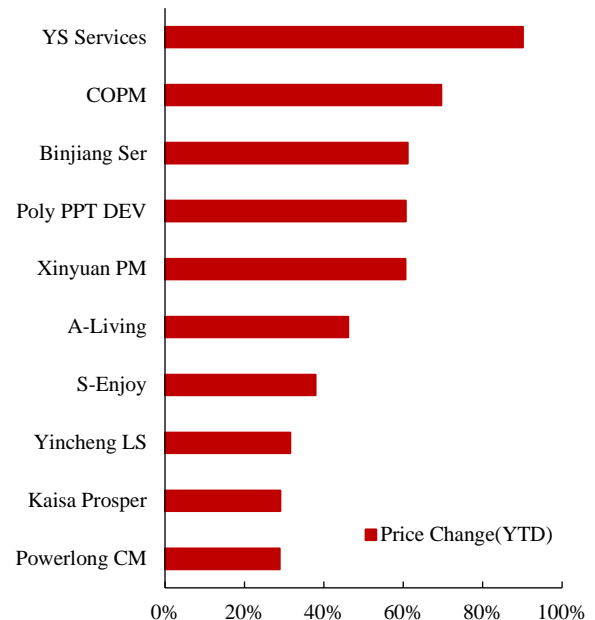
This week, Xinyuan PM, Zhongao Home and Yincheng LS had larger price increase than peers. YS Services, COPM and Binjiang Ser had better share price performance YTD.

