



## This Week in China

### Public offered REITs: Setting Sail

#### Comments:

**The Chinese version of REITs is about to launch a pilot project after many years of preparation, supporting economic development.** Recently, CSRC and NDRC issued documents to promote the pilot project of REITs in the infrastructure sector, starting the development of China's public offered REITs.

**The pilot REITs products have achieved breakthroughs in many aspects than before.** In terms of underlying asset, the REITs expand scope of underlying assets from expressways to infrastructure including municipal engineering, pollution control, information networks and industrial parks. In terms of offer type, public offering allows public investors to participate in REITs investment for the first time with subscription ratio  $\leq 16\%$ . In terms of equity attribute, the equity share of infrastructure projects will be publicly traded through REITs, involving more equity attributes. In terms of operation, the underlying assets of the pilot REITs are more abundant, and some types of infrastructure have room to increase value through operation. The REITs will hopefully guide social capital into the investment field more widely, making the investment and financing system of infrastructure more market-oriented.

**The pilot REITs products have some differences from overseas.** In terms of active management, overseas REITs hold a relatively rich infrastructure property portfolio. Most of the underlying assets of this REITs are state-owned public utility-related infrastructure or concession rights, involving only a single infrastructure project, and the degree of active management is relatively low. In terms of tax policy, this time there is no relevant tax preferential policies as overseas REITs.

**The launch of public offered infrastructure REITs is a major achievement in the innovation of financing channels, and it is expected to help economic development and the long-term healthy development of public offered REITs in China.** The public offered infrastructure REITs are expected to guide social capital to enter the field of infrastructure construction on the premise of maintaining a stable and healthy development of the real estate industry, ease the funding pressure on infrastructure projects and local government's debt pressure, and better promote infrastructure investment and guarantee employment, providing impetus for economic development after the epidemic. With the advancement of the pilot product and the further improvement of relevant systems, the scope of the underlying assets involved in the REITs market is expected to gradually expand, and China's REITs market will gradually become mature.

#### Data points:

As of Apr 30<sup>th</sup>, new house transaction area in 42 major cities this week rose 15% WoW, and cumulative transaction area in 2020 fell by 27% YoY.

As of Apr 30<sup>th</sup>, saleable area (inventory) in 13 major cities this week rose 2%; average inventory period was 15.9months, decreasing 1% WoW.

As of Apr 30<sup>th</sup>, second-hand housing transactions in 15 major cities this week increased 14% WoW, and cumulative transaction area in 2020 fell 23% YoY.

#### Suggestion:

In April, contracted sales of top 100 developers were close to the same period last year, and as economic activities recovered, bond issuing and business spin-offs of some developers have been steadily advancing recently, and the liquidity pressure on developers may gradually ease. In terms of policies, the approval of the China-Korea (Changchun) International Cooperation Demonstration Zone and the Eastern New District of Chengdu, etc. this week continue to reflect the direction of regional coordinated development; Jinan abolished urban Hukou restrictions, expecting to help regional economic development in mid-to-long term and boost local housing demand. Maintain "Overweight" rating.

**Overweight**

(Maintain)

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# 1. Public offered REITs: Setting Sail

## 1.1 Public offered infrastructure REITs to boost economic growth

**The Chinese version of REITs is about to launch a pilot project after many years of preparation, with infrastructure as the underlying asset.** Recently, CSRC and NDRC issued documents to promote the pilot project of Real Estate Investment Trust in the infrastructure sector, and CSRC issued the "Guidelines for Publicly Offered Infrastructure REITs (Trial)" (Draft for Comments), which started the development of public offered REITs in China. The underlying assets of this REITs are infrastructure, including storage and logistics, toll roads, airport and port transportation facilities, municipal facilities such as water, electricity and heat, and other infrastructure such as industrial parks. It does not include residential and commercial real estate. Infrastructure REITs have been in preparation for a long time. NDRC, CSRC and central bank have continued to support the advancement of infrastructure reits in recent years. The launch of public offered infrastructure REITs is a major stage achievement of China's REITs market construction.

**Table 1: Infrastructure REITs continued to be supported by multiple departments**

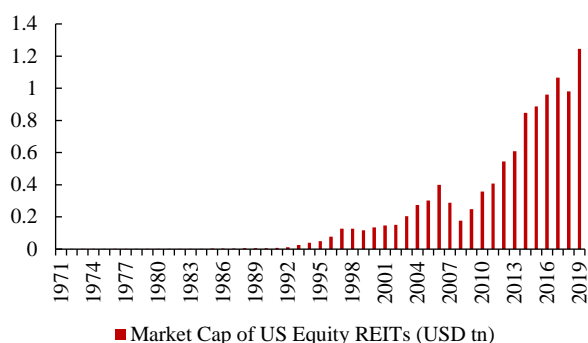
Date	Institution	Policy Summary
2016-12	CSRC, NDRC	Promoted real estate investment trust(REITs) and further support the construction of traditional infrastructure projects.
2017-06	MOF, Central Bank, CSRC	Promoted the development of real estate investment trust(REITs) and encourage various market funds to invest in ABS products of PPP projects.
2018-11	SSE	Liu Shaotong, deputy general manager of the SSE, stated at the Fourth China PPP Financing Forum in 2018 that the relevant financial regulatory authorities are studying the relevant systems and promotion methods of infrastructure REITs.
2019-11	CSRC	CSRC Vice Chairman Yan Qingmin proposed at the 2019 China-Singapore (Chongqing) Strategic Connectivity Demonstration Project Financial Summit that CSRC is working with relevant ministries and commissions to study and promote the pilot work of public offered REITs in key areas and support infrastructure projects in Singapore and China Industrial Park to finance through public offering of REITs.
2020-04	CSRC, NDRC	Promoted the pilot work of real estate investment trust in the field of infrastructure.
2020-04	CSRC	Specified relevant guidelines for regulating the establishment, operation and other related activities of publicly offered infrastructure REITs.

Source: Government websites, CWSI Research

**The policy introduced at this time is intended to support economic development and stimulate investment by introducing social capital into the field of infrastructure construction.** According to international experience, the lack of national economic growth momentum is a common background for REITs to launch or begin to prosper. SARS has affected Hong Kong's economic growth, and in July 2003, Hong Kong launched REITs to enrich investment varieties and stimulate economic

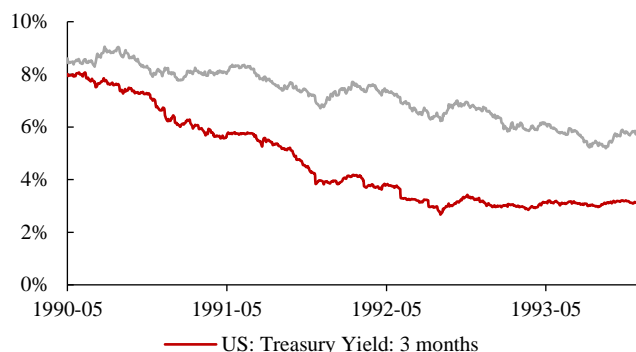
development. Equity-type REITs in the United States began to prosper massively in the 1990s, with a background of the bursting of the commercial real estate bubble and the Federal Reserve's gradual reduction of interest rates in an attempt to alleviate the economic recession, the yield of three-month US Treasury bonds fell in the early 1990s from 6.2% in early 1991 to 3.1% as of end-1993. At present, COVID-19 prevention and control has put pressure on global economic growth. In 2020Q1, China's GDP growth rate fell by 6.8% YoY, achieving the first single-quarter negative growth since 1992. In order to enhance the economic growth momentum, many places have already strengthened consumption through the issuance of consumer coupons and other channels, and stimulate investment through new infrastructure construction. In the short term, infrastructure REITs can guide social capital into the field of infrastructure construction, ease the funding pressure on infrastructure projects and the debt pressure of local governments, and better promote infrastructure investment and guarantee employment, thereby providing impetus for economic growth.

**Chart 1: U.S. REITs began to prosper in the 1990s**



Source: NAREIT, CWSI Research

**Chart2: U.S. Treasury yields continued to decline in the early 1990s**

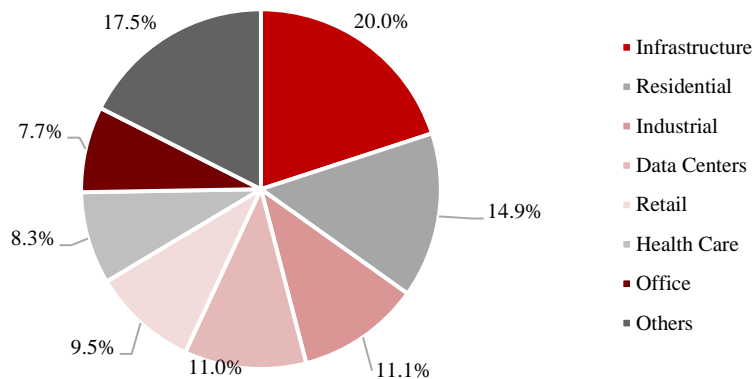


Source: Wind, CWSI Research

**Infrastructure is an important part of the underlying assets of REITs.** In more developed REITs markets such as the United States, REITs investors can invest in and operate a variety of property types, including residential, office, retail, industrial, health care, and infrastructure, etc. As of end-Mar 2020, 162 U.S. equity REITs included in FTSE NAREIT had a total market value of approximately USD 1.03 tn. Among them, infrastructure, residential, industrial, and data centers have the highest market cap share in terms of underlying assets, with market cap accounting for 20.0%, 14.9%, 11.1%, and 11.0%, respectively.

**Chart 3: The underlying assets of U.S. equity REITs are mainly infrastructure and operating real estate**

FTSE NAREIT Equity REITs Market Cap. by property sector



Source: FTSE, NAREIT, CWSI Research; Note: Till end-Mar 2020

## 1.2 What is the pilot infrastructure REITs this time?

### 1.2.1 How are the pilot infrastructure REITs different from the previous ones?

Previously, China's infrastructure REITs existed in the form of "private equity funds + ABS", with strong bond attributes. Before this document was released, there were few infrastructure REITs in China, all of which used highways as the underlying assets, were issued by private equity, and were sold in the bond market. Take the Shenzhen Stock Exchange's first infrastructure REITs Huatai-Sichuan Expressway Lanna Expressway Asset Support Special Program as an example. It raised funds through private equity and traded in the bond market with a priority coupon rate of 3.68%, showing strong bond attributes.

**Table 2: Sichuan Expressway REITs are issued by private placement and have strong bond attributes**

	Priority	Secondary
Base Asset	Longna Expressway (Longchang-Naxi) expressway assets, vehicle toll collection right and subsidiary rights	
Offer Type	Private offer	
Issue Amount (RMB bn)	1.644	0.333
Coupon Type	Fixed	-
Current Coupon	3.68%	-
Maturity (Years)	10.92	10.92

Source: Wind, CWSI Research

The pilot infrastructure REITs this time is different from the previous ones in the following aspects.

**The range of underlying assets is wider.** The underlying assets of the above domestic infrastructure REITs are all highways, and the cash flow is mainly derived from highway tolls, etc., the underlying asset class is single. This pilot product focused on key industries, giving priority to supporting infrastructure shortcomings industries, a wider range of underlying assets are included.

**Table 3: Pilot infrastructure REITs this time has a wider range of underlying assets**

Asset Type	Industries
Transportation Facilities	Warehouse Logistics Toll Road
Municipal Engineering	Water, Electricity, Gas, Heat
Pollution control	Wastewater Treatment Solid Waste Treatment
New infrastructure	Information Network
Industry related	National Strategic Emerging Industrial Cluster High-tech Industrial Park Characteristic Industrial Park

Source: CSRC, CWSI Research

**The offer type is public offering, investors are mainly institutional, and public investors can also participate.** Previously, domestic infrastructure REITs products existed in the form of "private equity funds + ABS", and public investors were not allowed to participate; this time, the pilot REITs will be issued through public offerings, which lowered the threshold for investment participation to a certain extent, so the funds raised may increase in scale. **This public offering of REITs is still participated mainly by institutional investors.** According to the product guidelines of CSRC, the proportion of strategic placements (targeted at original equity owners of infrastructure projects and professional institutional investors) is not less than 20%, and the proportion of offline offers (targeted at securities companies, fund management companies, trust companies, financial companies, insurance companies, qualified foreign investors, qualified private equity managers, bank wealth management subsidiaries, social security funds, infrastructure investment institutions, government special funds, industrial investment funds and other professional institutional investors) is not less than 80% after deducting the proportion of strategic placement. Assuming that the proportion of strategic placement and offline sales are both at the lower limit in this guideline, and the part after the deduction of the above-mentioned parts will all subscribed by public investors, then public investors will participate in the subscription of 16% of REITs. **Although the proportion of public investors participating in publicly-funded REITs is relatively small, there has been some progress compared to the previous REITs that only institutional investors participated in.**