**Chart 16: This week, Xinyuan PM, Zhongao Home and Yincheng LS had larger price increase than peers**



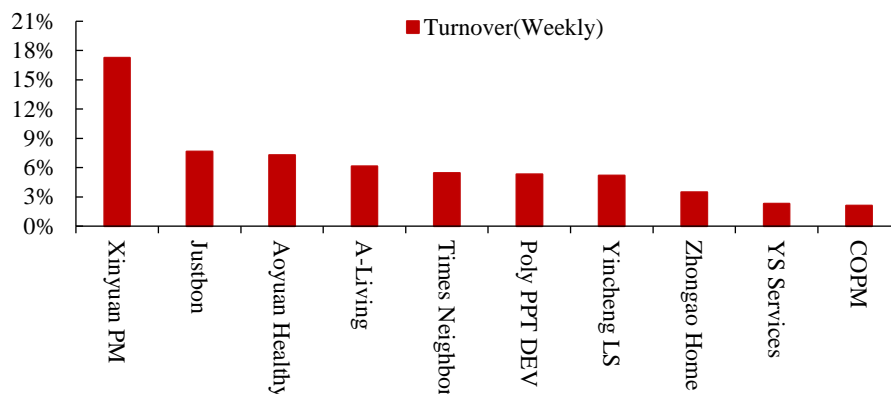
Source: Wind, CWSI Research

**Chart 17: YS Services, COPM and Binjiang Ser had better share price performance YTD**



Source: Wind, CWSI Research

**Chart 18: Xinyuan PM, Justbon and Aoyuan Healthy were most actively traded this week**



Source: Wind, CWSI Research

## 3. Major cities transaction performance

### 3.1 New house transaction data

Table 3: Major cities new house transactions volume decreased YoY this week

City & Region	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	83,639	-34%	-43%	382	62%	-57%	240	113%	-25%	1,214	-35%
Shanghai	184,000	6%	-37%	842	86%	-35%	444	43%	-33%	2,132	-44%
Guangzhou	137,929	22%	-27%	687	106%	-30%	300	41%	-26%	1,403	-39%
Shenzhen	79,604	6%	34%	311	13%	33%	196	-4%	59%	891	10%
<b>Tier 1</b>	<b>485,172</b>	<b>-1%</b>	<b>-29%</b>	<b>2,223</b>	<b>71%</b>	<b>-34%</b>	<b>1,179</b>	<b>41%</b>	<b>-22%</b>	<b>5,640</b>	<b>-36%</b>
<b>Tier 2</b>	<b>2,235,479</b>	<b>40%</b>	<b>-10%</b>	<b>7,860</b>	<b>52%</b>	<b>-19%</b>	<b>4,693</b>	<b>31%</b>	<b>-13%</b>	<b>21,435</b>	<b>-25%</b>
<b>Tier 3</b>	<b>1,948,942</b>	<b>28%</b>	<b>-12%</b>	<b>7,930</b>	<b>63%</b>	<b>-16%</b>	<b>4,322</b>	<b>18%</b>	<b>-16%</b>	<b>19,151</b>	<b>-32%</b>
Beijing	83,639	<b>-34%</b>	-43%	382	62%	-57%	240	113%	-25%	1,214	-35%
Qingdao	309,229	<b>26%</b>	<b>-7%</b>	1,304	<b>102%</b>	<b>8%</b>	651	41%	<b>-6%</b>	2,695	<b>-15%</b>
Dongying	96,688	<b>27%</b>	<b>116%</b>	609	<b>461%</b>	<b>222%</b>	258	<b>177%</b>	<b>115%</b>	824	<b>111%</b>
<b>PBR</b>	<b>489,556</b>	<b>9%</b>	<b>-7%</b>	<b>2,294</b>	<b>132%</b>	<b>1%</b>	<b>1,148</b>	<b>72%</b>	<b>2%</b>	<b>4,733</b>	<b>-13%</b>
Shanghai	184,000	6%	-37%	842	86%	-35%	444	43%	-33%	2,132	-44%
Nanjing	202,561	-6%	20%	871	47%	24%	595	67%	41%	2,083	<b>14%</b>
Hangzhou	219,282	<b>71%</b>	<b>22%</b>	688	<b>27%</b>	<b>1%</b>	423	3%	<b>24%</b>	1,790	<b>2%</b>
Suzhou	170,614	1%	-41%	705	10%	-27%	461	16%	-25%	2,061	-16%
Wuxi	74,400	-25%	-38%	365	17%	-34%	174	-20%	-33%	1,045	-34%
Yangzhou	44,832	-17%	-29%	179	42%	7%	123	3%	2%	501	-23%
Jiangyin	44,389	<b>5%</b>	<b>-15%</b>	183	<b>65%</b>	<b>-15%</b>	104	27%	<b>-9%</b>	523	<b>-15%</b>
Wenzhou	113,205	<b>27%</b>	<b>-42%</b>	470	<b>47%</b>	<b>-55%</b>	261	11%	<b>-49%</b>	1,693	<b>-47%</b>
Jinhua	42,179	-5%	-28%	166	114%	-36%	101	78%	-24%	335	-28%
Changzhou	49,265	<b>23%</b>	<b>-67%</b>	214	<b>-3%</b>	<b>-55%</b>	115	<b>-35%</b>	<b>-59%</b>	692	<b>-37%</b>
Huaian	89,757	<b>55%</b>	<b>15%</b>	352	<b>61%</b>	<b>17%</b>	197	33%	<b>13%</b>	970	<b>-31%</b>
Lianyungang	126,257	<b>26%</b>	<b>21%</b>	478	<b>54%</b>	<b>-1%</b>	272	12%	<b>-3%</b>	1,232	<b>-26%</b>
Shaoxing	50,657	<b>52%</b>	<b>11%</b>	210	<b>62%</b>	<b>-3%</b>	96	17%	<b>-13%</b>	459	<b>-23%</b>
Taizhou	22,345	<b>40%</b>	<b>31%</b>	96	<b>77%</b>	<b>17%</b>	51	-5%	<b>-9%</b>	205	<b>-12%</b>
Zhenjiang	120,239	<b>19%</b>	<b>-35%</b>	508	<b>110%</b>	<b>-26%</b>	272	34%	<b>-19%</b>	1,112	<b>-46%</b>
Huainan	40,355	<b>20%</b>	<b>18%</b>	166	<b>74%</b>	<b>25%</b>	102	46%	<b>31%</b>	353	<b>-31%</b>
Wuhu	52,489	<b>124%</b>	<b>61%</b>	166	<b>32%</b>	<b>39%</b>	99	-1%	<b>36%</b>	376	<b>1%</b>
Yancheng	126,661	<b>14%</b>	<b>49%</b>	396	<b>50%</b>	<b>29%</b>	274	47%	<b>70%</b>	840	<b>-10%</b>
Zhoushan	32,099	<b>55%</b>	<b>49%</b>	129	<b>130%</b>	<b>6%</b>	68	<b>85%</b>	<b>19%</b>	257	<b>-9%</b>
Chizhou	24,151	<b>24%</b>	<b>51%</b>	86	<b>27%</b>	<b>-28%</b>	57	29%	<b>-24%</b>	218	<b>-37%</b>
Ningbo	98,403	1%	-47%	477	135%	-40%	269	69%	-33%	1,184	-29%
<b>YRD</b>	<b>1,928,138</b>	<b>15%</b>	<b>-19%</b>	<b>7,746</b>	<b>50%</b>	<b>-20%</b>	<b>4,560</b>	<b>24%</b>	<b>-13%</b>	<b>20,061</b>	<b>-27%</b>
Guangzhou	137,929	22%	-27%	687	106%	-30%	300	41%	-26%	1,403	-39%
Shenzhen	79,604	6%	34%	311	13%	33%	196	-4%	<b>59%</b>	891	10%



Fuzhou	37,796	57%	0%	180	-6%	-10%	76	-16%	-21%	555	-27%
Dongguan	94,101	18%	-9%	399	143%	-10%	209	82%	6%	863	-21%
Quanzhou	28,409	30%	-48%	118	5%	-62%	61	-26%	-65%	413	-62%
Putian	28,183	73%	56%	135	12%	42%	55	-21%	28%	353	-22%
Huizhou	42,038	79%	-17%	141	27%	-46%	82	4%	-40%	418	-38%
Shaoguan	20,893	-3%	-7%	167	77%	58%	54	-20%	-2%	350	-6%
Foshan	261,496	42%	-22%	1,056	109%	-32%	552	62%	-27%	2,175	-40%
Jiangmen	21,203	52%	9%	90	61%	6%	42	-7%	-13%	202	4%
Zhaoqing	45,161	48%	-11%	194	101%	-20%	102	38%	-16%	449	38%
<b>PRD &amp; Southern China</b>	<b>796,814</b>	<b>32%</b>	<b>-15%</b>	<b>3,477</b>	<b>69%</b>	<b>-23%</b>	<b>1,729</b>	<b>25%</b>	<b>-20%</b>	<b>8,073</b>	<b>-31%</b>
Changchun	150,934	8%	-35%	683	65%	-21%	366	16%	-22%	1,597	-45%
Taian	47,362	52%	8%	152	122%	-26%	97	60%	-15%	357	-42%
<b>Northern China</b>	<b>198,296</b>	<b>16%</b>	<b>-28%</b>	<b>835</b>	<b>73%</b>	<b>-22%</b>	<b>463</b>	<b>23%</b>	<b>-21%</b>	<b>1,953</b>	<b>-44%</b>
Wuhan	175,701	222%	-56%	264	-	-83%	256	-	-72%	1,613	-64%
Yueyang	33,266	-13%	-9%	165	109%	-16%	92	61%	-18%	390	-23%
Ganzhou	194,429	45%	17%	624	-7%	-6%	368	-31%	-18%	1,857	-25%
<b>Central China</b>	<b>403,397</b>	<b>78%</b>	<b>-33%</b>	<b>1,053</b>	<b>41%</b>	<b>-57%</b>	<b>716</b>	<b>21%</b>	<b>-51%</b>	<b>3,860</b>	<b>-48%</b>
Chengdu	567,772	73%	47%	1,545	6%	-3%	1,039	0%	12%	4,886	-13%
Nanning	285,620	89%	3%	1,062	153%	5%	539	68%	-3%	2,660	-35%
<b>Western China</b>	<b>853,392</b>	<b>78%</b>	<b>29%</b>	<b>2,607</b>	<b>39%</b>	<b>0%</b>	<b>1,578</b>	<b>16%</b>	<b>6%</b>	<b>7,546</b>	<b>-22%</b>
<b>Total</b>	<b>4,669,593</b>	<b>30%</b>	<b>-13%</b>	<b>18,012</b>	<b>59%</b>	<b>-20%</b>	<b>10,194</b>	<b>26%</b>	<b>-16%</b>	<b>46,226</b>	<b>-29%</b>
<b>Num. of cities Up</b>		<b>35</b>	<b>19</b>		<b>38</b>	<b>16</b>		<b>29</b>	<b>13</b>		<b>7</b>
<b>Num. of cities Down</b>		<b>7</b>	<b>23</b>		<b>3</b>	<b>26</b>		<b>12</b>	<b>29</b>		<b>35</b>

Source: Local governments, CWSI Research; note: Till 2020/4/17; due to data availability, Jilin and Zhanjiang data were deleted

**Table 4: Major cities inventory period increased YoY dramatically**

City	Inventory (sqm 000)	wow	yoy	Inventory period	wow	yoy
Beijing	11,055	5%	10%	28.9	-4%	154%
Shanghai	7,329	-2%	-4%	8.7	-8%	47%
Guangzhou	7,561	-1%	-7%	11.0	-8%	33%
Shenzhen	2,403	-4%	-27%	7.7	-1%	-45%
<b>Tier 1 Average</b>		<b>-1%</b>	<b>-7%</b>	<b>14.1</b>	<b>-5%</b>	<b>47%</b>
Hangzhou	3,187	1%	27%	4.6	-13%	26%
Nanjing	5,653	1%	70%	6.5	-5%	37%
Suzhou	5,587	1%	-1%	7.9	-4%	35%
Fuzhou	4,881	0%	61%	27.1	0%	79%
Jiangyin	3,957	-1%	-10%	21.6	-6%	6%
Wenzhou	10,365	1%	10%	22.1	-4%	142%
Quanzhou	7,080	1%	10%	60.0	9%	186%
Ningbo	2,773	3%	-14%	5.8	3%	43%
Dongying	1,645	-1%	19%	2.7	-7%	-63%
<b>Overall Average</b>		<b>0.3%</b>	<b>11%</b>	<b>16.5</b>	<b>-4%</b>	<b>52%</b>