**Table 4: Public investors can participate in the pilot infrastructure REITs this time**

Placing stage	Targets	Placing Proportion
Strategic placement	Original equity owners of infrastructure projects and professional institutional investors	≥20%
Offline placement	Securities companies, fund management companies, trust companies, financial companies, insurance companies, qualified foreign investors, qualified private equity managers, bank wealth management subsidiaries, social security funds, infrastructure investment institutions, government special funds, industrial investment funds and other professional institutional investors	≥64%
Public placement	Public investors	≤16%

Source: CSRC, CWSI Research

**The equity attribute is stronger, involving the transfer of equity shares of the underlying assets.** The previous infrastructure REITs basically securitized the future cash flow of infrastructure projects as a source of repayment for fixed-income products, without involving equity shares of infrastructure projects or their franchise rights. In the infrastructure REITs promoted this time, REITs will hold the entire share of ABS, and ABS will hold all the equity of the infrastructure project companies. The equity share of infrastructure projects will be publicly traded through REITs, and the equity attribute of REITs will be stronger.

**Higher participation in the operation and management of the underlying assets.** Previously, the underlying REITs products were all highways and did not involve the holding of equity in the underlying assets, so the operability to increase their value was not high. The underlying assets of the piloted REITs are more abundant, and some infrastructure types have room to increase value through operation. Fund managers need to actively operate and manage infrastructure projects; at the same time, this REITs will obtain full ownership or franchise rights of the underlying infrastructure projects through SPV, increasing the participation in the operation and management of underlying assets.

### 1.2.2 How are the pilot infrastructure REITs different from overseas mature REITs?

**Overseas REITs have some basic requirements at the legal level, and this public offering infrastructure REITs are basically in line.** REITs have the following legal characteristics: 1) REITs must distribute at least 90% of annual taxable income as dividends to their shareholders; 2) REITs must invest 75% of their assets in real estate, mortgages, other REITs shares, cash Or government securities; 3) REITs must obtain at least 75% of the total income from the rent, mortgage interest, and gains from the sale of real estate; 4) REITs should have at least 100 share holders, concentrated in any 5 people Or less people must have a share of less than 50%. According to this document, the publicly-funded infrastructure REITs launched this time only need to control the number of share holders and the proportion of share held during the recruitment process to meet the above characteristics.



**Table 5: The pilot public offered of REITs basically conforms to the legal characteristics of US REITs**

Legal characteristics of U.S. reits	The pilot REITs this time
At least 90% of a REIT's annual taxable net income must be distribution to shareholders as dividends each year.	The income distribution ratio is not less than 90% of the fund's annual distributable profits.
75% or more of a REIT's total assets must be real estate, mortgages, cash or federal government securities.	More than 80% of fund assets hold all shares of a single infrastructure ABS, and infrastructure ABS hold all equity of infrastructure project companies.
75% or more of the REIT's yearly gross income must be derived directly or indirectly from real property.	Fund managers actively operate and manage infrastructure projects, with the main purpose of obtaining stable cash flows such as rents and fees from infrastructure projects.
Must be at least 100 different shareholders, no 5 or fewer individuals may own more than 50% of the REIT's stock.	No specific requirements

Source: CSRC, *Investing In REITs: Real Estate Investment Trusts (4<sup>th</sup> Edition)*, CWSI Research

**Compared with overseas, the pilot public offered infrastructure REITs are still different in the following aspects.**

**The underlying asset types and ownership are different.** The underlying assets of the infrastructure REITs launched this time are mainly state-owned public utility-related infrastructure or its franchise, while the infrastructure REITs in the United States are mostly fiber cables, wireless infrastructure, telecommunications towers and energy pipelines owned and managed by REITs.

**The degree of active management is relatively low.** More than 80% of the fund assets of the public offered REITs in this pilot hold a single infrastructure ABS, which holds all the equity of the infrastructure project company, which means that this REITs does not involve active management methods such as the sale of underlying assets, but to disperse and sell the equity parts of a single project to investors. The underlying assets of overseas infrastructure REITs are more abundant and management is more active. Taking US infrastructure REITs as an example, Crown Castle International Corp. operates and leases over 40,000 cell towers and approximately 80,000 route miles of fiber, and American Tower Corporation develops and operates approximately 180,000 communication sites.

**No related tax preferential policies are involved.** A key feature of overseas REITs is the ability to avoid double taxation, and no tax benefits have been mentioned in document this time.

### **1.3 Infrastructure REITs create a good start for the Chinese version of public offered REITs**

**The launch of public offered infrastructure REITs is a major achievement in the innovation of financing channels, and it is expected to help economic development and the long-term healthy development of public offered REITs in China.** As mentioned earlier, this public offered infrastructure REITs were launched in a timely manner under the preparation of CSRC, NDRC and other departments for many years, and will boost economic development ease the pressure of local government debt to some extent. The pilot REITs have expanded the scope of basic assets on the basis of the previous ones, increased the participation of public investors through public offerings, have stronger equity attributes through the transfer of equity shares of underlying assets, and improved the operation of underlying assets, achieving breakthroughs in many aspects, expecting to guide social capital into the investment field, and making the investment and financing system of infrastructure more market-oriented. There are still some differences between this pilot product and overseas mature products in terms of active management. With the advancement of the pilot product and the further improvement of relevant systems, the scope of the underlying assets involved in the REITs market is expected to gradually expand, and China's REITs market will gradually become mature.