Source: Local governments, CWSI Research; Note: Till 2020/4/17



## 3.2 Second-hand house transaction and price data

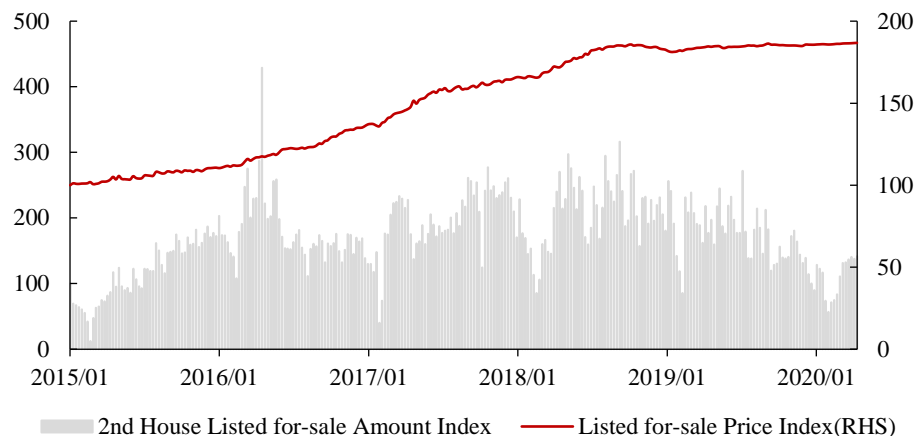
**Table 5: Major cities Second-hand house transaction volume, Shenzhen rose significantly YTD**

City	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	264,192	44%	-18%	908	62%	-32%	557	57%	-22%	2,354	-31%
Shenzhen	151,662	36%	8%	631	25%	30%	342	-12%	14%	1,808	55%
Hangzhou	144,520	58%	7%	505	209%	8%	290	110%	9%	933	-21%
Nanjing	216,428	43%	21%	798	65%	47%	473	11%	16%	1,864	24%
Chengdu	133,594	52%	-56%	407	97%	-64%	278	71%	-57%	1,217	-58%
Qingdao	115,332	35%	-1%	400	82%	-7%	248	54%	-3%	964	-7%
Wuxi	156,375	38%	1%	557	155%	13%	340	76%	9%	1,104	-5%
Suzhou	110,100	32%	-58%	451	21%	-44%	257	-7%	-58%	1,318	-47%
Xiamen	64,361	22%	-50%	237	36%	-51%	146	23%	-49%	671	-42%
Yangzhou	28,178	34%	4%	105	234%	12%	65	114%	18%	199	-27%
Yueyang	10,093	8%	-43%	41	89%	-40%	28	73%	-31%	108	-41%
Nanning	72,565	1071%	51%	189	69%	-11%	92	-17%	-9%	484	-30%
Foshan	77,686	31%	-49%	299	30%	-49%	174	10%	-49%	910	-47%
Jinhua	44,054	22%	24%	152	100%	-12%	103	85%	-12%	359	10%
Jiangmen	17,488	19%	-16%	65	19%	-31%	40	17%	-26%	136	-48%
<b>Total</b>	<b>1,606,629</b>	<b>45%</b>	<b>-21%</b>	<b>5,743</b>	<b>68%</b>	<b>-22%</b>	<b>3,433</b>	<b>31%</b>	<b>-24%</b>	<b>14,430</b>	<b>-26%</b>
<b>Num. of cities Up</b>		<b>15</b>	<b>7</b>		<b>15</b>	<b>5</b>		<b>12</b>	<b>5</b>		<b>3</b>
<b>Num. of cities Down</b>		<b>0</b>	<b>8</b>		<b>0</b>	<b>10</b>		<b>3</b>	<b>10</b>		<b>12</b>

Source: Local governments, CWSI Research; Note: Till 2020/4/17

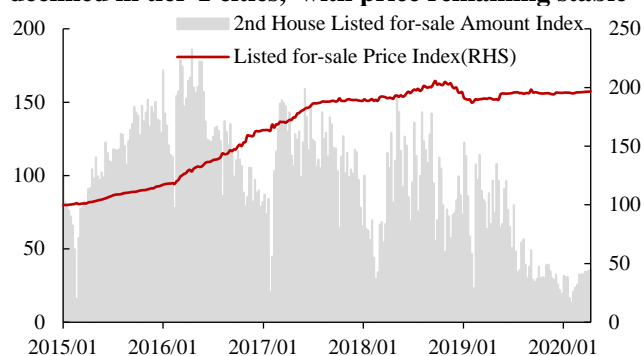


**Chart 19: 2nd house listed for-sale price index stopped rising recently**



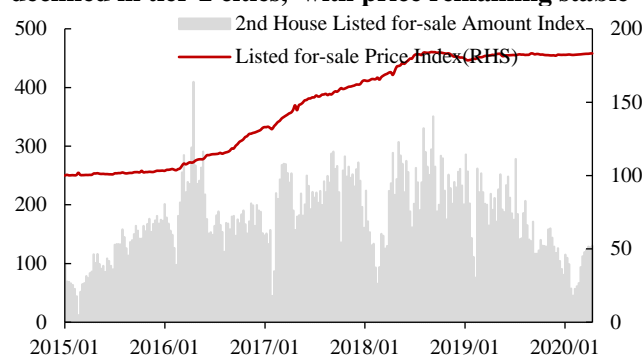
Source: Local Government, CWSI Research; Note: Till 2020/4/12

**Chart 20: 2nd house listed for-sale amount index declined in tier-1 cities, with price remaining stable**



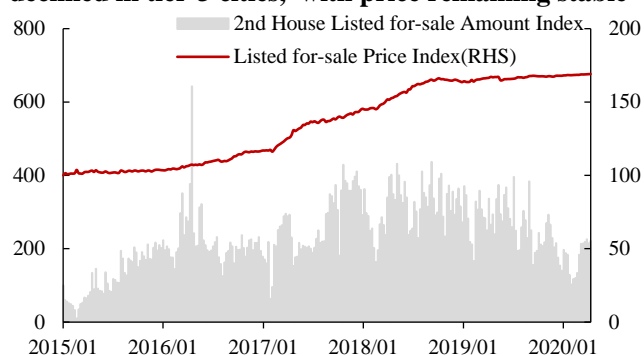
Source: Local Government, CWSI Research; Note: Till 2020/4/12

**Chart 21: 2nd house listed for sale amount index declined in tier-2 cities, with price remaining stable**



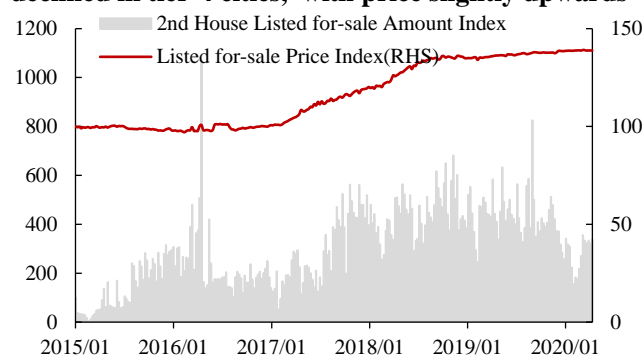
Source: Local Government, CWSI Research; Note: Till 2020/4/12

**Chart 22: 2nd house listed for-sale amount index declined in tier-3 cities, with price remaining stable**



Source: Local Government, CWSI Research; Note: Till 2020/4/12

**Chart 23: 2nd house listed for-sale amount index declined in tier-4 cities, with price slightly upwards**



Source: Local Government, CWSI Research; Note: Till 2020/4/12

## 4. Important Policies and News

### 4.1 Important Industry Policies News This Week

**Table 6: Important Industry Policies News This Week: Central bank carried out a one-year medium-term lending facility (MLF) operation of RMB 100 bn, with the bid winning rate of 2.95%, which was 3.15% before and reduced by 20bp; Shenzhen speeds up the supply of commercial housing, allow the payment of land transfer fees to be postponed, and promote the acceleration and efficiency of urban renewal**