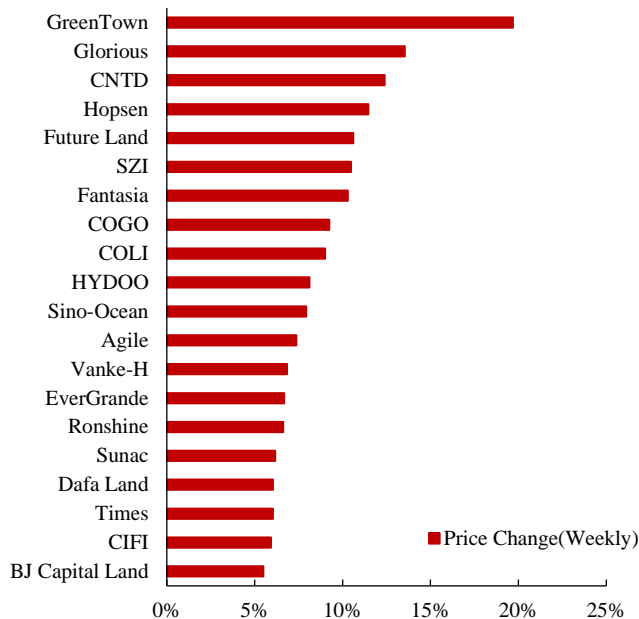


## 2. Sector Performance

### 2.1 Performance of developer sector

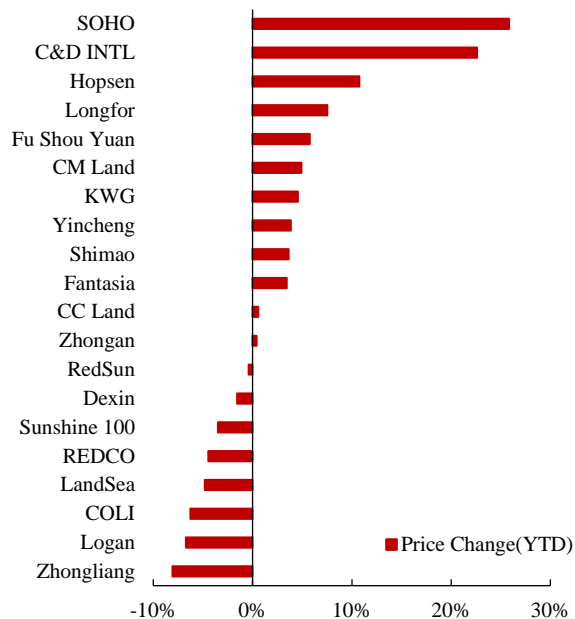
This week, GreenTown, Glorious and CNTD had larger price increase than peers. SOHO, C&D INTL and Hopsen had better share price performance, YTD.

**Chart 4: This week, GreenTown, Glorious and CNTD had larger price increase than peers**



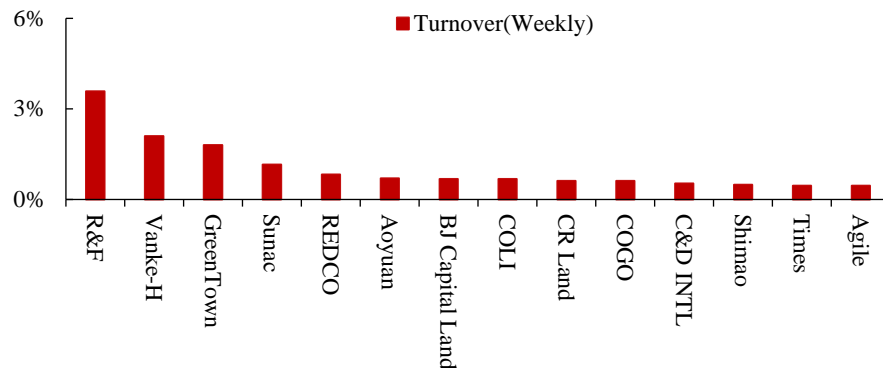
Source: Wind, CWSI Research

**Chart 5: SOHO, C&D INTL and Hopsen had better share price performance, YTD**



Source: Wind, CWSI Research

**Chart 6: R&F, Vanke-H and GreenTown were most actively traded this week**

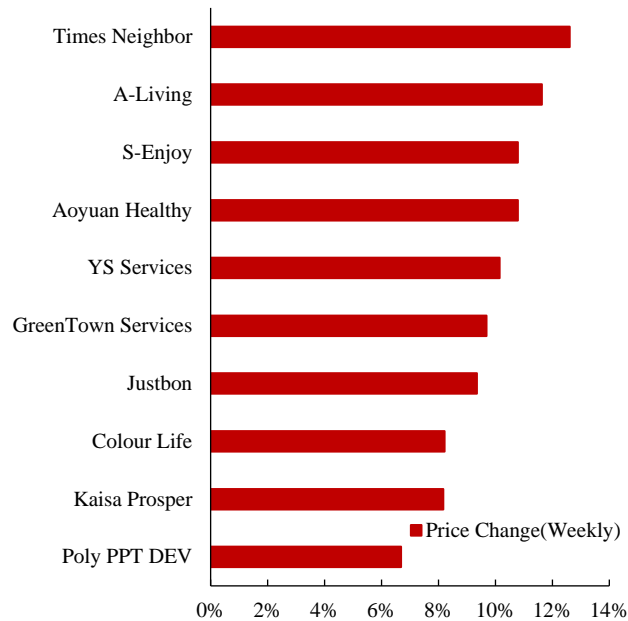


Source: Wind, CWSI Research

## 2.2 Performance of property service sector

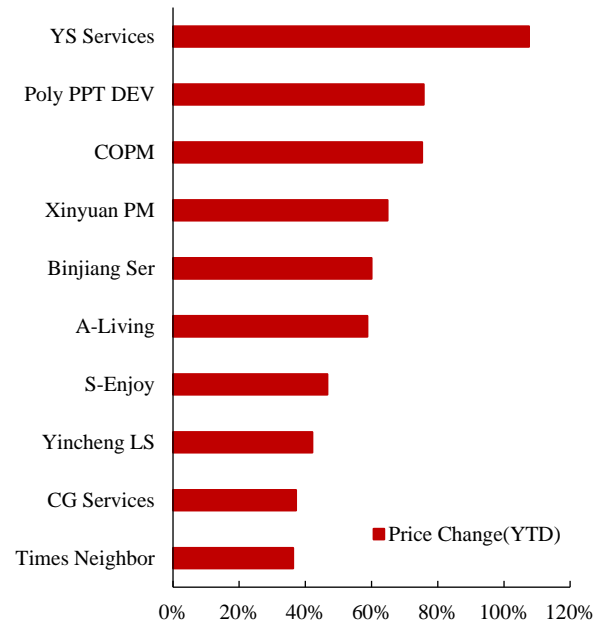
This week, Times Neighbor, A-Living and S-Enjoy had larger price increase than peers.  
YS Services, Poly PPT DEV and COPM had better share price performance YTD.