Date	Region / Institution	Summary
2020-04-13	Jiangxi	The State Council has approved establishing an open economy pilot zone in East China's Jiangxi province. It should actively participate in the development of the Yangtze River Economic Belt, and coordinate with the construction of Guangdong-Hong Kong-Macao Greater Bay Area and the development of the Yangtze River Delta. The circular stressed to tapping into regional cooperation potential, promoting the free and efficient flow of resources, accelerating the construction of an open market layout, and exploring a new development path that advances reform, development and innovation through opening-up.
2020-04-13	Zhuhai	Zhuhai Municipal People's Government and Dalian Wanda Group signed the framework agreement of strategic alliance and would invest and cooperate in areas such as international sports events, commercial service complex, new city of high-end yacht industry and regional industry headquarter.
2020-04-13	Dalian	Talents such as college graduates could settle before employment, etc.
2020-04-13	Guangzhou	The depositor and his/her spouse who do not own house in the Guangzhou and purchase, construct, renovate and overhaul self-occupied house owned in Zhaoqing City could apply for withdrawal of housing provident fund.
2020-04-13	Leshan	From May 1, 2020, certifying standard of house and loan should be adjusted and the maximum housing provident fund loans for couples is set at RMB 500,000.
2020-04-14	the executive meetings of the State Council	China has planned to take more effective measure to renovate the old urban residential areas; the enterprise income tax on an enterprise in an encouraged industry established in western China shall be paid at the reduced rate of 15% and the term of implement should be extended; take solid steps to boost employment for college students.
2020-04-14	Shanghai	There are two changes in the rules on the assignment of land in Shanghai: for effective applicants of less than 6, the land should be directly assigned by means of quotation, and effective applicants should be bidders; for effective applicants of no less than 6, the land should be assigned by means of public bidding and price competition, and effective applicants should be tenders.
2020-04-14	Qingdao	The official website of the Qingdao Municipal Property Administration Bureau republished the activity rules of 2020 Qingdao Hundred-Day Consumption Season Online Housing Exhibition and withdrew the policy of freeing the restriction of sales published before. According to the rules before, Qingdao City encouraged demand for house as improvement. The real property ownership certificate could be traded after being held for 2 years. Local relevant talents do not need housing registration, social insurance or tax payment to purchase their first homes.



2020-04-14	Nanchang	Completely cancel the restrictions on the entry conditions such as the number of years of insurance and residence, and educational background requirements for housing registration in urban areas of Nanchang City. Implement the access policy of "zero threshold" which focuses on the application of people, does not attach other conditions, and allows the same family members to move with them.
2020-04-14	Chongqing	Extend the residence registration terms for people who work and conduct commercial activities, broaden the scope of residence registration for talents, and cancel the time limit of residence registration for students to fit the construction layout of new-type urbanization in Chongqing.
2020-04-15	Central Bank	The central bank carried out a one-year medium-term lending facility (MLF) operation of RMB 100 bn, with the bid winning rate of 2.95%, which was 3.15% before and reduced by 20bp.
2020-04-15	MOHURD	Proposed to comprehensively collect information of real estate property, provide services of automatic verification, and optimize services of online signature filing to promote the construction of one network within China.
2020-04-15	Guangzhou	Huangpu District of Guangzhou issued relevant policies to increase the support of "three old" transformation to industrial development, and clarify the proportion of construction. It is required that in addition to 11% of public service facilities, 5% of industrial housing or land should be transferred to the government for use or storage.
2020-04-15	Lanzhou	The down payment proportion of commercial real estate loans will be reduced from 70% to 50%. From May 1, 2020, when the land for new residential projects in the city is reserved and supplied, it will be specified in the planning conditions that the land transferee will build public rental housing in accordance with the proportion of 10% of the total building area of the residence.
2020-04-15	Zixing	Explicitly encourage reasonable housing consumption and provide three different types of subsidies. For the buyers who purchase new commercial housing in the urban areas and have paid the deed tax, subsidies would be provided according to 50% of the deed tax. For new residents, business establishments, and talents who purchase house, a one-time purchase subsidy of RMB 10,000 per household can be given.
2020-04-15	Foshan	From May 1, adjust the mortgage loan policy of housing provident fund, and point out that employees who deposit housing provident fund can apply for loans twice. Before the first loan is paid off, employees are not allowed to apply. No loans should be issued to employees who have ever applied for loans twice.
2020-04-15	Suzhou	The special talents identified by the Talent Office of Suzhou Industrial Park can apply for the preferential purchase of a single set of commercial housing with GFA of more than 160 sqm. The one-time centralized subscription period for the preferential purchase of commercial housing is adjusted from no less than 15 days to no less than 7 days.
2020-04-16	Central Bank	Continue to guide credit funds to support the development of the real economy, especially small and micro enterprises, through policy measures such as targeted reduction of bank reserve requirement ratio and re-lending. It is expected that the scale and coverage of small and micro loans will continue to grow rapidly.