**Chart 7: This week, Times Neighbor, A-Living and S-Enjoy had larger price increase than peers**



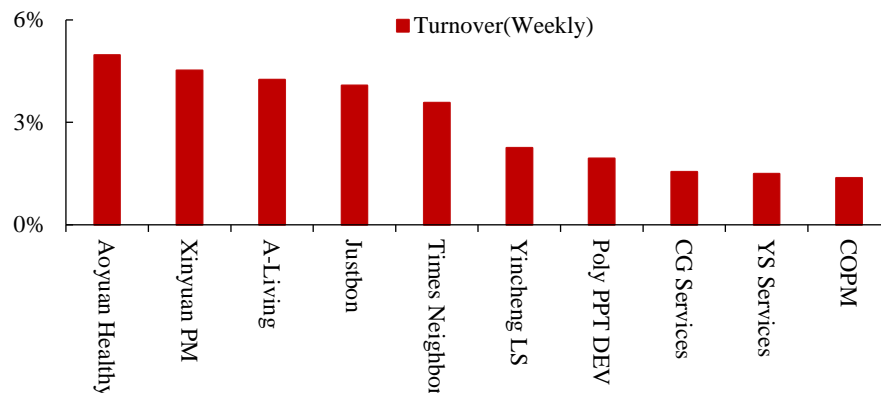
Source: Wind, CWSI Research

**Chart 8: YS Services, Poly PPT DEV and COPM had better share price performance YTD**



Source: Wind, CWSI Research

**Chart 9: Aoyuan Healthy, Xinyuan PM and A-Living were most actively traded this week**



Source: Wind, CWSI Research

## 3. Major cities transaction performance

### 3.1 New house transaction data

Table 6: 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	124,016	21%	-31%	409	60%	-43%	409	60%	-43%	1,383	-40%
Shanghai	379,100	76%	13%	1,006	42%	-21%	1,006	42%	-21%	2,694	-39%
Guangzhou	219,940	34%	-5%	658	10%	-19%	658	10%	-19%	1,761	-35%
Shenzhen	75,909	16%	-10%	328	3%	27%	328	3%	27%	1,023	9%
<b>Tier 1</b>	<b>798,965</b>	<b>46%</b>	<b>-4%</b>	<b>2,400</b>	<b>28%</b>	<b>-21%</b>	<b>2,400</b>	<b>28%</b>	<b>-21%</b>	<b>6,861</b>	<b>-34%</b>
<b>Tier 2</b>	<b>2,530,312</b>	<b>10%</b>	<b>-2%</b>	<b>9,094</b>	<b>35%</b>	<b>-9%</b>	<b>9,094</b>	<b>35%</b>	<b>-9%</b>	<b>25,835</b>	<b>-22%</b>
<b>Tier 3</b>	<b>2,274,357</b>	<b>13%</b>	<b>-11%</b>	<b>8,356</b>	<b>15%</b>	<b>-14%</b>	<b>8,356</b>	<b>15%</b>	<b>-14%</b>	<b>23,185</b>	<b>-29%</b>
Beijing	124,016	21%	-31%	409	60%	-43%	409	60%	-43%	1,383	-40%
Qingdao	495,241	29%	78%	1,464	31%	23%	1,464	31%	23%	3,508	-5%
Dongying	117,602	16%	317%	464	5%	174%	464	5%	174%	1,031	129%
<b>PBR</b>	<b>736,859</b>	<b>25%</b>	<b>52%</b>	<b>2,337</b>	<b>29%</b>	<b>13%</b>	<b>2,337</b>	<b>29%</b>	<b>13%</b>	<b>5,922</b>	<b>-8%</b>
Shanghai	379,100	76%	13%	1,006	42%	-21%	1,006	42%	-21%	2,694	-39%
Nanjing	69,286	-50%	-62%	778	23%	12%	778	23%	12%	2,266	7%
Hangzhou	238,488	12%	9%	821	22%	13%	821	22%	13%	2,188	1%
Suzhou	199,508	33%	-42%	781	22%	-33%	781	22%	-33%	2,381	-22%
Wuxi	158,700	16%	5%	470	15%	-7%	470	15%	-7%	1,341	-26%
Yangzhou	11,921	-76%	75%	176	0%	7%	176	0%	7%	554	-21%
Jiangyin	58,594	47%	-9%	193	20%	-21%	193	20%	-21%	613	-18%
Wenzhou	251,236	56%	-31%	654	47%	-37%	654	47%	-37%	2,086	-44%
Jinhua	52,846	36%	-16%	185	52%	-24%	185	52%	-24%	419	-28%
Changzhou	38,940	-4%	-78%	194	-30%	-67%	194	-30%	-67%	771	-46%
Huaian	81,044	-11%	-3%	353	17%	9%	353	17%	9%	1,126	-27%
Lianyungang	132,194	12%	32%	507	13%	8%	507	13%	8%	1,467	-21%
Shaoxing	60,418	48%	-2%	190	-3%	-12%	190	-3%	-12%	553	-22%
Taizhou	25,259	-22%	225%	109	10%	26%	109	10%	26%	263	-2%
Zhenjiang	189,754	57%	-15%	563	28%	-21%	563	28%	-21%	1,404	-42%
Huainan	43,921	17%	-39%	178	34%	-2%	178	34%	-2%	428	-32%
Wuhu	30,778	-31%	-36%	165	-1%	7%	165	-1%	7%	441	-2%
Yancheng	95,492	-3%	38%	468	52%	54%	468	52%	54%	1,034	-6%
Zhoushan	45,592	43%	7%	141	44%	14%	141	44%	14%	330	-5%
Chizhou	16,877	-4%	-62%	90	23%	-35%	90	23%	-35%	251	-38%
Ningbo	196,993	41%	-15%	583	59%	-27%	583	59%	-27%	1,497	-28%
<b>YRD</b>	<b>2,376,940</b>	<b>21%</b>	<b>-18%</b>	<b>8,605</b>	<b>25%</b>	<b>-15%</b>	<b>8,605</b>	<b>25%</b>	<b>-15%</b>	<b>24,106</b>	<b>-26%</b>
Guangzhou	219,940	34%	-5%	658	10%	-19%	658	10%	-19%	1,761	-35%
Shenzhen	75,909	16%	-10%	328	3%	27%	328	3%	27%	1,023	9%
Fuzhou	32,291	11%	-13%	133	-32%	-18%	133	-32%	-18%	611	-27%
Dongguan	153,681	54%	8%	444	46%	0%	444	46%	0%	1,098	-19%
Quanzhou	40,956	-25%	-24%	150	8%	-45%	150	8%	-45%	502	-58%
Putian	54,310	101%	50%	129	-14%	15%	129	-14%	15%	427	-18%
Huizhou	44,216	-37%	-27%	185	35%	-25%	185	35%	-25%	522	-33%
Shaoguan	42,862	15%	4%	130	-28%	-3%	130	-28%	-3%	425	-5%
Foshan	329,347	19%	-19%	1,115	32%	-25%	1,115	32%	-25%	2,738	-37%
Jiangmen	39,365	68%	77%	102	9%	15%	102	9%	15%	262	10%
Zhaoqing	45,719	15%	-27%	178	8%	-24%	178	8%	-24%	525	19%