2020-04-16	Guangzhou	By the end of 2020, the proportion of prefabricated buildings in the newly GFA in Guangzhou should be more than 30%; up to now, in Guangzhou, 96 plots of land which are required to adopt prefabricated buildings have been sold, of which 8.8mn sqm should be constructed prefabricated buildings.
2020-04-16	Ningbo	Based on Ningbo's household registration services, Jiangbei District and Putuo District of Zhoushan City took the lead in launching some cross city measures of household registration services.
2020-04-16	Shenzhen	Speed up the supply of commercial housing, allow the payment of land transfer fees to be postponed, and promote the acceleration and efficiency of urban renewal.
2020-04-17	the meeting of the Political Bureau of the CPC Central Committee	The prudent monetary policy should be more flexible and appropriate. Adopt means such as reducing bank reserve requirement ratio and tax and re-lending to maintain a reasonable and sufficient liquidity, guide the interest rate of the loan market to decline, apply funds to the support of real economy, especially SMBs and micro enterprises, and adhere to the positioning that houses are for living in, not for speculating with, so as to promote the stable and healthy development of the real estate market.

Source: Wind, Government website, CWSI Research

## 4.2 Key 2019 annual results announced this week

**Table 7: Key 2019 annual results announced this week: In 2019, CMSK realized revenue of RMB 97.7bn(+10.6%), net profit attributable to parent company owners of RMB 16.0bn(+5.2%); In 2019, BRC realized revenue of RMB 39.2bn(+27.2%), net profit attributable to parent company owners of RMB 3.5bn(+55.5%)**

CompanyRIC		Revenue		Net Profit Attributable to Parent Company owners	
		(RMB bn)	YoY	(RMB bn)	YoY
Property Development					
CMSK	001979.SZ	97.7	<div><div></div></div> 10.6%	16.0	<div><div></div></div> 5.2%
BRC	600466.SH	39.2	<div><div></div></div> 27.2%	3.5	<div><div></div></div> 55.5%
Huafa Industrial Share	600325.SH	33.1	<div><div></div></div> 39.9%	2.8	<div><div></div></div> 21.9%
FINANCIAL STREET	000402.SZ	26.2	<div><div></div></div> 18.4%	3.4	<div><div></div></div> 5.3%
BUCID	600266.SH	16.4	<div><div></div></div> 22.8%	2.1	<div><div></div></div> 69.7%
Oceanwide Holdings	000046.SZ	12.5	<div><div></div></div> 0.8%	1.1	<div><div></div></div> 17.6%
SHIBEI HI-TECH	600604.SH	1.1	<div><div></div></div> 114.7%	0.2	<div><div></div></div> -11.2%
Property Management					
CMPO	001914.SZ	6.1	<div><div></div></div> -8.7%	0.3	<div><div></div></div> -66.6%

Source: Wind, CWSI Research



### 4.3 Key Mar 2020 sales data announced this week

**Table 8: Key Mar 2020 sales data announced this week: CR Land realized accumulated contracted sales from Jan to Mar 2020 of RMB 38.91bn(-24.0%); Sinicdc realized accumulated contracted sales from Jan to Mar 2020 of RMB 14.44bn**

Company	RIC	Jan-Mar contracted sales		Jan-Mar contracted GFA		Mar contracted sales		Mar contracted GFA	
		(RMB bn)	YoY	(000 sqm)	YoY	(RMB bn)	YoY	(000 sqm)	YoY
CR Land	1109.HK	38.91	-24.0%	2155	-20.4%	22.41	-13.3%	1313	6.5%
Sinicdc	2103.HK	14.44	-	-	-	7.33	-	-	-
CM Land	0978.HK	4.76	-20.1%	293	-17.8%	-	-	-	-
LandSea	0106.HK	3.31	1.7%	196	-11.8%	-	-	-	-
JIAYUAN INTL	2768.HK	3.1	-35.0%	280	-42.0%	0.73	-62.0%	76	-57.0%
MinMetals Land	0230.HK	1.08	-	67	-	-	-	-	-
NJGK	600064.SH	0.58	-52.0%	91	170.9%	-	-	-	-

Source: Company Announcements, CWSI Research

## 4.4 Company news and announcements

**Table 9: Company news and announcements: PRE issued 3+N medium-term notes of RMB 1.6bn and 3.07%; main shareholder of Longfor continued to increase its shareholding**