<b>PRD &amp; Southern China</b>	<b>1,078,596</b>	<b>22%</b>	<b>-8%</b>	<b>3,550</b>	<b>14%</b>	<b>-16%</b>	<b>3,550</b>	<b>14%</b>	<b>-16%</b>	<b>9,894</b>	<b>-28%</b>
Changchun	159,161	-3%	-23%	659	4%	-22%	659	4%	-22%	1,890	-42%
Taian	37,409	-17%	-28%	175	53%	-17%	175	53%	-17%	435	-39%
<b>Northern China</b>	<b>196,570</b>	<b>-6%</b>	<b>-24%</b>	<b>835</b>	<b>12%</b>	<b>-21%</b>	<b>835</b>	<b>12%</b>	<b>-21%</b>	<b>2,325</b>	<b>-42%</b>
Wuhan	297,115	33%	-38%	743	<b>8848%</b>	<b>-57%</b>	743	<b>8848%</b>	<b>-57%</b>	2,100	<b>-60%</b>
Yueyang	45,625	-1%	11%	184	41%	2%	184	41%	2%	481	-16%
Ganzhou	182,919	9%	43%	718	-9%	4%	718	-9%	4%	2,207	-19%
<b>Central China</b>	<b>525,658</b>	<b>20%</b>	<b>-19%</b>	<b>1,645</b>	<b>77%</b>	<b>-36%</b>	<b>1,645</b>	<b>77%</b>	<b>-36%</b>	<b>4,789</b>	<b>-44%</b>
Chengdu	466,447	-8%	42%	1,925	24%	22%	1,925	24%	22%	5,772	-9%
Nanning	222,563	-19%	21%	952	13%	-4%	952	13%	-4%	3,073	-33%
<b>Western China</b>	<b>689,010</b>	<b>-12%</b>	<b>34%</b>	<b>2,877</b>	<b>20%</b>	<b>12%</b>	<b>2,877</b>	<b>20%</b>	<b>12%</b>	<b>8,846</b>	<b>-19%</b>
<b>Total</b>	<b>5,603,634</b>	<b>15%</b>	<b>-6%</b>	<b>19,849</b>	<b>25%</b>	<b>-13%</b>	<b>19,849</b>	<b>25%</b>	<b>-13%</b>	<b>55,881</b>	<b>-27%</b>
<b>Num. of cities Up</b>		<b>27</b>	<b>18</b>		<b>34</b>	<b>17</b>		<b>34</b>	<b>17</b>		<b>6</b>
<b>Num. of cities Down</b>		<b>15</b>	<b>24</b>		<b>8</b>	<b>25</b>		<b>8</b>	<b>25</b>		<b>36</b>

Source: Local governments, CWSI Research; Note: Till 2020/4/30

**Table 7: Major cities inventory period increased YoY dramatically**

City	Inventory (sqm 000)	wow	yoy	Inventory period	wow	yoy
Beijing	11,505	3%	22%	28.1	-10%	112%
Shanghai	7,700	-2%	1%	7.7	-14%	27%
Guangzhou	8,121	7%	-2%	12.3	10%	21%
Shenzhen	2,300	-2%	-31%	7.0	-7%	-46%
<b>Tier 1 Average</b>		<b>2%</b>	<b>-3%</b>	<b>13.8</b>	<b>-5%</b>	<b>29%</b>
Hangzhou	3,155	1%	35%	3.8	-8%	20%
Nanjing	5,911	2%	77%	7.6	19%	58%
Suzhou	5,987	8%	6%	7.7	-1%	58%
Fuzhou	5,179	6%	64%	39.0	21%	100%
Jiangyin	4,148	2%	-6%	21.5	-1%	20%
Wenzhou	10,723	1%	13%	16.4	-16%	80%
Quanzhou	7,116	0%	8%	47.5	-7%	96%
Ningbo	2,858	4%	-9%	4.9	-8%	25%
Dongying	1,664	1%	10%	3.6	35%	-60%
<b>Overall Average</b>		<b>2%</b>	<b>14%</b>	<b>15.9</b>	<b>1%</b>	<b>39%</b>

Source: Local governments, CWSI Research; Note: Till 2020/4/30

## 3.2 Second-hand house transaction and price data

**Table 8: Major cities Second-hand house transaction volume, Shenzhen rose significantly YTD**

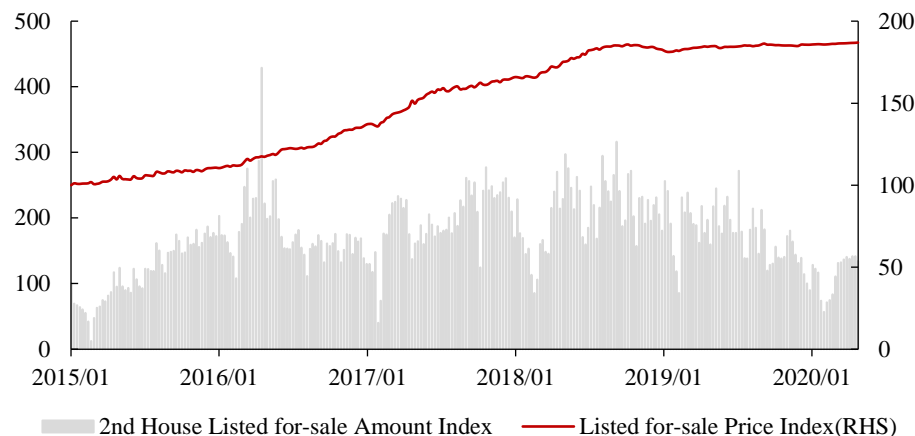
City	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	376,418	37%	34%	1,155	64%	-2%	1,155	64%	-2%	2,952	-25%
Shenzhen	197,458	27%	23%	659	-3%	12%	659	-3%	12%	2,126	44%
Hangzhou	186,635	20%	41%	606	72%	16%	606	72%	16%	1,249	-14%
Nanjing	189,151	-18%	18%	843	13%	20%	843	13%	20%	2,234	22%
Chengdu	141,670	4%	-45%	523	79%	-56%	523	79%	-56%	1,462	-58%
Qingdao	132,394	12%	19%	478	53%	3%	478	53%	3%	1,194	-6%
Wuxi	195,265	7%	39%	687	68%	20%	687	68%	20%	1,452	0%
Suzhou	141,010	21%	-48%	488	4%	-57%	488	4%	-57%	1,549	-49%
Xiamen	84,574	34%	-1%	279	34%	-41%	279	34%	-41%	804	-41%
Yangzhou	25,069	-12%	13%	113	60%	16%	113	60%	16%	246	-22%
Yueyang	11,705	-16%	-30%	53	84%	-23%	53	84%	-23%	133	-38%
Nanning	54,497	-28%	74%	187	-10%	8%	187	-10%	8%	579	-24%
Foshan	141,648	51%	-24%	396	40%	-39%	396	40%	-39%	1,133	-44%
Jinhua	108,678	11%	154%	296	183%	56%	296	183%	56%	553	35%
Jiangmen	17,823	-10%	-	74	25%	11%	74	25%	11%	170	-39%
<b>Total</b>	<b>2,003,995</b>	<b>14%</b>	<b>6%</b>	<b>6,839</b>	<b>39%</b>	<b>-15%</b>	<b>6,839</b>	<b>39%</b>	<b>-15%</b>	<b>17,836</b>	<b>-23%</b>
<b>Num. of cities Up</b>		<b>10</b>	<b>9</b>		<b>13</b>	<b>9</b>		<b>13</b>	<b>9</b>		<b>3</b>
<b>Num. of cities Down</b>		<b>5</b>	<b>5</b>		<b>2</b>	<b>6</b>		<b>2</b>	<b>6</b>		<b>12</b>

Source: Local governments, CWSI Research; Note: Till 2020/4/30



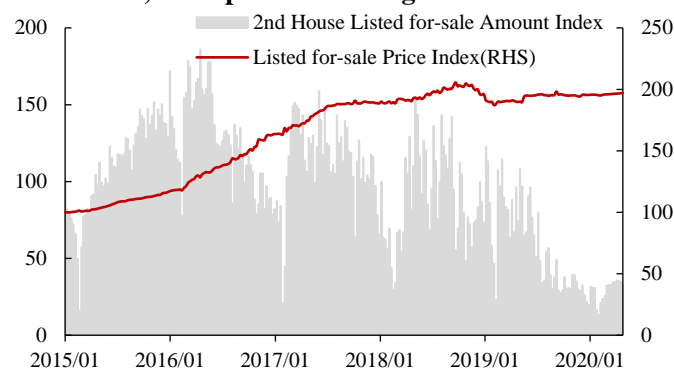


**Chart 10: 2nd house listed for-sale price index rose slightly recently**



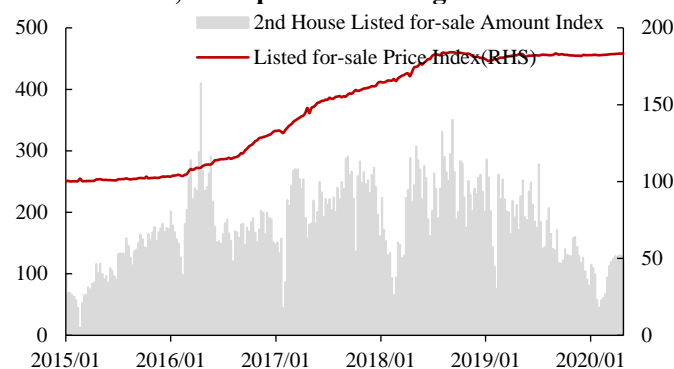
Source: Local Government, CWSI Research; Note: Till 2020/4/26

**Chart 11: 2nd house listed for-sale amount index rose in tier-1 cities, with price remaining stable**



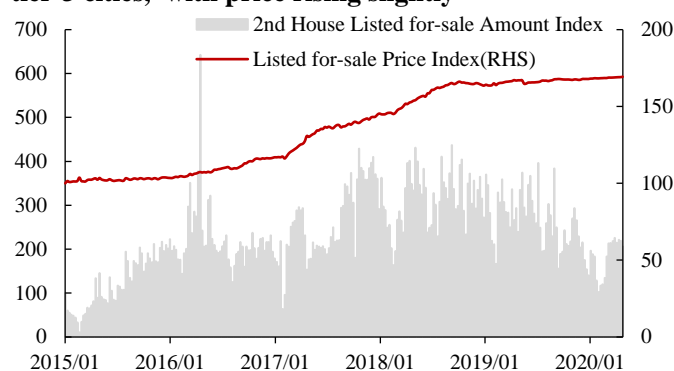
Source: Local Government, CWSI Research; Note: Till 2020/4/26

**Chart 12: 2nd house listed for sale amount index rose in tier-2 cities, with price remaining stable**



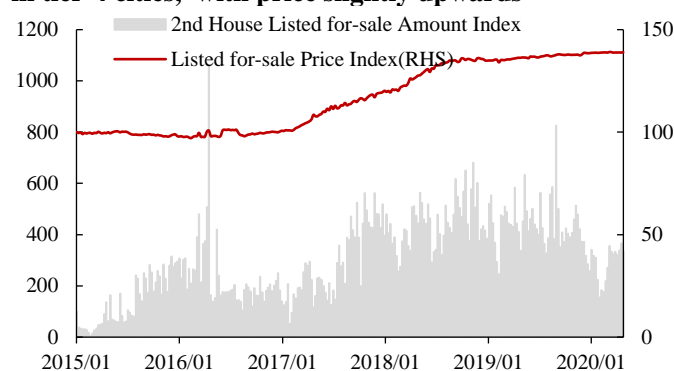
Source: Local Government, CWSI Research; Note: Till 2020/4/26