Date	Company	Summary
2020-04-13	SMC	As of April 9, 2020, the CITIC Trust-Hilton Nanjing Riverside Asset Support Special Plan received RMB 710 mn of subscription funds, and the volume of the subscription funds reached the scale of the special program. The special plan was established.
2020-04-13	SMI Holding	The company's shareholder Hony (Shanghai) Equity Investment Fund Centre (L.P.) plans to reduce its holdings by c.7.987mn shares, accounting for c.0.3% of the company's total share capital, and its shareholding ratio has changed to c.6.7%.
2020-04-13	Risesun	The company has received no objection letter from the Shenzhen Stock Exchange on the asset-backed special program for housing purchase payment. The total amount of the issuance does not exceed c.RMB 710 mn.
2020-04-13	PRE	On April 10, the company successfully issued 3+N medium-term notes of RMB 1.6bn and 3.07%.
2020-04-13	SID	Integrity International Credit Rating Co., Ltd. gives the company and its 2019 corporate bonds (first and second periods) AA + rating.
2020-04-13	CMSK	In the first quarter of 2020, the company's net profit attributable to shareholders was c.RMB 400-600mn (-77.2% -84.8%), and basic EPS was c.RMB 0.02-0.04.
2020-04-13	CG Services	The company acquired 100% equity and debt of Wenjin International for RMB 84.11mn.
2020-04-14	WGQ	The company planned to issue 5-year corporate bonds with a total amount not exceeding RMB 1.5 bn. Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. rated the company and the bonds as AAA grade.
2020-04-14	Oceanwide Holdings	The first quarter performance announcement was issued. It is expected that the net profit attributable to listed shareholders will be c.RMB -150 mn to -80 mn, and the basic EPS will be c.RMB -0.0289 to -0.0154.
2020-04-14	FINANCIAL STREET	The first quarter performance announcement was issued. It is expected that the net profit attributable to listed shareholders will be c.RMB 120 mn to 180 mn (-80% to -70%), and the basic EPS will be c.RMB 0.04 to 0.06.
2020-04-14	Jingrui	The 7.75% senior notes due in 2020 have been redeemed.
2020-04-14	CR Land	In March 2020, the company obtained 3 real estate projects in Shenyang, Suzhou and Shenzhen.
2020-04-15	Jinke	The chairman of the company, Mr. Jiang Sihai, and the secretary of the board of directors, Mr. Xu Guofu, plan to increase shares by not less than RMB 30 mn and not less than RMB 5 mn respectively.
2020-04-15	Longfor	Charm Talent International Limited, the company's main shareholder, increased its shareholding by 4.2 mn shares, accounting for c.0.07% of the company's total share capital. After the increase, it held c.2.64 bn shares, accounting for c.44.0% of the company's total share capital.
2020-04-15	GOLDEN BRIDGE	Issuance of RMB 1.5 bn of medium-term notes and RMB 1.5 bn of ultra-short-term financing bills was approved by the National Association of Financial Market Institutional Investors on April 14.



2020-04-17	JIAYUAN INTL	The company purchased a land plot of c.73,000 sqm in Luyang District, Hefei, Anhui Province for c.RMB 770 mn.
2020-04-17	FINANCIAL STREET	The Asset-backed Special Program of Financial Street Center received RMB 8 bn of subscription funds. The volume of the subscription funds reached the scale of the special program fundraising. The special program was established.
2020-04-17	Binjiang	The company purchased two land plots of 30,000 sqm and 56,000 sqm in the Pearl Peninsula of Chun'an County, Hangzhou City for RMB 160mn and RMB 420mn, respectively, with a shareholding of 100%.
2020-04-17	ZJHTC	The company issued a three-year, 2.5 % medium-term note of RMB 1 bn.
2020-04-17	Future Land	The company received from the Shanghai Stock Exchange the No Objection Letter about the First Phase of the Asset-Backed Special Program on the Listing and Transferring of Asset-backed Securities for Huaxi Securities-Xincheng Wuyue Commercial Property. The total amount of the issuance does not exceed c.RMB 2.95 bn.

Source: Company Announcements, CWSI Research

**Note:**

1. Certain uncertainties in the industry regulation and financing policies may affect the sales performance of listed companies;
2. Macroeconomic fluctuations may have certain impact on business operations within the industry;
3. Uncertainties in the control of COVID-19 spread.

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Buy – Describes stocks that we expect to provide a relative return of >20%.

Accumulate – Describes stocks that we expect to provide a relative return of between 5% and 20%.

Hold – Describes stocks that we expect to provide a relative return of between -10% and +5%.

Sell – Describes stocks that we expect to provide a relative return of <-10%.

#### **2) Sector Ratings:**

Overweight – Describes sectors that we expect to provide a relative return of >10%.

Neutral – Describes sectors that we expect to provide a relative return of between -10% and +10%.

Underweight – Describes sectors that we expect to provide a relative return of <-10%.

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