**Chart 13: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly**



Source: Local Government, CWSI Research; Note: Till 2020/4/26

**Chart 14: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards**



Source: Local Government, CWSI Research; Note: Till 2020/4/26

## 4. Important Policies and News

### 4.1 Important Industry Policies News This Week

**Table 9: Important Industry Policies News This Week: The State Council agreed to the framework plan of China-Korea (Chang Chun) International Cooperation Demonstration Zone; Sichuan Official reply on approving the establishment of Chengdu East New Area in Chengdu**

Date	Region / Institution	Summary
2020-04-27	The State Council	Agreed to the framework plan of China-Korea (Chang Chun) International Cooperation Demonstration Zone.
2020-04-28	Zhejiang	Parents living with grown-up children could take refuge and register for permanent residence and their ages are unconstrained; Restrictions on dormitory are cancelled; Incubators, mass innovation spaces, characteristic towns, talent apartments, and serviced apartments are supported to set up collective households.
2020-04-28	Wuhan	Formulated guiding opinions on reasonably delaying the delivery time of commodity house projects, reasonably delaying the repayment period of commodity house, and allowing lack of relevant formalities for the enrolment of children of the commodity house buyers, etc.
2020-04-29	NDRC, MOHURD	Strictly restrict the blind planning and construction of super high-rise "skyscrapers" in all places. New buildings of more than 500 meters are generally not allowed to construct; strictly restrict the construction of new buildings of more than 250 meters.
2020-04-29	Sichuan	Official reply on approving the establishment of Chengdu East New Area in Chengdu.

Source: Wind, Government website, CWSI Research

## 4.2 Key financial results announced this week

**Table 10: Key financial results announced this week: In 2019, ZhongnanConstruction realized revenue of RMB 71.83bn (+79.1%), net profit attributable to owners of the company of RMB 4.16bn (+89.8%); In 2020Q1, Vanke realized revenue of RMB 47.77bn (-1.2%), net profit attributable to owners of the company of RMB 1.25bn (+11.5%)**

Company	RIC	Revenue		Net profit attributable to owners of the company	
		(RMB bn)	YoY	(RMB bn)	YoY
2019FY					
Zhongnanconstruction	000961.SZ	71.83	79.1%	4.16	89.8%
OCT HOLDING	000069.SZ	60.03	24.6%	12.34	16.7%
BJ Capital Development	600376.SH	47.65	19.9%	2.76	-12.9%
CECL	600675.SH	13.28	-31.1%	2.34	-9.7%
WGQ	600648.SH	8.94	15.6%	0.88	7.0%
NJGK	600064.SH	2.91	-14.4%	1.84	92.2%
2020Q1					
Vanke	000002.SZ	47.77	-1.2%	1.25	11.5%
PRE	600048.SH	23.82	5.5%	2.38	2.6%
CMSK	001979.SZ	11.80	171.2%	0.54	-79.5%
Risesun	002146.SZ	8.21	23.3%	0.88	12.8%
Future Land	601155.SH	7.09	63.8%	0.27	32.0%
OCT HOLDING	000069.SZ	6.82	-13.9%	0.84	-30.0%
CINDA REAL ESTATE	600657.SH	6.80	469.6%	0.49	18590.2%
Yango	000671.SZ	6.71	11.8%	0.43	40.7%
LJZ	600663.SH	4.15	7.8%	0.76	-12.7%
BJ Capital Development	600376.SH	3.82	-54.1%	0.31	-13.4%
SMC	600823.SH	2.81	-11.9%	0.21	-18.0%
WGQ	600648.SH	1.73	-47.1%	0.10	-82.6%
GOLDEN BRIDGE	600639.SH	1.60	92.7%	0.44	95.4%
SID	600748.SH	1.59	-8.5%	0.17	4.7%
CECL	600675.SH	1.32	-80.4%	0.12	-90.8%
SLHC	600848.SH	1.22	69.2%	0.20	5.5%
BUCID	600266.SH	0.74	-53.9%	-0.69	-158.0%
CWTC Co.,Ltd.	600007.SH	0.73	-14.7%	0.20	-16.8%
SHIBEI HI-TECH	600604.SH	0.71	655.1%	0.17	1283.2%
SHWY	600641.SH	0.32	-32.0%	0.08	-62.9%
SPG	000029.SZ	0.26	-39.5%	0.03	-66.5%
ZJHTC	600895.SH	0.13	-63.1%	0.29	78.7%
SMI Holding	600649.SH	0.05	-68.4%	0.04	-85.8%

Source: Wind, CWSI Research

### 4.3 Company news and announcements

**Table 11: Company news and announcements: Times planned to issue USD 200 mn with a coupon rate of 6.0% senior notes due in 2021; Jinke planned to divide and list Jinke Property Services Group Co., Ltd. on the main board of the Hong Kong Stock Exchange**

Date	Company	Summary
2020-04-27	EverGrande	The company has granted c. 623 mn shares to certain directors and employees of the group, accounting for c. 4.7% of the company's issued share capital, with an exercise price of c.HKD 13.1.
2020-04-27	SID	The company planned to issue no more than RMB 800 mn of 5-year corporate bonds with a coupon rate of 2.74%.
2020-04-27	GreenLand	In the first quarter of 2020, the contracted sales area of real estate was 4.249 mn sqm (-29.1%), and the contracted sales was RMB 50.501 bn (-27.2%).
2020-04-27	Times	The company planned to issue USD 200 mn with a coupon rate of 6.0% senior notes due in 2021.
2020-04-28	CG Services	The company planned to issue convertible bonds with a total amount of HKD 3.88 bn. Based on the conversion price of HKD\$ 39.68, the bonds will be converted into c. 97.656 mn shares, which account for c.3.59% of the company's issued share capital and c.3.47% of the enlarged share capital.
2020-04-28	CINDA REAL ESTATE	In 2020, the cumulative contracted sales was RMB 2.63 bn (-44.5%), and the cumulative contracted sales area was 151,000 sqm (-43.2%).
2020-04-29	SID	In 2020, the company achieved cumulative contracted sales of c.RMB 260 mn (-76.4%) and the contracted sales area of c. 14,000 sqm (-81.8%).
2020-04-29	Jinke	The company planned to divide and list Jinke Property Services Group Co., Ltd. on the main board of the Hong Kong Stock Exchange and hold 75% of its shares.

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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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:**

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

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